MORE FOCUSED MORE SPECIALISED MORE GLOBAL

Annual Report 2023

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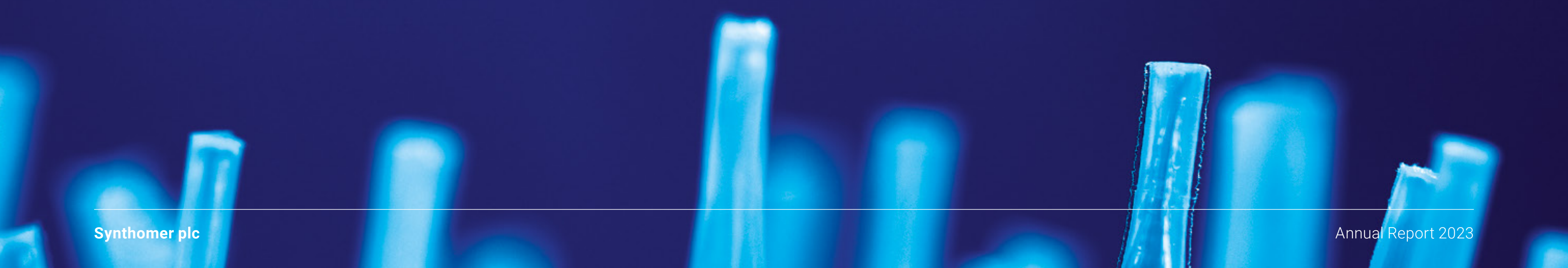
Throughout this report you will find links to our website. If you are reading the PDF version of the report, these links will be live. If reading the printed report, please go to Synthomer.com and search for the appropriate information.



Who we are

We are a leading supplier of high-performance, highly specialised polymers and ingredients that play vital roles in key sectors such as coatings, construction, adhesives, and health and protection – growing markets that serve billions of end users worldwide. From our innovation centres of excellence and manufacturing sites across Europe, North America and Asia, we collaborate closely with our customers to develop new products and enhance existing ones tailored to their needs, with an increasing range of sustainability benefits. And through our focus on making our business more efficient, more global and even more specialised, we are positioned to lead the way as a speciality business whose products enhance people's homes and cities, lifestyles, transportation and healthcare.

c.4,200	36	20+	6,000+	4
People	Manufacturing sites	Countries	Customers	Innovation centres of excellence

Our business is built around three divisions, serving customers in attractive end markets where demand is driven by global megatrends including urbanisation, demographic change, climate change and sustainability, and shifting economic power.

Coatings & Construction Solutions

Our specialist polymers enhance the sustainability and performance of a wide range of coatings and construction products. We serve customers in applications including architectural and masonry coatings, mortar modification, waterproofing and flooring, fibre bonding, and energy solutions.

Adhesive Solutions

Our products help our customers bond, modify and compatibilise surfaces and components for applications including tapes and labels, packaging, hygiene, tyres and plastic modification, improving permeability, strength, elasticity, damping, dispersion and grip.

Health & Protection and Performance Materials

We are a world-leading supplier of water-based polymers for medical gloves, and a major European manufacturer of high-performance binders, foams and other products serving customers in a range of end markets.

Read more about our divisions in Review of the year, pages 13 to 61

For our global locations, see our website

Our business model

We are a business-to-business speciality chemicals producer. We create value for all our stakeholders by applying our expertise and innovation capabilities to provide high-performance water-based polymers and ingredients to a wide range of blue-chip customers in multiple attractive end markets.

Key strengths and resources

Talented people
4,200 entrepreneurial, highly skilled employees with the expertise and experience to drive our success

Our global footprint
36 sites across the Americas, EMEA and Asia, including four innovation centres of excellence

Agile supply chain
Mix of long-term supply relationships and market-based sourcing of 25+ strategic, and hundreds of secondary, raw materials from across the globe – and our own upstream Acrylate monomers activity – combines flexibility and agility with resilience

Innovation and product development
Hundreds of Synthomer technical service partners focused on understanding customers' individual product needs and advising them on formulations

Cash-generative business model
With scope to flex capital allocation through the cycle, within risk management limits

Our business

Creating products and solutions for 6,000 long-standing customers in multiple attractive end markets...

Coatings
Construction
Health and protection
Tapes, labels and packaging
EV tyres
Energy
Consumer/hygiene

... with global exposure to GDP+ growth megatrends...

Accelerating urbanisation
Demographic and social change
Climate change and sustainability
Shifting economic power

... through three end-customer focused divisions...

Coatings & Construction Solutions
Adhesive Solutions
Health & Protection and Performance Materials

... with **innovation** driving new product development in close collaboration with customers, with a focus on **sustainability** throughout our value chain

Supported by a small corporate centre focused on
Business excellence (SynEx) – Risk management – Capital allocation – Portfolio management

Value creation for stakeholders
2019-2023

EBITDA[1]
£1.4bn

Free Cash Flow
£630m

Wages and salaries
£1.1bn

R&D spend
£140m

Supplier spend
£7.6bn

Corporation tax paid
£185m

Dividends and capital returned to shareholders
£235m

GHG emissions decrease per tonne of production
-17%

1 EBITDA is calculated as operating profit before depreciation, amortisation and Special Items.

Our strategy

In 2022 we set out our refreshed strategy which aims to focus Synthomer on becoming a speciality solutions platform for the coatings and construction, adhesives, and health and protection market segments. As a more focused, stronger speciality chemicals business, we will be better able to fulfill **our purpose: creating innovative and sustainable solutions for the benefit of customers and society.**

The five pillars of our strategy...

- Organic growth in attractive end markets
- Rigorous and consistent portfolio management to build focused, leading positions
- Operational and commercial excellence in how we run our business
- Differentiated steering in how we allocate capital and talent
- Diversity, equity and inclusion and holistic people development

... are each underpinned by three critical principles...

End-market orientation

in everything we do

See page 22-27

Sustainability

as a value driver and a principle for how we run our business

See page 28

Innovation

as a critical enabler

See page 36

... in pursuit of our long-term ambition.

Speciality chemicals company focused on selected attractive end markets

Increasing our specialisation, global reach and simplicity

Greater speciality weighting

	Speciality %	Base %
2022	50	50
2023	55	45
Future	70	30

More balanced geographic distribution

	USA/Asia %	EMEA %
Pre-adhesive resins acquisition	45	55
2023	50	50
Future	60	40

Less complexity

	Manufacturing sites
2022	43
2023	36
Future	<30

The story of our year

Our financial results were significantly affected by a very challenging market environment...

£2.0bn continuing revenue vs £2.3bn in 2022

£142.1m continuing EBITDA vs £253.8m in 2022

7.2% EBITDA margin vs 10.9% in 2022

£27.2m underlying loss before tax vs £123.7m profit in 2022

Underlying EPS (35.1)p vs 152.0p in 2022

... but we responded by taking positive actions to strengthen and focus our business...

Net debt halved to £499.7m vs £1,024.9m in 2022

24% increase in Free Cash Flow to £85.7m vs £69.2m in 2022, with 97% of EBITDA converting to Operating Cash Flow[1]

£208m in net proceeds from strategic divestment in 2023, with more processes underway

£276m rights issue completed in October

Site footprint reduced by five through divestments and site rationalisations

... and continued to make progress on delivering our strategy.

55% of revenues now from speciality businesses

50% of revenues from the USA and Asia

22% New and Protected Products, up from 20% in 2022

11% reduction in Scope 1 and 2 GHG emissions vs 2022

64% of new products with sustainability benefits, up from 50% in 2022

1 Operating Cash Flow is defined as Total Group EBITDA plus/minus net working capital movement less capital expenditure.

Chair's statement

" In a year of exceptional challenges for our industry, we strengthened the balance sheet significantly through cost, cash and divestment measures and the support of our shareholders. We are also creating a platform for growth. Our business is now simpler, more specialised and more geographically balanced than ever before."

Caroline Johnstone
Chair

Despite the continuing headwinds that have affected our industry in what has become a prolonged downturn, Synthomer can look back at a year in which we have taken a series of decisive actions to strengthen our business.

We can also look forward – to the opportunities we see ahead for a simplified, more focused Synthomer with an increasingly specialised portfolio serving attractive end markets.

Strengthening now for future growth

Our business has made significant strides in implementing its strategy to become a speciality solutions platform for the coatings and construction, adhesives, and health and protection market segments, and more focused on end customers, innovation and sustainability. We are creating a real platform for value creation by making our business less complex, focusing on our strengths, and embedding commercial and operational excellence in everything we do – as our CEO Michael Willome describes in his statement on page 8.

The Board has been closely involved in overseeing this progress – but in a very challenging market, we have also been highly engaged in driving urgent short- and medium-term actions that mean that Synthomer ended 2023 in a much stronger position than it was at the start.

Reducing net debt to create a platform for strategic delivery

Net debt at year end was £499.7m, half the £1,024.9m position at the end of 2022, though we clearly need to make additional progress to reduce leverage further towards our medium-term target range of 1 to 2x net debt to EBITDA.

This strengthening of the balance sheet in part reflects the Group-wide emphasis on self-help actions aligned to our refreshed strategy, as described in more detail elsewhere in this report, including the Financial review (pages 14 to 21).

The support of our stakeholders was also crucial to strengthening the business. I would highlight, in particular, our shareholders and employees in this regard. Our dedicated people have gone above and beyond to work for Synthomer's success in a very difficult trading environment – a commitment that the Board recognises and deeply appreciates. We also appreciate the confidence shown in the business by our shareholders through the £276m rights issue completed in October 2023. The decision to ask shareholders for this support was taken after long and serious consideration by the Board, as I describe on page 63. It has played an important part in protecting value for the business in the short term, enabling our senior management to focus on the delivery of Synthomer's strategy, which we are confident is the most appropriate path to maximise the value of the company for all our stakeholders in the medium and long term.

> "Our dedicated people have gone above and beyond to work for Synthomer's success in a very difficult trading environment, a commitment that the Board recognises and deeply appreciates."
>
> **Caroline Johnstone**

Building momentum on ESG issues

Sustainability and innovation are vital enablers of our strategy, and we continued to make progress this year on our maturing activities in these areas. Environmental, social and governance (ESG) issues are increasingly relevant as commercial considerations for our customers, alongside the ever-growing part they play in the regulatory and corporate responsibility agendas. The Board oversees strategy and delivery on these wide-ranging issues, with ESG treated as a reserved matter, and health and safety always considered as the first item at every Board discussion.

Embedding environmental sustainability and innovation across the business

Our programme to embed environmental sustainability in our products and operations continues to play a major role in our innovation agenda for customers, as well as our ongoing work to address our own greenhouse gas emission footprint. This year, we further enhanced our product sustainability scorecard, which we have been continuously improving since we introduced it in 2021. The scorecard prioritises innovation projects against specific sustainability criteria and provides a clear framework to discuss product development – and has gained recognition with customers and industry experts (see page 36).

To keep up this momentum, this year we appointed our new Environment, Social and Governance Vice President, Chris Brown, who talks more about our progress and challenges in 'Sustainability in focus' on pages 28 to 35. We have also appointed Robin Harrison as our Vice President, Innovation; he describes our progress in innovation on pages 36 to 37.

Maturing safety programmes, and a more diverse business

The Board was pleased to see the continued improvements in safety performance, particularly at sites that Synthomer has integrated into its global safety programmes following acquisitions in recent years. There is no room for complacency, however; the Board remains focused on ensuring that all our sites achieve the top-quartile safety performance already being delivered in sites where our safety programmes are fully mature.

We are also seeing momentum in our work on making Synthomer a more diverse, inclusive business. We have more to do, but we are seeing progress on gender diversity in particular – our progress and future plans in this area are described on page 39.

Evolving our Board – and our reporting

In September 2023, we welcomed Martina Flöel to our Board as a new Independent Non-Executive Director and member of the Audit, Remuneration and Nomination Committees. Ian Tyler became our Senior Independent Director in May. As Chair of the Nomination Committee, I discuss our work on Board skills, evaluation and succession on page 94 – and Ian describes the plans underway for my own succession as Chair on page 97.

It has been a very active year for the Board, with a wide range of engagements with our stakeholders, including employees and shareholders, as described on page 76. As part of evolving our engagement, we have also made changes to the Annual Report with the aim of meeting stakeholders' needs as efficiently as possible. This includes making more use of online resources – in particular the new Sustainability insight papers designed to give detailed information about our work on key ESG issues.

Looking ahead

I would like to conclude by paying tribute again to the hard work and commitment of Synthomer's people, who have seen some of the toughest times for our industry over the past two years. The Board appreciates that the many steps the business has taken to protect its long-term interests, and to prepare for the future, were not easy for our colleagues and would have been impossible without them.

I am convinced though that the challenges have helped make the business stronger – more resilient in the present, as we continue to navigate difficult macroeconomic conditions, and ready to grow when conditions improve. We have the platform in place now to deliver for all our stakeholders as a truly global, highly specialised chemicals business in attractive end markets.

Caroline Johnstone
Chair

12 March 2024

Chief Executive Officer's review

" Despite a challenging year, we have taken decisive actions to position the business well for the future."

Michael Willome
Chief Executive Officer

In one of the most difficult trading environments for the chemicals industry in decades, the resilient performance of our speciality businesses has reinforced our confidence that the strategy of focusing on our most differentiated, speciality products for attractive end markets gives us strong foundations for growth when demand recovers.

Delivering on our specialisation strategy

When we completed our strategy review in 2022, we set our direction firmly towards greater specialisation in the belief that speciality products with defined end-market benefits would be the greatest drivers of growth in the medium to long term.

A year on, our industry is still in a prolonged period of suppressed demand, which has been difficult for everyone at Synthomer and for all our stakeholders. While this has meant that volumes remained subdued this year and margins lower, we have improved our financial resilience and began to deliver on our specialisation strategy.

Speciality businesses demonstrate greatest resilience

Given headwinds which included consumer demand weakness, supply chain disruption, global price competition and continued destocking in some base chemical markets, our business has delivered resilient results, with continuing Group EBITDA of £142.1m (2022: £253.8m) from revenues of £1,970.9m (2022: £2,332.3m).

The speciality businesses within our portfolio have been the strongest performers in terms of margin and volume recovery, with Coatings & Construction Solutions (CCS) in particular standing out, having delivered an improved EBITDA margin of 12.3% (2022: 12.1%) despite year-on-year volume declines of nearly 15%. Already our most speciality-focused division, CCS is beginning to demonstrate the potential of a more strategic focus on end customers coupled with outstanding execution; capabilities we are working to deliver throughout the Group.

In the Adhesive Solutions (AS) division, our speciality products (c.55% of divisional revenues) were similarly robust, reflecting their greater differentiation for customers. However, our more base chemical products were exposed to increased global competition in a lower demand environment. This, alongside disruptions in supply chain and production, resulted in a disappointing financial performance in 2023. Despite these challenges, I am confident that we have the right team in place, led by Stephan Lynen who joined Synthomer as President of the division in May 2023, and are executing a robust plan to deliver a significant improvement in performance over time as reliability and efficiency improves and end markets recover.

Meanwhile, nitrile butadiene latex (NBR) volumes in our Heath & Protection and Performance Materials (HPPM) division started to recover towards the end of the year as the post-pandemic overcapacity began to reduce, underpinned by the long-term hygiene megatrend. In our Performance Materials portfolio, which includes a number of businesses assessed as non-core to the wider Group strategy, volumes stabilised in the second half compared to the first. As a base chemicals division, HPPM is focused on customer intimacy and cost, capacity utilisation, efficiency and sourcing excellence, and improved divisional EBITDA margin by 90bps in H2 versus H1 2023.

Encouraging cash delivery

At year-end, net debt reduction was ahead of our expectations, and benefited from strong cash delivery in the final quarter. Despite the substantial contraction in business activity compared with prior year, in 2023 we were able to increase Free Cash Flow to £85.7m (2022: £69.2m). Important contributors to Free Cash Flow included £18.0m in cost reductions, £45.7m in lower inventories driven by both structural changes in approach and lower raw materials prices, and some other benefits. Our CFO Lily Liu sets out more about our work in this area in the **Financial review**.

Alongside our operational focus on cash, the balance sheet has also been strengthened with the proceeds of our strategic divestment programme and the rights issue. We are grateful for the confidence shown by shareholders in supporting our £276m rights issue completed in October 2023.

Overall, since the start of 2023, we have reduced net debt by half to £499.7m (2022: £1,024.9m). The challenging market conditions required significant focus in this area in the year, and we were able to deliver.

Focusing the business to be ready when demand returns

We have also been able to make significant progress across other aspects of our strategy, laying the foundations for rapid growth when end-market demand recovers.

We have increased the speciality weighting of our portfolio to 55% of revenue, and a higher proportion of EBITDA currently. We have increased our access to markets in the USA and Asia, improving our geographical and customer reach. We continue to invest in our organic growth capability, including our focus on value selling and the expansion of our customer innovation capacity in China. And we have simplified our business, streamlining our manufacturing footprint from 43 sites when the strategy was launched in October 2022 to 36 with another closure underway, through divestments or rationalisation, with plans to go further.

While conditions remain challenging and leverage elevated, our capital allocation decisions have naturally been focused on preserving cash, but we have been able to make a few disciplined, carefully selected growth investments which we believe will serve us well from a cost perspective or in certain high-growth niches.

A key element of our strategy is portfolio management. Our main focus is on furthering our non-core divestment programme, but alongside this we are actively considering a number of low-capital growth opportunities, such as potential partnerships. We are also identifying potential accretive bolt-on acquisition opportunities in strategically attractive end markets and geographies for the future, when our financial circumstances allow.

Innovation and sustainability – at the heart of our future growth

Innovation and sustainability support every pillar of Synthomer's strategy and are key to value creation in the long term. Serving our customers' own sustainability ambitions through innovative products with demonstrable sustainability benefits is an important opportunity for organic growth. Equally, applying a sustainability and innovation lens to our portfolio management and operational improvements helps drive both our commercial success and our purpose of creating specialist solutions for the benefit of customers and society.

We are embedding a sustainability mindset across Synthomer, underpinned by our Vision 2030 sustainability roadmap. This supports our response to both the opportunities and the challenges we face in this area. For example, we are building our innovation pipeline to support sustainable product development, with 64% of new products this year launched with defined sustainability benefits. In July 2023, our near-term greenhouse gas (GHG) emissions reduction targets were approved by the Science Based Targets initiative (SBTi), and more recently our CDP Climate score was upgraded from B to A-, which puts us in the top quartile of chemicals companies under coverage.

Our work on diversity, equity and inclusion is also strengthening the business, enabling greater diversity of thought while helping us recruit and retain talented people. We have more to do, but we are seeing progress on gender diversity in particular – this year, women held 30% of senior management roles, compared to just 9% in 2019.

We are also making our business safer, with both of our key lagging safety indicators improving significantly year-on-year – though we still have more to do, in particular to complete the process of bringing our more recently acquired sites up to the top quartile levels of safety performance achieved elsewhere in the Group in 2023.

Focused, strengthened, and ready for growth

In summary, the market environment has been extraordinarily challenging for our sector this year, resulting in financial results that are far from where we would like them to be. However, it has also been a year of clear progress towards the longer-term ambitions of our strategy – progress we will continue in 2024.

Outlook

Trading since the start of 2024 has been cautiously encouraging, supported in part by short-term restocking by our customers. We do not yet have evidence of a broad-based upswing in underlying end-market demand, but parts of our business are beginning to build an improving volume trend.

In 2024, the Group will continue to focus on delivering our speciality solutions strategy, including portfolio management, alongside our ongoing activities to generate robust cash flow and successfully navigate through current uncertainties in our markets. Reducing leverage further towards our 1 to 2x medium-term target range remains a key priority.

In addition to further progress with our previously announced actions to reduce cost and complexity and to improve site reliability, we have commenced procurement and production cost optimisation programmes which are expected to deliver £30-40m in additional savings in 2024 and 2025. These actions will be partially offset by some increases in operating costs, mainly due to wage inflation and normalisation of bonus accrual. As a result, we expect to make some earnings progress and be at least modestly Free Cash Flow positive in 2024, even if macroeconomic demand conditions do not improve.

We remain confident that Synthomer's medium-term earnings power is more than double recent levels, through a combination of our near-term actions, end-market volume recovery and strategic delivery.

Michael Willome
Chief Executive Officer

12 March 2024

Our key performance indicators (KPIs)

Measuring the delivery of our strategy

We measure our progress in delivering our strategy against a range of financial and non-financial KPIs, which we keep under review. All financial performance KPIs are shown for the Total Group as operated in the year, while the non-financial KPIs reflect the continuing group. We also set out our performance against all of our Vision 2030 sustainability targets on pages 41-43.

Link to strategy

- Organic growth in attractive end markets
- Rigorous and consistent portfolio management to build focused, leading positions
- Operational and commercial excellence in how we run our business
- Differentiated steering in how we allocate capital and talent
- Diversity, equity and inclusion, and holistic people development

Financial (Total Group)

Revenue

2023	**£2,021.2m**
2022	£2,585.1m
2021	£2,329.5m
2020	£1,644.2m
2019	£1,459.1m

Strategy

Definition
Revenue is recognised at the point when control of our products is transferred to customers.

Comment
Total Group revenue in 2022 decreased to £2,021.2m, principally reflecting lower volumes, driven by subdued end-market demand and increased regional competition in some base chemicals, and pass-through of lower raw material input prices.

EBITDA

2023	**£139.1m**
2022	£265.1m
2021	£522.2m
2020	£259.4m
2019	£177.9m

Strategy

Definition
Operating profit before depreciation, amortisation and Special Items.

Comment
Total Group EBITDA of £139.1m with robust pricing and a strong focus on cost partially mitigating the challenging volume environment.

EBITDA %

2023	**6.9%**
2022	10.3%
2021	22.4%
2020	15.8%
2019	12.2%

Strategy

Definition
EBITDA as a percentage of revenue.

Comment
EBITDA margin was significantly lower, reflecting the reduced volume and fixed element of the cost base, despite robust pricing and a strong focus on cost.

Underlying EPS

2023	**(35.1)p**
2022	152.0p
2021	554.0p
2020	212.9p
2019	186.4p

Strategy

Definition
Basic underlying earnings per share before Special Items.

Comment
The reduction in underlying EPS principally reflects the lower earnings and higher number of shares issued in the rights issue. Prior years have been adjusted for the 20 to 1 share consolidation and rights issue adjustment factor of 2.715.

Financial KPIs continued

Free Cash Flow

2023	**£85.7m**
2022	£69.2m
2021	£217.6m
2020	£167.6m
2019	£92.8m

Strategy

Definition
Movement in net debt before financing activities, foreign exchange and the cash impact of Special Items, asset disposals and business combinations.

Comment
Important contributors to the improvement in Free Cash Flow included £18m in cost reductions, £46m in lower inventories, and some other benefits.

ROIC

2023	**1.6%**
2022	7.6%
2021	26.1%
2020	13.2%
2019	13.0%

Strategy

Definition
Underlying operating profit after tax divided by average invested capital at start and end of year (comprising equity, net debt, post-retirement benefit obligations and lease liabilities).

Comment
2023 ROIC reflects the very substantially lower operating profit compared with historic levels.

Non-financial

% New and protected products (NPP)

2023	**22%**
2022	20%
2021	24%
2020	22%
2019	22%

Strategy

Definition
Percentage of sales volume in the year that can be attributed to patented products and products launched in the past five years.

Comment
The increase in NPP reflected our continuing focus on innovation to enhance our product pipeline and exceeds our target of 20%.

Scope 1 & 2 emissions kt CO_2e

2023	**335**
2022	377
2021*	310
2020*	403
2019	569

Strategy

Definition
Scope 1 – direct GHG emissions from the activities of Synthomer or under its control.

Scope 2 – indirect GHG emissions from the generation of purchased energy consumed by Synthomer.

Comment
The significant reduction in absolute emissions versus 2019 has three major components: reduced production volumes; progress in transition to renewable electricity; and the closure of the Sokolov site's coal-fired power station. We have recalculated our baseline due to changes in our methodology and to include Adhesive Solutions.

Recordable injury case rate

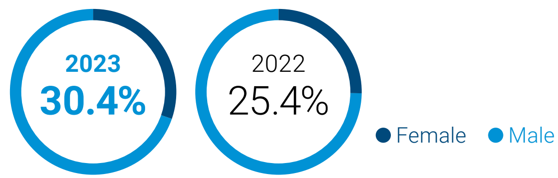
2023	**0.16**
2022	0.34
2021	0.31
2020	0.36
2019	0.20

Strategy

Definition
Recordable injury case rate for accidents involving more than first aid treatment, expressed as accidents per 100,000 hours worked by employees and all contractors.

Comment
The significant improvement places Synthomer in the top quartile for safety performance in our industry, and in part reflects the increasing maturity of our SHE management system and its integration into recently acquired sites.

Gender diversity in senior management



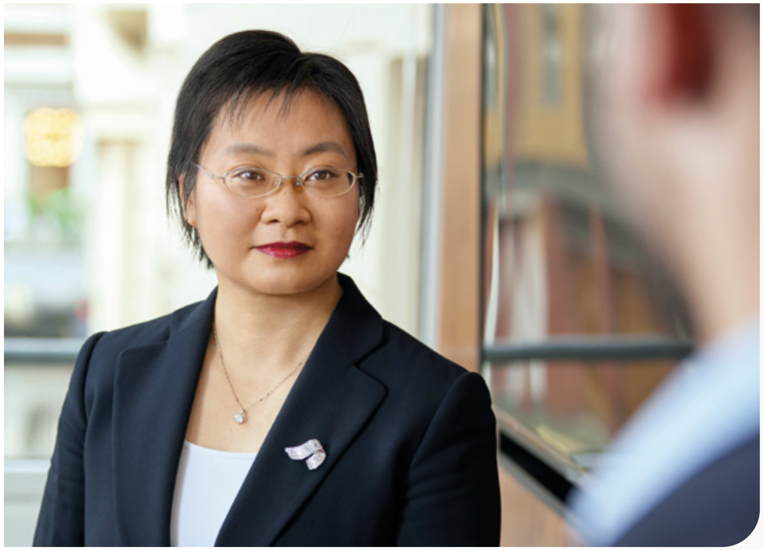
Strategy

Definition
Proportion of women in the senior management population (members of the executive team and their direct reports).

