



Strategic Report 2017

Creating sustainable value for all

PZ Cussons is a dynamic consumer products group and innovator of some of the world's best known and loved brands.

Calling on over 130 years of expertise, we operate internationally in carefully selected developed and emerging markets which present the greatest strategic potential for future growth. Our world-class supply chain and distribution networks enable us to meet global consumer needs and deliver quality brands which add value and enhance everyday lives.

Our 2017 Report

Our Annual Report is split into two distinct reporting sections: a Strategic Report, and Governance and Financial Statements. These documents are to be read in conjunction with each other.



Strategic Report

The Strategic Report provides an overview of how the Group operates and provides insight into our strategy, business model, people and vision.

Governance and Financial Statements

The Governance and Financial Statements provides an in depth analysis of the Group's annual results and governance processes.



Online

Digital, downloadable copies of the two reports are available online at:

www.pzcussons.com



Imperial Leather,
our iconic family favourite
keeps on innovating.



Read more at
www.imperialleather.com

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Mission

Enhancing the lives of consumers through sustainable, quality and innovative brands.

Vision

To be a leading consumer brand of choice in our operating markets, delivering innovative, sustainable products created by exceptional people in a unique CAN DO culture that embraces integrity, diversity and drives the passion to succeed.

Values

Our CAN DO values are inspired by the spirit of our founders.

Financial highlights

Consistent performance in a challenging environment

Group highlights

- ▶ The Group delivered a solid performance with profit before tax slightly ahead of the prior year despite a challenging macroenvironment particularly in the Group's largest market of Nigeria
- ▶ Brand shares maintained or growing in all the Group's major markets and categories
- ▶ Successful on-time completion of three year project to implement SAP in all markets
- ▶ Strong balance sheet with net debt at 1.1 x EBITDA
- ▶ Dividend increased 2.1% marking 44th consecutive year of year-on-year increases

Financial highlights

Reported results (before exceptional items¹)

	Year ended 31 May 2017	Year ended 31 May 2016	Reported % change	Constant currency % change ³	Like for like % change ⁴
Revenue ²	£809.2m	£821.2m	(1.5%)	0.9%	0.9%
Operating profit	£106.3m	£108.5m	(2.0%)	(0.9%)	(0.9%)
Profit before tax	£103.5m	£103.0m	0.5%	1.7%	1.7%
Adjusted basic earnings per share	16.85p	17.22p	(2.1%)	(2.2%)	(2.2%)

Statutory results (after exceptional items¹)

Operating profit	£90.8m	£89.2m
Profit before tax	£88.0m	£83.7m
Basic earnings per share	15.34p	16.16p
Total dividend per share	8.28p	8.11p
Net debt ⁵	(£143.8m)	(£147.1m)

¹ Exceptional items before tax (2017: costs £15.5m; 2016: costs £19.3m).

² Excludes joint ventures revenue of £157m (2016: £176m).

³ Constant currency comparison (2016 results retranslated at 2017 exchange rates).

⁴ Like for like comparison after adjusting 2016 for constant currency and 2017 for acquisitions and disposals in current and prior year.

⁵ Net debt, above and hereafter, is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings.

Chair's statement

Growing and maintaining market share

"The Group's strategy of ongoing brand innovation and renovation continues to underpin our ability to maintain and grow our market share."

Solid performance

This is my first Annual Report as Chair, following the retirement of Richard Harvey on 31 December 2016. I am pleased to report the Group has delivered a solid set of results for the year ended 31 May 2017, with profits slightly ahead of the previous year.

These results have been achieved despite a significant year-on-year currency devaluation in the Group's largest market Nigeria and general tough trading conditions in most of the markets where we operate.

The Group's strategy of ongoing brand innovation and renovation continues to underpin our ability to maintain or grow our market share throughout all of the Group's major operating markets.

In Nigeria, our experience and flexibility to ensure our products are sold in the right sizes and at the right price points has enabled us to deliver a creditable result against the backdrop of a weaker currency and poor liquidity.

Board changes

In addition to Richard Harvey, Professor John Arnold also retired as a Non-executive Director in December 2016. The Board welcomed Jez Maiden as a Non-executive Director in November 2016 and he was appointed Chair of the Audit & Risk Committee in January 2017.

On 25 July 2017 we announced the impending retirements of Chris Davis, Group Chief Operating Officer and Ngozi Edozien as Non-executive Director. Chris joined the PZ Cussons Board in 2006 and the Board wishes to express its thanks to Chris for his significant contribution to PZ Cussons over the past 24 years and for the leading role he played in the Company's recent business transformation programme. On retirement, Chris will be returning to his native Australia and, on behalf of the Board and the wider business, I would like to wish him a long and happy retirement.

We would also like to extend our thanks to Ngozi for the input and wise counsel which she has given during her six years on the Board, both in respect of Nigeria but also more broadly, given her extensive international business experience. We wish her well in the future and thank her for her commitment to PZ Cussons.

Future growth

The Group's balance sheet remains strong with net debt at only 1.1 x EBITDA and, together with lower capital expenditure requirements following the completion of the SAP project, provides flexibility to take advantage of new investment opportunities as they arise.

Despite consumer confidence remaining fragile in most markets, the Group remains well placed to deliver full year expectations. The Board is pleased to declare a final dividend of 5.61p, which represents the Company's 44th consecutive year of full year dividend growth.

**Caroline Silver
Chair**

25 July 2017

Chief Executive Officer's review

Delivering growth efficiently into the future

"Successfully completing our three year SAP business transformation project on time has been a huge achievement, helping us to deliver future growth."

The Group delivered a solid performance in the year to 31 May 2017 with our reported profit before tax slightly ahead of the prior year despite a challenging macroenvironment, particularly in the Group's largest market of Nigeria.

The results have been underpinned by a robust performance from the UK's washing and bathing and Beauty divisions, combined with good growth momentum in Indonesia and relatively good trading in Nigeria, despite a year-on-year currency devaluation and lack of liquidity.

It is particularly pleasing to see that brand shares have either been held or grown in all of the Group's main markets and categories. In line with our strategy to keep our brands alive and relevant to consumers, this year we have seen significant brand renovation. Activities included the global refresh of the Group's largest brand Imperial Leather and a relaunch of the Cussons Kids range in Indonesia. Innovative new products have also been created including a new sub-brand within the Beauty division, Being by Sanctuary Spa, which is specifically targeting the millennial consumer.



Our renovation strategy keeps our brands alive and relevant to our international consumers, helping us to hold and grow brand shares in all of the Group's main markets and categories.

Transformation

This year a huge achievement for the Group has been the successful on-time completion of our three year project to implement a standard SAP solution, which is now up and running across all of our markets. This marks an important milestone in delivering our transformation agenda and positions the Group well to deliver growth into the future.

Margin improvement

To mitigate the largely currency related increases in raw material costs we have implemented margin improvement initiatives throughout the Group's supply chain. Overall, there has been a tight control of overheads to ensure the Group's cost base is optimised for the challenging market trading conditions that are likely to persist.

As a Group we continue to focus on delivering sustainable value. I believe that we have built a solid platform for future sustainable growth, by leveraging our flair for innovation to help us to compete within challenging markets and by drawing on our CAN DO values and experience.

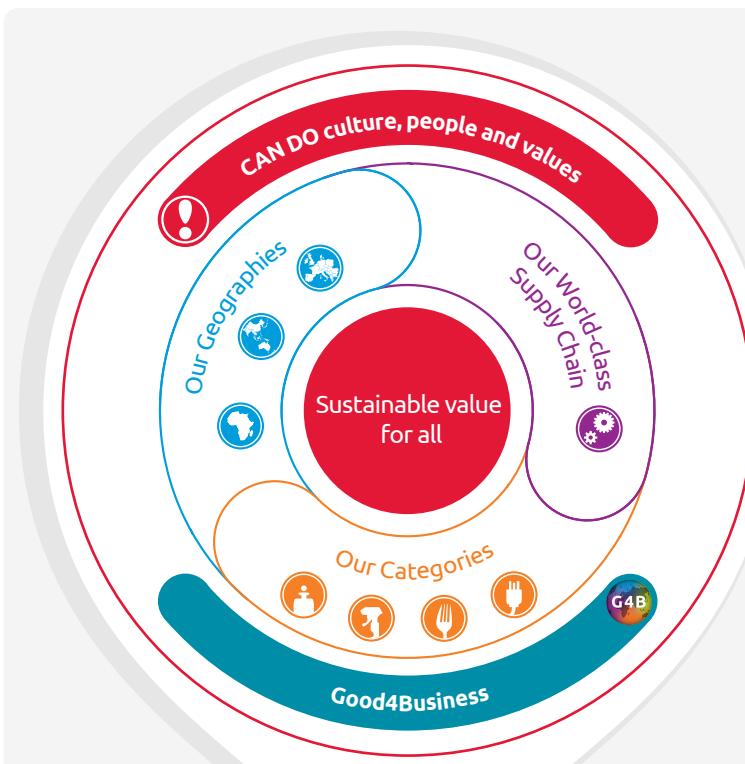
The Group's balance sheet remains strong and we remain open to growing our business through acquisition and taking advantage of the right development opportunities as they arise.

Alex Kanellis
Chief Executive Officer
25 July 2017



Our Business Model

Creating value through our unique business model



Our business model

Our Geographies



Operations in a carefully selected balance of international geographies.

- **Africa** Nigeria, Ghana, Kenya
- **Asia** Indonesia, Australia, Thailand, Middle East
- **Europe** UK, Poland, Greece

Our Categories



Consumer brands which occupy No1 and No2 leading market share positions in four main categories.

- **Personal Care**
- **Food & Nutrition**
- **Home Care**
- **Electricals (Africa only)**

Our World-class Supply Chain



Flexible supply chain capabilities reinforced by a modern factory footprint and excellent distribution networks.

- **Modern factory footprint**
- **Excellent distribution network**

CAN DO

Unique culture, talented people and strong values.



Living our values

- **Courage | Accountability | Networking Drive | Oneness**

Good4Business



Further integration of sustainability throughout the business.

- **Business Governance & Ethics**
- **Environment**
- **Sourcing**
- **Community & Charity**

Read more on pages 8-23 and 40-43

Our vision

To be a leading consumer brand of choice in our operating markets, delivering innovative, sustainable products created by exceptional people in a unique CAN DO culture that embraces integrity, diversity and drives the passion to succeed.

Delivering long-term growth in earnings and dividend per share.

