

## DIRECTORS' REPORT

# REPORT OF THE DIRECTORS

## Directors and Other Information

### Directors

Philip Toomey, Chairman  
Edmond Scanlon, Chief Executive Officer\*  
Marguerite Larkin, Chief Financial Officer\*  
Gerry Behan, President & CEO Kerry Taste & Nutrition\*  
Hugh Brady  
Gerard Culligan  
Karin Dorrepaal  
Joan Garahy  
James C. Kenny  
Tom Moran  
Con Murphy  
Christopher Rogers

\*Executive Director

### Secretary and Registered Office

Ronan Deasy  
Kerry Group plc  
Prince's Street  
Tralee  
Co. Kerry  
V92 EH11  
Ireland

### Registrar and Share Transfer Office

Ronan Deasy  
Registrar's Department  
Kerry Group plc  
Prince's Street  
Tralee  
Co. Kerry  
V92 EH11  
Ireland

### Website

[www.kerrygroup.com](http://www.kerrygroup.com)

The Directors submit their Annual Report together with the audited Consolidated Financial Statements for the year ended 31 December 2019.

## Principal Activities

Kerry Group is a world leader in the global food industry. The Group's industry-leading portfolio of taste and nutrition foundational technologies and integrated systems deliver unique, innovative solutions to customers across the food, beverage and pharmaceutical industries. Kerry Foods, the Group's Consumer Foods business, is a leader in its categories in the chilled cabinet primarily in the Irish and UK markets.

Listed on the Euronext Dublin and London Stock Exchanges, Kerry has an international presence with 151 manufacturing facilities across the world.

## Results and Review of the Business

The Directors are pleased to report another good performance for 2019 with an increase in constant currency adjusted earnings per share (EPS), which is before brand related intangible asset amortisation and non-trading items (net of related tax), of **8.3%** over 2018 to **393.7 cent** (2018 currency adjusted: 363.5 cent). Basic EPS of **320.4 cent** increased by 4.7%. Trading margin for the year increased by 30bps to **12.5%** (2018: 12.2%). The Group achieved a free cash flow of **€515m** (2018: €447m). Further details of the results for the year are set out in the Consolidated Income Statement and in the related notes forming part of the Consolidated Financial Statements. The Group's financial key performance indicators are discussed on pages 32-33.

The Chairman's Statement, the Chief Executive Officer's Review, the Business Reviews and the Financial Review, which are included in the Strategic Report on pages 12-48, report on the performance of the Group's business, including acquisitions during the year and on future developments.

## Dividends

On 17 February 2020, the Directors recommended a final dividend totalling **55.1 cent** per share in respect of the year ended 31 December 2019 (see note 10 to the financial statements). This final dividend per share is an increase of **12.0%** over the final 2018 dividend per share paid on 10 May 2019. This dividend is in addition to the interim dividend paid to shareholders on 15 November 2019, which amounted to **23.5 cent** per share.

The payment date for the final dividend is 15 May 2020 to shareholders registered on the record date 17 April 2020.

## Events After the Balance Sheet Date

Other than the proposed final dividend, there have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2019.

## Principal Risks and Uncertainties

In accordance with Section 327(1)(b) of the Companies Act 2014, Regulation 5(4)(c)(ii) of the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, a description of the principal risks and uncertainties facing the Group are outlined in the Risk Report on pages 75-87.

## Research and Development

The Group is fully committed to ongoing technological innovation in all sectors of its business, providing integrated customer focused product development and support by leveraging our global technology capabilities and expertise. To facilitate this, the Group has invested in highly focused research, development and application centres of excellence with a strategically located Global Technology & Innovation Centre, based in Naas, Ireland which is supported by Regional Development & Application Centres and a global knowledge management infrastructure. Expenditure on research and development applications and technical support amounted to **€291.4m** in 2019 (2018: €274.6m).

## Sustainability

The Group continued to deliver on its sustainability performance with the successful conclusion of the five year Towards 2020 programme. A new sustainability programme to better enable our Purpose will be launched in the second quarter of 2020.

The Group remains committed to the highest standards of business and ethical behaviour, to fulfilling its responsibilities to the communities it serves and to the creation of long term value for all stakeholders on a socially and environmentally sustainable basis.

Details regarding the Group's sustainability performance, policies and programmes in respect of the environment, marketplace, workplace and the community are outlined in the Sustainability Review on pages 49-72.

## Share Capital

Details of the share capital are shown in note 27 of the financial statements. The authorised share capital of the Company is €35,000,000 divided into 280,000,000 A ordinary shares of 12.5 cent each, of which 176,514,942 shares were in issue at 31 December 2019.