Comment
Since 2019, the number of senior leaders who are women has risen from 9% to 30%. We have committed to achieving 40% gender diversity across senior management by 2030 as a stepping stone to true gender balance.

REVIEW OF THE YEAR

Financial review: Chief Financial Officer's introduction



"I am pleased that our net debt has been more than halved through decisive management action and the support of our shareholders during the year."

Lily Liu
Chief Financial Officer

It goes without saying that a strong balance sheet is critical to our resilience during times of subdued market activity – as well as the foundation for our future success when our markets return to growth.

Strengthening our financial position for the future

In the face of ongoing suppressed demand in many of our markets which has significantly affected our financial results compared with prior year, we have nonetheless continued to deliver on strengthening our balance sheet and improving our working capital position. We have also demonstrated good performance in particular from the speciality businesses in our portfolio, reinforcing our view that we have the strategy, structure and people in place to emerge stronger from the current operating environment and positioned for future success.

Preserving cash and reducing net debt

We ended the year with net debt of £499.7m compared to £1,024.9m at the end of 2022, reflecting a number of decisive actions over the year to preserve cash and reduce debt while ensuring we continued to focus on the shift to increased specialisation that lies at the heart of Synthomer's strategy.

Every division and function played a part, with a Group-wide cost reductions and cash management programmes that converted 97% of EBITDA into Operating Cash Flow. We significantly reduced inventory levels particularly in the adhesive resins business we acquired in 2022, with further opportunities in 2024, and benefitted from a £27.9m increase in use of our receivables financing facility. We have also sharpened the focus of our innovation and capital expenditure plans across the Group, in accordance with our differentiated steering strategic pillar.

The divestment of our Laminates, Films and Coated Fabrics businesses, announced in 2022 and completed in February 2023, brought £208m in net cash proceeds this year while supporting our ongoing drive to increase the speciality weighting of the Group. This non-core portfolio rationalisation programme continues, with further divestment processes currently underway. We have also streamlined our operations, with divestments and site rationalisations reducing our sites from 43 in October 2022 to 36 at the end of 2023 with a further site closure underway, significantly reducing the complexity of the Group.

Notwithstanding these actions to preserve cash and reduce our net debt, Group performance continued to face strong macroeconomic headwinds, and covenant leverage at the half year remained elevated at 5.5x. Therefore, in order to increase our focus on strategic delivery and long-term value creation in addition to short-term cash preservation, we undertook a £276m fully underwritten rights issue in October 2023. 92.6% of the rights were taken up, reflecting strong support from our shareholders, with the subsequent rump placing significantly over-subscribed.

We also took action to address our debt maturity profile. In September 2023, Synthomer entered into an agreement with our lending banks to extend our Revolving Credit Facility maturity date from 31 May 2025 to 31 July 2027 and amend total commitments to $400m. After the year end, we agreed to extend the period of covenant relaxation to ensure that we maintain appropriate headroom while trading conditions remain subdued. We have also reduced the facility size to €300m (currently undrawn). Our next significant maturity is our €520m bond due in mid-2025, which we anticipate refinancing during the course of 2024. Leverage on the covenant basis was 4.2x net debt to EBITDA at year end, and we continue to target leverage within the 1 to 2x range over the medium term, supported by our divestment programme, cash generative business model and operating leverage. The Board has confirmed that dividends will remain suspended at least until net debt:EBITDA is less than 3x EBITDA.

Staying focused on the medium and long term

Significant uncertainties remain, but while we continue to address short-term imperatives for the business in this environment, we are also focused on the medium-term targets we set out as part of the strategy. In line with the growth we expect in our markets when demand recovers, we anticipate mid-single-digit growth over the cycle on a constant currency basis. We aim to bring our EBITDA margin above 15%, driven by sustainable innovation and greater differentiation, and supported by further streamlining and simplifying of our manufacturing operations and supply chains. Over time we expect our business to deliver return on invested capital in the mid-teens.

Lily Liu
Chief Financial Officer

12 March 2024

Financial review

Group revenue, EBITDA and operating profit – continuing operations

Revenue for the continuing Group of £1,970.9m (2022: £2,332.3m) decreased by 15.5% in constant currency compared with the prior year. This principally reflects a 9.9% reduction in volume, driven by subdued end-market demand and increased regional competition in some base chemicals, as well as pass-through of lower raw material input prices. The rate of volume decline slowed in H2 2023 compared to H1 2023. EBITDA for the continuing Group was £142.1m (2022: £253.8m), with robust pricing and a strong focus on cost partially mitigating the challenging volume environment. Sequentially, EBITDA margin in all three divisions improved in H2 2023 relative to H1 2023. Depreciation and amortisation increased to £104.4m (2022: £84.3m), reflecting a full year of the acquired adhesive resins business and a reprofiling of the depreciation rate of those fixed assets under IAS 16, resulting in underlying operating profit for the continuing Group of £37.7m (2022: £169.5m). On a statutory basis, including the Special Items excluded from underlying measures (see page 17), this resulted in an operating loss for the continuing Group of £(35.4)m (2022: £(13.5)m).

Full year ended 31 December 2023, £m	CCS	AS	HPPM	Corp	Continuing operations	Discontinued	Total Group
Revenue	**815.5**	**581.7**	**573.7**	**–**	**1,970.9**	**50.3**	**2,021.2**
EBITDA	**100.1**	**31.2**	**31.0**	**(20.2)**	**142.1**	**(3.0)**	**139.1**
EBITDA % of revenue	**12.3%**	**5.4%**	**5.4%**		**7.2%**	**(6.0)%**	**6.9%**
Operating profit/(loss) – underlying	**73.3**	**(7.5)**	**(0.7)**	**(27.4)**	**37.7**	**(3.9)**	**33.8**
Operating profit/(loss) – statutory	**41.1**	**(32.7)**	**(10.2)**	**(33.6)**	**(35.4)**	**53.1**	**17.7**

Full year ended 31 December 2022, £m	CCS	AS	HPPM	Corp	Continuing operations	Discontinued	Total Group
Revenue	996.1	572.9	763.3	–	2,332.3	252.8	2,585.1
EBITDA	120.8	67.2	86.5	(20.7)	253.8	11.3	265.1
EBITDA % of revenue	12.1%	11.7%	11.3%		10.9%	4.5%	10.3%
Operating profit – underlying	94.1	44.5	57.6	(26.7)	169.5	1.7	171.2
Operating profit/(loss) – statutory	62.8	(126.1)	54.2	(4.4)	(13.5)	(13.0)	(26.5)

Special Items – continuing operations

The following items of income and expense have been reported as Special Items – continuing operations and have been excluded from EBITDA and other underlying metrics:

Full year ended 31 December	2023 £m	2022 £m
Amortisation of acquired intangibles	**(49.3)**	(44.8)
Restructuring and site closure costs	**(14.7)**	(19.2)
Impairment charge	**(5.6)**	(133.7)
Acquisition costs and related gains	**(2.0)**	(6.5)
Sale of business	**(0.3)**	(0.3)
Regulatory fine	**(0.7)**	21.5
Abortive bond costs	**(0.5)**	–
Total impact on operating profit	**(73.1)**	(183.0)
Fair value movement on unhedged interest rate derivatives	**(1.8)**	25.1
Loss on extinguishment of financing facilities	**(4.7)**	–
Total impact on (loss)/profit before taxation	**(79.6)**	(157.9)
Taxation Special Items	**(1.7)**	3.6
Taxation on Special Items	**4.5**	39.3
Total impact on (loss)/profit for the period – continuing operations	**(76.8)**	(115.0)

Amortisation of acquired intangibles is the amortisation on the customer lists, patents, trademarks and trade secrets arising on past acquisitions. The fair value of the intangible assets arising on past acquisitions is being amortised over periods of 5-20 years, mainly dependent on the characteristics of the customer relationships.

Restructuring and site closure costs in 2023 comprised a £3.3m charge in relation to the ongoing integration of the acquired adhesive resins business, £3.8m of costs related to the new strategy and realignment of the business into its new divisions during 2023, £5.9m of costs for ongoing functional and site rationalisation in the USA and Europe, as a result of the divisional reorganisation and the sale of the Laminates, Films and Coated Fabrics businesses, and a £1.7m charge in relation to demolition and site rationalisation activity in Malaysia.

A £5.6m impairment charge was provided on the mothballing of the NBR plant in Kluang, Malaysia.

Acquisition costs and related gains of £1.9m in 2023 include obligations to the US pensions schemes arising from the adhesive resins acquisition in 2022.

In July 2018, the Group entered into swap arrangements to fix euro interest rates on the full value of the then €440m committed unsecured revolving credit facility. The fair value movement of the unhedged interest rate derivatives relates to the movement in the mark-to-market of the swap in excess of the Group's current borrowings.

In March 2023, the Group refinanced its bank loan facilities. All amounts outstanding on a $260m term loan, $300m term loan and €460m revolving credit facility were subsequently repaid and the facilities were cancelled and a new RCF was signed. All capitalised debt issue costs relating to these term loans and facilities were written off, leading to a loss on extinguishment of £4.7m.

Continuing Taxation Special Items mainly relates to a movement in foreign exchange on the uncertain tax provision for a historical tax issue in Malaysia on the sale of plantation land. Continuing Taxation on Special Items mainly relates to deferred tax credits arising on the amortisation of acquired intangibles and restructuring and site closure costs.

Discontinued operations

On 28 February 2023, the Group completed the sale of its Laminates, Films and Coated Fabrics businesses to Surteco North America, Inc following satisfaction of the conditions to the transaction announced on 13 December 2022. The final cash proceeds received at completion amounted to $260.3m after transaction expenses, with $3.2m received in July 2023 and a further $5m receivable in cash 13 months after completion. The net cash proceeds were used to reduce the Group's debt. The Laminates, Films and Coated Fabrics businesses are reported as discontinued operations in these results.

On 29 September 2023, the Group announced its intention to shut down its North America Paper and Carpet business before the end of 2023, as part of the previously announced strategy to exit a number of non-core businesses, including the paper and carpet businesses globally. The North America Paper and Carpet business is reported as discontinued in these results. All discontinued operations form part of the HPPM division.

In the year, £57.0m of Special Items – discontinued operations (2022: £(14.9)m) were recognised, comprising a £61.5m gain on the sale of the Laminates Films and Coated Fabrics businesses, partially offset by £(3.7)m in restructuring and site closure costs and £(0.8)m in impairment charges relating to the North America Paper and Carpet business.

Discontinued taxation on Special Items was £(17.5)m (2022: £0.2m), principally relating to the utilisation of US tax losses against a US tax gain on the sale of the Laminates, Films and Coated Fabrics businesses.

Finance costs

Full year ended 31 December	2023 £m	2022 £m
Interest payable	**(70.6)**	(44.8)
Interest receivable	**10.2**	1.6
Net interest expense on defined benefit obligation	**(2.7)**	(1.2)
Interest element of lease payments	**(1.8)**	(1.4)
Finance costs – underlying	**(64.9)**	(45.8)
Fair value movement on unhedged interest rate derivatives	**(1.8)**	25.1
Loss on extinguishment of financing facilities	**(4.7)**	–
Finance costs – statutory	**(71.4)**	(20.7)

Underlying finance costs increased to £64.9m (2022: £45.8m) and comprise interest on the Group's financing facilities, interest rate swaps, amortisation of associated debt costs and IAS 19 pension interest costs in respect of our defined benefit pension schemes. The rise in the net interest payable mainly reflects a full year of the additional debt utilised to finance the adhesive resins acquisition as well as higher base rates, partially offset by increased interest receivable following receipt of the proceeds of the rights issue. The Group recognised as Special Items a total of £(6.5)m in finance costs relating to interest rate derivative contracts and extinguishment of financing facilities, as described above.

Taxation

The Group's underlying tax credit for continuing operations was £1.6m (2022: £27.6m charge), representing an effective tax rate on the underlying loss before tax of 5.9% (2022: 22.3% on underlying profit). The effective tax rate is driven by the geographical mix of profits and an increase in deferred tax assets held off balance sheet in relation to the UK, due to uncertainty regarding their use in the foreseeable future. The Group is within the scope of the OECD Pillar Two model rules which came into effect from 1 January 2024. The Group is in the process of assessing its exposure to the Pillar Two legislation but does not expect to be subject to the top-up tax in the normal course of business.

Non-controlling interest

The Group continues to hold 70% of Revertex (Malaysia) Sdn Bhd and its subsidiaries. These entities form a relatively minor part of the Group, so the impact on underlying performance from non-controlling interests is not significant.

Earnings per share

Earnings per share is calculated based on the weighted average number of shares in issue during the year. The weighted average number of shares for 2023 was 85.4m (2022: 63.4m on a comparable basis), reflecting the 20 to 1 share consolidation and the issuance of new shares at a discount under the rights issue in October 2023. As at 12 March 2024, the Company had 163.6m shares in issue.

Underlying earnings per share is (35.1) pence for the year, down from 152.0 pence in 2022 on a comparable basis, reflecting the lower earnings and higher number of shares. The statutory earnings per share is (78.5) pence, down from (51.2) pence on a comparable basis in 2022.

Currency

The Group presents its consolidated financial statements in sterling and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which affect the Group's translation of the results and underlying net assets of its operations. To manage this risk, the Group uses foreign currency borrowings, forward contracts and currency swaps to hedge non-sterling net assets, which are predominantly denominated in euros, US dollars and Malaysian ringgits.

In 2023, the Group experienced a translation headwind of £0.7m on EBITDA, with average FX rates against our three principal currencies of €1.15, $1.24 and MYR 5.67 to the pound.

Given the global nature of our customer and supplier base, the impact of transactional foreign exchange can be very different from translational foreign exchange. We are able to partially mitigate the transaction impact by matching supply and administrative cost currencies with sales currencies. To reduce volatility which might affect the Group's cash or income statement, the Group hedges net currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities.

Cash performance

The following table summarises the movement in net debt and is in the format used by management:

Full year ended 31 December	2023 £m	2022 £m
Opening net debt	**(1,024.9)**	(114.2)
Underlying operating profit (excluding joint ventures)	**32.4**	169.5
Movement in working capital	**80.6**	19.1
Depreciation of property, plant and equipment	**96.5**	86.0
Amortisation of other intangible assets	**8.8**	7.9
Capital expenditure	**(84.0)**	(90.8)
Operating Cash Flow[1]	**134.3**	191.7
Net interest paid	**(54.3)**	(38.2)
Tax received/(paid)	**9.3**	(65.6)
Pension funding	**(7.3)**	(21.3)
Share-based payments charge	**1.8**	0.7
Dividends received from joint ventures	**1.9**	1.9
Free Cash Flow	**85.7**	69.2
Cash impact of settlement of interest rate derivative contracts	**12.1**	–
Cash impact of restructuring and site closure costs	**(28.0)**	(25.9)
Cash impact of acquisition costs	**(1.9)**	1.7
Proceeds on sale of business	**208.2**	0.3
Purchase of business	**(18.4)**	(759.6)
Rights issue proceeds	**265.5**	–
Repayment of principal portion of lease liabilities	**(12.4)**	(10.1)
Dividends paid	**–**	(99.5)
Foreign exchange and other movements	**14.4**	(86.8)
Movement in net debt	**525.2**	(910.7)
Closing net debt	**(499.7)**	(1,024.9)

1 Operating Cash Flow is defined as Total Group EBITDA plus/minus net working capital movement less capital expenditure.

Underlying operating profit reduced to £32.4m reflecting the trading performance described above. The net working capital inflow of £80.6m was as a result of the receivables financing facility, active inventory and account management, moderating raw materials pricing and lower activity levels. Inventories in the acquired adhesive resins business were reduced significantly in the year, with further progress expected in FY 2024.

In December 2022, the Group put in place two-year, non-recourse receivables financing facilities for a maximum committed amount of €200m. Factored receivables assigned under the facilities amounted to £110.6m net at 31 December 2023 (2022: £82.7m net). Under the facilities, the risks and rewards of ownership are transferred to the assignees. The duration of the committed facilities were subsequently extended to 31 May 2025.

Depreciation and amortisation of other intangibles increased principally due to the reprofiling of acquired fixed assets described above. Capital expenditure was £84.0m (2022: £90.8m), principally for the Pathway business transformation programme and recurring SHE and sustenance expenditure. The Group anticipates similar levels of capital expenditure in FY 2024.

Net interest paid increased to £54.3m reflecting the adhesive resins acquisition debt and higher base rates. Net tax received was £9.3m reflecting the tax refunds the Group received in the year relating to a 2022 tax overpayment which was required by law, as a result of the profitability of the Health & Protection business in 2021.

The cash impact of Special Items was an outflow of £29.9m.

Group debt is denominated in sterling, euros and dollars. Both the euro and the dollar weakened relative to sterling during 2023, leading to a foreign exchange gain in net debt.

Financing and liquidity

At 31 December 2023, net debt was £499.7m (2022: £1,024.9m), with the reduction principally reflecting the proceeds of the rights issue completed in October 2023, divestment of the Laminates, Films and Coated Fabrics businesses and Free Cash Flow in excess of 2022 levels.

As at 31 December 2023, committed borrowing facilities principally comprised: a $400m RCF (maturing in July 2027), five-year €520m 3.875% senior unsecured loan notes (maturing July 2025) and UK Export Finance (UKEF) facilities of €288m and $230m (both maturing in October 2027). At 31 December 2023, the RCF was undrawn and the UKEF facilities were fully drawn. The Group's net debt: EBITDA for the purposes of the leverage ratio covenant increased from 3.7x at 31 December 2022 to 4.2x at 31 December 2023, due to lower EBITDA over the preceding 12-month period, partially offset by lower net debt, as described elsewhere.

The RCF and the UKEF facilities are subject to one leverage ratio covenant. For prudence, the Group agreed in March 2024 to extend the period of temporary covenant relaxation to ensure that appropriate headroom was maintained. Accordingly, the net debt: EBITDA ratios required under the covenant have been set at not more than 6.0x in June 2024 and 5.75x in December 2024, with ratios of not more than 5.0x in June 2025 and 4.75x in December 2025 conditional on a refinancing of the senior loan notes. In addition, the RCF amount was changed from $400m to €300m. The Group currently expects net financing costs of approximately £60-65m in 2024 as a result of higher interest rates and other changes to the Group's financing arrangements. The Group's committed liquidity at 8 March 2024 was in excess of £450m.

Balance sheet

Net assets of the Group increased by 13% to £1,162.0m at 31 December 2023, mainly reflecting the issue of new shares partially offset by the £66.8m loss for the year and a loss of £65.5m on translation of foreign currency.

Provisions

The Group provisions balance decreased to £41.5m compared with a balance of £54.0m as at 31 December 2022, mainly reflecting cash utilisation of £11.2m in the year, most notably in relation to restructuring and site rationalisation activities.

Retirement benefit plans

The Group's principal funded defined benefit pension schemes are in the UK and the USA and are both closed to new entrants and future accrual. The Group also operates an unfunded defined benefit scheme in Germany and various other defined contribution overseas retirement benefit arrangements.

The Group's net retirement obligation decreased by £8.7m to £64.7m at 31 December 2023 (31 December 2022: £73.4m), and reflects the market value of assets and the valuation of liabilities in accordance with IAS 19, including an asset of £16.5m for the UK scheme. This reduction largely comprised £5.2m of cash contributions and actuarial gains of £2.9m. During 2024 the Group is committed to making c.£19m in contributions to the UK scheme, a portion of which was deferred from 2023.

Post-balance sheet events

During 2022, the European Commission concluded its investigation into styrene monomer purchasing practices, and the final settlement amount of £38.5m was transferred to other payables. The Group paid the settlement amount plus interest in January 2024 as agreed with the EC.

In March 2024, the Group amended its RCF and UKEF arrangements, as described elsewhere.

As part of the Group's previously announced non-core portfolio rationalisation programme, there are three formal divestment processes underway for non-core businesses in Europe, currently incorporated within the Health & Protection and Performance Materials division. Given progress made since the year end, the Directors now consider it is more likely than not that at least one of these processes will lead to a divestment within the next 12 months.

Coatings & Construction Solutions (CCS)

"Currently our most speciality-weighted division, CCS is already demonstrating the resilience and growth potential that comes from a true focus on customer needs supported by sustained alignment of people, capital, and strategy."

Ana Perroni Laloe
President, Coatings & Construction Solutions

Addressable market
£8bn+

People
2,100

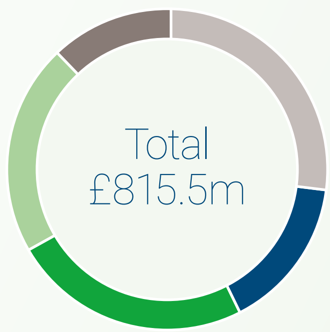
Manufacturing sites
18

Main product applications
Architectural and masonry coatings
Waterproofing and flooring
Fibre bonding
Energy solutions

2023 revenue change vs 2022

Volume	Price/mix	FX	Total
(13.8)%	(5.2)%	+0.9%	**(18.1)%**

2023 revenue by end market



Architectural coatings	27%
Industrial coatings	16%
Consumer materials	24%
Construction	21%
Energy solutions	12%

CCS performance review

Performance

Divisional revenue decreased by 19.0% in constant currency to £815.5m (2022: £996.1m), principally driven by a 13.8% reduction in volume compared with the prior year. This principally reflects more cautious buying behaviour from our customers given the subdued end-user demand environment.

Throughout the year, our coatings end markets have been more robust than construction and consumer materials, while our activities for energy end markets have enjoyed strong levels of growth. Geographically, market conditions were stronger in our target growth regions of North America, Middle East and Asia, with activity levels in Europe more muted.

While reduced raw material costs were reflected in pricing, the division has been largely successful in retaining gross margin, reflecting the speciality nature of our offering for customers. Despite the challenging demand environment, robust cost control and a number of tactical initiatives enabled CCS to increase EBITDA margin to 12.3% (2022: 12.1%) and generate £100.1m of EBITDA (2022: £120.8m) in the year.

Typically the most seasonal division in the Group, volumes were sequentially lower in H2 2023 than H1, as expected. Notwithstanding this, EBITDA margin was higher in the second half compared with the first.

At the start of 2024, certain foam products were transferred from the CCS division into Performance Materials, and tyre cord, elastomeric modifiers and reinforcing resins products transferred in the other direction; the net financial effect was not significant.

Strategy

While CCS already has leading market positions in several niches, particularly in our historical home European markets, our strategy is focused on enhancing our organic growth capability. We are doing this through a more end-market aligned approach, key account management and a growing focus on value selling, as well as building on our increased geographic reach, both with our existing global customers and with regional leaders in our target markets. For example, through a joined-up approach involving the CEO of the Group and divisional management through to local technical and sales teams, we have developed an increasingly strategic partnership with one such leader in the USA. In the process we have multiplied the value of our sales with them several times over during the last 18 months.

In the year we undertook a modest investment to enhance our coatings capacity in the Middle East, and our sales in China should benefit from the Group's investment in a new Innovation Centre in Shanghai.

We have also continued to align our innovation efforts with the needs of our end markets, with a particular focus on sustainability, as a means to enhance the differentiation – and hence resilience and margin opportunity – of our product portfolio. In the year we have piloted a new bio-based emulsion polymer platform for coatings, with customer sampling taking place in 2024.

We also continue to progress a number of asset optimisation projects and other cost control and capacity management activities. We successfully completed our exit from a small production site in Texas, and in November 2023 we announced plans to close our Fitchburg, Massachusetts site by the end of 2024 following a review of our manufacturing footprint strategy in the North American region. By consolidating our production in the region we will improve asset utilisation rates and reduce complexity, while enabling new investment to advance our strategic focus on organic growth.

In 2024, the division's focus remains on organic growth, disciplined investment in innovation and enhancing our customer proposition, and continued optimisation of our manufacturing base to align with our strategic ambitions.

Full year ended 31 December	2023 £m	2022 £m	Change %	Constant currency[1] %
Revenue	**815.5**	996.1	(18.1)	(19.0)
Volumes (kt)	**515.2**	597.7	(13.8)	
EBITDA	**100.1**	120.8	(17.1)	(17.3)
EBITDA % of revenue	**12.3%**	12.1%		
Operating profit – underlying	**73.3**	94.1	(22.1)	(22.0)
Operating profit – statutory	**41.1**	62.8	(34.6)	

1 Underlying constant currency revenue and profit retranslate current year results using the prior year's average exchange rates.

Adhesive Solutions (AS)

"Despite substantial market and internal challenges, our AS division now has the team and the plan in place to build on its strengths and fulfil its potential, as reliability and efficiency improve and when end markets recover."

Stephan Lynen
President, Adhesive Solutions

Addressable market
£5bn+

People
700

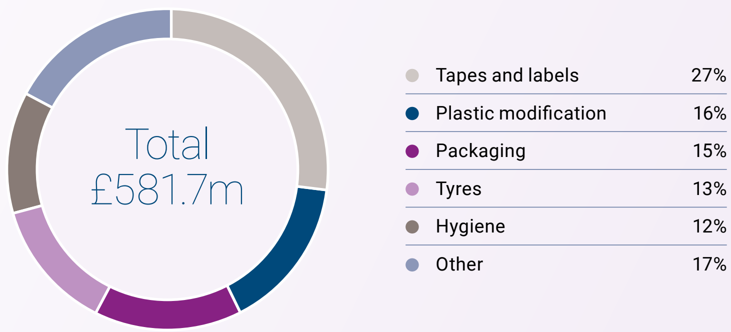
Manufacturing sites
6

Main product applications
Tapes and labels
Tyres and plastic modification
Packaging and hygiene

2023 revenue vs 2022

Volume	Price/mix	FX	Total
+10.3%	(9.3)%	+0.5%	**+1.5%**

2023 revenue by end market



AS performance review

Performance

Divisional revenue was £581.7m (2022: £572.9m), an increase of 1.0% in constant currency. The inclusion of the adhesive resins acquisition for the whole year (compared to three quarters in 2022) largely offset a 10.6% like-for-like volume decline, driven by lower demand amplified by destocking, challenges fulfilling customer orders due to previously disclosed reliability and supply chain issues, and increased pressure from global competitors in base products in the second half.