Key strategic focus	Risks
Delivering growth and expansion across all of our geographies	<ul style="list-style-type: none"> ➊ Political and social instability ➋ Exchange rate volatility ➌ Taxation ➍ Brexit
Leveraging our market-leading brands across all of our categories	<ul style="list-style-type: none"> ➊ Demand risks ➋ Product safety and quality
Creating a world-class supply chain to optimise business and operational efficiency	<ul style="list-style-type: none"> ➊ Material price fluctuations ➋ Third party supplier management ➌ Supply chain disruptions
Embracing our CAN DO spirit and culture to build clear differentiation	<ul style="list-style-type: none"> ➊ Staff recruitment and talent selection ➋ Staff retention
Integrating Good4Business principles into our global operations	<ul style="list-style-type: none"> ➊ Sustainability and integrity of raw materials ➋ Climate change mitigation and adaptation ➌ Reputational risks ➍ Consumer safety ➎ Public health ➏ Legal & regulatory compliance

 Read more on pages 34-39

How we create value

For investors

44 years of consecutive dividend growth
Strong management structure
Stringent cost controls

For consumers

Innovative, quality, market-leading brands

For employees

Living CAN DO values and policies
State-of-the-art factories and office facilities

For sustainability

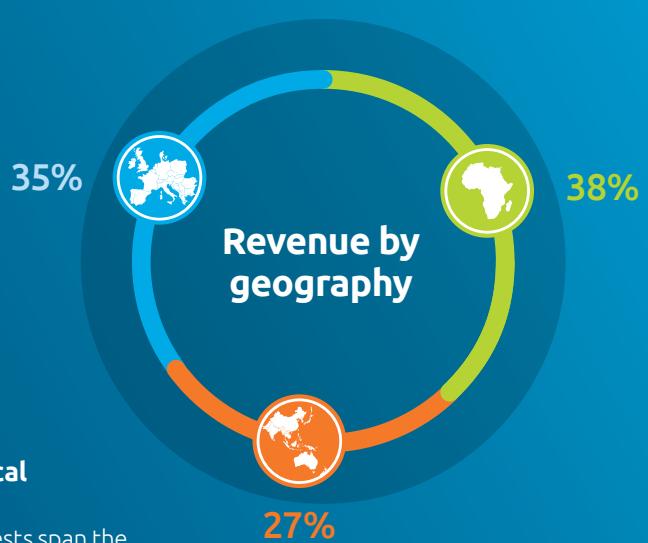
Good4Business policies, good governance and strong business ethics



Our Geographies

Our diverse and global operations...

We operate in a carefully selected balance of geographies in Africa, Asia and Europe. Our largest markets are located in Nigeria, the UK, Indonesia and Australia.



Trading history

We have a long-standing trading history in all of our markets and this plays a significant part in the reason why we trade in the geographies that we do. In the Group's early days over 133 years ago, our trade was focused solely on Africa, in particular West Africa, where our roots are deeply entrenched today. Within the African market we have operations in each of our four categories.

Our expansion into the diverse global balance of geographies we operate in today started in the 1970s, through strategic acquisition on entry into new markets which included the UK, Australia and Kenya. This geographical expansion continued throughout the 1980s and 1990s into markets such as Poland, Thailand and Indonesia.

Maximising geographical opportunities

Our Group's business interests span the developed economies of the UK and Australia, as well as two of the world's largest emerging economies, Nigeria and Indonesia. Operating in both developed and emerging global economies helps us to balance our risk profile.

Over the years, strategic acquisitions have reduced our dependence on the Nigerian market. Careful rebalancing and expansion into new categories have provided us with a greater proportion of profit and cash flow from developed markets to balance the short-term volatility in emerging markets, which offer medium and long-term growth opportunities.

We have built an effective model which enables us to capitalise on brand expansion opportunities as they arise in neighbouring geographies without establishing a significant on the ground presence. This model uses third party distributors and is working well for us within South East Asian markets for our Food & Nutrition products and also in America and Canada for our Beauty ranges.

Europe**Revenue****£280.9m**

(2016: £275.8m)

Read more on pages 32-33

UK Poland

Greece

Middle East

Ghana Nigeria

Kenya

Africa**Revenue****£305.6m**

(2016: £357.2m)

Read more on pages 28-29

Asia**Revenue****£222.7m**

(2016: £188.2m)

Read more on pages 30-31

Thailand

Indonesia

Australia

New Zealand



Our Geographies

... providing global brand reach and opportunities



Our diverse geographies spanning developed and emerging economies provide significant market knowledge, global reach and opportunities for our Group brands.



Mamador creates consumer choice

Mamador's quality cooking oil and flexible pack sizes have weathered the market's volatile economic conditions to deliver strong market share growth and financial results. The brand's consumer metrics showed strong brand health development, with growing consumer loyalty, penetration and buying rates. These results were achieved by defining and developing brand positioning and through a number of key initiatives including the Mamador Million Hearts Campaign, whilst also offering consumers a greater choice of affordable pack sizes.



Rafferty's Garden range expansion



In Australia, Rafferty's Garden continues to cement its leadership in the Baby Food category with the launch of 17 new products. The range extension offers nutritionally enhanced products to support children's growth and development, launching across multiple segments of cereals, meals and snacking. Altogether, this sees the brand reaching an unprecedented 40% volume market share against our key competitors, especially in Woolworths supermarkets.



Transforming the way women moisturise

Our No1 indulgent pampering brand Sanctuary Spa has launched the ultimate body moisturizer, Wet Skin Moisture Miracle. This leave-on body lotion is a UK first to market for the brand and is applied to soaking wet skin immediately after showering. The product uses new technology which works with humidity and water to absorb faster into the skin and lock in double the moisture. Following its launch in mid 2017, Wet Skin Moisture Miracle is already trending as the No1 product across the brand.





Our Categories

No1 or No2 leading market share positions...

We create consumer brands to remember and enjoy and we operate in four main categories where our brands have a distinct strategic advantage and occupy No1 or No2 leading market share positions.



Personal Care

In our Personal Care category we manufacture and sell bar soap, liquid hand wash, shower gel, skincare and haircare products in each of our Africa, Asia and Europe geographies.

The Group's Beauty division is included within this category with brands such as St.Tropez, Sanctuary Spa and Being by Sanctuary Spa.

In this category we have a diverse portfolio split into international, regional and local brands. An example of an international brand is Imperial Leather as this brand is marketed globally. Cussons Baby is one of our regional brands and is available within Asia and Africa. A local brand example is Venus which is only marketed in Nigeria.

In all of our operating markets we aim to take advantage of the Group's supply chain and distribution synergies and where possible, we market our brands across multiple geographies. We match the needs of our local, regional and international consumers to our brand portfolio, helping to balance the demand through group sourcing, including common formulations, packaging, fragrances and the fulfilment capabilities of our supply chain.



Home Care

In our Home Care category we sell brands that fall into two segments – Dish Care and Fabric Care.

Dish Care

Our Dish Care brand is called Morning Fresh and is sold in most of our geographies. It is also an example of where we utilise our liquid production synergies across Personal Care and Dish Care.

Fabric Care

We have Fabric Care brands in both developed and emerging markets. The majority of the Group's Fabric Care brands of laundry soap, bulk and packaged washing powders are sold in our emerging markets, particularly in Nigeria. Examples of our main African brands are Cano and Zip. In our developed Australian and New Zealand markets we have two Fabric Care brands called Radiant and Duo.





Electricals (Africa only)

Nigeria is the home of our Electricals operations and where we are partnered with Haier, one of the world's largest producers of white goods. Products are sold under the brand name Haier Thermocool and are designed specifically for the African market. We are No1 in Nigeria for refrigerators and freezers, whilst market shares in other sub categories, such as air conditioners and washing machines continue to grow.

To retail and market these products, we operate a small chain of retail outlets in Nigeria and Ghana. Sales through the stores account for around 5% of total electrical sales.



Food & Nutrition

Our Food & Nutrition category is where we have seen the most expansion in recent years, adding to our brand portfolio through acquisition. The focus in this category is on value add nutritional or organic products and we have brands in three segments: dairy products, cooking ingredients and baby food.

Dairy products

Our largest dairy market is in Nigeria served by our Nutricima business. Here we sell powdered, evaporated and UHT dairy based products under the brands Nunu and Olympic.

Australia is the base for our other dairy business five:am, which we acquired in 2014. The core product range was originally organic yoghurt, however in the past year we have extended the portfolio to include granolas and smoothies.

Cooking ingredients

We have two cooking ingredients businesses located in Nigeria and Greece. Our largest cooking ingredient operation is in Nigeria through our joint venture partnership with Wilmar International (PZ Wilmar). Here we sell cooking oil under the brands of Mamador and Devon King's.

Our food and cooking ingredient business in Greece operates under the Minerva brand and offers edible oils, spreads, vinegars and cheeses.

Baby food

Our baby food brand Rafferty's Garden was acquired in 2013 and is based in Australia. Our products are made from natural ingredients and sold in pouch format. In the past 12 months the brand has successfully expanded its product range to include snacks and is currently sold in Australia, New Zealand and China.





Our Categories

... helping us to win through innovation



We win through keeping our brands fresh and relevant for consumers through a programme of renovation and innovation.



Imperial Leather Sweet Treat range

Inspired by consumer trends relating to food ingredients, Imperial Leather launched a 'sweet treats' range of shower and bath products in 2015 which continues to go from strength to strength. Key variants are Marshmallow and Cherry Bakewell, which have proven very popular and are now among the best sellers for the whole Imperial Leather range. Additionally, these variants offer something very distinctive and have attracted a younger consumer to the brand. A great deal of organic social media coverage has been created to achieve significantly increased year-on-year sales.



Morning Fresh Ultimate's breakthrough innovation

Morning Fresh is Australia's No1 Dish Care expert, delivering breakthrough innovation into the Australian market in 2017. Our best formulation yet, Morning Fresh Ultimate is formulated with enzymes, to remove tough baked-on food. The key benefit is the power of an overnight soak with one squirt delivering the best result in dishwashing and getting the job done first time. This best in class formula development has created a premium category in dishwashing.



Thermocool delivers 'Peace of Mind'

The Haier Thermocool brand has further reinforced its leadership position in our African Electricals category with its recently launched 'Peace of Mind' campaign. The campaign highlights the brand's pedigree of performance, durability and after sales service, building on the consumer's trust and confidence in the brand. The 'Peace of Mind' campaign was launched across billboards, our Coolworld retail stores and online, giving consumers one more reason to choose Haier Thermocool over our competitors.



Creativity and inspiration reaches TOP level

The new balsamic glazes portfolio has strengthened TOP brand's popularity within the Food & Nutrition category. TOP is the No1 vinegar in the Greek market and has 83 years of brand heritage, creating innovative products which inspire cooks throughout Greece. This versatile range is now enriched with new 'salty' flavours that straddle the borders between balsamic glazes and cooking sauces, befitting their brand motto of 'fits everywhere'.





Our World-class Supply Chain

Modern supply chain operations...



Our flexible supply chain capabilities are the backbone of our international businesses, reinforced by a modern factory footprint and excellent distribution networks.

Our manufacturing processes

We manufacture products throughout Africa, Asia and Europe. We source our products through a combination of our own factories, whilst also outsourcing production to carefully selected third party manufacturers. In this way we ensure we maximise efficiencies and can flex our production output to meet our future short to medium-term needs.