The A ordinary shares rank equally in all respects. There are no limitations on the holding of securities in the Company.

There are no restrictions on the transfer of fully paid shares in the Company, but the Directors have the power to refuse the transfer of shares that are not fully paid. There are no deadlines for exercising voting rights other than proxy votes, which must be received by the Company at least 48 hours before the time of the meeting at which a vote will take place. There are no restrictions on voting rights except:

- where the holder or holders of shares have failed to pay any call or instalment in the manner and at the time appointed for payment; or
- the failure of any shareholder to comply with the terms of Article 13 of the Company's Articles of Association (disclosure of beneficial interest).

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities or on voting rights.

The Directors have the authority to issue new shares in the Company up to a maximum of 20 million new A ordinary shares. This authority will expire on the earlier of the conclusion of the 2020 Annual General Meeting (AGM) and close of business on 1 August 2020 and it is intended to seek shareholder approval to renew the authority at the AGM to be held on 30 April 2020.

Shareholders approved the authority for the Directors to allot shares for cash on a non-pro rata basis up to a maximum of 8,815,127 shares at the AGM held on 2 May 2019, representing 5% of the A Ordinary Shares in issue on 1 March 2019. Shareholders also approved an authority to allot a further 8,815,127 A Ordinary Shares (5%) for cash on a non pro rata basis provided the additional authority will only be used for the purpose of an acquisition or specified capital investment announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed with the announcement of the issue. Neither authorities have been exercised and will expire on the earlier of the conclusion of the 2020 AGM and close of business on 1 August 2020. It is intended to seek shareholder approval for their renewal at the 2020 AGM. During 2019, 216,526 shares were allotted pursuant to the Company's Short and Long Term Incentive Plans as a result of shares which vested and options which were exercised. Further details are shown in note 27 to the financial statements.

The Company may purchase its own shares in accordance with the Companies Act 2014 and the Company's Articles of Association. At the 2019 AGM, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital, but the authority was not exercised. This authority is due to expire on the earlier of the conclusion of the 2020 AGM and close of business on 1 August 2020 and it is intended to seek shareholder approval for its renewal at the 2020 AGM.

## Substantial Interests

The Directors have been notified of the following shareholdings of 3% or more in the issued share capital of the Company:

Shareholder	Number Held	%
Kerry Co-operative Creameries Limited (KCC)	22,413,456	12.7%
Blackrock Investment Management	10,028,236	5.7%

Apart from the aforementioned, the Company has not been notified of any interest of 3% or more in the issued share capital of the Company.

## Directors

The Board, at the date of this report, consists of a Chairman, three Executive and eight independent Non-Executive Directors. The names and biographical details of the Directors are set out on pages 90-91. Following the individual performance evaluation of all Directors, as outlined in the Corporate Governance Report on page 105, the Board recommends the re-election of all Directors seeking re-election.

The Directors' and Company Secretary's interests in shares and debentures are included in the Remuneration Report on page 136.

## Board and Committee Changes

There were no changes to the composition of the Board and its Committees during 2019.

Mr. James C. Kenny will retire from the Board at the conclusion of the AGM to be held on 30 April 2020 and will not seek re-election.

The Articles of Association empower the Board to appoint Directors, but also require such Directors to retire and submit themselves for re-election at the next AGM following their appointment. For the purposes of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 specific rules regarding the appointment and re-election of Directors are referred to in the Nomination Committee Report.

## Corporate Governance

The Corporate Governance Report on pages 98-106 sets out the Company's application of the principles, and compliance with the Provisions of the 2018 UK Corporate Governance Code and Irish Annex (the new Code).

## Non-Financial Information

Pursuant to the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, the Group is required to report on certain non-financial information to provide an understanding of its development,

performance, position and the impact of its activities, relating to, at least, environmental matters, social matters, employee matters, respect for human rights and bribery and corruption. Information on these matters can be found in the following sections of the Annual Report, which are deemed to form part of this Report: Sustainability Review on pages 49-72, Our Business Model on pages 24-25, the Risk Report on pages 73-88. Information on diversity can be found in the Nomination Committee Report on pages 112-115.

## Going Concern and Long Term Viability Statements

The going concern and longer term viability statements in the Risk Report on page 88 set out the Company's basis for the adoption of the going concern basis of accounting in preparing the Consolidated Financial Statements and the basis for the Directors' conclusion 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 next three years.

## Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the assets, liabilities and financial position of the Company and the Group, and of the profit or loss of the Group for that period. Under that law the Directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards ('IFRSs') and IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs and IFRSs as adopted by the European Union. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS and IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Company keeps adequate accounting records which correctly explain and record the transactions of the Company, enabling at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy and ensuring that the financial statements are prepared in accordance with IFRSs and IFRSs as adopted by the European Union, comply with the Companies Act 2014 and as regards

to the Group financial statements, Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website [www.kerrygroup.com](http://www.kerrygroup.com). Irish legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. The Directors are also required by applicable law and the Listing Rules issued by Euronext Dublin and the UK Listing Authority to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance.

Each of the Directors, whose names and functions are listed on page 92, confirms that, to the best of their knowledge and belief:

- the Consolidated Financial Statements for the year ended 31 December 2019 have been prepared in accordance with IFRSs and IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, and financial position of the Group and the undertakings included in the consolidation, taken as a whole, as at that date and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs and IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019;
- the Financial and Business Reviews on pages 34-48 include a fair review of the development and performance of the business for the year ended 31 December 2019 and the position of the Company and the Group at the year end;
- the Risk Report provides a description of the principal risks and uncertainties which may impact the future performance of the Company and the Group at the year end; and
- the Annual Report and Consolidated Financial Statements, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's position and performance, business model and strategy and is fair, balanced and understandable.

## Directors' Compliance Policy Statement

It is the policy of the Company to comply with its relevant obligations (as defined in the Companies Act 2014). The Directors have drawn up a compliance policy statement (as defined in section 225(3)(a) of the Companies Act 2014) and arrangements and structures are in place that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations. The Directors confirm that these arrangements and structures were reviewed during the financial year. As required by Section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with the relevant obligations. In discharging their responsibilities under Section 225, the Directors relied on the advice both of persons employed by the Company and of third parties who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

## Accounting Records

To ensure that proper accounting records are kept for the Company in accordance with section 281 to 285 of the Companies Act 2014, the Directors employ appropriately qualified accounting personnel and maintain appropriate accounting policies and systems.

The accounting records of the Company are maintained at the Company's registered office.

## Accountability and External Audit

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is set out on page 95 with the responsibilities of the Company's external Auditors outlined on page 145.

The Consolidated Financial Statements on pages 146-215 have been audited by PricewaterhouseCoopers (PwC), Chartered Accountants.

The external Auditors, PwC who were appointed in March 2016, will continue in office in accordance with Section 383(2) of the Companies Act 2014. A resolution authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## Disclosure of Information to the External Auditors

Each of the Directors, who were members of the Board at the date of approval of this Report of the Directors, confirms that:

- so far as they are aware there is no relevant audit information of which the Company's external auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's external auditors are aware of that information.

## Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles of Association of the Company may only be amended by way of special resolution approved by shareholders in a general meeting.

A copy of the Articles of Association can be obtained from the Company's website [www.kerrygroup.com](http://www.kerrygroup.com).

## Change of Control Provisions

The Group's revolving credit facility includes a 'Change of Control' provision which requires the Group to notify the lending institutions of a change of control event occurring. Each lender has the option to withdraw their facilities in the event of a change of control occurring unless they agree otherwise in writing.

Certain public senior notes issued by the Group contain a provision that requires the Group to make an offer to repurchase the notes, in the event that a change of control occurs which leads to a downgrading of the rating assigned to the notes below investment grade.

Other than the 'Change of Control' provisions in those arrangements, the Group is not a party to any other significant agreements which contain such a provision.

## Political Donations

During the year, the Company made no political contributions which require disclosure under the Electoral Act, 1997.

## Group Entities

The principal subsidiaries and associated undertakings are listed in note 36 to the financial statements.

## Retirement Benefits

Information in relation to the Group's retirement benefit schemes is given in note 26 to the financial statements.

## Taxation

So far as the Directors are aware, the Company is not a close company within the definition of the Taxes Consolidation Act, 1997. There has been no change in this respect since 31 December 2019.

## Financial Instruments

The financial risk management objectives and policies, along with a description of the use of financial instruments are set out in note 24 to the financial statements.

## Information Required to be Disclosed by Listing Rule 6.1.77, Republic of Ireland Listing Authority

For the purposes of Listing Rule 6.1.77, the information required to be disclosed can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Statement of accounting policies
(2)	Publication of unaudited financial information	Supplementary information
(3)	Details of small related party transactions	Note 33 to the financial statements
(4)	Details of long term incentive schemes	Remuneration Committee Report
(5) – (14)	Section 5 – 14 of Listing Rule 6.1.77	Not applicable

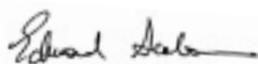
### Cross References

All information cross referenced in this report forms part of the Report of the Directors.

#### Signed on behalf of the Board:



**Philip Toomey**  
Chairman  
17 February 2020



**Edmond Scanlon**  
Chief Executive Officer  
17 February 2020