Within the division, speciality products (c.55% of divisional revenues) such as pure monomer resins (PMR), polybutadiene polymers, amorphous polyolefins (APOs) and rosins were more robust in both volume and pricing terms, reflecting their greater differentiation for customers. However, our more base chemical products – particularly hydrocarbon resins for the tapes, labels, packaging and plastics markets in Europe and the USA – were more exposed to increased global competition for lower demand this year.

In our speciality product portfolio, we were able largely to maintain or increase margins. We also successfully delivered on the cost and reliability actions planned for the year by the performance improvement programme that was put in place in July 2023 by the new divisional management team. However, the market challenges especially in our base products, together with disruptions in supply chain and production, resulted in divisional EBITDA of £31.2m (2022: £67.2m) and EBITDA margin of 5.4% (2022: 11.7%) for the year.

Comparing H2 2023 with the first half, the divisional volume declines began to stabilise, and EBITDA margin improved by 71 bps.

Strategy

The AS division has leading positions in a range of speciality adhesive applications and long-term embedded relationships with many high-quality customers in attractive end markets. It has shifted the weighting of the Group towards North America through the recent adhesive resins acquisition, creating opportunities for Synthomer as a whole. However, its performance in 2023 was well below the division's long-term potential.

The immediate priority of our division is the execution of our performance improvement programme to increase operational reliability and cost efficiency of the acquired adhesive resins operations. The reliability initiatives focus on end-to-end stabilisation in procurement, production, and supply chain. We have made progress in improving logistics and supplier networks, and our focus going forward is now primarily on improving the reliability of certain key acquired sites. In terms of cost, the majority of the acquisition synergies have now been delivered. The new performance improvement programme delivered £5m in savings in 2023, and is currently targeting a total run rate in excess of £25m by 2025 with significant progress expected in 2024. The division has also successfully reduced inventory by more than £25m in the year, with further reductions targeted in 2024.

In addition to the performance improvement programme, our divisional strategy in 2024 and beyond recognises and addresses the differentiated performance of the speciality and base parts of the division. The majority of our investment for future growth is intended to build on the strengths of our speciality portfolio to drive revenue synergies and organic growth. This includes strengthening customer relationship management, innovation projects such as the launch of new product grades for tyres for electric vehicle end markets, and sustainability initiatives such as the ISCC PLUS certification of our major manufacturing sites. To support this, we are also investing in a disciplined way, including the ongoing expansion of our speciality amorphous polyolefins capacity in North America.

In the base product areas, the focus is more on enhancing cost competitiveness, such as our recent investment to bolster our supply chain, increase reliability and improve the cost position for hydrocarbon resin production in Europe.

Full year ended 31 December (continuing)[1]	2023 £m	2022[1] £m	Change %	Constant currency[2] %
Revenue	**581.7**	572.9	1.5	1.0
Volumes (kt)	**247.2**	224.2	10.3	
EBITDA	**31.2**	67.2	(53.6)	(54.3)
EBITDA % of revenue	**5.4%**	11.7%		
Operating profit – underlying	**(7.5)**	44.5	n/m	n/m
Operating profit – statutory	**(32.7)**	(126.1)	n/m	

1 2022 included a nine-month contribution from the adhesive resins acquisition.
2 Underlying constant currency revenue and profit retranslate current year results using the prior year's average exchange rates.

Health & Protection and Performance Materials (HPPM)

"Volumes in our Heath & Protection business have begun to recover gradually from their post-pandemic trough, and we continue to drive forward our plans for the Performance Materials portfolio."

Rob Tupker
President, Health & Protection and Performance Materials

Addressable market

£4bn+

People

1,300

Manufacturing sites

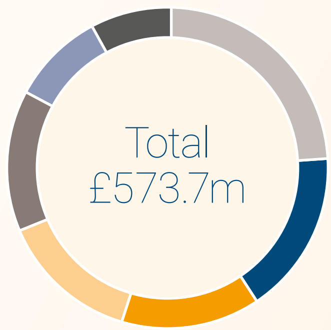
12

Main product applications
Medical glove manufacture
Speciality paper and food packaging
Carpet and artificial turf
Polymer modifiers
Inorganic specialities

2023 revenue vs 2022

Volume	Price/mix	FX	**Total**
(13.5)%	(10.2)%	(1.1)%	**(24.8)%**

2023 revenue by end market



Health & protection	24%
Rubber and plastic additives	17%
Paper	14%
Carpet	14%
Acrylate monomers	14%
William Blythe	9%
Compounds	8%

HPPM performance review

Continuing divisional performance

Divisional revenue was £573.7m (2022: £763.3m), driven by a 13.5% reduction in volume and significantly lower prices compared with the strong 2022.

The exceptional global demand for nitrile butadiene latex (NBR) to manufacture medical gloves at the height of the COVID-19 pandemic gave way during 2022 to a prolonged period of destocking and oversupply for our Health & Protection business. This, combined with an increase in output from Chinese glove manufacturers, put significant strain on pricing and plant utilisation throughout the value chain. Together, these factors resulted in a 13.4% decline in NBR volumes compared with the prior year. End-market demand growth for medical gloves remains robust, underpinned by the long-term hygiene megatrend, and some NBR and glove capacity has left the market (including from our decision in August 2023 to mothball our NBR facility in Kluang, Malaysia, which will reduce our capacity by approximately 20%). As a result, the current divergence between capacity and demand for NBR is slowly abating, with volumes modestly improving in Q3 and Q4 2023, albeit with low unit margins persisting.

In our Performance Materials portfolio, which includes a number of businesses with niche leadership positions that have however been assessed as non-core to the wider Group strategy, volumes were down by 13.5%. This was driven principally by lower demand exacerbated by destocking. Many of these are base businesses which have experienced greater unit margin pressure as raw material prices moderate compared with the more speciality parts of the Group. Again, the trend moderated sequentially, with Performance Materials volumes stabilising during the second half.

As a predominantly base chemicals division, the negative operating leverage impact of lower volumes was significant, with divisional EBITDA reducing to £31.0m (2022: £86.5m) and EBITDA margin to 5.4% (2022: 11.3%). Reflecting our focus on cost, capacity utilisation and efficiency, divisional EBITDA margin improved by 90bps in H2 2023 compared with H1 2023.

Strategy

As a market leader with critical mass and structurally growing end markets, Health & Protection is a core Synthomer business, albeit one with base chemical characteristics. As such, in accordance with the differentiated steering pillar of our strategy, our operational focus has been on improving cost efficiency across our value chain and enhancing our overall value proposition to our customers through selective investment in process and product innovation and sustainability.

The transfer of product grades from Kluang to our other NBR plants is now largely complete, improving our overall cost competitiveness and utilisation rates. Focusing our Health & Protection production on our newer facilities also lowers our energy consumption and the carbon footprint of our customers and ourselves.

We also continue to increase our level of customer intimacy, enhancing our understanding of demand and market flows and facilitating deeper relationships with customers. We requalified with an important customer during the year, and are exploring a number of new opportunities, including in the USA and China, the latter to be supported by Synthomer's investment in our new China Innovation Centre under construction in Shanghai. We have also revised our innovation and capital expenditure plans to focus on our most differentiated products or process opportunities, with positive take-up of our SyNovus Plus product in Europe, for example.

Our non-core portfolio rationalisation programme continued to progress during the year. We currently have three formal divestment processes underway, including for the European SBR for paper and carpet business, which is progressing to plan.

Full year ended 31 December (continuing)[1]	2023 £m	2022 £m	Change %	Constant currency[2] %
Revenue	**573.7**	763.3	(24.8)	(23.7)
Volumes (kt)	**544.2**	629.0	(13.5)	
EBITDA	**31.0**	86.5	(64.2)	(61.3)
EBITDA % of revenue	**5.4%**	11.3%		
Operating (loss)/profit – underlying	**(0.7)**	57.6	n/m	n/m
Operating (loss)/profit – statutory	**(10.2)**	54.2	n/m	

1 Laminates, Films and Coated Fabrics and North America Paper and Carpet have been reclassified as discontinued operations.
2 Underlying constant currency revenue and profit retranslate current year results using the prior year's average exchange rates.

Sustainability in focus: advancing our agenda to deliver change

“ Sustainability is fundamental to the success of Synthomer's strategy – it has the capacity to drive value across all our strategic pillars as we transform our business into a speciality chemicals platform.”

Chris Brown
Vice President, Environment, Social and Governance

This has been another busy year with advances made across our entire sustainability agenda.

That includes a maturing approach to key issues like human rights in our supply chains, strengthening our ability to use our sustainability data, especially as a tool to help decarbonise our business models, and actively working with our customers to support their growing sustainability needs. We have also continued our commitment to sustainability-related capital investment despite difficult market conditions.

In 2023, we delivered a positive performance against each of our Vision 2030 targets. For example, we met or exceeded our 2030 targets for new products, our recordable injury case rate, renewable electricity and support for communities. And we have continued to make positive year-on-year progress against our other targets. Now we must work to maintain this performance through to 2030.

» See pages 41 to 43 for performance against our Vision 2030 targets.

What is clear is just how much opportunity there is for sustainability to support our strategy to drive value and growth as we become a speciality chemicals platform. But to do that, we need to be bold, build on our strengths in areas like innovation, manufacturing and customer relationships, and apply a sustainability lens to everything we do across our whole value chain. That includes embedding sustainability considerations in our Group-wide Synthomer Excellence (SynEx) programme.

Sustainability and innovation are increasingly embedded within each function and division, and at every manufacturing site. Innovation is one of the most effective ways we can deliver positive outcomes – improving the sustainability benefits from our existing products and processes, or developing new ones, so that we can better meet our customers' needs for responsible solutions. This year, 64% of our new products had defined sustainability benefits, as Robin Harrison describes in our Innovation in focus section.

Highlights from 2023

- Group recordable injury case rate – one of our Vision 2030 targets – is now in the top quartile for our industry
- Our targets to reduce Scope 1, 2 and 3 greenhouse gas (GHG) emissions approved by the Science Based Targets initiative (SBTi)
- Our CDP climate score was upgraded from B to A-, which puts us in the top quartile of chemical companies under coverage
- Completed our first full year of coal-free manufacturing
- Third consecutive year of progress against our gender diversity target
- 64% of our new products launched this year have defined sustainability benefits, meaning we exceeded our Vision 2030 target
- Revised our Code of Conduct with an improved human rights and modern slavery section
- Joined Together for Sustainability to help build sustainable chemical supply chains

At the same time as strengthening our competitive advantage, our sustainability work supports our commitment to being a good corporate citizen. That includes playing our part in the transition to net zero to meet the 2015 Paris Agreement. We took a significant step forward this year thanks to the Science Based Targets initiative (SBTi) approving Synthomer's near-term targets to reduce absolute Scope 1 and 2 GHG emissions by 47% and absolute Scope 3 emissions by 28% by 2030 (from a 2019 baseline). Achieving these targets will be challenging, and we know we must focus on both delivering near-term actions and building longer-term roadmaps, since the decisions we make in the rest of this decade will significantly shape the opportunities to deliver on our longer-term ambition to reach net zero by 2050.

How sustainability supports our business strategy

Organic growth in attractive end markets	We make products that proactively support our customers on their sustainability journey
Rigorous and consistent portfolio management to build focused, leading positions	Our sustainability criteria influences our portfolio decisions
Operational and commercial excellence in how we run our business	We have a clear definition of sustainability excellence that is integrated throughout our business
Differentiated steering in how we allocate capital and talent	We apply our sustainability criteria when making decisions on how to allocate that capital and talent
Diversity, equity and inclusion and holistic people development	We are building a culture that inspires our people and helps them deliver on our purpose

A credible, mature approach to sustainability aligned to our strategy

As well as increasingly granular data and a clear understanding of customer needs and end markets, we have a robust governance structure in place, which ensures we have the appropriate level of executive and Board-level oversight when discussing key sustainability issues. That structure is shown on page 75.

As our approach to sustainability has matured, so has the way we report on it. We aim to meet an ever-expanding range of stakeholder needs by discussing our most material sustainability challenges and the progress we have made against our Vision 2030 goals. Starting this year, we are also providing further in-depth insight into our other relevant sustainability issues on our website.

Our approach is informed by the issues that matter most to our stakeholders, including employees, investors and customers, and that are most aligned with delivering our business strategy.

We update our understanding of those issues through a materiality assessment, and completed our last one in 2021. Having reviewed that assessment, we believe we are still focused on the most relevant sustainability issues.

» See Innovation in focus on pages 36-37.

This year we chose not to update our materiality assessment using our existing methodology, given the changing sustainability reporting requirements under the EU's Corporate Sustainability Reporting Directive (CSRD) and the International Sustainability Standards Board (ISSB). We are developing a 'double' materiality approach, in line with CSRD and ISSB, which will assess the issues that are material to our business prospects and their impact on the wider world.

This is a significant project, but we believe it will help us further integrate sustainability issues into our decision making, performance and disclosures. We expect to complete this work in 2024.

It is important that businesses like ours not only focus on the issues that matter most, but that we identify and deliver appropriate outcomes. The two that are most within our control to deliver are decent work that has a positive, measurable impact in areas like safety, diversity and human rights, and responsible manufacturing and use of our products in areas such as GHG emissions, resource use and product safety. These outcomes broadly align with the UN's Sustainable Development Goals 8 and 12 – Decent work and economic growth, and Responsible consumption and production.

Our materiality assessment

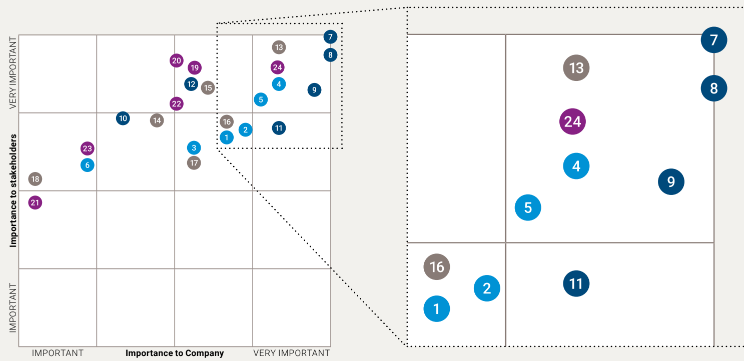
We focus on the areas that matter most to our stakeholders and that are most aligned with delivering our business strategy, as seen in the expanded section of the table below. Our full materiality assessment table and topics can be found online at Synthomer.com

Products
1 Sustainable procurement
2 Technology and innovation
4 Product safety
5 Customer satisfaction and engagement

Operations
7 Occupational health and safety
8 Process safety
9 Energy management and reduction
11 GHG emissions reduction

People
13 Ethics and integrity
16 Diversity and inclusion

Strategy and governance
24 Compliance



Promoting decent work within and beyond our business

When it comes to decent work, our highest priority must always be the health and safety of our people and those who work with us. And we must also strive to create a working environment that supports and encourages diversity, equity and inclusion, and ensure that we have the tools and processes in place to uphold human rights standards in our value chain.

Safety is a non-negotiable business principle, and this year, we have seen a marked improvement in our performance versus the previous 12 months, surpassing our annual recordable injury case rate (RCR) and process safety event rate (PSER) objectives. Indeed, our RCR result represents a more than 50% year-on-year improvement and places Synthomer in the top quartile of our industry, while our PSER has stablised year-on-year.

Both metrics are a testament to the hard work of all our employees, who have remained focused on our commitment to 'always have time to work safely'. Nonetheless, we recognise that we have more to do, in particular to complete the process of bringing the more recently acquired sites up to the standards of safety achieved elsewhere in the portfolio.

Longer-term trends demonstrate that our approach to integrating newly acquired sites using legacy Synthomer's SHE management system (SHEMS) works over time – since our statistics now clearly show that the longer a site is part of SHEMS the better its safety performance. That is why some of our legacy sites have now reached top quartile performance.

We want to continue that trend, and across the business are increasingly focused on tracking leading indicators such as near misses and process safety weak signals, including making them a key topic at the three regional SHE conferences that we held this year.

Safety performance by division:

Full year ended 31 December (continued)	2023	2022
RCR per 100,000 hours for employees and contractors		
CCS	**0.23**	0.45
AS[1]	**0.38**	0.29
HPPM	**0.03**	0.18
Continuing Group	**0.16**	0.31
PSER per 100,000 hours for employees and contractors		
CCS	**0.13**	0.28
AS[1]	**0.63**	0.54
HPPM	**0.08**	0.13
Continuing Group	**0.18**	0.24

1 2022 included a nine month contribution from the adhesive resins acquisition.

We also continue to share lessons learnt. For example, this year we issued new guidance on how to work safely at height and particularly on a roof, after our tracking identified four height-related near misses that could have led to potentially life-changing incidents.

Diversity, equity and inclusion is another key focus – and is a specific pillar of Synthomer's corporate strategy.

The most successful businesses are ones that value and nurture diversity of thought and creativity. As others have mentioned in this report, Synthomer has made great strides in addressing gender diversity in a very short space of time. We still have plenty of work to do, but we are proud to have continued to broaden our initiatives to support other forms of diversity too.

» See People in focus on pages 38 to 40.

Formalising our approach to human rights and supplier audits

This year we have formalised many of our human rights structures and processes in ways that further support our Vision 2030 sustainable procurement target.

For example, our new global, cross-business Human Rights Working Group (HRWG) is helping us take a comprehensive approach to identifying, assessing and managing risks throughout our value chain. That includes identifying and addressing any human rights violations in our own operations, as well as our suppliers'. The HRWG meets periodically to help develop and refine our human rights action plan. Our General Counsel and Board oversee the HRWG's commitments and initiatives.

We also incorporated standalone human rights guidance into our updated Code of Conduct, and developed an online and offline modern slavery module to help our employees strengthen their awareness and skills in addressing human rights issues. We will continue to raise awareness of human rights during 2024 as we roll out our Code of Conduct roadshows. We will also use these roadshows to continue promoting our Speak Up whistleblowing hotline, called EthicsPoint, which we have now made available to third parties as well as our employees.

To accelerate our learning and help us adopt good practices, we have joined Together for Sustainability (TfS). Through the TfS Academy our procurement teams now have access to resources covering assessment, audit and corrective action planning.

We will use the established TfS methodology to help us audit eight of our priority suppliers' sites in 2024. These eight site audits are part of our pathway to delivering 15 supplier site audits a year by 2030, in line with TfS good practice.

Our HRWG prioritised these sites using our supplier risk process, which takes into account multiple risk lenses, regions, and sectors that our suppliers operate in. One of the benefits of TfS membership is their 'one to many' audit approach. This helps lower the burden that many suppliers face from multiple audit requests while giving members access to independently verified supplier data. As part of our membership we now have access to TfS's growing audit library.

In 2024 we will update our Responsible Supplier Policy to further improve our supplier risk management approach to financial, governance, environmental and social concerns.

Taking action on climate change

Tackling climate change has become more urgent than ever. As a responsible manufacturer we must address the GHG emissions associated with making and using our products, with the ultimate goal of reaching net zero by 2050. Last year's TCFD analysis helped us identify five primary responses to reduce the risks and take advantage of the customer-related opportunities, whichever climate scenario ultimately plays out.

We continue to make year-on-year progress to reduce our Scope 1 and 2 GHG emissions. In 2023, our emissions were 41% lower than our 2019 base year, against our target to achieve 47% by 2030. Ending the use of coal in our own operations and sourcing 80% of our electricity from renewable sources are two of the most significant steps we have taken in the past few years, although our emissions results have also benefited from reduced production volumes.

This year, we focused on identifying opportunities to reduce emissions at what we call our Tier 1 sites, which represent 75% of our Scope 1 and 2 emissions. Within our operations, one of the biggest decarbonisation challenges we face is the need to reduce emissions linked to fuels for heating, with 78% of our energy demand coming from direct fuel burning and importing steam.

Our short-term strategy is to optimise our utility systems, and in the short-to-medium term optimise our process operations, including improvements in process integration and heat recovery.

In 2023, several activities contributed reductions of approximately 22,000t CO_2e towards our Scope 1 and 2 science-based targets, including process optimisation at one site in France, baseload energy reduction at one site in Malaysia, and our first full year with no coal used within our own operations.

Given current capital expenditure constraints, we have focused our efforts on the significant opportunities to address our GHG emissions through even greater energy efficiency.

In 2023, Synthomer introduced a new sustainability pillar into its Manufacturing Excellence programme. This aims to help each site develop – and act on – decarbonisation and resource use roadmaps, with energy efficiency as an immediate focus.

And while market challenges mean we have to be disciplined about investment in larger-scale energy efficiency projects such as electrifying gas-fired boilers, this year we have allocated 13% of discretionary capital budget towards projects focused on climate action.

In 2024, we will focus on progressing design work on longer-term projects, including heat recovery projects in France, lower carbon technology waste treatment in the Czech Republic and further improvements at our main plant in Malaysia. We estimate that, once complete, these will save a further 7% of Scope 1 and 2 GHG emissions by 2028, as well as delivering production efficiencies and cost savings.

We are also running a number of longer-term breakthrough technology projects to better understand options we hope will become viable in the future. For example, our CCS division is currently working on a heat pump feasibility study at one of our sites in the USA. And we are exploring options to introduce lower-carbon hydrogen at our Middelburg site in the Netherlands, including joining one of the country's new green hydrogen industrial clusters.

Like many businesses with ambitious growth plans, we will also have to stay vigilant as the market picks up, since higher production has historically led to higher absolute emissions. But this is where our strategy gives us a key advantage, as specialisation means focusing on quality rather than quantity.

Acting now – and strengthening our approach for the long term

None of this is possible without good data. Over the past three years, Synthomer has done an enormous amount of work to strengthen the way we gather, review, use and report on our sustainability data, and our science-based targets are a direct result.

This year, we made a step-change in our approach to both our 2030 and 2050 decarbonisation targets, thanks to a cross-business project to better understand our Scope 3 emissions, in particular our upstream raw materials.

» See Cross-business study of our carbon footprint on page 34.

These emissions represent approximately 85% of our total carbon footprint and the resulting work has highlighted the need to take a whole value chain approach in order to drive real change. The project's insights will help us unlock a deeper set of conversations with our suppliers and customers about the kind of raw materials, innovative chemistry platforms and business models we are all going to need in the future. In essence it has given us the building blocks to create our Group-wide net zero transition plan in 2024.

Aiming to use resources wisely

We rely on certain resources, such as key monomer feedstocks and water, to make our products. And like many manufacturing businesses, our production processes create a certain amount of waste. So we have a responsibility to ensure that we use, manage and dispose of those resources and the associated waste carefully.

One of the ways we can do that is through the choice of feedstocks we use, and, where we can, we want to start introducing alternative raw materials, including materials that are bio-based or contribute to a circular economy approach. This year we became certified at a Group level under the International Sustainability and Carbon Certification for Biomass and Bioenergy's ISCC PLUS programme. Six individual sites were also certified this year, and we expect another two sites to be certified in 2024. This allows us to introduce those alternative materials and report using a 'mass balance' approach. It is an important step in helping us diversify our raw materials and create the products our customers are looking for to address their own sustainability challenges. Indeed, we applied for certification in direct response to customer engagement.

This year, we reduced our total absolute waste by 19% and our total specific waste by 10% versus 2022. This was largely linked to lower production volumes and several large one-off waste disposals that occurred in 2022. We now have 10 manufacturing sites, responsible for 36% of our production volumes, that send no waste to landfill.

Taking a context-based approach to water management

In our 2021 sustainability materiality assessment, stakeholders ranked water stewardship as a very important issue. This influenced our decision to review our Vision 2030 water target and look at setting a Group-wide 2025 quantitative target for water withdrawal and consumption in 2023.

This work concluded that the most effective water-related goals for us should focus on the local context of water risks and dependencies, so we decided to set context-based qualitative goals for our manufacturing sites. Our TCFD work in 2022 also identified the need to explore our resilience to physical risks such as drought. Our Vision 2030 target is now to establish sustainable water management at all our sites located in areas of high water stress. We will achieve this in two stages: first, by 2025, at sites in areas of high water stress that also have high water use; and then at all other sites in areas of high water stress by 2030.

To understand each site's local water context we took a three-step approach to determine materiality and assess site-level water risks. First, we completed a baseline and future water risk screening of physical quantity and quality using the World Resources Institute (WRI) Aqueduct water risk tool to identify our high-risk sites. We then prioritised those high-risk sites with high volume and withdrawal dependencies and conducted a site-specific review at each to better assess the local context.

We identified six sites as high risk and high dependency, and, following the site-specific review, we have prioritised the need to develop context-based water stewardship goals at three of those sites by 2025. We have already started this work, with two sites in France working to establish alternative production plans and controls to maintain operations during periods classified by local regulators as drought conditions. One site in Germany has also begun to implement the Alliance for Water Stewardship (AWS) standard, alongside a capital project to re-engineer its cooling system, which we estimate will reduce overall Group water consumption by 12% when complete.

Looking ahead – and transforming our business

Continuing to embed sustainability into every aspect of our business decision making in the coming years – including procurement, innovation, manufacturing and customer engagement – will be critical to delivering our strategy and Vision 2030 goals.

In the next 12 months, we will work with our suppliers and customers to build effective sustainability-led partnerships. We will develop our Group-wide net zero transition plan by the end of 2024. We have also started building a Group-wide sustainability training programme to help our people embed sustainability into their day-to-day thinking and actions. And we will continue to prepare for the new CSRD and ISSB requirements. That will include examining the impact we may have on biodiversity in response to the Taskforce on Nature-related Financial Disclosures (TNFD).

It is clear that we have much to do, and quickly, if we are to realise our sustainability goals while growing our business. Change takes time, so we need to provide transparent, realistic roadmaps to show what we will do, when we will do it and what this will mean for our business. Our future progress will be inextricably linked to the success of our drive to become a speciality chemicals business – delivering the products our customers need to help play their part in creating a more sustainable world.

More information on our approach to sustainability

We provide more information on the work we are doing to understand our climate-related risks and opportunities in our TCFD statement, summarised on pages 56 to 59.

We obtain independent assurance for our ISO management systems, which cover our safety, health and environmental practices and our Scope 1 and 2 GHG emissions. In 2024 they will also cover our Scope 3 emissions. We benchmark our progress, and identify areas where we can improve our performance through voluntary disclosures to organisations including CDP, Ecovadis, S&P, London Stock Exchange Group and MSCI.

This year, we are pleased that our CDP Climate score increased from B to A-, which now puts us in the CDP Leadership category.