Our modern factory footprint spans:

Africa

In Nigeria the Group operates three large factory sites serving our West Africa consumers. These factory operations represent one of our key strengths within the region and are significant Group assets.

Our largest site is at Ikorodu just outside Lagos. This is where most of our Personal Care and Home Care products are manufactured. It is also the home of our Food & Nutrition operations. Our second factory facility is located at Aba in South East Nigeria and is responsible for our laundry and toilet soap manufacture.

Our third location is in Lagos next to the Group's Nigeria headquarters and contains our white goods production facility.

Europe

In the UK we operate an integrated centre of excellence and state-of-the-art liquid manufacturing facility in Agecroft, Manchester which mainly supplies our UK and Polish markets. To maximise efficiencies this facility operates on a 'just in time basis'.

Our in-house perfumery, Seven Scent is also located at Agecroft and focuses on fragrance innovation and manufacturing for the majority of the Group's product portfolio. Our personal wash innovation facility is also housed on the Agecroft site and gives the Group an integrated centre of excellence for personal wash research, development and manufacture.

In Greece our modern food production facilities produce a range of edible oils, vinegars, spreads and cheeses.

Asia

Manufacturing activities at our Thailand factory concentrate on bar soap production for both the Europe and Asia markets. Liquid products for all of our Asian personal care markets are produced in our Jakarta factory in Indonesia.

Global procurement

Singapore is the headquarters for our global procurement operations and covers all categories and markets across the Group.

Managing regional challenges

Within our African operations we encounter a number of regional challenges including inconsistency of power and raw material supply. To ensure the continuity of production we run on-site electricity generators and, where possible, have introduced vertical integration for raw material and packaging supply.

In Kenya our production facility focuses on Personal Care products for the East Africa region.

Regional product distribution

We tailor our regional product distribution to the needs of our local markets.

Our developed market distribution process for consumers in Europe and Asia is mainly through supermarkets and other retail chains, utilising third party logistics providers to dispatch products direct from our factories and third party manufacturers to retailers.

For the emerging markets of Nigeria, Ghana, Kenya and Indonesia, we believe our supply chain footprint and local regional know-how is one of the Group's greatest assets. In these markets we have tailored our logistics model to specific markets. An example of this is in Nigeria where there are very few supermarket chains and consumers shop within a mix of open 'wet' markets, individual traders and small stores. Over recent years to successfully serve the region's vast geography and respond to the needs of the consumer and the market traders, we have developed a comprehensive Active Distributor network. This means our national multi-depot distribution network dispatches directly to approved Active Distributors who then supply locally to smaller retailers and wet markets.



Our World-class Supply Chain

... flexible, agile
and world-class



Supported by new technology and processes we are building a world-class supply chain. We are delivering increased business flexibility, greater agility to market and a first class distribution network.



Business transformation

Eagle – We are flying

Our three year global SAP business transformation programme called Eagle is now live across all of our markets – Africa, Asia and Europe.

The standard SAP solution has been delivered over three years in three separate waves. Wave 1 in Asia (January 2016), Wave 2 in Africa (November 2016) and the final stage of the SAP project was delivered in June 2017 when Wave 3 went live in Europe.

Eagle forms the core part of delivering the Group's new operating model. It will enable the Group to simplify our processes, systems and data, whilst ensuring best practice and consistency to support future sustainable growth.

All three waves went live on schedule drawing from expertise throughout the business and working with a cross-functional team comprising 18 nationalities, representing employees from all of our geographies and cultures. The standard SAP solution was delivered working closely with our implementation partners IBM and T-Systems.

The Group is already seeing significant improvements in business process, controls and visibility across the business and expects to see additional improvements during this financial year.





CAN DO

CAN DO!

Our people, our greatest asset



Our CAN DO values are as relevant as ever

Our operating model, and as a result, our job roles have changed over the past few years and we remain focused on recruiting people who embody our CAN DO values.

It is these enduring values that make PZ Cussons the unique business it is today. It is also these values that attract people to PZ Cussons as an employer and motivate people to want to stay with us. Over 27% of our employee population has over 15 years' service with the business, and following a three year period of significant change, our overall employee retention is still greater than 90%.

Over the past three years, to promote sustainable growth, we have been transforming our organisation to work more effectively both globally and regionally. Moving to an integrated matrix organisation has required a shift in skills, capabilities and behaviours.

In particular, we identified the need for a different method of leadership than we previously exercised. Last year, our organisational leaders came together and developed the definition of a PZ Leader who will drive and sustain our business through change and demanding business priorities, now and in the future.

As a result of this work, we created the PZ Leader profile. This in-depth profile provides clarity on what we expect from our leaders and also informs the design of our global leadership curriculum, The PZ Way of Leading. Our leadership curriculum targets senior and mid-level leaders with the aim of building the skills, capabilities and mind-sets needed to successfully lead in our matrix organisation.

Over the past year, we have rolled out the curriculum globally across all our functions and at multiple levels, building a pool of local talent in our Asia and Africa regions. Additionally, for some of our future leaders, we have invested in

executive coaching to provide focused and intensive leadership development support to drive specific behavioural shifts.

In addition to leadership development, we have continued to build sales capability in traditional and modern trade across commercial teams in Africa and Asia, as well as marketing capabilities with our marketeers.

Following our global implementation of SAP, employees have been trained accordingly on both system and process changes.



**Good4Business**

On a mission to be Good4Business



We are G4B

We are on a mission to be Good4Business (G4B) in every aspect of our organisation. We believe passionately that business can be a force for positive change. We have always aimed to make a positive impact on society through the products which we sell, the way in which our products are designed, manufactured and packaged and through the contributions we make to the communities in which we operate.

We do this because we know that it's the right thing to do, but also because we believe that it is Good4Business. By forging strong links with our local communities and mutually beneficial relationships with our business partners, conducting our activities with integrity and responsibility and by helping to conserve the planet's precious natural resources, we are creating sustainable value for all of our stakeholders, now and into the future.

Our G4B approach provides us with a clear framework for how we should conduct our business activities in our different geographies and across all of our product categories. It ensures that creating sustainable value for all sits at the heart of everything we do. Specifically, it provides four areas of focus that we call 'lenses', – through which we can assess our business and ensure that creating sustainable value is integrated into all of our day-to-day decision-making:

- Business Governance & Ethics
- Environment
- Sourcing
- Community & Charity

[Read more on pages 40-43](#)

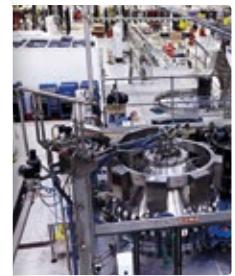


Safety starts with me

The continued health and safety of our employees, contractors and visitors is of critical importance. During the year we have continued to invest in health & safety initiatives across all parts of the business. Each of our operations around the world is now accredited to the international OHSAS18001 safety standard, with one exception which has plans in place to achieve accreditation within the next 18 months. Initiatives like 'Safety starts with me' at our Tangerang factory in Indonesia have established a robust safety culture and a pride in the workplace.

Environmental progress

This year we have continued to embed G4B globally within our supply chain and manufacturing processes to reduce carbon, water and waste. Building on our good progress of previous years, we are pleased to confirm that we have once again exceeded our absolute reduction targets in all areas. Water usage was reduced by 16%, carbon footprint was reduced by 9.7% and waste has been reduced by 54%.



G4B in action

Our long-time association with Seashell Trust enables the business and its employees to help transform the lives of children who are living with complex and severe learning disabilities and their families and we continue to provide funding to help them to thrive in a happy and secure environment.

Our funding helps Seashell Trust work with pupils such as Daniel Follen, pictured with artist Lauren Mularkey, to be part of art projects. This felt picture was presented to Her Majesty The Queen, Patron of Seashell Trust, to celebrate Her Majesty's 90th birthday and will be exhibited at Buckingham Palace this summer.

Training for modern plantations

PZ Wilmar operates approximately 26,500 hectares of oil palm plantations in Cross River State in Nigeria, providing direct employment to over 3,000 people. This makes the company the second largest employer in the state after the Nigerian Government.

To address the industry's skills gap, PZ Wilmar started a training programme to equip new university graduates with modern plantation management skills. Recruits go through an intensive six month classroom and field training programme before joining the company at supervisory level. PZ Wilmar has also prioritised infrastructure development, as well as building and maintaining schools and medical facilities to benefit workers and local communities.



Q&A with Alex Kanellis

Finding solutions and reacting quickly to opportunities is fundamental to the way we do business

What are your views on the business's performance this year?

It's been another challenging year for international trade, so to return a solid set of results with profits slightly higher than last year is pleasing. I believe it reflects our long-gained experience of adapting how we operate within difficult markets. The impact of currency depreciation has meant that we have needed to work harder to achieve these results, whilst also combatting tough

trading conditions and low consumer confidence in all of our markets. Our results have been aided by our ongoing strategy, underpinned by brand innovation and renovation which plays a huge part in the continued consumer success and relevance of our brands and products, while our ongoing programme of margin improvement initiatives has also been key in ensuring our bottom line is delivered.

How do you feel about successfully completing the three year SAP programme?

The Board is delighted that we have successfully implemented SAP across all of our operations and delivered the project on schedule. It has been a huge achievement and, since June, the entire Group is now working on one system.

Key to this successful implementation is that we chose to adopt the standard SAP solution and to mobilise staff in all of our regions to work closely with system integration partners IBM and T-Systems. The completion of the SAP project marks an important step towards completion of our business transformation journey and firmly sets us up to deliver future sustainable growth.

What steps is the Group taking to mitigate the effects of currency fluctuation on the business?

Ongoing currency fluctuations remain a challenge for the business and this long-term situation is likely to persist. Working on this basis, margin improvement initiatives have taken place across the Group's supply chain to mitigate the largely currency related increases in raw material costs combined with tight control of overheads to ensure our cost base is optimised. Helping our consumers to buy the trusted brands they want at prices they can afford is important to us. In particular, in our African markets where consumers are under significant inflationary pressure, we have built on our local knowledge and created new product sizes at different

"The Group's balance sheet remains strong with net debt at only 1.1 x EBITDA and, together with lower capital expenditure requirements following the completion of the SAP project, provides us with the flexibility to take advantage of new investment opportunities as they arise."

price points to reflect their budgets. We are sensitive to the needs of our consumers and we are being rewarded for our approach with increased market share and consumer loyalty.

What affect do you think Brexit will have on the business?

When the time comes our business will be ready. We have been balancing macroeconomic and political conditions in other markets around the world since 1884. Our established UK factory and supply chain operations give us the agility and flexibility to help us respond to the needs of our UK consumers and future developing market conditions. UK consumer confidence is likely to remain low until the impact of Brexit is clearer, and our focus will remain on launching exciting new products which serve and enhance their daily needs.

What does the Group's Good4Business Policy mean to you?

I am very proud of how the business has embraced our Good4Business (G4B) Policy, and the way the Group continues to operate with integrity and consideration for our stakeholders and the environment. G4B has been integrated throughout our international businesses and coordinated via the G4B Committee who ensure that initiatives are driven forward. We have made some good progress this year and

exceeded the environmental KPIs of reducing carbon, water and waste. The targets were achieved through positive action: from investing in new factory water recycling technology to replacement LED lighting schemes and by reviewing our recycling processes. Strong values and ethics have always been our guiding philosophies and our G4B principles continue to give the business this strong, ethical framework.

What appetite does the Group have for future merger and acquisition opportunities?

We are always on the lookout for the right opportunities to enhance our existing brand portfolios and to grow our business. We are extremely discerning in our choices, the businesses we consider and how we evaluate new prospects. All aspects of a business are scrutinised, from their ethics and culture to how their brands are differentiated and can meet our long-term growth agenda. Our strong balance sheet means that we are well placed to take advantage of the right future opportunities as they arise.

**44 years
of consecutive
dividend growth**



Financial overview

Delivering a solid performance against continued macro challenges

Financial highlights

Reported results (before exceptional items ¹)	Year ended 31 May 2017	Year ended 31 May 2016	Reported % change	Constant currency % change ³	Like for like % change ⁴
Revenue ²	£809.2m	£821.2m	(1.5%)	0.9%	0.9%
Operating profit	£106.3m	£108.5m	(2.0%)	(0.9%)	(0.9%)
Profit before tax	£103.5m	£103.0m	0.5%	1.7%	1.7%
Adjusted basic earnings per share	16.85p	17.22p	(2.1%)	(2.2%)	(2.2%)

Statutory results (after exceptional items¹)

Operating profit	£90.8m	£89.2m
Profit before tax	£88.0m	£83.7m
Basic earnings per share	15.34p	16.16p
Total dividend per share	8.28p	8.11p
Net debt ⁵	(£143.8m)	(£147.1m)

¹ Exceptional items before tax (2017: costs £15.5m; 2016: costs £19.3m).

² Excludes joint ventures revenue of £157m (2016: £176m).

³ Constant currency comparison (2016 results retranslated at 2017 exchange rates).

⁴ Like for like comparison after adjusting 2016 for constant currency and 2017 for acquisitions and disposals in current and prior year.

⁵ Net debt, above and hereafter, is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings.

Basis of presentation

In our Financial Statements we use performance metrics that are not recognised under IFRS. These performance metrics are used to help the readers of our Financial Statements understand underlying business performance.

Reported results, also termed adjusted, are presented before exceptional items which include certain foreign exchange losses in Nigeria, the partial recovery of a trade receivable previously provided for and restructuring costs.

The reported results for the current year are presented with variances to reported prior year results and also as variances between the current and prior year on a constant currency basis. The constant currency impact was derived by retranslating the 2016 result using 2017 foreign currency exchange rates. The adverse translational impact on revenue and operating profit was £18.9m and £1.2m respectively. As there were no acquisitions and disposals in the current or prior period the like for like impact equals the constant currency impact.

Regional results

Performance by region

Revenue ¹ (£m)	2017	2016	Reported % change	Constant currency % change ²	Like for like % change ³
Africa	305.6	357.2	(14.5%)	4.7%	4.7%
Asia	222.7	188.2	18.3%	0.1%	0.1%
Europe	280.9	275.8	1.9%	(2.4%)	(2.4%)
	809.2	821.2	(1.5%)	0.9%	0.9%

Operating profit before exceptional items⁴ (£m)

Africa	28.3	30.4	(6.9%)	15.8%	15.8%
Asia	15.9	16.4	(3.1%)	(17.9%)	(17.9%)
Europe	62.1	61.7	0.6%	(2.2%)	(2.2%)
	106.3	108.5	(2.0%)	(0.9%)	(0.9%)

¹ Excludes joint ventures revenue of £157m (2016: £176m).

² Constant currency comparison (2016 results retranslated at 2017 exchange rates).

³ Like for like comparison after adjusting 2016 for constant currency and 2017 for acquisitions and disposals in current and prior year.

⁴ Exceptional items before tax (2017: costs £15.5m; 2016: costs £19.3m).

Regional overview

Africa's results show a decline in reported revenue and operating profit of 14.5% and 6.9% respectively, and on a constant currency basis revenue and operating profit were 4.7% and 15.8% ahead of the prior year. Africa's results have mainly been affected by the translation impact of an approximate 50% devaluation of the Naira to US Dollar on the interbank market as well as a further weakening in the secondary market which has caused a transactional impact through higher costs. Successive changes to relative pricing during the course of the year have been necessary to mitigate these higher costs resulting in lower volumes being sold at higher prices. Achievement of a Sterling profit result for Africa only

"All markets have traded relatively well despite tough trading conditions, with stand-out performances from the UK washing and bathing division and strong second half trading from Asia."

slightly lower than the previous year represents a good performance considering the significant level of price, cost and volume volatility.

Asia's revenue was 18.3% higher on a reported basis and 0.1% higher in constant currency. Asia's reported revenue growth is driven by the translation benefit of a stronger Australian Dollar and Indonesian Rupiah. Asia's operating profit was 3.1% lower on a reported basis and 17.9% lower in constant currency. The first half of the year delivered low profitability in Asia as a result of particularly tough trading conditions in Australia and additional brand costs in Indonesia relating to new launches. A stronger performance in the second half of the year with good constant currency profit growth, driven by a continued improvement in profitability in Australia as well as good growth momentum in Indonesia, has delivered an overall reported profit only slightly lower than the previous year.

Europe's reported revenue and operating profit have improved by 1.9% and 0.6% respectively, and on a constant currency basis revenue and operating profit were 2.4% and 2.2% lower than the prior year. Europe's results remain the largest component of overall Group profit delivery. Results were underpinned in particular by a robust performance in the UK washing and bathing division driven by a strong product portfolio, a world-class manufacturing facility and excellent customer service, and a good performance in the Beauty division particularly in the second half of the year.

European and Australian business units went live on SAP on 5 June 2017. Sales in the final two weeks of the financial year were slightly higher as a result of selling in to key customers ahead of the system down time required for the transition to SAP.

Financial position overview

The Group's balance sheet remains strong with net debt at 1.1 x EBITDA at the year end. The key elements that affect the Group's net debt position are working capital movements and capital expenditure. Working capital was well managed during the year with a small overall net inflow. The year to 31 May 2017 was the final year of a three year project to implement SAP across the Group and hence capital expenditure levels have been higher. Going forward, no major capital projects are currently planned and therefore capital expenditure will fall to be closer to depreciation levels.

Exceptional items

A net exceptional charge of £15.5m before tax was recorded during the year (2016: charge of £19.3m). £18.6m of this charge relates to previously announced items, being the current year cost of the Group Structure and Systems project (£6.6m) and the foreign exchange losses in Nigeria relating to long outstanding trade payables denominated in US Dollars that were settled on the secondary market at higher than official exchange rates (£12.0m) in the first half of the year. An exceptional credit of £3.1m has also been recognised relating to the partial recovery of a trade receivable in Europe that was provided against in the prior year.

All of the above have been tax effected along with a deferred tax credit relating to adjustments made to the UK corporation tax rate applied to certain deferred tax positions held in the Balance Sheet.

The Group Structure and Systems project, previously announced as a total cost of £10.0m over financial years FY17 and FY18 is being extended in scope with a revised total cost of £15.0m. The additional cost relates to further refinements to the Group operating model in order to optimise the overhead base for the future. £6.6m has been

incurred in the year to 31 May 2017 and therefore £8.4m is expected to be incurred in the year to 31 May 2018 which will mark the completion of the project.

Taxation

The effective tax rate before exceptional items was 26.8% (2016: 25.5%).

Dividend

The Group aims to pay an attractive, sustainable and growing dividend. The Board is recommending a final dividend of 5.61p (2016: 5.50p) per share making a total of 8.28p (2016: 8.11p) per share for the year, a 2.1% increase and the 44th successive year of dividend increases. The overall dividend remains some 2.0 times covered by adjusted earnings per share. Subject to approval at the AGM, the final dividend will be paid on 5 October 2017 to shareholders on the register at the close of business on 11 August 2017.

Outlook

The strength and agility of the Group's brand portfolio continues to generate solid performance in all regions and new product launches are performing well. Tight controls of costs together with further margin improvement initiatives are successfully countering ongoing raw material and exchange rate volatility. Despite consumer confidence remaining fragile in most markets, the Group remains well placed to deliver full year expectations and, with a strong balance sheet, to pursue growth opportunities as they arise.

Brandon Leigh
Chief Financial Officer

Financial review

Africa



Regional highlights

- ▶ All businesses in Nigeria traded relatively well despite significant year-on-year currency devaluation and lack of liquidity.
- ▶ Group's diverse brand portfolio working well with product offerings at all price points catering for a consumer under significant inflationary pressure.
- ▶ Strong local brands, local product manufacturing and an extensive distribution network.
- ▶ In the smaller markets, profitability in Ghana was lower than the previous year due to tough trading conditions and a volatile exchange rate, profitability in Kenya was ahead of the prior year.

Revenue

£305.6m

(2016: £357.2m)

Innovation growth

The region has been helping consumers to carry on buying their favourite, trusted brands through the innovation of creating a greater choice of pack sizes and price points.

In Nigeria, low oil prices have contributed to an environment of reduced income for the country leading to continued pressure on the currency. The introduction of a new flexible exchange rate regime in June 2016 led to a 50% devaluation of the Naira to US Dollar on the interbank market. Liquidity at this rate has generally been poor throughout the year although there has been some improvement during the second half. Further currency requirements have therefore been obtained through the secondary market where rates have been volatile and significantly higher than the interbank rate. All businesses in the Nigerian market have therefore been changing pricing and sizing of products to reflect both their blended actual cost and future replacement costs.

PZ Cussons remains well placed to deal with these challenges with strong local brands, local manufacturing for all products and an extensive distribution

network. The Nigerian consumer is under significant inflationary pressure with most of their staple purchases, both local and imported, doubling in cost over the last year. The consumer's preference is therefore to buy trusted local brands and PZ Cussons is able to tailor sizes to key price points to ensure consumer needs are met. In addition, as a result of the reduced currency availability, priority has been given towards purchases of materials for our larger, faster moving product lines.

All business units across Personal Care, Home Care, Electricals and Food & Nutrition have performed relatively well in this challenging trading environment with market shares either held or grown, although volumes in all categories are lower as a result of changes to relative pricing. Achievement of a Sterling profit result for Africa only slightly lower than the previous year represents a good performance considering the significant level of price, cost and volume volatility.