We continue to work closely with industry bodies such as the Chemical Industries Association in the UK and the American Chemistry Council in the USA.

For more information, see Ratings and Resources on **Synthomer.com**

We provide more information on our most relevant sustainability issues in our ESG Performance Summary and in a series of in-depth insights that are available on our **website.**

Environment
Climate action
Waste and pollution
Water

Social
Health and safety in the workplace
Diversity, equity and inclusion
Workers in the value chain
Product safety
Communities

Governance
Business conduct

Spotlight

Cross-business study of our carbon footprint

“ This project has unlocked conversations across our business – from procurement to operations to innovation – about how we are going to tackle our carbon footprint. And what we have learnt has given us the building blocks to create a Group-wide net zero plan.”

Robin Harrison
Vice President, Innovation

Product testing in the microbiology lab at our Harlow centre of excellence

This year we carried out our most comprehensive assessment of carbon emissions inside our value chain, to find new ways to meet our science-based greenhouse gas (GHG) emissions targets and identify the business opportunities to help us achieve our 2050 net zero ambition.

Like many companies, we face a dilemma: how to lower our carbon emissions while growing our business. This is particularly challenging for us given that indirect emissions (known as Scope 3) make up approximately 85% of our total carbon footprint.

Solving that dilemma starts with good data. And because we work with very specific chemistries in a complex value chain, it also requires a holistic approach. In the past year, we have run a cross-business project to develop strategic roadmaps that identify the raw material and technology options to guide our divisions towards reducing our Scope 3 emissions in line with our Vision 2030 roadmap.

» See pages 41 to 43 for performance against our Vision 2030 targets.

The analysis has helped us better understand our data and the tools we use to track it, as well as prioritise the key raw materials and products that will help us achieve our ambition.

Taking a staggered approach to address our emissions

What has become clear is that tackling these emissions will take time, with some solutions available more quickly than others. So, we have divided our work into three 'time horizons': the next two years, up to 2030, and up to 2040. We have also identified three key levers for action:

1 **Upstream benefits:** we will engage more with suppliers to evolve our approach to sourcing raw materials. Our immediate focus will be to work with suppliers that can make the lowest-carbon monomers from existing feedstocks. This is where we have the potential to make the most immediate impact on our Scope 3 emissions. We also want to identify and introduce alternative feedstocks where they offer a lower-carbon solution, as is the case with bio-based monomers. We may have to consider trade-offs with other environmental factors, such as land use.

2 **'Value without volume':** as we evolve to become a speciality chemicals business, we will need to develop new business models that support decarbonisation, and we will use carbon footprint alongside financial modelling to help us do that.

3 **Innovation gap:** in our 2040 time horizon, we will need to adopt new, alternative, low-carbon raw materials and technologies. This is a complicated process that will take time, because any change made in the way a material is introduced into the value chain can have a knock-on effect on the processes and equipment that we – and our customers – use. We need to start developing these alternatives today to meet that challenge in the longer term.

Understanding our customers' needs, and the technology options that are available to us, will be essential in making sure we select the right technology partners and suppliers in the future.

Taking a more holistic approach to our value chain will require a different mindset, so we have also spent time this year educating our procurement teams on the changing market landscape. And we have already started talking to suppliers and potential future technology partners about our options for the longer term.

Using our knowledge to take the next steps

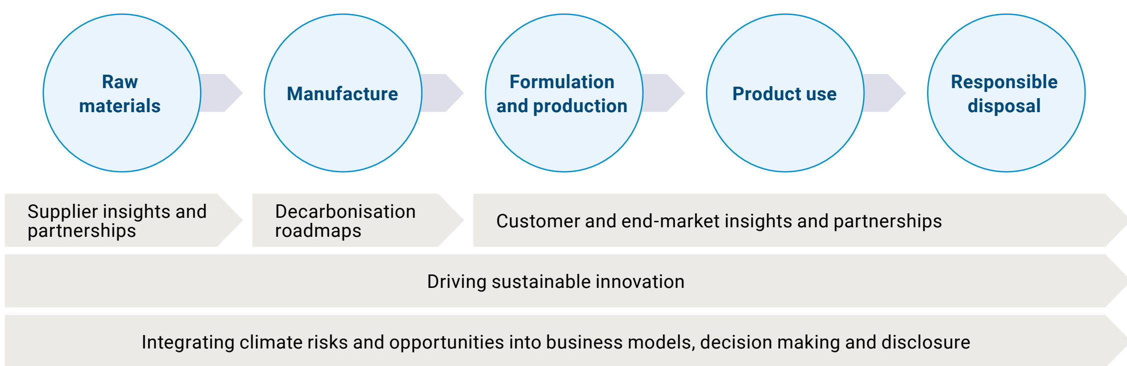
Different divisions are at different stages of developing their next steps. For example, our HPPM division has already developed its value chain roadmap to take advantage of lower-carbon opportunities.

Meanwhile, in 2023, we ran three workshops with our CCS division and one workshop with the Emulsion Polymers business in our AS division in 2024.

The workshops had two aims. The first was to determine initial priority initiatives for each division by discussing the big market challenges that need to be solved within the value chain. The second was to ensure that our preferred applications and customer requirements align with our business strategy and/or the technology options that we will need to deliver value while reducing our Scope 3 emissions.

Driving down our emissions will not happen overnight, and taking a cross-business, whole value chain approach is a complex process. But it is one that we are committed to – and we believe we have the building blocks in place to begin making real change in the coming years.

Our value chain approach



Innovation in focus: meeting customer needs, creating competitive advantage

"Everything we do in innovation is designed to meet our customers' needs and drive our strategy. Increasingly, that means offering more sustainable products with value-added performance."

Robin Harrison
Vice President, Innovation

Innovation is key to building our portfolio of specialised, highly differentiated products, which is at the heart of Synthomer's growth strategy.

The rapid increase in demand from customers for products with sustainable benefits gives us an opportunity to use our innovation skills to create competitive advantage. Everything we do in innovation – new product design, process improvements, new application development – is designed to bring us closer to our customers' needs, offering more sustainable products and value-added performance – which in turn helps drive Synthomer's growth.

This approach is enabling us to proactively build our innovation product pipeline towards our Vision 2030 sustainable products goal of having 60% of new products with sustainability benefits. This year, we launched nine new products with enhanced sustainability benefits, meaning we reached 64% (up from 50% in 2022). This is our third consecutive rise since we launched our Vision 2030 roadmap.

» Sustainability in focus on pages 28-35.

Highlights from 2023

- Launched new 3D printing resin formulation of support moulds
- Product sustainability scorecard featured by Gartner
- Adhesive Solutions recognised as leader in sustainability through innovation by Henkel
- Majority of key speciality manufacturing sites ISCC PLUS certified

External recognition for our sustainability scorecard

Much of our progress is thanks to the success of our product sustainability scorecard, introduced in 2021. We use the scorecard to prioritise innovation projects against specific criteria, such as the use of raw materials, ability to reduce energy consumption, and helping customers meet their sustainability goals. It provides a clear framework to discuss product development and has transformed the way we design with sustainability in mind. The scorecard has become a real differentiator for us, and for the second year running received external recognition, this time from Gartner who shared it as an example of how sustainability can drive innovation.

We intend to keep refining this tool, and in early 2024 we launched an updated version to create more balance between the way we assess the benefits to our own operations and those that we can offer our customers and end users.

Meeting customers' needs on raw materials and performance

We know that more and more customers are looking for products that reduce carbon emissions, improve product safety and create a more circular economy. And we can make a significant impact on all these areas through the raw materials that we choose to make our products.

For example, we are developing a new chloroprene-free contact adhesive as a direct result of customer requests. And we have committed to eliminating an emulsifier used in fibre bonding binders called alkylphenol ethoxylates (APEO) by the end of 2024. This is a big undertaking that involves reformulating 17 products, but customers have responded to the change faster than we anticipated and we are seeing growth in this business.

In the AS division, we are working with a growing number of customers across the tyre manufacturing and hygiene industries to explore options to develop products with greater bio-based content and better recycling qualities.

And in CCS, we have successfully produced our first pilot-scale batches based on our new bio-based emulsion polymer platform for coatings. This has demonstrated differentiated performance, and we expect initial customer sampling to take place in the first half of 2024.

We also want to help customers better understand the full impact of using our products. Having developed our own in-house lifecycle assessment (LCA) and product carbon footprint (PCF) capabilities last year, we are now able to provide our customers with PCF reports in accordance with TfS guidelines, covering more than 60% of our production volume. The methodology developed by our in-house LCA team is focused on the application/chemical family combination, which makes it possible to assess the carbon footprint for each market segment. At the same time, this approach enables a more accurate calculation of Synthomer's own carbon footprint.

Another good year for our innovation pipeline

Despite continuing to face significant market challenges across our business, we remain focused on our aim to ensure that new and protected products make up at least 20% of our sales volume – the NPP metric – over the long term. This year we exceeded 22%, demonstrating that we have a productive, resilient new product pipeline.

We see further opportunities to participate in rapidly evolving markets such as 3D printing, and at the end of 2023 we launched a new toxin-free, biodegradable product that can be used in certain 3D printing moulds, which can be dissolved away in cold water once an object is printed. We also see significant growth opportunities in new geographies. This year, for example, we launched our NBR binder for technical fibres, gaskets and embracers into the USA.

All of this is testament to the hard work of our innovation teams, who have embraced a more collaborative approach following our reorganisation in 2022. For example, we have created greater synergies between the four teams from four separate laboratories who now work together at our innovation centre in Akron, USA. We have also developed a new Innovation Excellence framework, which includes examples of good practice for documenting ideas, aligning our innovation portfolio to our strategy and managing innovation projects. This has increased our focus on skills development, on implementing advanced experimental design and modelling, and on artificial intelligence methods.

Meanwhile, colleagues from the AS division are also helping us think about innovation differently. For example, we are looking at ways to incorporate plastic modifiers, typically used in adhesives, to create more recyclable flexible packaging materials.

Looking ahead

While we are pleased that we have exceeded our sustainable products target this year, we must keep that momentum going. We will continue our work in this area over the next year, as well as maintaining our NPP score above 20%, with particular focus on speciality products. We will also look to offer customers new products made with ISCC PLUS-certified bio-feedstocks.

Our innovation centres keep us close to our customers

We have a network of 12 innovation sites around the world. These include our four centres of innovation excellence, which provide product and process innovation across all our divisions, and eight technical centres and pilot lines located close to our manufacturing sites or the markets they serve.

Our centres of excellence

Akron, USA
Harlow, UK
Marl, Germany
Asia Innovation Centre, Kulai, Malaysia

Our market-specific technical centres

USA, Chester, Jefferson, Longview
Italy, St Albano
China, Shanghai
Portugal, Sintra
UK, Accrington
The Netherlands, Middelburg

People in focus: employees at the heart of Synthomer's strategy

"Our people are key to delivering Synthomer's strategy – so we are working to build a culture of inclusion and engagement where they are empowered to drive innovation, excellence and growth."

Alice Heezen
Chief Human Resources Officer

The business as a whole has had to be resilient in the face of difficult market conditions this year, while staying focused on ensuring we have the foundations in place to deliver our strategy and grow.

Our people are at the heart of that process – because talented, motivated employees are essential to Synthomer's strategy for driving value.

Our focus this year has been on recruiting, retaining and engaging our people at a difficult time for the industry – including through ensuring we have an appropriate reward and recognition framework that reflects the cost of living challenges that employees have faced, as discussed in the Remuneration Committee report on page 100. At the same time, we have been supporting Synthomer's overall strategy by delivering on our 'people priorities':

- Promote holistic employee development
- Strengthen leadership capability
- Embrace excellence in all we do
- Establish an innovative workplace culture

As with every other aspect of our business, we have applied an 'excellence' lens to our work – aiming to make smart decisions that maximise the efficiency of our business and the opportunities for our people.

In this section, we give a snapshot of our progress – for a detailed description of our approach, programmes and metrics, please see **Synthomer.com** and our online resource the ESG data pack which compliments this report.

Highlights from 2023

- Third consecutive year of progress against our gender diversity targets
- Inclusive Leadership Initiative now in place across the business
- Signed the UN Women's Empowerment Principles
- Delivered more than 90% of our action plans from our previous Your Voice employee engagement survey
- Employee communication and engagement plans being embedded at global, divisional and functional levels
- Continued Board and Executive Committee engagement through our Employee Voice initiative
- Employee Assistance Programme now consistent across all our businesses
- Performance management frameworks embedded, and performance goals set for 96% of qualifying employees
- 82% of our sites have either adopted or are currently transitioning to our Learning Management System
- A Global Leadership Team (GLT) meeting in October 2023 to align divisional and functional strategies, explore issues including AI and ESG, break down silos and find ways to work more collaboratively.

Fostering communication and engagement

In a fast-moving year for the business, we have worked hard to strengthen communication and engagement with employees. Supported by a new Head of Internal Communications role, we are developing global, divisional and functional communication and engagement plans, and our Global Leadership Team has been active in engaging with and listening to our people through a variety of channels. With the divisional reorganisation at the end of 2022, we chose not to hold our annual employee engagement 'pulse' survey this year, focusing instead on delivering against the priorities that employees identified in our 2021 comprehensive Your Voice survey – and we have now completed more than 90% of the resulting action plans. We plan to run our next Your Voice survey in 2024. To stay close to our employees, we also provided the Global Leadership Team with an engagement toolkit, showcased authentic people stories through our communications channels, and refreshed our approach to our intranet communications.

We have remained focused on our people's wellbeing, too, establishing a truly global Employee Assistance Programme that offers 24/7, 365-day care to our employees and their families, regardless of their location or circumstances. This includes mental health support and counselling services.

Employee Voice – Board engagement

As part of our Employee Voice engagement initiative, our Board actively engages with our people through face-to-face and virtual meetings and discussions. This work continued in 2023 and included engagement with six employee groups, comprising approximately 60 employees, in the Netherlands, Germany, and Malaysia. The feedback from these engagements is described on page 78.

Advancing our diversity, equity and inclusion (DE&I) agenda

DE&I is a core pillar of Synthomer's strategy – not just because fostering DE&I is the right thing to do, but because we see it as essential for the success of our business, since diversity of thought in a truly inclusive culture is one of the best ways to stimulate innovation, creativity and excellence.

We are embedding DE&I into everything we do, with action plans to increase gender diversity in place in every division and function, and a clear focus on recruitment. We have advanced a number of DE&I initiatives this year, including the e-learning and assessment components of our Inclusive Leadership programme, a further roll out of our Recruiting Inclusively e-learning, and the development of our DE&I dashboard, which helps us measure and monitor our progress and spark new ideas. We are helped by the growth of our DE&I-focused employee resource groups, EMPOWER, ENGENDER, and THRIVE, which run awareness campaigns and events around the business. Our Board and Executive Committee also actively support our DE&I programme. They provide governance via our DE&I Advisory Board and often engage with employee resource group events.

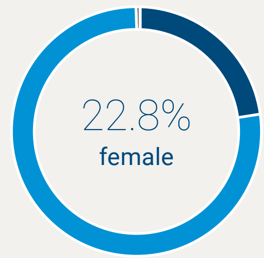
Our DE&I performance continued to improve this year, with women representing 22.8% of our workforce and the percentage of women in senior management roles increasing to 30.4%, up from 25.4% in 2022, and almost double the level it was as recently as 2020, when it was 15.4%. This meant we achieved our internal target for 2023 and are on track towards our 2025 and 2030 objectives of 33% and 40% respectively. Our Board is 44% female, and we meet the expectations laid out in the Parker Report on ethnic diversity, with two Board members from ethnically diverse backgrounds.

» For more on Board-level diversity, see our Nomination Committee report on pages 95 to 96.

Gender diversity

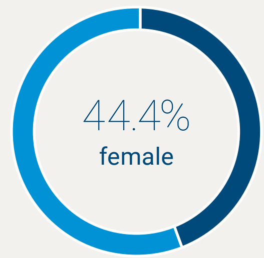
All employees

Female	960
Male	3,241
Not declared	14
Total	4,215



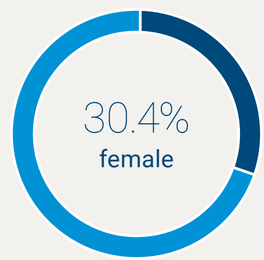
Board

Female	4
Male	5
Total	9



Senior management

Female	14
Male	32
Total	46



» We provide in-depth insight on our approach and programmes online in 'Diversity, equity and inclusion' at Synthomer.com

» We describe our health and safety performance on pages 30 to 31.

Building our leadership capability

This year we have built on the resources we use for strengthening people as leaders, developing our Leadership Essentials series of videos and e-learning modules, launching the Inclusive Leadership programme discussed above, and rolling out our New Leader Assimilation initiative across all our businesses. We have also begun piloting a new Operations Supervisor Programme in Asia and Europe. With an eye on efficiency, we have developed several leadership resources in-house this year – allowing us to tap into Synthomer-specific knowledge and expertise and draw on the experience of our people.

The year also saw a focused talent review for our senior management and other critical roles – the people most central to the delivery of Synthomer's strategy.

Recognition in 2023

Employer Of Choice Gold Award by the Institute Of Human Resource Management in Malaysia

NorthCoast 99 Award in Ohio, USA

HR Minister Award in Malaysia

HR Excellence in Talent Management & Leadership in Malaysia

Supporting employees throughout their careers

We want people to learn and grow throughout their Synthomer careers, and this year we continued to build our learning resources. We have seen a strong take-up of our new Learning Management System, with 82% of our sites either adopting or currently transitioning to the new system, which is supported by our Global Learning Administrator Network.

We also made progress in embedding our performance management frameworks, which set goals and build performance conversations with employees designed to help them steer their careers. Performance plays an important part in our rewards and recognition structure, which this year was informed by our study of global pay equity: this will feed into the Global Recognition Framework we are planning to launch in 2024.

Looking ahead

We have made good progress in 2023 – but there is still plenty we need to do. For 2024 and beyond, we will continue to focus on employee well-being and the retention and engagement of our people through leadership capability building and the implementation of our total rewards philosophy and plan. We will also work on business transformation and improving internal process efficiency, while maintaining our focus on DE&I. Our work on strategic workforce planning will focus on building our talent pipeline by establishing healthy succession plans and ensuring progression on development plans.

We are guided by five core values and associated behaviours that we all share

Our values were developed based on feedback from our employees, and represent the key expectations of everyone in Synthomer.

Our Code of Conduct

We expect everyone who works with and for Synthomer to act with integrity and respect – as enshrined in our values. This year we refreshed our Code of Conduct, which applies to everyone at Synthomer. Training on our Code is mandatory for all employees and is something we monitor closely. To read our Code of Conduct in full, visit **Synthomer.com**

Our Vision 2030 progress

Our Vision 2030 roadmap lays out a series of targets in areas that matter most to our stakeholders and where we can have the most material impact.

First launched in 2020, we knew that some of our roadmap targets were deliberately stretching, while others were focused on immediate practical progress. Where necessary, we continue to take steps to update targets where we believe we can be more precise and aspirational, while remaining practical. This year, we have updated our water target to reflect our better understanding of our data and take a more localised, context-based approach.

We will complete our 'double' materiality exercise in 2024, and use the results to review and revise our Vision 2030 targets as appropriate.

We provide more detail online on each of our target areas, including our approach, governance, progress and priorities. Go to **Synthomer.com**

Link to strategy

- Organic growth in attractive end markets
- Rigorous and consistent portfolio management to build focused, leading positions
- Operational and commercial excellence in how we run our business
- Differentiated steering in how we allocate capital and talent
- Diversity, equity and inclusion, and holistic people development

Sustainable products

Vision 2030 target

At least 60% of new products with enhanced sustainability benefits.[1]

Target	**60%**
2023	**64%**
2022	50%
2021	43%

Short-term 2025 objective

At least 55% of new products with enhanced sustainability benefits.

Progress in 2023

This year we launched nine new products with enhanced sustainability benefits, meaning our percentage has risen for the third year in a row. One of the most important ways that we deliver on target is by eliminating substances of concern. This year, we have reformulated one of our fibre bonding products in the USA market to eliminate a substance that is already banned in Europe. And our research and development teams have continued work to develop new chemistries using more sustainable feedstocks so that we can help our customers achieve their own sustainability goals. That work includes a successful pilot of a new platform with a high bio-monomer content with plans for early customer testing in the first half of 2024.

Strategy

» See Innovation in focus on pages 36 and 37.

Sustainable procurement

Vision 2030 target

80% procurement spend with a sustainability rating.

Target	**80%**
2023	**46%**
2022	37%
2021	26%

Short-term 2025 objectives

- 50% procurement spend covered by a sustainability rating and improvement plan
- Audit eight key suppliers' sites by 2025
- Ensure that all our highest-risk suppliers agree to our Supplier Code of Conduct or equivalent standards

Progress in 2023

We have made considerable progress against our target over the past three years, and invested significantly in our procurement teams to develop their skills and expertise, particularly in understanding the challenge we face in addressing our indirect Scope 3 emissions. Our plan for 2024 is to continue strengthening those skills and use the resources available via the Together for Sustainability (TfS) Academy. The Academy provides multilingual training modules on topics like supplier assessment, audit and corrective action plans.

Our TfS membership will enable us to accelerate progress in future, both in the number of physical supplier audits we conduct and the number of suppliers covered by TfS's wider audit pool.

Our procurement function will take a more centralised approach to working with our priority suppliers. They will do this using key account management models, signing up our highest-risk suppliers to our Supplier Code of Conduct and continuing our EcoVadis assessments and corrective action plans to help achieve our 2025 objectives.

Strategy

» See Sustainability in focus on pages 28 to 35.

Met or exceeded target.

1 As defined by the Synthomer product sustainability scorecard.

Environment

Vision 2030 target

Reduce Scope 1 and 2 absolute emissions by 47% vs 2019.

Target	**47%**
2023	**41%**
2022	36%

Short-term 2025 objectives

- 30% absolute reduction in Scope 1 and 2 emissions (vs 2019)
- 5% energy reduction on intensity (vs 2022)

Progress in 2023

Although our emissions results have also benefited from reduced production volumes, we have continued to prioritise decarbonisation projects across sites that have the greatest GHG emissions. This was the first full year that our site in Sokolov, Czech Republic, did not use any coal to generate steam. The site improved energy efficiency by 5% compared to 2022 and reduced associated Scope 1 emissions by 20,000t.

At our site in Pasir Gudang, Malaysia, the team worked hard to reduce baseload power demand, improving energy efficiency by 15% (vs 2022) and lowering gas use by 29%. This avoided approximately 600t of Scope 1 emissions. Meanwhile, one of our sites in France has improved dryer efficiency by around 30% over the past three years. It made another 3% gain in 2023, saving a further 400t of Scope 1 emissions.

Most of the fall in our Scope 2 emissions in recent years is due to the purchase of green energy certificates and tariffs, although we are actively assessing options for a virtual power purchase agreement in Europe and smaller scale onsite solar opportunities.

Our focus in 2024 will be on design work for longer-term projects that we anticipate will reduce both Scope 1 and 2 emissions by another 7% by 2028.

Vision 2030 target

Reduce Scope 3 absolute emissions by 28% vs 2019.

Target	**28%**
2023	**14%**
2022	18%

Progress in 2023

Our Scope 3 emissions reduction in 2023 has mainly been as a result of reduced production volumes. However our work to assess carbon emissions in our value chain this year (as described on pages 34 to 35) will help us to prioritise the specific actions we can take in the future. It has also laid the foundations for developing our net zero transition plan in 2024.

Vision 2030 target

80% of electricity from renewable sources.

Target	**80%**
2023	**80%**
2022	80%
2021	90%

Progress against targets and objectives in 2023

We remain on track with our target to have 80% of grid-sourced power from renewable sources.

» See Sustainability in focus on pages 31 to 32, our TCFD report on pages 56 to 59 and our 'Climate action' insight paper online at Synthomer.com

Vision 2030 target

Establish sustainable water management at all our sites located in areas of high water stress.

Short-term 2025 objective

Establish sustainable water management at our sites located in areas of high water stress and with high water use (>150,000 m³ withdrawal and/or >50,000 m³ consumption).

Progress in 2023

Using the World Resources Institute (WRI) Aqueduct tool, we identified six sites with high baseline water stress and/or high forecast water stress. Following site surveys, we identified the need to develop context-based water stewardship goals at three of them.

We have already started this work, with two sites in France working to establish alternative production plans and controls to maintain operations during periods classified by local regulators as drought conditions. One site in Germany has also begun to implement the Alliance for Water Stewardship (AWS) standard, alongside a significant capital project to re-engineer its cooling system, which we estimate will reduce overall Group water consumption by 12% when complete.

Our sites have continued to drive improvement projects in areas like demand management, leak repairs and cooling system management, which have helped reduce water use significantly. At our site in Sokolov, Czech Republic, for example, the team has reduced the use of river water by more than 200,000 m³ as a result of ending the use of coal in our boilers.

» See Sustainability in focus on page 33 and our 'Water' insight paper online at Synthomer.com

Short-term 2025 waste objective

5% reduction in total waste per tonne (vs 2022)

Progress in 2023

In 2023, we reduced our total absolute waste by 19% and total waste per tonne by 10% versus 2022.

Strategy

» See Sustainability in focus on page 32 and our 'Waste and pollution' insight paper online at Synthomer.com

Health and safety

Vision 2030 target

Recordable injury case rate (RCR).[1]

Target	**0.20**
2023	**0.16**
2022	0.34
2021	0.31

Vision 2030 target

Process safety event rate (PSER).[1]

Target	**0.10**
2023	**0.18**
2022	0.22
2021[2]	0.16

Short-term 2024 objectives

- RCR of 0.22
- PSER of 0.22

Progress in 2023

We achieved a much improved safety performance in 2023. Our RCR result represents a more than 50% year-on-year improvement and places Synthomer in the top quartile for our industry. Meanwhile, our PSER has stabilised year-on-year. Both metrics are testament to the hard work all our employees, although we recognise that we have more to do, in particular to complete the process of bringing the more recently acquired sites up to the standards of safety achieved elsewhere in the portfolio.

Longer-term SHE trends clearly demonstrate that the longer sites are part of Synthomer and our SHE management system, the better their performance.

As well as these two headline 'lagging' indicators, we also focus on a number of 'leading' indicators, such as permit to work, management of change and SHE competency within our teams to help drive future performance improvements. In 2023, we held three regional SHE conferences with leading indicators as a headline topic.