Nigeria results and assets are translated into Sterling using the interbank exchange rate in compliance with International Financial Reporting Standards. Revenue in the PZ Wilmar joint venture was £156.9m (2016: £175.8m) with profit before tax at £5.8m (2016: £6.4m). The joint venture is equity accounted for and therefore whilst the revenue is not consolidated, the Group's 50% share of profit after tax is included within the Africa regional result.

In terms of the smaller African markets, whilst profitability in Ghana was lower than the previous year due to tough trading conditions and a volatile exchange rate, profitability in Kenya was ahead of the prior year.



Morning Fresh launches new sachet pack

Morning Fresh dish wash liquid continues to maintain its No1 spot in Nigeria and Kenya delivering innovation within the category. This year the brand introduced greater consumer choice with the development of a new small pack 25ml sachet. This first for the Dish Care category enabled Morning Fresh's loyal consumers to stay with the brand they know and love at prices that match their disposable income.



Tempo Multipurpose Range

In Fabric Care, we relaunched Tempo Multipurpose Detergent in a new pack size, keeping the brand within reach of our consumers and maintaining a critical price point in an environment of low consumer disposable income.

We also leveraged a similar strategy for the Dish Care liquid category, where our Morning Fresh is the premium market leader, by launching a new value offering with Tempo Multipurpose Liquid Wash.

These new products have enabled us to offer Nigerian consumers optimum value, through a combination of multipurpose formulations and affordable pack sizes.



New Imperial Leather Deo Spray

We have successfully launched the Imperial Leather deodorant spray range across our key African markets of Kenya and Ghana, and most recently in Nigeria. This range expansion is in line with our strategy of stretching the brand's strong heritage from wash to body care. The new range also helps to enhance Imperial Leather's reputation of offering long-lasting luxury products with inspiring fragrances to meet the evolving needs of our consumers.



Olympic grows brand affinity and market share

The Olympic milk brand continued to strengthen its brand positioning of 'Active for Longer' and establish differentiation within the Nigerian market.

The endorsement from our brand ambassador, R&B singer Peter Okoye, engaged thousands of consumers with his Instagram posts and generated over 50,000 views on the airing of Olympic's new TV commercial.

The brand's association with Manchester City Football Club and sponsorship of an international 5-a-side football competition have also been key factors in driving consumer affinity.



Financial review

Asia



Regional highlights

- ▶ Strong second half performance for Asia driven by continued improvement in results in Australia, despite tough trading conditions.
- ▶ A further year of good growth momentum in Indonesia with new product launches performing well. The Imperial Leather range was completely refreshed with new products such as body perfumes and the Cussons Kids range was also completely relaunched.
- ▶ Significant refresh of the Rafferty's Garden and five:am brands.
- ▶ Overall profitability for the smaller Asian businesses in Thailand and the Middle East were in line with prior year.

Revenue

£222.7m

(2016: £188.2m)

Renovation growth

Significant brand renovations successes for the Imperial Leather, Cussons Kids, Rafferty's Garden and five:am brands.

In Australia, tough trading conditions were evident in all categories, particularly during the first half of the year. A stronger second half performance was achieved through a significant refresh of the Rafferty's Garden and five:am brands, the launch of new products across all categories as well as margin improvement projects across the business. The improvement in profitability is successfully being maintained and the business is now well placed to achieve growth across the broad portfolio of Personal Care, Home Care, Beauty and Food & Nutrition.

In Indonesia, continued revenue and profit growth was achieved for the year significantly ahead of country GDP growth. This was achieved through successful renovation and innovation across the market leading Cussons Baby brand as well as significant new product launches across Imperial Leather and Cussons Kids which took place during the second half of the year. The Imperial Leather range was completely refreshed with new products such as body perfumes and the Cussons Kids range was also completely relaunched.

Overall profitability for the smaller Asian businesses in Thailand and the Middle East was in line with the prior year.

Imperial Leather Body Mist

The fragrance market in Indonesia offers our Imperial Leather brand the opportunity to tap into a growing market segment of consumers who like to layer multiple fragrance products as part of their body care regime.

Created by Seven Scent, the Group's master perfumers, Asia's new Imperial Leather body mist range consists of five body mist variants, complementing the existing range of body wash products. The launch has been supported by a TV campaign, showing how consumers can layer fragrance to achieve the biggest, freshest impact.





Relaunch for Cussons Kids Range

The Cussons Kids range was relaunched at the end of 2016, providing a complete range of kids' toiletries including body wash, shampoo, colognes and oral care.

The brand's characters Captain Energize and Princess Lovely have been modernised to reflect the active lifestyle kids can enjoy while staying clean and protected. The relaunch has been supported by an integrated TV and media campaign featuring the body care ranges and the oral care range which includes toothpaste, toothbrush and mouthwash.



Original Source – #PackMoreIn reaches over 20 million consumers

The Original Source #PackMoreIn campaign was developed to support the brand's positioning of 'packing more in' to our products and was designed to allow consumers to 'pack more in' to their lives. The campaign ran in Australia, Indonesia and the UK.

The initiative was supported with an on pack promotion allowing consumers to win one of four intense, natural experiences – including bungee jumping or cage diving with sharks. The campaign was brought to life through engaging experience videos featured across digital platforms, linked to high profile social media influencers. In total, the campaign reached over 20 million consumers, driving Original Source to its highest ever brand share of 8.9% of the shower gel category in the UK.



Financial review

Europe



Regional highlights

- ▶ Robust performance in UK washing and bathing division underpinned by product renovation and despite tough trading conditions.
- ▶ Significant innovation within Beauty division including the launch of a new range of products targeting millennials under the Being by Sanctuary Spa sub-brand.
- ▶ In the UK, the Imperial Leather range was completely relaunched and successful product launches for Carex and Original Source took place.
- ▶ Greece and Poland performance both slightly ahead of the prior year.

Revenue

£280.9m

(2016: £275.8m)

Innovation growth

Significant brand renovation and innovation projects have been completed for St.Tropez, Sanctuary Spa, Carex, Imperial Leather and Original Source.

In the UK, performance in the washing and bathing division has been robust with renovation and innovation continuing to drive good performance across Imperial Leather, Carex and Original Source despite competitive market conditions. The Imperial Leather range has been completely relaunched during the year and successful product launches have taken place under the Carex and Original Source brands. Operational excellence and customer service, underpinned by the world-class factory and innovation centre in Manchester, remains important in servicing the broad customer and consumer base.

In the Beauty division, whilst first half performance was affected by a poor summer last year which impacted sales of St.Tropez in the UK, performance in the second half across St.Tropez, Sanctuary Spa, Charles Worthington and Fudge has been strong. A full relaunch of the Sanctuary Spa brand took place with a new product range and a more premium look and feel. A new sub-brand, Being by Sanctuary Spa, was launched towards the end of the financial year targeting younger 'millennial' consumers with a range of 46 products. A number of new product launches have taken place across the other brands including a new-to-market St.Tropez self-tan face mask. Growth of St.Tropez in selected premium retailers in the US has been strong and US sales now represent approximately 20% of the division's revenue.

Profitability in the smaller markets of Poland and Greece was slightly ahead of the prior year.

Sanctuary Spa launches new premium feel

Sanctuary Spa's renowned body care range has been upgraded with new long lasting fragrance technology designed to prolong the usage experience of the brand's iconic scent on the skin. The packaging has also been modernised with accents of rose gold to give a luxe feel to the products for better standout on shelf and to reinforce Sanctuary Spa's position as the No1 indulgent bathing brand. The new design marks a celebration of what Sanctuary Spa stands for and the premium outer packaging now matches the decadent experience that the formulations inside deliver.



Original Source Milks grow market share

Last year's Original Source Milks launch was successful for new product development achieving a market share of 1.4% in the shower gel category.

The range is proving to be a compelling consumer proposition based on the ingredient trend of 'natural milks' combined with the brand's heartland of 'intense, 100% natural fragrances' and vegan certified claims. The range is also resonating with a younger audience and adding incremental value.



Carex Love Hearts

A key part of the Carex brand is its 'Fun Editions' range which offers interesting and engaging fragrances to make handwashing more fun and enjoyable. Last year, we restaged the Fun Editions range with the launch of a 'Love Hearts' variant under licence from confectionery manufacturer Swizzels. This product has proven to be extremely popular with 2.4m bottles sold last year. We have run a number of impactful marketing campaigns featuring the 'Love Hearts' product, including offering consumers the chance to win personalised bottles.



The new Being brand has millennial appeal

In May 2017, our Beauty division launched a bold, sassy and young brand aimed at Generation Z (18-25 year olds) called Being by Sanctuary Spa. This consumer segment represents a quarter of the UK population and holds significant spending power in the washing and bathing category. The brand has international listings and is available in the UK at Boots. The range will also be sold in North America later this year. Digital marketing and key influencers have played a role in launching the brand with social media targeted to establish the brand identity. Being by Sanctuary Spa is made up of 45 products across five fragrances which pack a punch.



St.Tropez breakthrough innovation

This year, St.Tropez launched a first to market Self Tan Bronzing Face Sheet Mask which skillfully merged St.Tropez's leading DHA technology with the latest sheet mask technology to boost the penetration of tanning actives for an accelerated facial tan.

Extensive research ensured that we developed the ideal fabric composition and texture to provide the best spreading and absorption for the new tanning serum. The mask offers moisturising technology containing hyaluronic acid and pentavitin to boost the skin's hydration. St.Tropez's Self Tan Bronzing Face Sheet Mask technology has a patent pending.



Financial KPIs

Group key focus

Our strategic objectives and business model are aligned to our overall financial goal to deliver an increasing return to our Shareholders over the longer term. Below are the internal and external investor KPIs that the Board has measured and monitored throughout the year.

Internal key performance indicators

What we measure	Why we measure	Performance	
Revenue £m Revenue net of discounts, rebates and sales taxes (does not include JV revenue)	Revenue growth is a key strategic aim	2017  809.2 2016 821.2 2015 819.1 2014 861.4 2013 883.2	Reported revenue up 0.9% on a constant currency basis
Operating profit before exceptional items £m Operating profit before exceptional expense/income items	Measures operating performance prior to financing and taxation costs	2017  106.3 2016 108.5 2015 114.4 2014 116.4 2013 108.4	Marginally lower than last year despite very challenging macro conditions
Operating profit % Operating profit before exceptional expense/income items, as a % of revenue	Indicator of the return on sales prior to financing and taxation costs	2017  13.1 2016 13.2 2015 14.0 2014 13.5 2013 12.3	0.1 percentage point improvement on previous year
Net working capital % Net working capital as a % of revenue	Indicator of the working capital (stock, debtors, creditors) required to support the sales that we make	2017  12.9 2016 14.8 2015 15.0 2014 10.9 2013 11.4	1.9 percentage points improvement on prior year

External investor key performance indicators

What we measure	Why we measure	Performance	
Dividend per share pence Dividend per share	Dividend growth is a key performance indicator in terms of tangible return to Shareholders	2017  8.3 2016 8.1 2015 8.0 2014 7.8 2013 7.4	Improvement of 0.17p per share this year
Adjusted basic EPS pence Adjusted earnings per share	A key indicator of value enhancement to Shareholders	2017  16.9 2016 17.2 2015 17.9 2014 18.0 2013 16.6	0.37p lower than previous year

Principal risks and uncertainties

Insight for effective risk management

The Audit & Risk Committee assumes overall accountability for the management of risk and for reviewing the effectiveness of the Group's risk management and internal control systems.

Viability statement

PZ Cussons has over 130 years of trading history with a long-standing tradition of sustainable growth in our key regions of Europe, Africa and Asia. Our in-depth local understanding, strong brand position and robust infrastructure within these markets, allied to a strong Group balance sheet, enable us to withstand short to medium-term political and financial instabilities that may adversely impact the Group.

Assessment

The business model and strategy as set out on pages 6 and 7 are central to an understanding of the Group's prospects and provide the framework for the strategic plan which is reviewed and approved annually by the Board, including detailed trading and cash flow forecasts covering that period. In order to report on the viability of the Group, the Directors:

1. Considered the Group's revenue/profit projections, cash generation and financing position (including headroom and covenants on existing facilities); and
2. Carried out a robust assessment of the principal risks and uncertainties facing the Group; including those that would threaten its business model, future performance, solvency and liquidity. This assessment included reviewing and understanding the

mitigating factors in respect of each of those risks, described on pages 36 to 39.

The viability assessment has two parts:

- The Directors considered the period over which they have a reasonable expectation that the Group will continue to operate and meet its liabilities; and
- The Directors considered the potential impact of severe but plausible scenarios over this period. Alternative forecasts have been prepared which take account of the Group's principal risks and uncertainties and the impact they could have, both individually and taken in aggregate, on the Group's performance, together with key mitigating actions.

The most significant financial risk facing the Group in the short term is the potential political and financial uncertainty in some of our key emerging markets, particularly Nigeria, which, if sustained, could have an impact on the Group's trading and cash flows. Examples of the scenarios reviewed were:

- A devaluation of the currency and a reduction in liquidity in Nigeria leading to nil profit from this market, combined with an increase in funding costs. As referenced in the Strategic

Report on page 37, this risk has to some extent occurred and been mitigated during the year to 31 May 2017.

- A global economic downturn leading to a material reduction in profitability in our main markets of Nigeria, UK, Indonesia and Australia, combined with an increase in funding costs.

Findings

A three year period is considered appropriate for this assessment because it is a period covered by the strategic plan and it enables a high level of confidence in assessing viability, even in the extreme scenarios described above.

The alternative scenarios assumed reductions in revenue, margin, net profit and cash flow over the three year period, but in all cases the Group remained viable.

Conclusion

Based on their assessment of prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 May 2020.

Principal risks and uncertainties continued

Our risk management framework

Risk Framework Oversight – Audit & Risk Committee

- Review of Executive Committee principal risk assessment and risk portfolio review
 - Regular deep-dive reviews of individual principal risks
- Review of internal audit providing assurance that risk framework operates effectively

Executive Committee

- Review of principal risks
- Confirmation of assessments and mitigating activities
- Review of refresh of Principal Risk Portfolio using internal risk registers and external sources, insights and advisors

Risk assessments

For each risk identified in an end market risk register we:

- Assess likelihood of risk occurring
 - Assess impact of risk occurring (financial and non-financial)
- Assess the controls mitigating risk
- Document control improvements or mitigating actions related to the risk
 - Review any related incidents and issues

This is then reviewed and re-assessed regularly

Principal risk management

Principal risks

These are the risks that the Executive Committee believes could have the largest likely impact on the business.

Each of the risks are:

- Assigned an Executive Committee 'owner' and senior management 'manager'
- Assessed and reported regularly
- Assigned risk performance indicators that are monitored and reviewed regularly
- Presented by the risk owner to Executive Committee at least annually

End markets business units

- Risk register of all risks
- Regular review of register assessments and mitigating activities
- Regular reporting to Executive Committee

Risk Framework Support

- Risk management policies, best practice support and a network of 'risk champions' embedded in to the business
 - Risk reporting infrastructure and consolidation process
- Risk management support across investment, project and commercial activities

Risk management organisational structure

Audit & Risk Committee

- Overall accountability for reviewing the effectiveness of the Group's risk management and internal control systems
- Discharges its responsibility through regular review of Executive Committee actions and assessments, review of deep-dive presentations from principal risk owners and review of internal audits requested on control environment of specific principal risks

Executive Committee

- Responsible for the operation of the risk management framework and definition, measurement and monitoring of risk appetite against all the principal risks
- Ensures that the management of risk using our common risk framework is embedded in our end markets, regions and functions
- Considers the impact and likelihood of global emerging risks

End Market Business Units

- Carry out day-to-day core risk management activities and report emerging risks and risk mitigation responses through risk registers to the Executive Committee
- Supported by a framework of policy, best practice and expertise embedded in the organisation

Examples of key risks

Exchange rate volatility

The international nature of our activities gives rise to both transactional exchange rate risk (with the main exposure relating to US Dollar trade balances) and translation exposure when the results, assets and liabilities of foreign subsidiaries are translated into Sterling.

This is particularly prevalent where we have activities in emerging markets where currencies can be impacted by political and macroeconomic factors (for example the price of crude oil) and where we import and/or export products.

Nigerian currency

As stated in the Business and Financial Review sections, the current year results have been impacted by a significant devaluation of the Nigeria currency and a lack of liquidity for US dollars.

Political and social instability

We have operations in a number of countries around the globe, each of which have their own local issues, pressures and risks which can cause political, social or economic instability.

Potential impact on business

We are exposed to the financial impact of:

- Market transactional exchange rate risk on import/export activity (with the main exposure relating to US Dollar trade balances).
- Translation exposure when the results, assets and liabilities of foreign subsidiaries are translated into Sterling for Group consolidation purposes.

The impact on our Nigeria businesses has been a significant increase in input costs. This is in addition to the translation impact on the Group's consolidated results.

Political regimes, elections, natural disasters and local economic policies, for example, may affect our business performance within a country or region.

Measures to manage risks

The Group Treasury Function is well established and our Group Treasury Policy defines our non-speculative approach to management of foreign currency exposures. Currency exposures are managed within prescribed limits with short to medium-term forward foreign exchange contracts taken, where currency markets allow, to reduce our exposure to fluctuations.

In response there has been:

- Increased Executive Committee and Group Treasury review and direction on treasury management.
- In market insight and focus to ensure that all treasury options are being considered and acted upon.
- Operational measures to mitigate increased costs through pricing and other margin improvement initiatives.

We have a diverse geographic portfolio; however, in developing its corporate strategy, and in order to help mitigate the risk that could arise in any one particular territory, the Board seeks to maintain an appropriate balance both between mature and emerging markets and, within the developing world, between its operations in different territories.

In addition, we have extensive and long established experience in all key markets and the Board continually monitors those markets to ensure that any specific risks (or opportunities) are identified and addressed as they arise.

Principal risks and uncertainties continued

Risks	Potential impact on business	Measures to manage risks
Taxation Taxation of global corporations is a complex area where laws and their interpretation are changing regularly. In addition, the global regulatory environment for tax is evolving, with global OECD tax frameworks moving from work in progress to finalised policies.	The local interpretation of these rules differs across all of our markets, with tax authorities' decision making being impacted by prevailing market conditions. Therefore our ability to accurately determine the direct and indirect tax consequences of our transactions is complex and may result in unexpected financial consequences.	A Group taxation policy is in place to underpin our transactional processes. Our in-house taxation expertise is complemented by the use of specialist tax consultants and advisors to ensure compliance with all local and international tax regulations and treaties.
Supply chain We rely on third parties for manufacturing and are exposed to external supply related risks such as failure of a key supplier. In addition, we are also exposed to the fluctuating price and availability of oils, fats, plastics and multiple other key materials that we require to internally manufacture our products.	The loss of a third party supplier due to financial, quality or disaster-related issues could impact our ability to deliver orders to our customers, in turn impacting revenue and profitability. The market prices for oils, fats, plastics and other key materials can have positive or negative impacts on our ability to meet our financial targets and business objectives depending on our ability to pass on price changes to our customers.	We undertake a rigorous selection process prior to engaging with new third party suppliers and perform ongoing audits and performance monitoring to ensure that contracted standards are being maintained or exceeded. We also use multiple suppliers where possible and have defined limits over the level of business we place with a single supplier or country to ensure our supply to market can be maintained in the event of a supplier failure. Our Group Procurement team has specialist knowledge and understanding of key raw materials and commodities markets and uses best practice procurement strategies to obtain value from the purchase of raw and packaging materials. Trends are monitored and modelled regularly and integrated into our forecasting process.
Consumer safety The safety and quality of our products are of paramount importance to ensure consumer safety and to protect our reputation. The risk that raw materials are accidentally or maliciously contaminated throughout the supply chain or that other product defects occur due to human error, equipment failure or other factors cannot be excluded.	In the event of an incident relating to the safety of our consumers or the quality of our products, incident management teams and processes are activated to ensure timely and effective market place action. The resulting impact of an incident could be loss of revenue and profit, or fines, from regulatory bodies.	Our manufacturing facilities meet or exceed local and international safety and quality standards. Our product quality processes and controls are comprehensive, from product design to customer shelf. The raw materials we use are fully traceable, we monitor the quality of our finished products throughout the manufacturing and distribution process, and we have a dedicated consumer complaints hotline. Any incidents relating to the safety of our consumers or the quality of our products are actively managed to ensure timely and effective action.
IT system dependency & cyber security From controlling machinery to managing internal and external communication, our business relies heavily on secure and reliable IT systems. There is also a threat from unauthorised access and misuse of sensitive information which could potentially disrupt our business.	Disruption of our IT systems through either cyber-attack or system failure could adversely affect the smooth operation of our business and in turn directly impact revenue and profit.	A robust IT framework is in place which encompasses network and data security, systems maintenance and performance monitoring, amongst other areas. This is monitored by an IT risk management committee which monitors and manages the risks we face.
Staff retention and recruitment We recognise that in order to deliver sustained strong results we require the right calibre of people at all levels of the business.	We must compete to recruit and retain capable individuals within the business including training them in the skills and competencies which are required to deliver the profitable growth we are targeting.	The Board believes that there is an attractive employment proposition in place across the Group which will continue to attract capable recruits and that key management and personnel are sufficiently well recognised, incentivised and challenged in order to retain them as far as possible.