In 2024, we will focus on process safety improvements for all our operational teams and continue to develop our major accident hazard scenario barrier checks.

Strategy

» See Sustainability in focus on pages 30 to 31 and our 'Health and Safety' insight paper online at Synthomer.com

Our employees

Vision 2030 target

40% senior management gender diversity.

Target	**40%**
2023	**30.4%**
2022	25.4%
2021	20%

Vision 2030 target

Achieve upper quartile engagement scores against external benchmarks.

Short-term 2025 objectives

- 33% female senior management
- 20% senior management from ethnically diverse backgrounds

Progress in 2023

People are essential to our success, which is why diversity, equity and inclusion is one of our strategic pillars. We continue to make progress in this important area, working with all divisions and functions to embed our action plan for further advancing gender diversity. We consider diversity, equity and inclusion in our talent review processes, and have extended our e-learning module for hiring managers as part of our Inclusive Leadership initiative. Our employee resource groups continue to be very active, and in December 2023 we signed the UN Women's Empowerment Principles.

We recognise the importance of keeping employees engaged during a challenging period for the business, and have strengthened how we communicate and support our people with a new Head of Internal Communications & Engagement role. This year we have focused on addressing findings from 2021 Your Voice survey, which are more than 90% complete. We now have global, divisional and functional leadership communications plans, supported by our refreshed internal communications platform. Board and senior leadership continued to engage with employees through activities including global townhalls and local Employee Voice sessions. We also harmonised our Employee Assistance Programme so that it is consistent across the Group.

Strategy

» See People in focus on pages 38 to 40, and our 'Diversity, equity and inclusion' insight paper online at Synthomer.com

Our communities

Vision 2030 target

Provide volunteer support and financial contributions in excess of £1m a year to advance education, public health, diversity and environmental stewardship.

Target	**£1m**
2023	**£1.10m**
2022	£1.35m
2021	£0.93m

Progress in 2023

Once again, we exceeded our 2030 target, with projects including From kindergarten to University at our Sokolov site in Czech Republic to support technical education for students across the academic spectrum. Our Malaysian volunteers' network helped turn a dilapidated classroom into a new science lab at a primary school in a fishing village. And in the USA, the Synthomer Foundation partnered with the American Institute of Chemical Engineers to support the Future of STEM (science, technology, engineering and mathematics) Scholars Initiative, providing a $240,000 multi-year commitment to support students attending Historically Black Colleges and Universities.

This year we welcomed colleagues from our sites in China and Spain into our growing volunteering network, and our entire Global Leadership Team also took time out during their annual meeting in North Carolina, USA, to build and donate bikes for a local charity. Our Synthomer Cares week continues to grow in popularity, with more than 700 employees helping to raise £14,000 in 2023.

Strategy

» See our 'Our communities' insight paper online at Synthomer.com

1 Per 100,000 hours for employees and contractors.

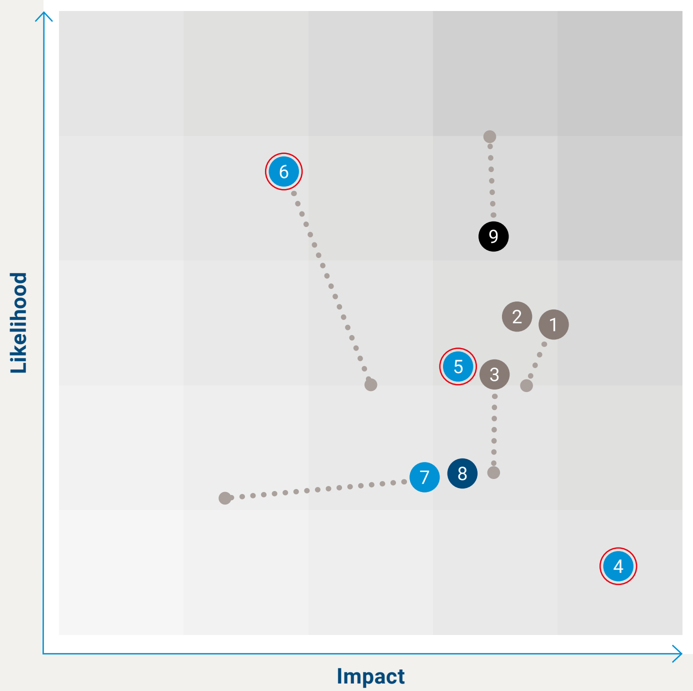
Managing risk

We continue to adapt our approach to risk to keep pace with our changing business and the broader environment we operate in.

Our new strategic focus and divisional structure have meant evolution across the business, including in the way we approach risk. At the end of 2022 we comprehensively refreshed our principal risks – and throughout 2023 have continued to adapt our risk management framework to protect our business while we pursue our strategic objectives.

This heatmap shows the relative positioning of our principal risks based on the three dimensions we use to assess our risks: the likelihood of the risk materialising, its potential impact, and its velocity – the time between the risk crystallising and the impact being felt. This is based on our residual (net) ratings of risks after we have considered any mitigating controls. Risks with a high velocity are shown here with a red outline. The heatmap also shows the movement of our principal risks compared with last year, which are illustrated with smaller light grey dots.

Find out more about our principal risks, our mitigation activities and the rationale for movements in principal risks on pages 48 to 55.



Principal risk	Change	Page
1 Delivery of our strategic initiatives	+	48
2 Demand uncertainty and competitive dynamics	><	49
3 Technology and innovation	+	50
4 Process safety	<>	51
5 Disruption in supply to our customers	<>	51
6 IT and cyber security	+	52
7 Energy price risk in Europe	+	53
8 Ethics and compliance	<>	54
9 Financial markets and balance sheet	–	55

Key

- Strategic risk
- Operational risk
- Compliance risk
- Financial risk
- Higher velocity
- + Increased
- <> No change
- – Reduced
- >< Merged

How we manage risk

We use leading risk management techniques to help us make good decisions about business opportunities while protecting our sites, systems, employees and other key stakeholders.

Our Board

The Board is responsible overall for ensuring that risk is effectively managed across the Group and for creating the framework for our risk management processes to operate effectively. The Board continues to set our risk culture, and the risk appetite it is prepared to accept to achieve the Group's objectives. The Board also receives reports from the Executive Risk Committee on our principal and emerging risks and has reviewed and endorsed their conclusions, confirming that robust assessments of the emerging and principal risks facing the Group have been carried out.

In 2023, as part of our governance process, we reviewed and updated our risk appetite statements for our refreshed principal risks, to make sure they reflect Synthomer's new strategic focus. We recognise that the chemical manufacturing industry is inherently dangerous and that our business faces many risks.

For principal risks, we consider the risk appetite under three categories: risk averse, risk neutral, and risk taking. For example, we put process safety in the risk averse category, because safety of our people and communities is non-negotiable, and therefore one of our core values. That means we are not willing to accept risks of this sort and that any process safety risks must be reduced as far as reasonably practical. In the more risk-taking category, for example, we put technology and innovation. These enable us to deliver our strategy, so we are more willing to accept higher volatility on returns in this area. Our updated risk appetite statements are embedded in our risk management framework.

Risk governance and oversight

Top-down
Risk assessment

Board of Directors

Sets the risk culture and risk appetite. Has overall responsibility for reviewing and approving our principal risks.

Audit Committee

Supports the Board to monitor risk exposure. Reviews principal and emerging risks and the effectiveness of risk management and internal control processes. Provides challenge to senior management where appropriate.

Executive Committee/Executive Risk Committee

Reports on principal and emerging risks to the Audit Committee and Board. Conducts top-down risk identification and review. Ensures risk management policy is implemented and embedded in the business and appropriate responses are taken to manage risks.

Bottom-up
Risk assessment

Divisional and functional

Divisional and functional risk owners

Responsible for risk identification, management and controls within their division or function. Identify and assess risks, determine and monitor risk responses, and ensure operating effectiveness of key controls and progress of actions to manage risk.

Risk and Assurance

Establishes the risk management framework

Provides guidance and challenge to divisional and functional risk owners

Aggregates risk information and helps management to identify principal risks

Audit Committee

On the Board's behalf, the Audit Committee reviews and assesses the effectiveness of the Group's risk management and internal control processes. The Audit Committee and Board continued their programme of risk reviews in 2023, conducting deep-dives into each of the Group's divisions, and reviews into specialist functional areas – including IT and cyber security, safety, health and environment (SHE), pensions, our Pathway business tranformation programme, technology and innovation, energy security, compliance and our ESG programme. The Audit Committee also reviewed summaries of the work done by the Internal Audit function, which operates a risk-based audit plan. Together, our risk management system, risk reviews and associated assurance work are designed to manage risk within our risk appetite, rather than to eliminate risk completely.

Executive Committee

The Executive Committee is responsible for identifying and managing our strategic, operational, compliance and financial risks using the risk management framework. It also makes sure our risk management policy is implemented and embedded in the business.

Executive Risk Committee

Our Executive Risk Committee (ERC), introduced in 2022 and chaired by the CFO, is responsible for:

- Conducting top-down risk assessments and reviews
- Maintaining an overview of the key risks identified across the Group
- Assessing and reporting on principal and emerging risks to the Audit Committee and Board.

Divisional and functional risk owners

We have a structured risk management framework that operates at division and Group function level. We use a standard methodology to quantify risk, with a risk assessment matrix to assess risks consistently.
The risk matrix looks at three risk dimensions:

- The likelihood of the risk materialising
- Its potential impact
- Its velocity – the time between the risk crystallising and its impact being felt.

Three lines of defence

We operate a 'three lines of defence' assurance model.

Line 1
Our operational management and employees form our first line of defence, responsible for managing day-to-day risk in their own areas. They are guided by Group policies, procedures and control frameworks.

Line 2
Our second line of defence includes our Group Risk function, which develops and manages the risk management framework and engages with management to identify, agree and update risk information. This line also includes other compliance and assurance functions – for example, Group SHE, Regulatory Affairs, Compliance and ISO audits – which review how effective the mitigating actions and controls are.

Line 3
Our Internal Audit function provides our third line of defence. It provides independent assurance on internal controls. Our statutory auditors provide external assurance on the financial statements, while an external specialist provides assurance around ISO standards.

Our divisions and functions conduct their own bottom-up risk assessments and record them in a risk register using the Group's standard risk management methodology. They assess risks at both an inherent (gross) level and a residual (net) level, considering the mitigating controls that are in place. Risk owners also identify any additional activities that could mitigate the risk in line with our risk appetite, accepting that some level of risk-taking is necessary.

Assessing our principal risks

Risks affect us in many ways. The divisions and Group functions submit formal risk assessments twice a year. Management is also empowered and encouraged to manage and react to risks as part of normal day-to-day decision making. Together, these assessments and our three lines of defence (see below) mean we can establish effective controls to manage our risks.

Our key risks

We categorise our risks – and consider how effective our mitigating actions and controls are – in four areas:

- Strategic risks that could prevent us achieving our strategic objectives
- Operational risks that, if not successfully managed, would threaten our viability – these relate to our ability to operate a sustainable and safe business
- Compliance risks, where a breach of regulations or laws could lead to fines from regulators or to reputational harm, which may disproportionately affect our standing in the investor and wider community
- Financial risks relating to the Group's funding and financial position.

As part of our integrated risk management framework, the ERC continued its robust assessment of our principal risks and uncertainties this year. This work remains particularly relevant, given market conditions and the macroeconomic and geopolitical environment.

The ERC concluded that our key risk categories remain relevant and that the majority of our principal risks remain the same. However, given changes in demand in our various end markets during 2023, we have combined the risk called 'Demand uncertainty and competitive dynamics in the nitrile glove market' with the risk of 'Demand reduction'. Together, these now form a new principal risk called 'Demand uncertainty and competitive dynamics'. The Board reviewed and endorsed these conclusions.

We outline all our principal risks and uncertainties in detail on pages 48 to 55. Our Board and management feel these risks pose the greatest threats to our business and fall into categories that relate closely to our strategic objectives and business model. The risks listed are not in any priority order, nor are all the risks we face listed.

The nature of risk changes over time, with new risks emerging and the effect of others changing. Our risk management and assurance programme can only provide reasonable, not absolute, assurance that key risks are managed to an acceptable level. This is why we cannot provide absolute assurance against misstatement or loss.

Emerging risks

As well as known risks, we identify and analyse emerging risks – and the need to mitigate them – as part of our existing risk management processes. Emerging risks may affect us in the longer term, but we do not currently have sufficient information to understand and assess the likely scale, impact or velocity of the risk – or to define an appropriate risk response.

Through the ERC, Audit Committee and Board, we continue to embed a robust assessment of our emerging risks as part of our risk programme, to make sure they are appropriately considered and monitored and to evaluate the effect they would have, including on our principal risks. In some cases, emerging risks are superseded by other risks or stop being relevant as the environment we operate in changes.

Climate change

We have assessed climate change as an emerging risk. It continues to evolve, and it remains integral to our risk management processes. Having thoroughly reviewed climate-related risks and opportunities by analysing potential scenarios, and in line with our approach last year, we believe climate-related risk is best managed as a component of our other principal risks rather than as a standalone principal risk.

Integrating climate-related risks into our principal risks means we consider physical risks – primarily the potential impact of droughts, flooding, rises in sea level and extreme temperatures – and transitional risks – primarily the potential impacts of carbon taxes, market changes and environmental policy changes – on all aspects of our business operations. We recognise the ability of climate change to particularly affect the principal risks we face around:

- Delivery of our strategic initiatives
- Demand uncertainty and competitve dynamics
- Technology and innovation
- Disruption in supply to our customers
- Energy price risk in Europe
- Ethics and compliance.

In 2024 we will continue to develop our approach to climate-related risk reporting, to make sure our risk management framework supports our strategy and addresses all relevant statutory requirements – including those of the Financial Conduct Authority, which are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures. We will also continue to monitor and comply with emerging regulatory requirements related to climate change, water, biodiversity, greenwashing and company reporting – which include the EU Corporate Sustainability Reporting Directive and IFRS Sustainability Disclosure Standards, and developments around the UK and EU Carbon Border Adjustment Mechanism.

If we fail to effectively respond to the risk of climate change, we may compromise our reputation and strategy for growth. This is why we monitor it closely and continue to evaluate whether it should be considered a principal risk in the future.

Other emerging risks

Other emerging risks currently being monitored include: the growing use of Artificial Intelligence and the opportunities and risks it might pose to Synthomer, such as in the area of novel chemical formulations; the impact of regulatory changes, including those relating to UK corporate governance and sustainability disclosures; and increased geopolitical uncertainty as a result of general election results and ongoing interstate conflicts, which may affect international trading activity, including as a result of changing sanctions or tariff policies.

Principal risks and uncertainties

Here we outline the most significant risks to our business. Other, lower-level risks could also affect the Group's performance, and these are actively managed through our risk management framework.

Strategic risks

For link to strategy key see page 3

Delivery of our strategic initiatives

Risk owners: Jan Chalmovsky, President, Strategy and M&A, **Alice Heezen**, Chief Human Resources Officer

Link to strategy

Movement: + Increased likelihood recognising the strong employment market and the current challenges within the sector to retain key talent

Description

In 2022, we developed a new strategy to reshape the Group (see Our strategy, page 3).

Delivering our strategy requires a wide range of activities across the Group, each of which involves a variety of risks which we monitor through our Risk Management Framework. This includes climate-related risk.

Currently, one of the most significant risks to delivering our strategy is retaining our people. If we are unable to attract, retain and develop the people and talent we need, we may find it difficult to deliver our strategy and transform the business. This is particularly relevant as talent markets are becoming increasingly challenging.

2023 response

- We have continued to review and allocate capital and talent to support our strategy.
- We have strengthened our Internal Communications function to take a more strategic approach to employee communications.
- So that all employees have the tools and support they need, we continue to deliver our global Employee Assistance Programme and to develop and implement training programmes on:
  - Resilience and well-being awareness
  - Inclusive leadership
  - Agenda and resource planning
  - Priority management and simplification.
- We have strengthened our focus on leadership capabilities and continued to equip our leaders with effective tools and techniques to maximise our change-management capability and provide continuity as we deliver our strategic initiatives.
- We have recruited a dedicated Vice President, ESG, to support delivery of our Vision 2030 targets.

2024 plans

- We will continue to deliver our portfolio strategy, finding suitable owners for our non-core businesses and so providing better future prospects for these businesses.
- We will continue to engage our people in the business challenges and journey ahead, aiming to create understanding and awareness of our strategy, and allay any concerns or misconceptions.
- Motivation and retention will stay high on our agenda, and we plan to focus on employee engagement, DE&I, talent management, reward and recognition, and leadership development (see People in focus, pages 38 to 40, and Directors' remuneration report, pages 98 to 100).
- Incorporating ESG into divisional business strategies and all Synthomer excellence programmes, and driving and capturing value from ESG through operational efficiencies and customer product innovation.

Strategic risks continued

Demand uncertainty and competitive dynamics

Risk owners: Divisional presidents

Link to strategy

Movement: <> No change, given this risk combines two risks from our 2022 report: 'Demand uncertainty and competitive dynamics in the nitrile glove market', and 'Demand reduction'

Description

The performance of the markets we operate in is fundamental to our growth. We have seen challenging conditions over the past year as a result of global geopolitical and macroeconomic uncertainty. The resulting volatility has led to weaker overall demand in many of our end markets, exacerbated by increased global competition, particularly in base product markets.

These factors, coupled with our relatively short order books, make demand forecasting more uncertain, which could lead to downside and upside demand risk.

2023 response

- Across all divisions, we have:
  - Put more cost-improvement initiatives in place in our operations, including product/plant footprint assessments and energy improvements. For example, we closed a site in Texas, mothballed our NBR production site in Kluang, Malaysia, and exited the paper and carpet business in North America
  - Delivered innovation programmes focused on process and product improvements, leading to cost benefits for the Group and our customers
  - Focused our growth strategy on underserved customers and speciality products with higher added value
  - Engaged key account customers directly to better understand their ESG challenges and expectations, and in particular their ambitions for decarbonisation.
- In the AS division we have also:
  - Established a performance improvement programme to improve reliability and cost competitiveness.
- In HPPM we have also:
  - Collaborated with customers to make the NBR glove supply chain in Southeast Asia more competitive, with a key role for local innovation at our Asia Innovation Centre in Malaysia
  - Worked with customers, distributors and end-market users to improve visibility of demand across the glove value chain
  - In line with our medium-term outlook, evaluated the competitive dynamics of the global glove and NBR markets and the implications for our NBR manufacturing footprint. As a result, we decided to stop NBR production in Kluang and mothball the plant, and transfer production to other sites
  - Reduced headcount – mostly through natural attrition – to adjust to lower demand levels.

2024 plans

- Across all divisions, we will continue to develop our end-market and customer intelligence to identify the future sustainability requirements of products, influence our innovation and grow new market share.
- We will continue to execute our strategy, with a focus on organic growth, optimising cost and operational efficiency and disciplined investment – see Our strategy, page 3, and Divisional performance reviews, pages 22 to 27.

Strategic risks continued

Technology and innovation

Risk owner: Robin Harrison, Vice President, Innovation

Link to strategy

Movement: + Increased likelihood reflecting our competitors' increased focus on sustainability as a product differentiator

Description

Innovation is a critical enabler for our growth strategy. Alongside differentiated performance from our products, our customers and end users are looking for improvements in sustainability – like a low carbon footprint and circularity. These are also critical enablers for our raw material decarbonisation programme.

If we fail to effectively identify opportunities and execute innovation programmes, we could fail to realise growth opportunities and potentially lose market share.

When we innovate successfully, failure to protect our intellectual property could see us lose competitive advantage and value from our investments.

2023 response

- We integrated our innovation management systems with our financial reporting, forecasting and customer relationship management systems. This has helped to streamline how we commercialise products.
- We focused more on portfolio management to drive the strategic impact of our R&D programme – for example, we have significantly increased the number of sustainability-driven projects.
- Through our Innovation Excellence framework, we have increased our focus on skills development, on implementing advanced experimental design and modelling, and on artificial intelligence methods.
- We continued researching non-fossil fuel raw materials and developing more resource-efficient industrial processes. We completed our first successful pilot to scale up a new technology platform with a high composition of bio-based monomers.
- We actively monitored our innovations to make sure they are appropriately protected as patents or trade secrets.

2024 plans

- We will enhance our knowledge management systems and processes, and specifically focus on global data capture and management.
- We will begin customer prototype sampling of new polymers based on our bio-based monomers platform, to allow real-world technical evaluation of this chemistry before we launch in the market.
- We will extend our work to identify new technology platforms to enable significant decarbonisation of raw materials with a longer-term time horizon. We expect to start early-stage collaborative projects to evaluate their suitability in our end-market segments.
- We will revise our product sustainability scorecard to continue incorporating criteria for low-carbon and downstream customer benefits.

Operational risks

Process safety

Risk owner: John Hamnett, Group Global SHE & Engineering Lead

Link to strategy

Movement: <> No change

Description

The chemical manufacturing industry is inherently dangerous. It involves transporting, storing and processing hazardous chemicals, which leads to wide-ranging exposure to process safety risks.

Acquiring adhesive resins sites in 2022 saw our risk profile increase for two reasons: the high temperatures and pressures these units operate at, and core technology that is outside our previous expertise.

A significant process safety incident could affect the safety of our people and/or local communities. This could result in significant operational disruption, regulatory fines and/or reputational damage.

2023 response

- We completed 98% of our highest priority SHE improvement actions (red flags) in 2023.
- We extended our process hazard analysis studies to cover hot-oil utility facilities, following the fire in Filago, Italy, in 2022, and will complete the one final outstanding review in 2024.
- We updated and reissued our Black Book – our corporate memory, or lessons learnt – in 2023, so it now includes legacy incidents from our adhesive resins sites.
- We have extended our process safety networks to include AS sites.
- We implemented a Group-wide major accident hazard dashboard.

2024 plans

- We will continue to improve how we manage safety-critical equipment items.
- We will continue driving down instances of loss of containment.
- We will continue to focus on major accident hazards by developing 'bow-tie' diagrams and using these to verify that our layers of protection remain strong.
- We will start to review our procedures and training for safety-critical tasks.

Disruption in supply to our customers

Risk owners: Divisional presidents

Link to strategy

Movement: <> No change

Description

Security of energy, raw material supplies, logistics and plant availability and reliability, are critical to maintaining supplies to our customers.

These may be affected by external factors, such as market shortages, short- and/or long-term physical climate-related disruption (including weather events and natural disasters), pandemics, global macroeconomic and geopolitical events, or an internal event that affects plant availability, reliability or safe operations.

All these factors could lead to a disruption in supply to our customers, which may also have an adverse effect on our reputation – especially in light of our strategic commitment to operational and commercial excellence.

2023 response

- We have continued to address the risks associated with single-source raw materials through a risk-based approach and category-specific action plans, which are overseen by a monthly steering meeting.
- We have continued to evaluate and ensure each division has appropriate engineering resources to help sites manage their capital expenditure and asset integrity and reliability programmes.
- We have fully incorporated the acquired AS sites into our operational and commercial excellence initiatives. Our Manufacturing Excellence programme, as part of these initiatives, has been launched across these new sites to track productivity and efficiency improvements, and to improve plant reliability and continuity in our supply to customers.
- Using the World Resources Institute Aqueduct tools, we assessed the water-related risks of our manufacturing sites and identified three tier 1 sites at high/extremely high risk of water stress.

2024 plans

- As we continue to address risks of single-source raw materials, we will be undertaking a strategic review of how effectively our Procurement function sources raw materials.
- In our HPPM and CCS divisions, we will continue to look at optimising our footprint to make better, more efficient use of maintenance capital expenditures.
- Our AS division, through the performance improvement programme will continue work to substantially improve reliability around raw-material and supply-chain planning and delivery.
- We will implement the water risk improvement plans developed for our three at-risk tier 1 sites. These will incorporate a water stewardship approach and context-based water reduction targets.

Operational risks continued

IT and cyber security

Risk owner: Andy Axford, Group Vice President, Information Technology

Link to strategy

Movement: + Increased likelihood recognising the increasing prevalence of cyber attacks, but decreased impact given our robust counter measures

Description

An IT security breach or data-centre outage that has an adverse effect on our systems – including enterprise resource planning, SHE databases, communications and industrial control systems – may affect our ongoing operations. It may see us lose intellectual property or face regulatory fines, which might undermine our competitive position and cause reputational damage.

Additionally, any unforeseen changes or system faults that occur when major change programmes are implemented may disrupt our operations, potentially increase costs, and/or affect our ability to deliver customer requirements.

2023 response

- We continued to enhance our security defences, implementing the Group Cyber Security Plan, which included:
  - Weekly steering committee meetings to evaluate, investigate and address new threats and risks
  - Rolling out and testing for all business users alternative means of access during an incident response
  - Conducting a threat-hunting exercise with no meaningful issue identified
  - Implementing an anti-fraud email tool to authenticate email traffic, providing increased spam/threat protection
  - Continuing our evaluation of redundancy options for our Data Centre, and continuing to execute our cloud migration strategy.
- We continued to implement our Pathway business transformation programme and, in November 2023, successfully deployed our Pathway Wave 4 project using effective governance and proven readiness tools/processes.

2024 plans

- We will continue to deliver the Group Cyber Security Plan, with activities including:
  - Reviewing and investigating any new security issues and risks through weekly steering committee meetings
  - Simulating our planned incident response and continuing to test crisis response plans
  - Selecting and implementing SIEM (security incident and event management) and MDR (managed detection and response) systems and services
  - Implementing a network access control solution for device control.
- Using our effective governance approach, we will deploy Pathway Wave 5, which includes proven system and business readiness tools at key stages of the programme's lifecycle.

Operational risks continued

Energy price risk in Europe

Risk owner: Andrew Ward, Vice President, Group Procurement

Link to strategy

Movement: + Increased impact recognising global geopolitical instability and the effect this may have on energy prices

Description

Significant price rises could reduce the competitiveness of our European businesses because of increased production costs and our inability to pass on these costs to customers because of increased competition from other regions.

The war in Ukraine led to sanctions on Russian energy exports and a reduced gas pipeline supply to Europe in 2022. This led to higher and more volatile energy prices. This risk has now largely been alleviated by:

- Availability of liquefied natural gas (LNG) import, regasification and storage infrastructure
- Robust LNG supplies primarily from the USA
- Increased renewables and lower industrial gas demand.