Risks	Potential impact on business	Measures to manage risks
Legal and regulatory compliance We are subject to national and regional laws and regulations across the diverse geographies we operate in that impacts how we do business. In a number of our markets the regulatory and legal frameworks we operate within are dynamic and open to change. Failure to comply with laws and regulations could expose us to civil and/or criminal actions leading to damages, fines and criminal sanctions against us and/or our employees with possible consequences for our corporate reputation.	Changes to laws and regulations could have a material impact on the cost of doing business. Failure to modify our processes based on these changes could impact our corporate reputation and in turn our profitable growth.	Our legal and regulatory specialists are heavily involved in monitoring and reviewing the external legal and regulatory environment and ensure that we remain aware of and up to date with all relevant laws and legal obligations.
Brexit The UK's decision to leave the EU could have a number of impacts on our performance due to the fact that our UK business imports from, and exports to the EU, employs EU nationals and complies with EU laws and regulations.	The UK leaving the single market and customs union would likely increase the cost of manufacturing our products in the UK. This could impact our profitable growth. Additionally it is likely that the move towards a new UK customs model would cause short-term supply chain disruption. Regulatory changes relating to our products or EU nationals we employ could also increase costs to lesser extents in longer term.	We are closely monitoring the Brexit process across our commercial, supply chain, HR and legal teams. We are amending strategies and putting in place contingency plans where appropriate.
Sustainability We believe that our success depends on achieving long-term growth using sustainable solutions and being Good4Business. The risk is that we are unable to implement the sustainable business solutions required and that this will limit our growth.	By not implementing a sustainable business plan we risk suffering damage to our corporate reputation that has a negative impact on revenue growth.	Our Good4Business Committee ensures that Corporate Social Responsibility is an integral part of our strategy and that our social, environmental and economic activities are aligned.
Fraud Due to the products we sell and the markets we operate in we have a risk of fraud both from an internal and external perspective. We also recognise the heightened risk of cyber-fraud that is increasingly impacting corporations and individuals.	The impact of fraud can be a direct cost to the Group either through product or cash theft or due to the associated business interruption or reputational damage that can follow.	We have established our internal control framework to minimise the risk of business interruption, financial loss or damage to our reputation. Additionally, in the past year we have now gone live with a new ERP system that will facilitate mitigation and the monitoring of fraud risks. In addition we have internal policies and training for our employees covering cyber security and anti-bribery.
Joint venture risk In order to reduce the risk of new business activities and markets or to gain access to additional expertise we participate in joint venture (JV) arrangements. Strong relationships with our JV partners are key to the continued success of the JV businesses.	There is the risk that if we do not maintain good relations with our key partners the JV's objectives may not remain consistent with that of the Group which could lead to operational difficulties and jeopardise the achievement of profitable growth.	We have well established relationships with joint venture partners and regularly communicate with them to ensure that they continue to be aligned to our mission, values and objectives.
Public health An outbreak of disease or other public health issue in one or more of our markets could significantly impact the ability for us to do business and directly impact the health of our employees.	In the event of a public health incident we may find it difficult to operate in that market with consequential impact on profitable growth.	Should a public health incident occur, we have business continuity procedures that would be implemented to protect our employees and ensure safe continued operation of our business activities where possible. We have had experience in recent years managing the impact of Ebola in Africa and SARS in Asia that has tested and led to further development of these procedures.

Good4Business

Business Governance & Ethics

We look at our business through our G4B lenses of Business Governance & Ethics, Environment, Sourcing and Community & Charity to find ways of creating sustainable value for all.

Business Governance & Ethics

Our Good4Business (G4B) ethics are embedded throughout the business and are supported by robust governance structures and committees. These G4B principles apply to all of our Group global operations and to every Board member and employee. We encourage and motivate everyone in the Business to use these principles in their day-to-day working lives.

We operate in a business environment which is carefully created to be open, honest and fair with our suppliers, customers and business partners.

We show respect and integrity in our dealings with all of our stakeholders in the active pursuit of our G4B values.

We do not tolerate corruption in any part of PZ Cussons. We support our employees and work constantly with our external stakeholders to monitor our compliance with the UK Bribery Act and other relevant legislation around the world.

Good4Business Committee

We have placed G4B firmly at the heart of our business. Every Board Director sits on the Good4Business Committee. The Committee is chaired by independent Non-executive Director Ngozi Edozien and is responsible for agreeing and overseeing a programme of specific G4B activities for each financial year and for ensuring that our G4B principles are reflected in our Group strategy.

The Committee's terms of reference and a copy of the G4B statement are available on the PZ Cussons Group website www.pzcussons.com.

Safeguarding our consumers

We put safety first and we will never compromise on it. The sectors which we operate in are generally highly regulated, and we ensure that we are fully compliant at all times with local and international regulations. Where we feel that it is appropriate, however, we will apply our own standards and protocols in excess of local requirements in order to meet the highest consumer safety standards or to respond to consumer concerns.

To that end, we regularly review the ingredients used within our range of global products. Our Materials of Concern Committee monitors the materials which we use in the light of evolving scientific evidence, regulatory opinion and the views and concerns of our consumers. Where the science supports the safe use of an ingredient but there are consumer concerns,

we take this into consideration and aim to find alternative ingredients. By way of example, this year work has been completed to reformulate all Group products to remove all Triclosans.

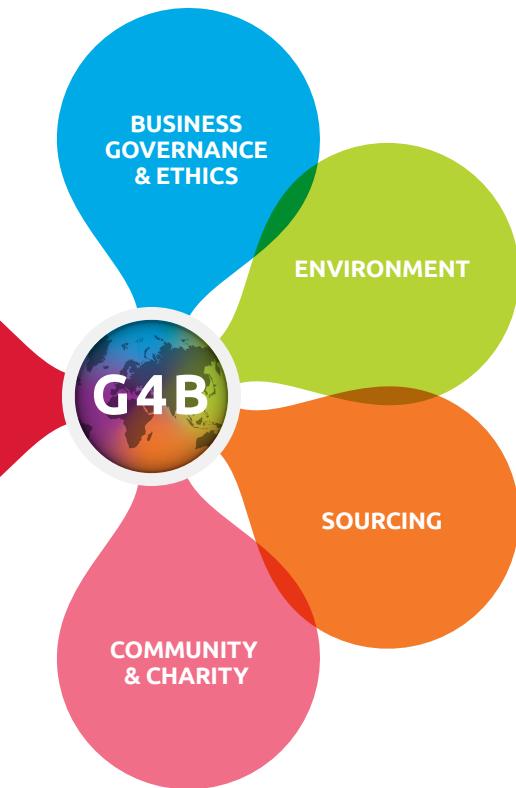
Against animal testing

We are against all forms of animal testing in the development or marketing of our products. We do not test ingredients on animals. We do not commission or request any of our suppliers or associates to test ingredients or our products on animals.

It has been some years since animal testing on cosmetic products and ingredients in EU countries was prohibited. We fully support the stance taken by governing bodies, such as the European Union, and the changes being made in this direction in other regulatory environments in China, India, United States and elsewhere to eradicate the use of animals in the testing of cosmetics globally.

To safeguard our consumers, we recognise the need for reliable, fully validated non-animal testing methods and we support FRAME (Fund for the Replacement of Animals in Medical Experiments). We help to fund their independent research activities and support their campaign for better science and the advancement of non-animal methods, which we believe will benefit the whole cosmetics and household products industry.

 Visit www.pzcussons.com for more information



Good4Business

Environment



We care about how our business may impact the environment, from the way we manufacture products and bring them to market to the way in which consumers use them. We are focused on a programme of constant improvement within our global operations and are committed to yearly reductions in our water and carbon consumption and waste generated.

Water

Water conservation has been a key G4B environmental focus for the Group for some years and since 2012 we have achieved excellent savings, reducing consumption by millions of tonnes of water. As part of our continuous improvement program, all factories are required to have a plan to reduce water consumption. Typically, this is achieved through focused improvements in operating methods and targeted investment in water saving technologies.

One of our principal focuses has been our soap factory in Aba, Nigeria where we invested in new state-of-the-art recycling technologies which have saved millions of tonnes of water. Similar water-saving initiatives have delivered significant reductions in our Ikorodu and Tangerang factories in Nigeria and Indonesia respectively.

Carbon

We have continued to focus on our carbon footprint to identify areas for improvement. This year we have achieved an absolute carbon reduction of 9.7%, well beyond our target for the year.

Carbon reductions have been achieved despite a challenging operating environment in the Nigerian market. In the early part of the year we experienced gas shortages and problems due to the unavailability of grid electricity, resulting in the need to switch to diesel fuels for electricity and steam generation.

Notwithstanding the challenges, all of our factories have carbon reduction programmes which are delivering results. These carbon reductions have been achieved through our continuous improvement programme which is made up of around 140 initiatives, specific to locations and factories.

Examples of initiatives going forward are the manufacturing improvements in our soap plant in Aba, improvements in the efficiency of power generation and utility plant, and a group-wide roll out of more efficient LED lighting.

Waste

This year a global mapping exercise has helped us to reduce solid and liquid waste produced by 54%. All factories have undertaken exercises to analyse the sources of their waste and have an improvement plan in this area. This waste reduction work has consisted of a number of exercises to help with the sorting and reclassification in the Tangerang, Ikorodu and Ilupeju factories.

Carbon Disclosure Project (CDP)

The Group has been a participant in the Carbon Disclosure Project for ten years, currently reporting our Scope 1 and 2 emissions. The CDP is an internationally renowned not-for-profit organisation which provides an independent global system for companies and cities to measure, disclose, manage and share vital environmental information.

Packaging lifecycle

We continue to seek to create a packaging portfolio which takes account of both the needs of our consumers and environmental impact throughout the lifecycle of a product.

Creating the right packaging for the right market is considered from the early stages of new product design, all the way through to production. We understand that it is not a realistic target to eliminate packaging completely and we are accordingly developing a Global Packaging Policy to better identify opportunities to 'reduce, reuse or recycle'. As part of this, we have undertaken a number of projects to optimise structural and material design to eliminate unnecessary packaging materials. For example, we have removed 5% plastic weight from our Morning Fresh bottles and, where practical, we have also moved our plastic bottles from polyvinyl chloride (PVC) to polyethylene terephthalate (PET) and post-consumer recycled PET.

In addition to our light weighting initiatives, we encourage our consumers to reuse and recycle packaging and have introduced refillable pouches for selected brands.



Financial year	Scope 1 (absolute tonnes of CO ₂)	Scope 2 (absolute tonnes of CO ₂)	Total (absolute tonnes of CO ₂)
2016/17	54,306	18,675	72,981
2015/16	60,598	20,124	80,722

The Group's greenhouse gas emissions in tonnes of carbon dioxide from 1 June 2016 to 31 May 2017.

Scope 1 – Combustion of fuel to operate our factories, facilities and offices.

Scope 2 – Electricity purchased to operate our factories, facilities and offices.

Good4Business

Sourcing

Working together to deliver palm oil transformation

Securing a long-term sustainable supply of palm oil for our global operations is a priority. We know that we can only meet this significant goal through working collaboratively. Therefore, we continue to work with our NGO partner the Forest Trust (TFT), our suppliers, joint venture partners and other stakeholders to actively support the responsible development of the palm oil supply chain.

We are committed to ensuring that the palm oil used in our range of Personal Care and Home Care, Beauty and Food & Nutrition products is responsibly sourced, respects local and indigenous communities, protects animal habitats and does not contribute to deforestation.

Our priority is to achieve a fully transparent and traceable supply chain and in 2016, we achieved 100% traceability to refinery and 89% traceability back to the mill. This enhanced visibility enabled TFT to spend time on the ground with our key suppliers in Indonesia and Nigeria to identify priority issues.

As part of an action plan to address issues identified on the ground, in early 2017 we funded a programme of TFT training for a third party grower for one of our core suppliers. The training was designed to embed social and environmental practices consistent with our PZ Palm Oil Promise. Working with our supplier and TFT, we will continue to monitor the outcomes and deliver additional training.

Through PZ Wilmar, our joint venture with Wilmar in Nigeria, we are talking to the National Bank of Nigeria and Heritage Bank to create access to finance for smallholders with verifiable land titles. PZ Wilmar is also contributing expertise and hybrid seedlings to smallholder farmers, through collaboration with the Nigerian Institute for Oil Palm Research. Once successful, these initiatives will enable independent farmers to revitalise old and inefficient plantations, improve their yield and meet Round Table on Sustainable Palm Oil (RSPO) criteria.

We will continue to deepen our engagement with suppliers to improve traceability and fund action in Indonesia and Nigeria to address practices which conflict with the PZ Palm Oil Promise, driving real transformation on the ground.

For more G4B case studies see pages 22 and 23. Read the PZ Cussons Palm Oil Promise at www.pzcussons.com.

Working with suppliers

We enjoy working with like-minded suppliers and contractors who are diligent, responsible, honest and fair. We expect them to mirror our high ethical standards and we scrutinise how suppliers work when establishing or continuing business relationships.

We have developed robust procedures to govern how suppliers are selected, our engagement with them and how we monitor and conduct audits. For the past few years our Global Technical Team has been using the Supplier Ethical Data Exchange (SEDEX) to drive improvements and standardise how we work with suppliers. In a programme of continuous improvement we screen our supplier landscape to check SEDEX membership status and to monitor ethical and environmental compliance via this industry platform.

Health & safety update

Our business spans diverse geographies with differing levels of regulation and we are committed to delivering globally consistent and excellent standards of health & safety across all operations. We seek to provide safe working environments for all of our employees, contractors and visitors. To that end, our operations meet local rules and regulations but also comply with our robust Group-wide standards, which invariably exceed local law.

All of our sites are either accredited or seeking accreditation to the internationally recognised Occupational Health & Safety Management System OHSAS18001. We employ a team of health & safety specialists to develop, monitor and implement best practices and we empower and encourage our employees to identify and report hazards or near misses.

	2013/14	2014/15	2015/16	2016/17	Change from 11/12 baseline	Change year-on-year
Fatalities	2	0	0	0	0	0
LTI (absolute number)	24	14	7	15	18	8
LTI frequency rate	0.33	0.17	0.12	0.29	0.12	0.17
FAC (absolute number)	111	140	114	145	22	31
FAC frequency rate	1.53	1.69	1.96	2.80	0.76	0.84
AAIFR (absolute number)	–	–	–	158	–	–
AAIFR (frequency rate)	–	–	–	3.05	–	–

Good4Business

Community & Charity



We regard health & safety as a fundamental business responsibility. The Group's health & safety performance and its regulatory compliance are regularly scrutinised by the Group's Executive Committee and the Board.

Reporting our progress

The business tracks and reports on four key health & safety performance indicators, enabling us to review our progress, identify any issues and trends and develop strategies to combat areas for improvement.

In the past year, as part of our G4B business analysis work, in line with industry best practice, we have reviewed how we analyse and report our health & safety statistics. As a result of improved reporting we have seen a slight increase in our year-on-year figures. This year we introduced the wider metric of Accident Incident Frequency Rate (AAIFR) which includes First Aid Cases (FAC). For continuity, this year the table shows both FAC and the new AAIFR measurements and from next year we will only report the AAIFR.

The AAIFR measure includes: All reportable incidents, Time Incidents (LTIs) including all health & safety occurrences which result in one or more days absence from work (excluding the day of the incident), LTIs per 200,000 hours worked, and First Aid Cases (FAC), being all health & safety occurrences (including LTIs) which result in the employee being given first aid. FACs include cases where employees are treated for incidents which occur outside of the workplace, as any treatment given may enable us to reduce the number of employee days lost and FACs per 200,000 hours worked.

Showing our Inner Hearts

Our focus on Community & Charity seeks to help and support the local communities which surround our factories and offices. Our activities centre on enhancing lives and securing futures for families, with an emphasis on education, well-being and hygiene.

Our Inner Hearts programme was born in Nigeria and has been adopted by all of our global operations. The programme encourages our employees to become involved with initiatives which they care about, giving them support and a framework to benefit local communities and charities.

Saving lives through handwashing initiatives

This year our Carex brand once again joined Forces with United Purpose (formerly Universal Concern) to support Global Handwashing Day. This annual event, which was started by the United Nations eight years ago, touches over 200 million people and promotes a simple and life-saving message that handwashing with soap saves lives.

In Nigeria, the Global Handwashing Day was supported by rapper Sunny Neji who wrote the campaign anthem 'Wash Your Hands O'. Our Carex brand gave schools the chance to compete in a talent competition to show that they have the 'CareX Factor', enabling children to get creative about handwashing by performing their own version of 'Wash Your Hands O'.

In Nigeria, a number of initiatives were supported by the PZ Cussons Nigeria Foundation which was started in 2007. With funding from PZ Cussons, this year, the Foundation helped to commission many projects including: building classroom blocks within Iwoye Ijesha – Osun State, Wuro Mijiyawa Community – Taraba State and Osokwa Community – Abia State.

Right chemistry to inspire

The Chemistry Challenge is one of the PZ Cussons Nigeria Foundation's initiatives to stimulate, inspire and reward the study of science and chemistry among Nigeria's Senior Secondary school students. The competition has been running since 2013 and is sponsored by two leading Africa brands, Premier Cool and Nunu milk. The winners, their teachers and their schools receive monetary and equipment prizes.

Supporting Manchester

As a company with its international headquarters in Manchester and a long and proud history in the region, we wanted to show solidarity with the City of Manchester and its people following the Manchester Arena Bombing earlier this year and helped the victims and their families with a donation of £50,000 to the official emergency appeal.

Strategic fundraising partner

A long-time charity partner in the UK is the Seashell Trust, which is located close to our Manchester headquarters.

Throughout the year, many of our employees have been involved with fundraising activities – such as sponsored runs, bike rides and cake bake sales to raise money for Seashell Trust's pupils who have severe learning and physical challenges.

In addition to direct funding, we have also been involved on a strategic level to help the charity to secure funding for their Transforming Lives Appeal. The appeal seeks to secure donations for 17 new children's homes and the £45m needed for the new Royal School Manchester special school campus redevelopment.

Read more of our SeaShell Trust work on page 23

Board of Directors

Strong leadership

We operate within a flat management structure led by a small leadership team. We are unconstrained by large company bureaucracy and this enables us to act fast and make efficient management decisions.

The Executive Plc Board has a long history of service within PZ Cussons with all members having worked their way up through the Company to their present positions. We operate a diverse Board, Executive Committee and Senior Leadership Team across the globe with members having extensive knowledge of our businesses and the fast-moving, competitive industries and markets in which we operate.

Together, our diverse team and flexible management style continues to create an environment of opportunity and stability to deliver results.

Years of combined PZ Cussons Plc Board service:

50

Years of combined PZ Cussons Executive Committee service:

119

Years of combined PZ Cussons Plc Board and Executive Committee service:

133

Key

- 1 Executive Committee
- 2 Nomination Committee
- 3 Good4Business Committee
- 4 Remuneration Committee
- 5 Audit & Risk Committee
- Chair

Plc Board

Alex Kanellis Chief Executive Officer Year appointed to the Board – 2003 24 years with PZ Cussons	1 2 3	Ngozi Edozien Non-executive Director Year appointed to the Board – 2012 5 years with PZ Cussons	2 3 4 5
Brandon Leigh Chief Financial Officer Year appointed to the Board – 2006 20 years with PZ Cussons	1 3	Helen Owers Non-executive Director Year appointed to the Board – 2012 5 years with PZ Cussons	2 3 4 5
Chris Davis Chief Operating Officer Year appointed to Board – 2006 24 years with PZ Cussons	1 3	John Nicolson Senior Independent Director Year appointed to the Board – 2016 1 year with PZ Cussons	2 3 4 5
Caroline Silver Non-executive Chair Year appointed to the Board – 2014 3 years with PZ Cussons	2 3	Jez Maiden Non-executive Director Year appointed to the Board – 2016 (1 November)	2 3 4 5

Executive Committee

Sam Plant Corporate Services Director Company Secretary 9 years with PZ Cussons	1	Cathy Doyle-Heffernan Group HR Director 4 years with PZ Cussons	1
Tim Perman Group Category & Brand Director 7 years with PZ Cussons	1	George Kostianis Group Supply Chain Director and Area Director for Africa Food & Nutrition and Electricals 27 years with PZ Cussons	1
Jola Gillespie Chief Information Officer 4 years with PZ Cussons	1	Alan Bergin Group Commercial Finance Director Joined PZ Cussons on 31 October 2016	1

The Group's Strategic Report incorporates the Chair's statement, Chief Executive Officer's review, business model, key performance indicators, financial review, business reviews, principal risks and uncertainties and those areas incorporated by cross reference.

By order of the Board

Alex Kanellis
Chief Executive Officer
25 July 2017

Shareholder information & contacts

Annual General Meeting

The Annual General Meeting will be held at 10.30am on Wednesday 27 September 2017 at:

PZ Cussons Plc

Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

Financial calendar

The key dates for PZ Cussons' financial calendar are available on our website www.pzcussons.com

Registered office

PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG
Tel: 0161 435 1000
www.pzcussons.com

Registered number

Company registration number – 00019457

Registrars

Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol
BS13 8AE
www.computershare.com

Company Secretary

S P Plant

Disclaimer

The purpose of this document is to provide information to the members of PZ Cussons Plc. This document contains certain statements that are forward-looking statements. These statements appear in a number of places throughout this Strategic Report and include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate.

By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by the applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under English law.

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This Strategic Report is available at
www.pzcussons.com

Designed and produced by Instinctif Partners
www.creative.instinctif.com



Read more about our Directors on pages 2 and 3 of the Governance and Financial Statements.



PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

Tel: 0161 435 1000

www.pzcussons.com