However, general energy price risk resulting from global geopolitical instability remains, such as attacks in the Red Sea, and needs to be managed appropriately.

2023 response

- We continued to monitor the financial stability of energy suppliers, to identify potential exposure and take appropriate action.
- We increased monitoring and transparency of the resilience measures and plans for our site utility service providers.
- As the European energy market outlook stabilised, we increased our supply contract horizon to return to our long-term price risk management.
- We progressed power purchase agreement (PPA) projects for Europe and the USA to provide long-term renewable electric power supply, at a stable price, for most of our demand.
- We undertook business scenario planning for potentially long-term high energy prices in Europe.
- We continued to reduce demand through site-focused energy-efficiency and decarbonisation investments – for example, flexibility in fuel sources and scoping local direct PPA projects in solar and micro-wind, to reduce cost and business CO_2 emissions.

2024 plans

- We will continue to manage our supply contracts over the long term and have appropriate price risk management strategies aligned to our different businesses.
- We will continue to reduce our demand through site-focused energy-efficiency and decarbonisation investments – for example, pursuing opportunities for on-site solar at our site in Ribécourt, France.
- We will launch a market tender for a significant proportion of our renewable electricity demand in Europe, under a virtual PPA, to secure our renewable electricity demand over the long term. This will increase as we switch away from gas for our process-heating requirements.

Compliance risks

Ethics and compliance

Risk owner: Anant Prakash, Chief Counsel and Company Secretary

Link to strategy

Movement: **<>** No change

Description

If we fail to comply with relevant legislation and regulatory guidance, we may face significant financial penalties, loss of material assets, unquantifiable reputational damage and increased regulatory scrutiny. These issues may cause delays in business operations and adversely affect the Group's ability to pursue its strategy.

If we fail to proactively address sustainability, ethics and compliance goals, mandates and regulations, we may face future penalties, loss of competitiveness and reduced shareholder value.

2023 response

- We created more controls, including our Compliance function now approving and overseeing high-risk activities, such as:
  - Recording gifts and hospitality
  - Declaring conflicts of interest
  - Government interactions.
- We integrated our new due diligence process for onboarding and managing relevant in-scope third parties, following a successful soft launch in our CCS division.
- We reviewed and refreshed our Code of Conduct, for relaunch in early 2024, supported by standalone compliance policies and guidance, where relevant.
- We continued to deliver a compliance roadshow globally, to raise awareness, build on our compliance culture and promote our whistleblowing hotline.
- We designed a new, modern slavery e-learning module, ready for launch in early 2024, and delivered competition law workshops to higher-risk-exposed teams across the Group. We also worked to refresh our anti-bribery and corruption training module.
- We implemented stronger controls within our systems to prevent any transactions with sanctioned countries.
- We undertook a dedicated Corporate Criminal Offence risk assessment.
- Our Scope 1 and 2, and Scope 3 GHG reduction targets were approved by the Science Based Targets initiative.

2024 plans

- After launching the refreshed Code of Conduct, we will conduct a comprehensive roadshow across the Group to enhance awareness of expected behaviours and emphasise compliance risks across our operations.
- We will continue to make sure our new third-party onboarding processes are adopted across the Group, alongside starting our enhanced active monitoring procedures.
- We will undertake a rigorous modern slavery risk assessment in regions identified as higher risk for our operations; we will also launch our modern slavery e-learning module, supported by training workshops.
- We will continue preparing to comply with the Economic Crime and Corporate Transparency Act 2023, and any subsequent secondary legislation.
- We will continue to monitor and comply with emerging regulatory requirements related to climate change, water, biodiversity, greenwashing and company reporting, such as the EU Corporate Sustainability Reporting Directive (CSRD).

Financial risks

Financial markets and balance sheet

Risk owner: Lily Liu, Chief Financial Officer

Link to strategy

Movement: — Reduced impact recognising our reduced net debt position

Description

The financial markets are volatile given macroeconomic and geopolitical uncertainties and inflationary pressures, and this has driven a significant rise in interest rates in the Group's major markets.

Given the Group's current financial leverage, and the maturity profile of its financial liabilities, this financial market volatility could affect the quantum and/or cost of the Group's future refinancing activities.

2023 response

- In March 2023 we signed a new $480m revolving credit facility (RCF), and have continued to monitor market conditions closely to keep our other financing arrangements under review.
- In October 2023 we completed a £276m rights issue to help reduce the leverage on the balance sheet. As part of the package, we agreed with our lending banks to extend the date at which the RCF matures.
- We continued our portfolio management approach and explored opportunities to optimise the value of our assets, including divestments from the non-core portfolio.
- We continued to optimise cash performance to support the return to our target 1 to 2x leverage in the medium term.

2024 plans

- We will continue to monitor financial market conditions through our key-relationship banks and our debt advisers, and will assess the best time for us to refinance the €520m bond.
- We will continue driving our cash management actions, focusing on working capital management and cost.
- We will continue to manage our divestment projects in line with our strategy.
- We will continue to optimise cash performance to support the return to our target 1 to 2x leverage in the medium term.

Link to strategy see page 3

- Organic growth in attractive end markets
- Rigorous and consistent portfolio management to build focused, leading positions
- Operational and commercial excellence in how we run our business
- Differentiated steering in how we allocate capital and talent
- Diversity, equity and inclusion, and holistic people development
- Critical enabler

TCFD report

Climate change with its associated environmental and socioeconomic impacts presents both ongoing and potential future risks throughout our supply chains and operations, and for our customers and end markets. But, as a speciality chemicals business, it also brings opportunities for Synthomer.

We have been working on these risks and opportunities for many years. We remain committed to taking action and supporting policies aligned with the goals of the 2015 Paris Climate Agreement to limit the rise in global temperatures to well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5°C.

In 2021 and 2022 we conducted our 'deep-dive' scenario analysis work into the potential risks and opportunities presented by three different scenarios – average global temperature rises of 1.5°C (RCP1.9/SSP1), 2°C (RCP2.6/SSP2) and 3°C (RCP8.5/SSP3) above pre-industrial levels.

The three scenarios addressed three time horizons (short term to 2025, medium term to 2030 and long term to 2050) and covered all three of our key chemistries (acrylic emulsions, synthetic elastomer emulsions and hydrocarbon resins) in our three main regions (Europe, Asia, USA) covering more than 50% of our products by volume.

Through our scenario analysis, we identified five primary responses to reduce the risks and take advantage of the opportunities related to climate change. These responses highlighted the need for us to take tangible action now, whichever climate scenario ultimately plays out. A summary of the priority responses and our actions to date is contained in the table below, supported by information throughout this Annual Report, and in the Climate action Insight paper and ESG Performance Summary published on our website at **Synthomer.com**

To date, our Scope 1 and 2 emissions are 41% less than our 2019 baseline, and our Scope 3 emissions 14%.

	TCFD recommendation	Our disclosure	Further information	
	Governance			
a	Describe the board's oversight of climate-related risks and opportunities	• The Board is responsible for the overall oversight of strategic risk management, including climate-related risks and opportunities. • The Board reviews our risk profile twice a year. The material is prepared by the Executive Risk Committee (ERC), which reports to the Audit Committee. • The Audit Committee ensures that the Board's risk management is effective. Climate-related risks are part of the agenda. • Any large capex, M&A and business plan proposals, including sustainability projects, are approved by the Board – climate change (and carbon tax) are considered as factors when assessing these plans. • The Board engages quarterly with the Vice President, ESG to review the risks and opportunities in relation to Synthomer's ability to drive strategic value through ESG (including climate change).	How we manage risk: page 45 to 47 Our governance framework: page 75 The Board's year: pages 63 to 68 Audit Committee report: pages 87 to 93	F
b	Describe management's role in assessing and managing climate-related risks and opportunities	• The ERC is chaired by the CFO and includes all members of the Executive Committee and key functional vice presidents (including VP, ESG). It meets twice-yearly to identify, assess and manage the risks and opportunities for Group strategy (including those related to climate change). • The Executive Sustainability Steering Committee is chaired by the CEO and includes all members of the Executive Committee and key functional vice presidents (including VP, ESG). It meets quarterly and its role includes ensuring that our plans for climate change are aligned across Synthomer, are properly resourced and coordinated, and that our climate-related metrics and targets are managed effectively. • An Executive Committee member has been assigned as sponsor for each Vision 2030 goal, including sustainable product targets, science-based Scope 1 and 2 targets, and Scope 3 targets. Each sponsor is responsible for ensuring we have the right plans in place to deliver within the 2030 timeframe. • The divisional presidents each undertake quarterly innovation portfolio assessments to assess and prioritise product development, including for lower-carbon products.	Sustainability in focus: pages 28 to 33 How we manage risk: pages 45 to 47 Innovation in focus: pages 36 to 37	F

TCFD recommendation	Our disclosure	Further information
Strategy		
a Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	The following are the risks and opportunities identified by our deep-dive scenario analysis: - Risks **Transition risks** include potential carbon taxes related to our raw materials and own operations, as well as increasing energy costs. In addition, in the medium term, we also expect to see increasing market and environmental policy changes drive the need for a transition in our future product portfolio, requiring greater low-carbon product innovation. Failure to deliver Scope 1 and 2, and Scope 3 GHG emissions reduction by 2030 in line with our science-based target could give rise to reputational risk. **Physical risks** have not been experienced in the short term by our own operations. We have identified potential water-related risks at three of our tier 1 manufacturing sites. In the medium term, the pattern of increasing global average temperatures and the frequency of extreme weather events such as drought could affect our plants' ability to operate efficiently and could give rise to supplier disruption. - Opportunities **Growth in demand for products and services** that will service a low-carbon or circular economy in various markets and regions. In the short term, we have had increased positive engagement with key customers regarding the potential for low-carbon products. The enabling environment is still maturing, but in the medium term, we expect new business models, regulatory frameworks and end-market requirements to drive increased demand for such products and services. **Cost savings and market growth** through the early adoption of low-carbon technologies, for example using renewable energy or switching to renewable raw materials, although this depends on the speed at which such technologies or materials become cost effective and widely available. **Competitive advantage from our network of sites across the world.** Since we can service customers from a variety of manufacturing sites, our network makes us a more reliable supplier, meaning we are more resilient to physical operational risks. **Our strategic direction towards a more speciality portfolio** where sustainability benefits including lower carbon are integrated into our innovation pipeline and support the customer proposition.	How we manage risk: pages 45 to 47 Sustainability in focus: pages 28 to 33 Climate action insight paper at **Synthomer.com** F
b Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	- In the short term (to 2025), around three quarters of any potential financial impact of the risks from climate change for our business will come from transitioning to a low-carbon, circular economy (mainly higher costs), with around a quarter coming from physical risks (more extreme weather events affecting our or our suppliers' operations) under a 1.5°C temperature rise scenario. - Under this scenario, we also see the greatest potential opportunity for growth in demand from our customers and their consumers, for those products that offer lower-carbon or circularity benefits. - Looking beyond 2025, our scenario analyses confirmed that transitioning to a low-carbon economy would remain our most significant potential climate-related financial risk; by 2030 and 2050 the relative weighting of transition risks compared to physical risks will become higher (approximately 90:10 vs approximately 75:25 in 2025). - Indirect emissions from our value chain (Scope 3) make up approximately 85% of our total carbon footprint, of which category 1 (purchased goods and services) accounts for more than 85%. Our transition planning is therefore focused on reducing our value-chain GHG emissions. - A new project started in 2024 to further incorporate climate change risks and opportunities into the business planning processes, with the objective of improving our forecasting of the potential financial impacts related to our net-zero transition plan. - In 2024 we will conduct further scenario analysis and financial analysis to fully address this recommendation.	Innovation in focus (Scope 3 case study): page 34 to 35 Sustainability in focus: pages 28 to 33 P

TCFD recommendation	Our disclosure	Further information
Strategy continued		
c Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• The SBTi's Target Validation Team has determined our Scope 1 and 2 target ambition is in line with a 1.5°C trajectory, while our Scope 3 target ambition is in line with a <2°C trajectory. • We perform sensitivity analysis for our Scope 1 and 2, and Scope 3 GHG emissions taking account of each Division's strategic business plans to inform and assess the resilience of our business planning. • Our overall climate resilience is intrinsically linked to our ability to commercialise lower-carbon raw materials, manufacturing and products through our corporate strategy. • Through our scenario analysis we identified five primary strategic responses, whichever climate scenario ultimately plays out. The five responses have already been incorporated into Synthomer's strategic breakthrough objectives and our Vision 2030 goals. • Our five responses (in order of priority) and the work conducted in 2023 are: 1. **Work with selected suppliers:** we have begun to engage suppliers of our key raw materials. Our immediate focus is to explore how to work with suppliers that can make the lowest-carbon monomers from existing feedstocks. This is where we have the potential to make the most immediate impact on our Scope 3 emissions. In the medium term, we are also working to identify and introduce alternative feedstocks, including those from bio-based or circular sources where they offer a lower-carbon solution, although we may have to consider trade-offs with other environmental factors, such as land use change. 2. **Reduce our Scope 1 emissions:** we have already taken significant action by ending the use of coal in our manufacturing sites. In the short term, we are continuing to decarbonise our operations through process optimisation as part of our Manufacturing Excellence programme. In the medium term, we have active projects focused on electrification, heat pumps and solar power. And for the long term, we are involved in a feasibility project for the use of green hydrogen at one of our key European sites. 3. **Reduce our Scope 2 emissions:** 80% of our purchased electricity already comes from renewable sources and we will continue to reduce and optimise electricity and heat consumption in the short term. From 2024, we are working to enter into or expand power purchase agreements linked to clean-energy generation. 4. **Innovate to decarbonise our products:** we are continuing to create and respond to demand from our customers for more sustainable products. In 2023, we revised our product sustainability scorecard to support the further prioritisation of lower-carbon product development for commercialisation in the medium term. 5. **Enhance our physical resilience:** using the World Resources Institute (WRI) Aqueduct tools, we have assessed the water-related risks at our own operations. We are now implementing improvement plans for the three sites identified as being at high risk to ensure business continuity and regulatory compliance.	CEO review: pages 8 to 10 Innovation in focus: pages 36 to 37 Sustainability in focus: pages 28 to 33 P

TCFD recommendation	Our disclosure	Further information	
Risk management			
a Describe the Company's processes for identifying and assessing climate-related risks	• In 2020 and 2021, we conducted deep-dive scenario analysis to identify our risks and opportunities. • We address climate-related risk identification and assessment continuously as an integrated part of our risk management activities. • Additionally, the sustainability materiality assessment (which includes stakeholder engagement) is a key necessity for our business continuity and selection of most material sustainability topics.	Sustainability in focus: pages 28 to 33 How we manage risk: pages 45 to 47 How the Board engages: pages 76 to 81	F
b Describe the Company's processes for managing climate-related risks	• We address the management of the actions to mitigate climate-related risk as an integrated part of our risk management activities and through the activities of the Executive Sustainability Steering Committee and Sustainability Development Team.	Sustainability in focus: pages 28 to 33 How we manage risk: pages 45 to 47	F
c Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management	• Climate-related risk management forms an integrated part of Synthomer's ongoing risk management work. Significant risks are addressed in alignment with the Enterprise Risk Management structure, where the Board of Directors oversees the effectiveness of risk management in Synthomer.	How we manage risk: pages 45 to 47	F
Metrics and targets			
a Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management processes.	• We report on environmental targets and KPIs in our Annual Report and ESG Performance Summary. • Relevant climate metrics include energy consumption (by type), leading and lagging absolute GHG emissions (Scope 1 and 2, and Scope 3), GHG intensity (Scope 1 and 2, and Scope 3), % Scope 1 emissions operating under carbon tax regulations, % capex for climate-related projects, number of sites in areas of high water risk, volume of water use and consumption, % revenue from sites in areas of extremely high water risk, % new products with enhanced sustainability benefits, % procurement spend with a sustainability rating.	Sustainability in focus: pages 28 to 33 Our Vision 2030 progress: pages 41 to 43	F
b Disclose Scope 1, Scope 2, and, if appropriate, Scope 3, greenhouse gas (GHG) emissions, and the related risks.	• We report intensity and absolute GHG emissions on Scope 1, 2 and 3 in our Annual Report. • We report according to the Greenhouse Gas (GHG) Protocol and our data reporting is subject to a limited assurance statement by an independent auditor.	Sustainability in focus: pages 28 to 33 Environmental performance summary: pages 193 to 196	F
c Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets.	• We have set validated science-based targets for Scope 1 and 2, and Scope 3 GHG emissions. • Scope 1 and 2 targets are included in the Long-Term Incentive Performance Share Plan (PSP) – see page 107.	Sustainability in focus: pages 28 to 33	F

Consistency

F Fully consistent

P Partially consistent

Viability statement

In accordance with the requirements of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to December 2028, being the period covered by the Group's approved strategic plan. This plan is updated annually, in a process led by the Executive Committee with input from the respective businesses and functions. It includes analysis of product and profit performance, cash flow, investment programmes and returns to shareholders. The plan is presented to the Board each year as a part of its annual strategic review.

The Directors consider this period to be an appropriate time horizon for the strategic plan, being the period over which the Group actively focuses on its long-term product development and capital expenditure investments. A period beyond December 2028 is considered by the Directors to be too long, given the uncertainties that exist beyond this time frame.

In making their assessment, the Directors have considered the diverse activities and product offering of the Group in terms of geographies, chemistry and end markets. The Directors have also considered the Group's current financial position, including the recently refinanced and future-committed financing facilities, which have been assumed to be refinanced at maturity as required.

A sensitivity analysis has been undertaken, focusing on the impact of the principal risks (see pages 48 to 55) over the five-year period, and the availability and likely effectiveness of mitigating actions. The risks have been assessed for their potential impact on the Group's business model, future trading and funding structure. The sensitivity analysis has considered a number of severe but plausible scenarios, linked to the risks considered to have the most significant financial impact. In all cases, the impact was considered on both liquidity and the borrowing covenant.

The scenarios included:

- Trading downturns as a result of increased competition or lack of demand
- Delayed restocking and economic recovery in end markets
- Failure to successfully commercialise new products and benefit from innovation, leading to lower sales volumes
- Price inflation for the Group's key raw materials and energy
- Failure to deliver on transformation programmes
- Significant foreign exchange rate appreciation against sterling.

Various mitigating actions have been identified so that, should any of these scenarios crystallise, the Group could take action quickly to significantly reduce costs and cash outflows, as demonstrated during the course of the COVID-19 pandemic in 2020. While this sensitivity analysis did not consider all the risks that the Group may face, the Directors consider that it is reasonable given the inherent uncertainty.

None of these scenarios individually, or when combined, threatens the Group or its ability to take appropriate mitigations to address them, and the combined impact of these scenarios has been evaluated as the most severe stress scenario.

Directors also considered the possible impact of climate change on future cash flows, in particular carbon pricing. In the event of global coordination of carbon pricing, the Directors consider it likely that the Group would be able to pass such costs on to our customers if material. The sensitivity analysis has therefore not been amended to include reduced profits from carbon pricing.

Based on the analysis, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the five-year period of their assessment.

Section 172(1) statement and stakeholder engagement

We value our engagement with all our stakeholders, including our key stakeholders: customers, employees, communities, suppliers, investors, and governments and authorities. Our s.172 compliance statement, which is on pages 76 to 81, describes how the Directors have had regard to stakeholders' interests and other matters when discharging Directors' duties set out in Section 172 of the Companies Act 2006. It includes examples of how stakeholders' interests were considered during principal decisions taken as part of the year.

Non-financial and sustainability information statement

The table below summarises where key elements of our governance reporting (including non-financial matters as required by the Non-Financial Reporting Directive) can be found, some of which are integrated into other sections of our Annual Report. This year, we have also expanded our reporting on ESG matters through our Sustainability insights, available at Synthomer.com

Reporting requirement	Relevant policies and standards that govern our approach	Where to read more in this report	Where to read more on our website
Environmental matters	Code of Conduct Environmental Policy Water Management Policy Sustainable Procurement Policy and Strategy Task Force on Climate-related Financial Disclosures (TCFD)	Sustainability in focus, pages 28 to 33 People in focus, pages 38 to 40 Our Vision 2030 progress, pages 41 to 43 TCFD report, pages 56 to 59 How we manage risk: pages 44 to 47 The Board's year, pages 63 to 68	**Environment insight paper** **Governance insight paper** **Group Policies**
Employees	Our values Code of Conduct Health & Safety Policy	People in focus, pages 38 to 40 Our Vision 2030 progress, pages 41 to 43 How the Board engages (s.172 compliance), pages 76 to 81 The Board's year, pages 63 to 68	**Social insight paper** **Governance insight paper** **Group Policies**
Social matters	Responsible Care Guiding Principles Synthomer Cares	Our business model, page 2 People in focus, pages 38 to 40 Our Vision 2030 progress, pages 41 to 43	**Social insight paper** **Group Policies**
Respect for human rights	Code of Conduct Modern Slavery Act Statement Conflict Minerals Policy Statement Sustainable Procurement Policy and Strategy	Sustainability in focus, pages 28 to 33 People in focus, pages 38 to 40 Our Vision 2030 progress, pages 41 to 43	**Social insight paper** **Governance insight paper** **Group Policies**
Anti-corruption and anti-bribery	Code of Conduct Ethics Helpline Our values	People in focus, pages 38 to 40	**Governance insight paper** **Group Policies**
Our business model		Our business model, page 2 Our strategy, page 3	
Principal risks and uncertainties	Risk Management Framework	How we manage risk: pages 44 to 47	
Non-financial KPIs		Our key performance indicators, page 12 Our Vision 2030 progress, pages 41 to 43	**ESG datapack**

GOVERNANCE REPORT

The Board's year

Throughout the year, the Board has remained focused on delivering our strategy, with our deeply experienced members key to creating a culture of open debate.

Naturally, macroeconomic events and wider industry issues have influenced our thinking at critical points. For example, the Board continued to monitor the impact on energy and other costs of the ongoing war in Ukraine. The collapse of Silicon Valley Bank created additional uncertainty and volatility as we discussed RCF refinancing with our banks in March 2023. And soon after our rights issue, the attack by Hamas on Israeli citizens was followed by Israel's operations in Gaza.

> "We have focused on strengthening the balance sheet, aligning and testing everything against our strategy. We remain convinced our strategy is right for future growth and delivering value in the medium term."
>
> **Caroline Johnstone**
> Chair

The lack of any upturn in the chemicals industry and wider manufacturing landscape was evident in growth and economic forecasts, with weak-for-longer outlook updates from several companies in the sector, including in the period up to and during our rights issue. We have continued to monitor the impact that the increasingly complex geopolitical landscape is having on the supply and cost of raw materials and energy, reflecting this in the level of forward hedging we have in place.

Supporting the Executive Committee to manage the business

The Board's close interaction with the Executive Committee is a key ingredient in helping Synthomer realise its strategic goals. This collaborative relationship was more important than ever in 2023, with the Board providing essential support and challenge to help Synthomer address the various issues that it has faced – many of which are interlinked.

Strengthening our balance sheet, and the rights issue

The Board's main focus in 2023 was to help the Executive Committee strengthen the Company's balance sheet and provide a platform for them to drive our strategy. We were guided by three clear principles:

- Align and test every option to strengthen the Company's balance sheet against our strategy
- Balance short-term actions to protect the business during the economic downturn, while enabling it to respond rapidly when markets recover
- Explore all self-help options, before asking shareholders for support.

In early 2023, the Board agreed a clear set of plans to reduce debt and strengthen the Company's balance sheet. That included looking at ways to rationalise our portfolio and reduce complexity, improve cash generation, efficiency and competitiveness, strengthen our market and customer intelligence, and focus on our performance excellence programme (Synthomer Excellence, or SynEx) to drive cost savings and reduce working capital.

While we carefully tracked progress against these plans, as well as current trading, we continued to review the appropriate funding level and structure for the business, assessing short- and medium-term prospects given the macroeconomic and political landscape.

When it became clear that market conditions would remain challenging throughout 2023 and into 2024, we prioritised protecting value for the medium-to-longer term, concluding in the third quarter of 2023 that the time was right to ask shareholders to support the business through a rights issue. Some 92.6% of our shareholders supported that decision by taking up their rights, which enabled us to reduce net debt by £266m in the year.

The path to completing the rights issue

Date	What the Board did
Q1 2023	• Approved a new $480m RCF with longer duration and extended covenant headroom. • Approved the extension of a receivables financing facility, which we assessed as cost effective in the overall financing structure for the short-to-medium term.
Q2 2023	• Continued to consider all financing options, given strong progress on self-help measures, but difficult trading conditions and a worsening economic outlook. • Reflected on the amount of time and focus required by the executive team on managing the balance sheet and cash management, and considered the impact this could have on focus and delivery of the Group strategy.
Q3 2023	• Held a number of special Board meetings to continue reviewing our options, taking views and advice from our brokers, lawyers and a number of other independent advisers. • Concluded that it was in shareholders' and other stakeholders' interests to launch a rights issue.
Q4 2023	• Oversaw completion of the rights issue, including extensive engagement with shareholders, allowing the Executive Committee to refocus on delivering the strategy.

Agreeing capital allocation priorities and rationalising our portfolio

Reducing leverage towards our 1 to 2x medium-term target range remains a key priority for the Board and Executive Committee – recognising that this will be somewhat determined by the timing of demand recovery in our end markets. We intend to achieve this, in part, by continuing to rationalise our portfolio and divesting certain businesses, although only at an appropriate price and without diluting value. Investment will focus on delivering our strategy, primarily through organic-led growth and achieving our sustainability commitments. We will also reinstate dividends when appropriate, but they will remain suspended at least until the Group's leverage is reduced below 3x net debt to EBITDA.

In 2023, the Board oversaw work to complete the sale of our Laminates, Films and Coated Fabrics businesses. That included a transition period during which Synthomer provided services to the new owners, which was managed well and without issue. This was an essential first step in delivering our strategic aims and reduced the Group's net debt by more than £200m.

We have a number of other non-core divestments underway, and several other projects, including potential joint ventures and other partnerships, each in line with our strategy. These initiatives are being led by our Head of Strategy and M&A, who reports on progress at each scheduled Board meeting, enabling the Board to oversee and support the relevant processes.

Given ongoing market challenges, the Board and Executive Committee had to make some tough decisions to significantly reduce activity levels at several sites in 2023 – including mothballing our nitrile butadiene latex (NBR) site in Kluang, Malaysia, and closing our North America Paper and Carpet business. These decisions are never easy. At all times, the Board was mindful of the impact on our employees, customers and suppliers, and oversaw management's plans to make these changes in an orderly and respectful way.

As part of our strategic divestment, site consolidations and related changes, around 900 people left the Group in 2023. We thank those colleagues leaving Synthomer for their contribution and wish them well for the future.

Improving cash generation, efficiency and competitiveness

A key focus this year has been on increasing the Company's Free Cash Flow. The Board instigated working sessions at each scheduled Board meeting to hear updates on costs and cash held in working capital from our Executive Committee.

Board members provided essential challenge, support and insight during these sessions, including sharing their experience of similar reviews. We will continue this work with the Executive Committee on improving cash generation through 2024, with a particular focus on optimising our working capital position.

Balancing short-term performance, while investing for the future

The Board reconfirmed its commitment to, and confidence in, Synthomer's strategy during our deep-dive strategic review meeting in June 2023. We also revisited the strategy ahead of launching our rights issue. While we have to be highly disciplined in our investment approach at all times, especially given the current geopolitical landscape, we remain mindful of opportunities that will help deliver the strategy. This year, we approved the important investments shown in the table on the right.

Overseeing performance management in our divisions

The Board continued to oversee the integration of our newly formed AS division, paying particular attention to performance improvement in the adhesive resins business, acquired in March 2022. This included updates on trading, synergies and operational issues at each scheduled Board meeting.

In April 2023, the Board supported the CEO's decision to change the division's management and to appoint Stephan Lynen as President, Adhesive Solutions. A highly experienced leader with deep expertise in adhesives, Stephan has quickly got up to speed with the business, reorganising his senior team and focusing on priority areas for operational stability and competitiveness. The Board has also offered its support, including suggestions on ways the business can accelerate its self-help initiatives. For example, the Board encouraged establishing a divisional performance improvement programme, and closely monitored progress against its KPIs.

The Board also debated proposals to reduce costs in our HPPM division, and considered ways that our regions might capitalise on their extensive nitriles expertise for future growth. Throughout these discussions, we remained conscious of our strategic aim to prioritise capital allocation to our speciality businesses.

Investment	Context	How the Board approached the decision
APO bridging capacity	The adhesive-related market for APO is expected to grow at more than 5% a year until 2030. A $9m project at our Longview site in Texas will debottleneck production and increase capacity by 10% to take advantage of this opportunity.	The Board challenged the Executive Committee on its reasons for prioritising this project. Persuaded of the strong business case and anticipated short-term payback, the Board approved the investment.
China Innovation Centre	Synthomer sees opportunity to grow its presence in China over the next 10 years. A £6m advanced technical centre, located at the Shanghai Chemical Industrial Park, would support this growth.	The Board discussed the timings of the opportunity, given limited resources across the Group, and challenged the Executive Committee to explain how Synthomer would attract the right talent to support the project and capitalise on future opportunities. Our country manager in China presented a compelling business case to develop our presence there. As a result, the Board approved the capital expenditure needed to develop the China Innovation Centre.
Adhesive Solutions supply in Europe	Synthomer sought to bolster its supply chain, increase reliability and improve its cost position for hydrocarbon resin production in Europe. This involved purchasing raw material production assets from Arakawa, which will be managed under contract at the Dow ValuePark in Germany.	The Board reviewed the proposed investment rationale, structure and mechanics, providing support and challenge, including on the expected payback assumptions.

Despite very challenging economic conditions, our CCS division showed great resilience through the year. In deep-dive Board sessions, the CCS president and other senior leaders shared insights about the division's customers (including new customer wins), suppliers and employees, as well as providing market outlook information based on trading and industry expert views.

Strengthening our competitor and industry intelligence

Following feedback from our internal Board evaluation in 2022, the Board set itself an objective in 2023 to strengthen our competitor and industry intelligence. We now address this topic, on a division-by-division basis, at each scheduled Board meeting.

During deep-dives on our HPPM and CCS businesses, in June and December 2023 respectively, we had a particular discussion on market intelligence. We also discussed market intelligence as part of the AS divisional updates at each scheduled Board meeting.

As a result of this greater focus, we have observed improved customer and market insight during 2023 and clear evidence of greater customer intimacy.

Driving continuous improvement through performance excellence

The Board continues to support the Executive Committee and its commitment to the internal continuous improvement programme SynEx. It is a regular topic at Board meetings, with particularly useful support and challenge from members who already have significant experience in this area. For 2024, the Board has challenged the Executive Committee to focus on specific workstreams that will drive the greatest value for Synthomer and its stakeholders – such as improving operational efficiency at the AS site in Middelburg, Germany and the CCS site in Le Havre, France.

Overseeing cyber security risk management

The Board takes a close interest in Synthomer's approach to cyber security protocols, reviewing our arrangements twice a year. This year, that included overseeing work to continue developing and testing our major security incident response plan. The Board also received reports about serious attempted attacks in the autumn, which were successfully defended. Some of our Board members bring experience of cyber preparedness to Synthomer, including the importance of involving senior management in a cyber attack simulation exercise – something that is already planned for 2024.

A maturing sustainability agenda

Innovation and sustainability are at the heart of our strategy. Synthomer's approach to sustainability continues to mature and the Board supported the Executive Committee's decision to recruit a Vice President of ESG in 2023. As we describe in the governance framework on page 75, the Board directly oversees Synthomer's overall sustainability agenda, given its importance to the strategy. Here we describe some of the key sustainability issues discussed at Board level this year.

Science-based targets to lower emissions

The Board was pleased to see the Science Based Targets initiative (SBTi) formally approve Synthomer's near-term targets to reduce absolute Scope 1 and 2 GHG emissions by 47%, and absolute Scope 3 emissions by 28% by 2030 (from a 2019 baseline). Achieving these targets will be challenging but they are necessary if we are to deliver on our longer-term ambition to reach net zero by 2050.

The Board has a wealth of knowledge in this area, thanks to Holly and Roberto's experience, and that of advisers from our major investor, KLK. Martina Flöel's appointment in September 2023 adds more depth to the Board's expertise. In 2023, we considered whether to set up a separate Board sub-committee for sustainability matters and concluded that we would retain it as a matter reserved for the whole Board given its importance to our strategy. At the same time, sustainability is increasingly linked to our innovation agenda. Accordingly, the Board has established a working group, chaired by Roberto, to consider how best to oversee and provide appropriate governance across both areas in the longer term, which will report back to the Board in 2024.

Embedding diversity and inclusion into every Board discussion

Creating a diverse workforce and inclusive environment are essential to our future success. That is why DE&I is one of the five pillars of Synthomer's strategy and has become part of the regular cadence of discussion at Board meetings. We have a strong track record of diversity at Board level and comply with the Financial Conduct Authority's updated Listing Rules requirements.

» See our Nomination Committee report on pages 94 to 97.

Gender diversity is also one of Synthomer's Vision 2030 targets and the Board takes a keen interest in the progress that the Company is making here – especially towards achieving 40% gender diversity across senior management. See People in focus, on pages 38 to 40.

Staying focused on our culture and values

It is especially important when times are tough to act in ways that strengthen our culture and live up to our values. This has been uppermost in the Board's mind throughout the year.

The health and safety of our people is Synthomer's highest priority, and it has always been the first item of business at every Board meeting. Those conversations are informed by regular reports on near misses – a leading indicator of the strength of a company's safety culture. We also ask our SHE leader and members of our operational teams to provide more information on the preventative maintenance programmes at our sites. This information deepens the Board's understanding of our day-to-day operations, so that we can ask more informed questions and help guide the business.

» For more information on how the Board oversees safety, see Sustainability in focus, on pages 28 to 33.

This year, the Board continued to ask probing questions about our data and approach to improving safety standards at our newest adhesives sites in Europe and the USA. This saw the SHE team focus on bringing the newly acquired adhesives sites up to the standard of legacy Synthomer sites, as part of the wider SHE programme.

During our site visits in Malaysia and the Netherlands, Board members asked employees specific questions about the safety culture at their site. What we heard, particularly from employees who have joined the Company through our acquisitions, reassured the Board that our people see a different, stronger safety culture once they have adopted Synthomer's tried-and-tested SHE management system. We see this in our data, which shows a direct correlation between the length of time a site is part of Synthomer and its improving safety performance.

Safety aside, the Board relies on a range of different measures to assess and discuss Synthomer's culture, including through our annual plan of employee engagement sessions.

» For more information on our safety performance in 2023, see page 43.

We also ask our business leaders to share regular updates on local issues and the impact that current industry challenges and opportunities are having on our people. This helps the Board understand how our values show up in everyday life and ensure that local culture is aligned with our strategic objectives. For example, business leaders shared people-related updates with the Board this year, including the challenges of recruiting for certain roles during an industry downturn. These insights helped the Board gain a better and deeper understanding of specific challenges faced at certain business sites – which, in turn, better informed the Board's discussions about wider workforce engagement and succession planning.

Similarly, the Audit Committee receives updates on our behalf from our Internal Audit team, which helps us understand the impact our policies and processes have on Synthomer's culture. The Committee regularly reviews and discusses an overview of the cases that the Company receives through its Speak Up whistleblowing hotline. This helps us identify themes and areas for action.

Staying connected with our stakeholders

Talking to stakeholders is an important part of any Board's year. What different groups tell us informs discussions on topics like strategy and culture. While we provide much more detail on ways that the Board has engaged with different stakeholder groups in our section 172 statement on pages 76 to 81, here we share a few highlights:

- A full Board visit to our Malaysian operations in June 2023
- In September 2023, a number of Board members visited Middelburg in the Netherlands, one of our recently acquired adhesive resins sites
- Significant CEO and CFO shareholder engagement, particularly in the run-up to our rights issue
- Direct CEO engagement with many existing and prospective customers
- Employee Voice sessions held by our designated Non-Executive Director for workforce engagement, Alex Catto, with support from Holly Van Deursen
- Our Board Chair, Senior Independent Director and Remuneration Committee Chair met with several shareholders to hear their views, including around our rights issue.

» Read more about how the Board engages on pages 76 to 81.

Drawing on Board evaluations for stronger governance

Internal and external Board evaluations and Directors' performance reviews help the Board play its part in supporting a culture of continuous improvement at Synthomer. We conduct internal evaluations every year and, in line with the UK Corporate Governance Code, commission an externally facilitated review every three years. Our latest external evaluation commenced in late 2023 – see page 68 for more information.

We also continued to act on the findings of our 2022 internal evaluation, including building a culture of lessons learnt. For example, in February 2023 we held a working session to consider all aspects of the adhesive resins acquisition, including reviewing any lessons learnt. The Board also reviewed direct feedback from the team that responded to the fire at our Filago site in Italy in 2022. As part of that, we considered the preparedness of the business for major events and the actions it has taken to mitigate future risks.

Our 2023 external Board effectiveness review process

We commissioned an externally led Board evaluation in 2023. To refresh our approach and ensure that it can evolve as we recruit a new Chair in 2024, we explored options with a number of external providers to gather more qualitative and quantitative data to better assess our effectiveness and impact. We also looked at how other boards carried out their evaluations.

Following a review with our Company Secretary and Chair, and discussion at our Nomination Committee, we appointed The Effective Board to carry out an independent review of our Board, its three main Board Committees, individual Board Directors and Company Secretary. The Effective Board team gathered information through a bespoke, detailed online questionnaire and produced reports on the Board's performance, including key recommendations and feedback on our Directors, Chair and individual Committees.

Overall, the results of the evaluation were positive and showed that the Board continues to be run effectively. It is considered cohesive, comprising the appropriate balance of experience, skills and knowledge to implement the Group's strategy over the short and medium term. Board meetings operate in a spirit of openness and willingness to challenge and be challenged, fostered by the Chair. The relationship between the Board and the Executive is considered very open and strong.

The action areas focus on how we will rigorously monitor and test implementation of our strategy and its pillars and enablers against the changing competitive and economic environment. We will incorporate these good suggestions in our 2024 Board plans – see the table on the right for more information.

Key recommendations for 2024

Recommendation	Action
Horizon-scanning workshop should verify opportunities as well as threats.	Workshop planned for June strategy day. We will also hold a chemicals industry 'futurist' session with the Board.
Refine how the Board will assess progress in each pillar of the strategy and around end-market orientation, sustainability, innovation, strong geographic presence, reduced complexity and robust financial performance (KPIs).	Review all Board reporting to align with strategic objectives.
Consider each division's and function's ability to innovate and manage capacity in line with market trends and future strategic needs.	Establish a Board working party to consider our approach to and governance of innovation and sustainability.
Review recent change management across the business for lessons learnt: timely delivery, cost management, benefits realisation.	Address in each regular SynEx Board update, along with how benefits are tracked, reported and traced to results, including cost savings.
Regularly review the people agenda to assess implementation of the four strategic employee priorities.	Quarterly people update to Board to address progress on four strategic employee priorities and on employee engagement.

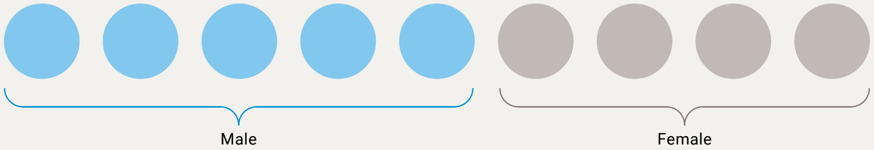
Evaluation of individual Directors

Our Senior Independent Director evaluated the effectiveness of the Chair's performance in 2023 and concluded that Caroline manages the Board very effectively and with professionalism. She ensures each Director has the opportunity to express their views but that a conclusion and clear actions are agreed. Board members recognised Caroline's significant time commitment to the role and considered her to be fully available and flexible, maintaining a very high level of engagement with the Company, management and Board members. More information about Chair succession and extending Caroline's tenure is included on page 97.

The Chair held one-to-one meetings with each Director to assess the effectiveness of their contributions, the appropriateness of their experience and the effectiveness with which they used their experience to further the Company's strategy. Any areas of improvement or training and development were agreed. There were no issues of any substance arising from these meetings.

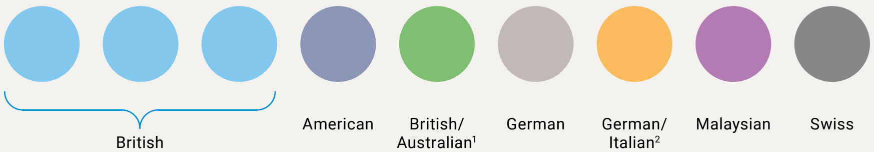
The Board at a glance

Gender diversity



Ethnic diversity

Nationality

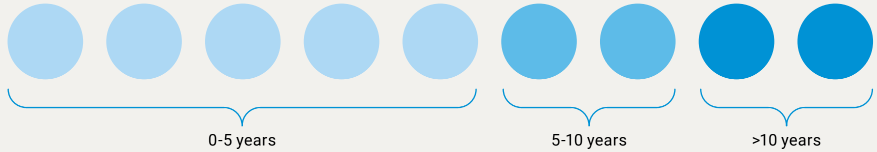


Board and Committee meeting attendance

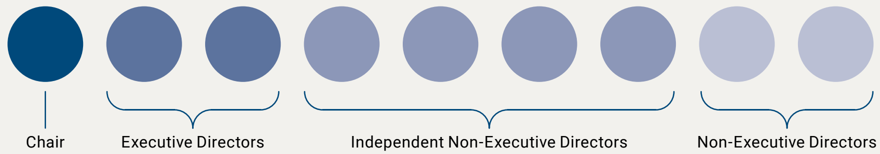
	Board	Audit	Remuneration	Nomination	Disclosure
Caroline Johnstone	14/14	6/6	4/4	6/6	8/8
Michael Willome	14/14	6/6	4/4	6/6	8/8
Lily Liu	14/14	6/6	4/4	6/6	8/8
Alexander Catto	14/14			6/6	
Martina Flöel[3]	4/4	3/3	1/1	1/1	
Roberto Gualdoni	14/14	5/6	6/6	3/4	
Lee Hau Hian	14/14			6/6	
Ian Tyler	14/14	6/6	4/4	6/6	4/4
Holly Van Deursen	13/14	5/6	4/4	6/6	
Brendan Connolly[4]	3/4	2/3	2/2	3/3	4/4

1 Lily Liu holds dual British and Australian citizenship.
2 Roberto Gualdoni holds dual German and Italian citizenship.
3 Martina Flöel joined in September 2023.
4 Brendan Connolly retired in May 2023.

Board tenure



Board composition



Individual Directors' skills

We asked our nine Directors to rate themselves on each of 28 skills. For simplicity, we grouped those skills into the 15 categories above. For each category, we added up the rating points and divided the result by the total possible points available for that category to represent an approximate number of Directors with skills in that category.

Our Board of Directors

Caroline A Johnstone
Chair

Nationality British
Appointed to the Board March 2015
Key expertise International, strategy/M&A, people/culture/change, PLC governance, risk, chemicals, broader industrials

Background
Caroline has more than 40 years' experience working with large global organisations in the chemicals sector and other industries, delivering value from M&A, turnaround, culture change and cost optimisation. She was a partner in and sat on the board of the assurance practice of PricewaterhouseCoopers (PwC) as people partner. Caroline is a member of the Institute of Chartered Accountants of Scotland.

External appointments
Non-Executive Director and Chair of the employee engagement committee of Spirax Group plc, Non-Executive Director and Chair of the audit committee of Shepherd Building Group Limited, honorary role on the board of the University of Manchester

N D

Michael Willome
Chief Executive Officer

Nationality Swiss
Appointed to the Board November 2021
Key expertise International, strategy/M&A, people/culture/change, PLC governance, chemicals, sales/marketing

Background
Michael has a track record of driving performance through strong operational management and strategic actions, including M&A. He was previously CEO of Conzzeta AG (now Bystronic AG) in Zurich, and spent 18 years with Clariant AG, leading its global industrial and consumer specialities division. Before that, he held leadership roles in Asia-Pacific, based in Hong Kong, and in Canada and Türkiye.

External appointments
Non-Executive Director of Glaston Oyj (Nasdaq Helsinki), sits on subsidiary boards of the Indutrade Group

D

Lily Liu
Chief Financial Officer

Nationality British, Australian
Appointed to the Board July 2022
Key expertise International, strategy/M&A, finance/investment, PLC governance, risk, broader industrials

Background
Lily is a highly experienced CFO. She has worked in the manufacturing and engineering sectors for more than 20 years, and joined Synthomer from Essentra plc, a FTSE 250 components and solutions business, where she was CFO. Lily was previously CFO at Xaar plc, a UK-listed inkjet technology developer, and Smiths Detection business, a division of Smiths Group plc.

External appointments
Non-Executive Director and member of the audit committee of DCC plc

D

The Hon Alexander G Catto
Non-Executive Director

Nationality British
Appointed to the Board 1981
Key expertise Strategy/M&A, people/culture/change, PLC governance, broader industrials

Background
Alexander was a director of investment banks Morgan Grenfell & Co and then Lazard Brothers & Co. He now manages a private investment company and his family's grant-giving charity and other interests. Alexander is Synthomer's designated Non-Executive Director to lead workforce engagement.

External appointments
Managing Director of CairnSea Investments Limited, a private investment company

N

Martina Flöel
Independent Non-Executive Director

Nationality German
Appointed to the Board September 2023
Key expertise Strategy/M&A, people/culture/change, risk, chemicals, SHE/regulatory, innovation

Background
Martina has considerable executive experience in the chemicals industry, leading what became OXEA GmbH between 2003 and 2016. Before this, she held a number of senior roles at Celanese AG and its predecessor Hoechst AG, focusing on strategy, operations and capital investment, human resources, and innovation and technology. Martina began her career as a research chemist and holds a PhD in chemistry.

External appointments
Non-Executive Director of Sasol Limited since 2018, and of Neste Oyj from 2017 to 2023

A R N

Roberto Gualdoni
Independent Non-Executive Director

Nationality German, Italian
Appointed to the Board July 2021
Key expertise CEO/Board leadership, finance/investment, risk, chemicals, sales/marketing, supply chain

Background
Roberto has more than 35 years' chemicals sector experience in both commodity and speciality segments, mostly at BASF SE. There he held senior operational roles covering international sales, marketing and procurement and served on a number of joint-venture boards. He was chief executive of Styrolution for three years until 2014, before its joint venture with BASF.

External appointments
Chair of CABB Group GmbH, member of the boards of AeroSafe Global and Clariant AG

A R N

Dato' Lee Hau Hian
Non-Executive Director

Nationality Malaysian
Appointed to the Board 2002 as a Non-Executive Director; first joined the Board in 1993 and stood down in 2000 to become an Alternate Director
Key expertise Strategy/M&A, CEO/Board leadership, broader industrials, SHE/regulatory

Background
Hau Hian has experience in organisational transformations, acquisitions, chemicals and manufacturing operations and sustainability matters.

External appointments
Non-Executive Director of Kuala Lumpur Kepong Bhd (KLK), which is Synthomer's largest shareholder; Managing Director of Batu Kawan Bhd, a listed Malaysian investment holding company, which is a 47% shareholder of KLK

N

Ian Tyler
Senior Independent Director

Nationality British
Appointed to the Board June 2022
Key expertise CEO/Board leadership, finance/investment, PLC governance, risk, SHE/regulatory

Background
Ian has extensive board experience as a former chief executive and as a non-executive for several international industrial organisations. His senior executive career was at Balfour Beatty plc, a global infrastructure business, which he joined as finance director in 1996 and where he served as chief executive from 2005 to 2013.

External appointments
Non-Executive Director and Chair of the remuneration committee of Anglo American plc, Non-Executive Director and Chair of Affinity Water Limited

A R N

Holly A Van Deursen
Independent Non-Executive Director

Nationality American
Appointed to the Board September 2018
Key expertise International, people/culture/change, risk, chemicals, SHE/regulatory, innovation

Background
Until 2005, Holly was group vice president, petrochemicals at BP plc. She has worked in the global chemicals industry for more than 25 years and held senior positions across North America, Europe and Asia. Since 2016, Holly has held non-executive director roles for global companies headquartered in the USA and spent 12 years on the board of a Norwegian-listed company.

External appointments
Non-Executive Director and Chair of the talent, culture and compensation committee of Kimball Electronics Inc, Non-Executive Director of Albermarle Corporation

A R N

Anant Prakash
Chief Counsel and Company Secretary

Nationality British
Appointed December 2022

Background
Anant joined Synthomer having spent five years at defence and security company Ultra Electronics Group plc, latterly as general counsel, Europe and Asia Pacific. Before moving into industry, he worked at international law firm Slaughter and May, where he developed a broad corporate, commercial and M&A practice, including experience working in Hong Kong and Spain.

External appointments
Non-Executive Council Member at City, University of London

Our two non-independent Board members
The Board recognises the unusual nature of having two non-independent members. This is a voluntary arrangement that has been in place for 40 years and reflects the major shareholdings in the Company that they represent.

Dato' Lee Hau Hian is the Board's representative for our largest shareholder, KLK (27%). His extensive leadership experience in chemical manufacturing and experience of organisational transformations and acquisitions means he offers the Board and Executive Committee invaluable insights when making business decisions. He also offers an important perspective on the Malaysian and Southeast Asian business landscape.

The Hon Alexander G Catto is a member of Synthomer's founding family, which retains a holding in the Company today. We believe Alexander provides deep knowledge of Synthomer's history and a unique long-term shareholder perspective. His background in investment banking and time on other boards also gives him extensive business, finance, investor engagement and governance experience of benefit to Synthomer.

Other Board members in 2023
Brendan WD Connolly retired from the Board and as Chair of the Remuneration Committee in May 2023.

Board Committee key

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- D Disclosure Committee
- Committee Chair

Our Executive Committee

Biographies for **Michael Willome**, **Lily Liu** and **Anant Prakash** can be found on pages 70 and 72.

Ana Perroni Laloe
President, Coatings & Construction Solutions, and EMEA

Nationality Brazilian
Appointed to the Executive Committee February 2022

Background
Ana has more than 17 years' global sales and marketing experience, with a strong track record of successfully commercialising solutions for end markets. She started her career at Ciba Specialty Chemicals in Brazil. Elected president of RadTech South America for two consecutive terms, Ana is one of the pioneers of introducing UV curing technology in the region.

Stephan Lynen
President, Adhesive Solutions, and Americas

Nationality German
Appointed to the Executive Committee May 2023

Background
Stephan has more than 25 years' leadership experience in the chemicals industry, principally at Clariant AG, the global speciality chemicals company, where he became CFO in April 2020. Before this, he led several of its businesses, including its additives unit. Stephan brings general management and functional experience in commercial and operational activities, strategy, finance, M&A, post-merger integration, transformation and restructuring.

Rob Tupker
President, Health & Protection and Performance Materials, and Asia

Nationality Dutch
Appointed to the Executive Committee September 2018

Background
Rob was previously with Honeywell International Inc where he held a variety of senior leadership positions in its performance materials and home and building technologies divisions. Before that, he worked with Süd-Chemie (now Clariant AG) and Unilever/ICI's (now Givaudan SA's) flavour and fragrance division. Rob worked for seven years in Asia-Pacific, five years in the USA and 20 years across Europe.

Jan Chalmovsky
President, Strategy and M&A

Nationality German
Appointed to the Executive Committee September 2022

Background
Jan has more than 15 years' experience in strategy and mergers and acquisitions, most recently as head of strategy and M&A at global industrial company Conzzeta AG (now Bystronic AG). Before that, he spent nine years at McKinsey & Company, including as an associate partner, focusing on strategy, corporate transformations and corporate finance.

Alice Heezen
Chief Human Resources Officer

Nationality Dutch
Appointed to the Executive Committee June 2022

Background
Alice was previously chief human resources officer at chemical manufacturing company Trinseo plc and a member of its executive leadership team. Before that she served as head of human resources for ADAMA Agricultural Solutions Europe. Alice has held senior HR leadership roles at Fiberweb Plc, BG Group plc, REXAM Plc and EnerTel/Energis N.V.

Other Executive Committee members in 2023

Tim Hughes retired as President, Corporate Development in March 2023.

Toby Heppenstall left as President, Adhesive Solutions in May 2023.

Marshall Moore left as Chief Technology Officer and President, Americas in December 2023. Marshall's responsibilities as President, Americas moved to Stephan Lynen, and the Innovation and Sustainability functions now report to Michael Willome.

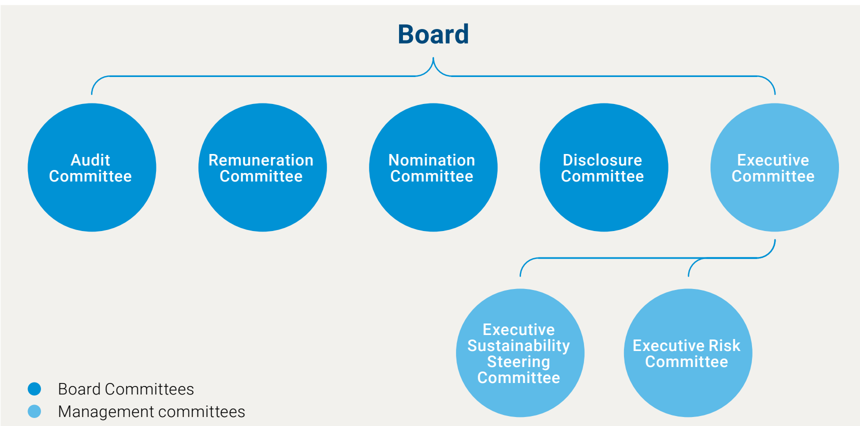
Our governance framework

Our governance framework is designed to focus the Board on setting the Group's purpose, values and strategy, on monitoring performance and on ensuring sound governance, including appropriate controls and balanced risk assessment.

We delegate certain oversight and management responsibilities to various Committees. Executive management is responsible for implementing strategy and leading our colleagues across the Group to deliver that strategy.

As a UK-listed company, we follow the UK Corporate Governance Code and so have an established governance structure. For more detail about how we apply its principles and comply with its provisions, see pages 82 to 86.

Our Board and management Committees



Our Disclosure Committee supports the Board and monitors compliance with disclosure controls and procedures for material information, and is responsible for identifying inside information. It comprises the Chair, Senior Independent Director, CEO and CFO, who meet after each scheduled Board meeting, and is advised by the Chief Counsel and Company Secretary and the Vice President, Investor Relations. The Committee's terms of reference are available on our **website**.

In 2023, the Board, rather than a Committee of the Board, took ownership of the Company's progress against our sustainability strategy, Vision 2030 targets and 2050 net zero pledge. Given that these environmental, social and governance (ESG) matters are a key part of our strategy, we want to clearly show that the Board retains ultimate oversight of, and responsibility for, delivering against our stated ESG goals.

At the Executive Committee level, in 2022 Synthomer formed the Executive Sustainability Steering Committee. It is chaired by the CEO, meets quarterly and is attended by the full Executive Committee. It oversees our overall sustainability agenda and progress on each of our Vision 2030 sustainability goals. These goals are owned and sponsored by an Executive Committee member, who is responsible for making sure we have the right plans in place to deliver within the timeframe.

The Company also formed an Executive Risk Committee in 2022. This Committee is chaired by the CFO and ensures a robust process for identifying, prioritising, managing and controlling significant risks affecting the Group. It is attended by the full Executive Committee and the Head of Internal Audit. It makes sure the Group has risk management policies and procedures in place – including those covering project governance, sanctions, crisis management, human rights, business continuity and business management. See How we manage risk on pages 44 to 47.

All Executive Committee members also attend a substantial number of our Board meetings, except when certain sensitive matters are discussed. As a Board, we have debated this approach and continue to believe that this provides us with great insight to the business. It allows deeper discussion and direct challenge to our different businesses and promotes a unified approach to implementing governance and strategy. We continue to have strong positive feedback from Board members – new and continuing – and Executive Committee members on this approach. This was especially useful in 2023, when we convened separate Board meetings to discuss our financing structure, including the rights issue announced in September. For more details, see The Board's year on pages 63 to 64.

» **For more information on our Board Committees and their work this year, see the Committee reports from pages 87 to 116 and on our website. A table of Directors' attendance at Committee meetings can be found on page 69.**

How the Board engages (s.172 compliance)

Understanding the issues that are important to our stakeholders is essential to how we develop and implement our business strategy. It is also critical to our long-term success.

Our approach to Section 172

Our Section 172 statement describes how the Board has carried out its responsibility to promote the success of the Company, recognising that the key decisions it makes today will affect long-term performance. The statement considers paragraphs (a) to (f) of Section 172(1) of the Companies Act 2006 and includes details about how the Board has considered and engaged with stakeholders.

When making decisions, the Board considers the needs of our different stakeholder groups as well as the likely consequences that any action taken might have for Synthomer's reputation. The Board receives papers that include Section 172 information, which it uses to inform strategic discussions, including any implications for the resilience of our business and the potential impact on our community and environment. It is the Chair's responsibility to ensure that the Board considers Section 172 when making its decisions.

We recognise that it is not always possible to provide a positive outcome for all stakeholders and that, sometimes, the Board has to make decisions based on competing priorities. The Board regularly assesses the outcomes of its decisions and is available to talk to stakeholders. This engagement helps the Board better understand what matters most to our stakeholders and supports discussion of relevant issues. It also helps the Board choose the course of action that best leads to high standards of business conduct and success for Synthomer in the long term.

Stakeholder engagement in 2023

We made no changes to our list of key stakeholders this year, which we set out on pages 78 to 81, alongside a discussion of how we engaged with and responded to them in the year.

The Board has continued to ensure it understands, and considers, the issues that matter most to all our stakeholder groups, particularly when making key decisions.

We consider our understanding of the sustainability issues that matter most to our stakeholders through periodic materiality assessments, the most recent of which was completed in 2021. Having reviewed the outcomes of that assessment, we believe Synthomer is still focused on the right sustainability issues for our stakeholders. The next materiality assessment is expected to be completed in 2024, using an updated 'double materiality' methodology that will consider upcoming changes in sustainability reporting requirements.

» Find out more about our materiality assessment on page 30.

Principal decisions in 2023

As a Board, we had to make a number of difficult decisions this year. Here we set out how we considered our stakeholders and Section 172 obligations when making three of those decisions.

Approving a rights issue

E In

In September 2023 the Board approved the launch of a rights issue.

How the Board made its decision

In The Board's year on page 63, we describe the rigorous process we followed to make this decision, and our close oversight and involvement. We reflected on the potential alternative strategic options and considered all stakeholder groups – for example, the effect on employees and value for shareholders, including the consequences for delivering our strategy if we deferred action to strengthen the balance sheet into 2024.

We oversaw progress on various actions to preserve cash and manage debt, recognising that fundraising from investors would be appropriate only after exhausting other self-help measures available to the Group. The Board also challenged whether the size, structure and timing of the equity raise was appropriate.

We also reflected on the potential disruption to the business that a rights issue might cause. Given that the responsibility would largely fall to senior management and head-office staff, and that it was a necessary step to give the business stability in the short-to-medium term, we concluded that undertaking a rights issue was in the best overall interests of investors, employees and other stakeholders.

We met with many investors and employees during the process, and the Board recognises and appreciates the support of all our stakeholders in successfully completing the rights issue.

Mothballing a site in Malaysia and closing a business in the USA

Cu E Co Su In

In 2023 the Board approved mothballing our our nitrile butadiene latex (NBR) manufacturing site in Kluang in Malaysia and closing our loss-making North America Paper and Carpet business.

How the Board made its decisions

As part of the strategic review of the Group in 2022, management extensively analysed our portfolio of businesses. This involved detailed market analyses – with support and challenge from an external strategic adviser – and an assessment of the Group's market positions and current and future potential, as well as likely capital requirements.

Alongside identifying a number of businesses that did not naturally fit with the refreshed strategy or that may have better prospects and opportunities to develop under different ownership, management also identified certain sites and businesses where performance was below our aspirations.

During 2023, in response to deteriorating market conditions, management proposed to the Board that mothballing our loss-making site in Kluang, Malaysia, and closing our paper and carpet business in the USA, would be in the best interests of the Group.

As a Board, we considered the forecasts for these activities and challenged management on the potential to return them to profitability. After discussion, we concluded that these decisions fitted with the strategy and would free up resources for other priorities. It would also help to simplify the Group, after stranded costs had been addressed.

We also reflected on the effect on employees, customers and suppliers, and made sure there were appropriate plans to transfer certain production activities to other sites and to treat affected employees with dignity and respect. We were conscious of the additional work these changes would create elsewhere in the Group, and were assured that management would monitor the resources available and adjust these as required.

With this in mind, we considered it in the best overall interests of stakeholders to wind down production at these operations.

Disciplined investment to support strategy

Cu E In

The Board approved three important investments in 2023: one to debottleneck APO production in Texas, another to build a new advanced technical centre in China and a third to secure hydrocarbon resin supply in Europe.

How the Board made its decisions

Throughout 2023, many of the Board's discussions were focused on the balance between immediately reducing our leverage, while not endangering the longer-term growth prospects of the business when demand recovers.

Given market conditions, management took a very disciplined approach to capital investment in 2023. Clearly, safety-critical and key maintenance projects have continued, but a number of other projects have either been reassessed or deferred until market conditions improve. However, these three strategic investments were important decisions for the Board, balancing the interests of investors and other stakeholders. Management developed detailed business cases, which the Board scrutinised and challenged.

We also considered the impact on other stakeholders: our customers and employees saw these decisions as a sign of considerable confidence in the longer-term prospects of our business and of our focus on delivering the strategy.

On balance, we agreed that these were relatively limited but important strategic investments, which would help the Company take advantage of future organic growth opportunities and deliver shareholder value in the medium term.

» Find out more about these decisions on pages 63 to 67.

Our key stakeholder groups

Cu Customers

We work with more than 6,000 customers worldwide, providing the products and solutions they need to serve their own customers in a range of end markets.

How the Board engaged

- The Executive Committee attended part of all scheduled Board meetings, and divisional presidents provided customer-related information to the Board.
- We received deep-dive AS business updates at each scheduled Board meeting, and held deep-dive HPPM and CCS working sessions during the year, as part of which the divisional presidents provided in-depth market intelligence and customer feedback.
- We received reports from management about their engagement with customers across the business. These reports were especially important given the ongoing volatility and lack of visibility across the chemicals industry and our end markets.
- We also received regular reports about ongoing SynEx projects, which focused on commercial and operational excellence.

How the Board responded

- Given that all areas of our business have seen weakened demand, we supported management's focus on improved reporting, forecasting and innovation to strengthen customer relationships.
- We also reviewed and discussed ongoing operational changes needed to optimise production and costs – including plant capacity, shift planning and headcount reduction.
- Having held our annual deep-dive strategy review, we reaffirmed our commitment to the strategy announced in 2022, which focuses on getting closer to our customers and growing, principally organically, in attractive end markets.

E Employees

Our success relies on the talent of our 4,700 entrepreneurial and highly skilled employees. We want to foster a culture that values diversity and inclusion, fairness and transparency.

How the Board engaged

- In 2023, we made Board visits to our Pasir Gudang site and Innovation Centre in Malaysia.
- The Board's visit to Middelburg in the Netherlands, a recently acquired site, proved very valuable, particularly given the site's operational challenges. Employees appreciated the opportunity to engage directly with Board members – which was a first for most, and had not happened under previous owners.
- The Board received biannual reports about our Employee Voice programme and regular updates about people priorities and support. We also received summaries of management townhalls held across the business, and of the annual GLT meeting.

Employee Voice programme

- Every year, our designated Non-Executive Director for workforce engagement, Alex Catto, supported by Holly Van Deursen, carries out a comprehensive programme of Employee Voice engagement sessions on behalf of the Board (see page 83 for more detail).
- Alex and Holly hear from groups across the business and geographies, in person and by video. In 2023, they held sessions with six employee groups, four of these in person, with around 60 employees in the Netherlands, Germany and Malaysia. They talked to cross-functional groups with varied experience levels and tenure, in groups of eight to 15 employees so they could exchange ideas with every employee in the room. The purpose of these sessions was to get a clear understanding of what was on employees' minds and to have an open discussion about what it is like to work at Synthomer.
- Alex and Holly report back to the Board about the themes of their discussions, and we receive a summary of actions taken by site leaders in response to the feedback.

E Employees continued

How the Board responded

- Our Health & Protection operations in Malaysia were among our most challenged in 2023. On our visit, we heard from a wide range of employees, who showed their innovative thinking to develop stronger customer relationships and prepare for the upturn in activity. We were impressed by the team's positivity and tenacity in responding to the challenges of the past 18 months.
- These broader Board interactions with employees supported our Board decisions on talent management in December 2023.

Employee Voice programme

What our colleagues value most

- We continue to hear from employees that Synthomer's focus on safety, health and the environment is motivating and differentiating compared to many of our peers.
- We also heard that the opportunity to work across a global organisation, with exposure to new technical, customer, market and team challenges, creates an enriching professional experience and opportunity to develop new skills.
- A regular theme is also about supportive team members creating a sense of belonging where employees feel their views are heard.

Employees' ideas for change

- This year, employees shared their ideas for improvements in maintenance and succession planning (including plant operators), for better networking and knowledge sharing, for new approaches to hiring talent in a market downturn, for simplifying our business processes and technology systems, and for how we communicate with employees.
- Employees also engaged us in discussions about maintaining spirit and motivation in a downturn. We heard that developing tailored local programmes for implementing major change would help the local team to balance running the business as a priority alongside implementing major programmes, such as the roll-out of our new ERP system.

Employee Voice discussions in action

- In 2023, our SynEx team followed up on employees' feedback. This resulted in simplifying the priority-setting process to align all goals and activities to our strategic priorities. Feedback also contributed to the new Internal Communication strategy, with more enhancements planned for 2024, and to the global Employee Assistance Programme, established in 2023.
- In 2024, the business will work on a different approach to maintenance planning, and ways to address training, knowledge exchange, and employee attraction and retention in a downturn.

Co Communities

We want the communities who live near our sites to see us as a good neighbour.

How the Board engaged

- We receive regular reports about the progress of Vision 2023, including our community targets, and updates from the Vice President, ESG.
- The health and safety of our people and local communities is critically important, and updates on this area of activity are always the first item of business at every Board meeting.

How the Board responded

- We continued to monitor and challenge how management implements the SHE management system at all our sites and the Vision 2023 plans.

Su Suppliers	**Our suppliers deliver the raw materials and services we need to make our products. We look for ways to work in partnership with suppliers to create a more sustainable supply chain.**
How the Board engaged	• European energy cost continued to be a key topic for the Board in 2023. Management kept us informed about how it was engaging with utility suppliers and site hosts as it worked to reduce operational risks. • The Board was updated about the cross-business study of our carbon footprint and our other engagement with our supply chain, including our ongoing participation in the cross-industry Together for Sustainability (TfS) procurement initiative.
How the Board responded	• Through our direct and indirect engagement with suppliers this year, we continued to broaden our understanding of what is important to them and to deepen our relationships, particularly around sustainability.
In Investors	**As a public company listed on the London Stock Exchange, we aim to deliver sustainable financial performance and long-term value creation for our investors.**
How the Board engaged	• The CEO and CFO updated us about their meetings with investors, and our Vice President, Investor Relations shared IR developments at every Board meeting. • Before each meeting, the Board received analysts' forecasts and consensus for financial performance, plus a summary of the externally prepared shareholder analysis report, showing our top 20 shareholders and their movements, alongside top buyers and sellers. • Analysts' reports and notes are shared with the Board as they are issued. • As part of the rights issue process, the CEO, CFO and IR team carried out a major programme of investor engagements, including meetings with some 50 existing and prospective shareholders. • In 2023, our Chair ran an engagement programme with our largest investor, KLK, and with major institutional investors. She discussed a range of topics, including the events leading up to the rights issue. • In the first half of the year, Brendan Connolly, our outgoing Remuneration Committee Chair, continued direct consultations with many of our larger shareholders and several proxy advisers about our new remuneration policy. He was regularly accompanied by Holly Van Deursen as part of her handover. • We held an in-person Annual General Meeting in May 2023. We kept in place the option for shareholders to submit questions in advance of the meeting, which we introduced during the pandemic. • We also have regular correspondence with investors, responding to suggestions and queries, and Board members make themselves available to shareholders. **Proxy advisers** • In addition to major shareholders, we also engaged with proxy advisers when developing our remuneration policy in 2023. • We were pleased that all the resolutions we put to the Annual General Meeting in 2023 were approved by shareholders and that no resolution received less than 80% approval. However, we reviewed the voting for three key resolutions – the remuneration policy, the Directors' remuneration report and the re-election of Dato' Lee Hau Hian – in light of certain proxy advisers' comments.

In Investors continued

How the Board responded

- In our discussions with major institutional investors, a range of views were expressed on both the timing and the size of the rights issue.
- The Board appreciated the substantial support we received from shareholders in the rights issue, in which 93% of the rights by value were taken up. We are very clear that our primary focus is to drive significant shareholder value improvement, as the Group implements its strategy and we look to a recovery in our markets.
- Board engagement with investors also encompassed how management is addressing the very challenging economic environment – particularly for our HPPM and AS divisions – and how it is progressing operational issues in AS.
- Shareholders also wanted to hear more about the new appointments to the Executive Committee, and there was interest in the support of KLK and the role our non-independent Board members play.

Proxy advisers

- The Board and Remuneration Committee reflected on proxy advisers' comments, and reviewed our disclosures for 2024 and for future years:
  - Most proxy advisers felt that our new remuneration policy represented a reasonable framework for managing executive remuneration. They acknowledged that the maximum LTIP opportunity available to the Executive Directors was to increase by 50% of salary, but that this was separate from the remainder of the LTIP award and tied exclusively to more stringent relative TSR targets (only beginning to pay out once upper-quartile performance has been achieved). One proxy adviser opposed any form of LTIP.
  - Proxy advisers highlighted limited disclosure in our 2022 Directors' remuneration report around the remuneration of former Directors in light of the fine levied by the European Commission. Some also focused on the maximum payout of the non-financial metrics for the annual bonus, although they recognised that the monetary value of the bonus payout is not a cause for concern. Others looked at a possibility for windfall gains in relation to the 2023 LTIP award, although recognised that we stated we will review the appropriateness of the award at vesting.
  - On the re-election of Dato' Lee Hau Hian, proxy advisers referred to potential overboarding concerns in 2021 and felt we had not explicitly addressed this in our 2022 Annual Report. We substantially revised our disclosure of Hau Hian's biography in 2022, and noted that he serves on the board of KLK as a non-executive representative of Batu Kawan Bhd – an investment company of which he is president – and on the Synthomer Board as a representative of KLK. These mandates can be seen as part of his executive duties for Batu Kawan Bhd, so no overboarding concerns arise. We would also note Hau Hian's excellent attendance record at Board and committee meetings throughout his time on the Synthomer Board.
- Most proxy advisers recognise that governance over environmental and social matters continues to evolve. One proxy adviser requires a separate board committee for ESG but, in 2023, we formally reserved ESG matters for the whole Board, as described on page 75 – although we will keep this under review in 2024. One proxy adviser also noted that, in the 2022 Annual Report, the Company did not disclose use of electric-only UK private jet flights from 2025 – we do not expect to use, any private jet flights.

G Governments and authorities

As a member of the chemicals industry and scientific community, it is important we engage on issues such as policy, compliance and collaboration.

How the Board engaged

- We engaged with legislative and regulatory processes through our membership of industry groups in the UK, Europe and the USA.
- We approved a detailed submission to the FRC about the proposed changes to the UK Corporate Governance Code.
- We received reports on the changing regulatory landscape, including the BEIS consultation, TCFD reporting and corporate governance.
- We also received two reports during the year about legal compliance with operational laws and regulations at our sites.

How the Board responded

- The Board continued to oversee the Company's processes and procedures to comply with all relevant laws and regulations.

Compliance with the Code

Here we set out how we applied the principles of the 2018 UK Corporate Governance Code (Code) in 2023.

We complied with all the Code's provisions from the start of 2023 until the date of this report except three:

Provision 11 states that at least half the Board, excluding the Chair, should be Independent Non-Executive Directors. We complied with this provision throughout 2023, apart from a brief period when we were completing planned recruitment of a new Independent Non-Executive Director. From the 2023 AGM on 17 May 2023 – when Independent Non-Executive Director Brendan Connolly retired after completing his nine-year tenure – to 31 August 2023 – when we completed Martina Flöel's recruitment as an Independent Non-Executive Director – we had two Executive Directors, two non-independent Non-Executive Directors and three Independent Non-Executive Directors, alongside the Chair, who was independent on appointment to the Board. The Board and Nomination Committee reflected on this situation and considered conflicts and whether any one group could dominate decisions. We were satisfied that this was not the case and that it was appropriate to complete the recruitment process thoroughly.

Provision 19 states that the Chair should not remain in post beyond nine years from first being appointed to the Board. Caroline Johnstone reaches her nine-year tenure in March 2024, and the Board has plans in place for extending her tenure for a short time while recruiting her successor. Find more detail in the Nomination Committee report on pages 94 to 97.

Provision 41 requires engagement with the workforce about how executive remuneration aligns with wider company pay policy. We consulted with a wide range of employees towards the end of 2022. So, in 2023, we decided this was not the main priority for employee consultation, instead focusing on the cost of living and business pressures more generally. We plan to engage again on remuneration in 2024.

The Code is available in full on the FRC's website at **www.frc.org.uk**, and should be read alongside our Strategic and Governance reports.

1	**Board leadership and Company purpose**	
A	**The role of the Board**	The Board continues to lead the Group's strategic direction and long-term objectives. The Board's year on pages 63 to 68 sets out the Board's main activities and outcomes for 2023 and shows how it provided strong governance, challenge and support to the business. The Board met 14 times during 2023, and all Directors continue to act in what they consider to be the best interests of the Company, consistent with their statutory duties.
B	**The Company's purpose, values and strategy**	Our purpose is to create innovative and sustainable solutions for the benefit of customers and society. Our culture – including an overview of our values and how the Board ensures alignment with our purpose, values and strategy – is described on pages 66 to 67.
C	**Resources**	The Board delegates allocation of day-to-day resources to management through the CEO and the Executive Committee. We regularly discuss resourcing with the Executive Committee and the CEO, challenging, for example, resource allocation across our divisions and functions in line with the differentiated steering pillar of our strategy.

1	**Board leadership and Company purpose** continued	
D	**Shareholders and stakeholders**	The Board engaged actively throughout 2023 with shareholders and other stakeholders (as described on pages 76 to 81). The Chair held a number of meetings with our largest corporate shareholder and with some of our major institutional shareholders to discuss the role of the Board, the rights issue and other general governance issues, and reported back to the Board. The CEO and CFO met extensively with new and existing shareholders through regular trading updates and as part of the rights issue process. The Board continues to review its mechanism for workforce engagement, as required by Provision 5 of the Code. Alex Catto was appointed as designated Non-Executive Director for employee engagement, given his interest in all people matters at Synthomer over many years. Holly Van Deursen, our Remuneration Committee Chair, supports Alex in this role and, being based in the USA, has proved very effective in reaching more parts of our business effectively. Holly also has extensive people leadership roles in the chemicals industry. The Board concluded that the employee engagement programme adds value and insight both to the Board and to executive management, and we regularly reflect on employee views during Board deliberations. We have also had feedback that colleagues feel the direct engagement with a Board member promotes open and inclusive discussions and valuable feedback. More details of our Board employee engagement are set out on pages 78 and 79.
E	**Workforce policies and practices**	The Board oversees the Group's workforce policies and practices and delegates day-to-day responsibility to the CEO and Chief Human Resources Officer to make sure they are consistent with the Company's values and support its long-term success. Employees are able to report matters of concern confidentially through our dedicated and independent whistleblowing hotline. The Board and/or Audit Committee routinely reviews reports from the hotline, which summarise calls and ensure cases can be investigated and followed up as appropriate.
2	**Division of responsibilities**	
F	**The Chair**	Caroline Johnstone leads the operation and governance of the Board and its Committees. The Chair has been in post since December 2020, having joined the Board as an Independent Non-Executive Director in March 2015. Chair tenure and succession is discussed in the Nomination Committee report on pages 94 to 97. The Senior Independent Director completed an annual review of the Chair's performance, which is also discussed in the Nomination Committee report.

2 Division of responsibilities continued

G Board composition	The Nomination Committee regularly reviews the size and composition of the Board and its Committees to ensure the appropriate combination of Executive and Non-Executive Directors. Provision 10 of the Code considers the independence of Non-Executive Directors and circumstances that might impair their independence, including holding office for more than nine years. Provision 11 of the Code requires that at least half the Board, excluding the Chair, are Independent Non-Executive Directors. We complied, except from the 2023 AGM on 17 May 2023, when Independent Non-Executive Director Brendan Connolly retired, to 31 August 2023, while we completed the recruitment of Martina Flöel as an Independent Non-Executive Director. In that brief period, we had two Executive Directors, two non-independent Non-Executive Directors and three Independent Non-Executive Directors, alongside the Chair, who was independent on appointment to the Board. The Board and Nomination Committee reflected on this and considered conflicts and whether any one group could dominate decisions. The Board was satisfied that this was not the case and that it was appropriate to complete the recruitment process thoroughly. As set out in the Nomination Committee report on pages 94 to 97, Caroline Johnstone reaches her nine-year tenure in March 2024, and the Board has plans in place for extending her tenure for a short period while recruiting her successor.
H Non-Executive Directors	Directors' existing commitments are carefully reviewed before they are appointed, and regularly thereafter to make sure they have sufficient time for the Group. If a Board member wishes to accept an additional substantive role, the Board must review and approve this. The Board believes that Directors should be able to accept other appointments where there are no conflicts of interest and provided that the Director is able to carry out their duties effectively. Other appointments allow Directors to develop greater skills and experience, which the Company benefits from. The terms of appointment for Non-Executive Directors outline the time they will be expected to commit to fulfil their role. Each year, the Chair reviews the time each Non-Executive Director dedicates to Synthomer as part of the internal performance evaluation of Directors – see pages 67 to 68 for more details. We are satisfied that their other duties and time commitments do not conflict with those as Directors. For more details about meeting attendance, see page 69. Ian Tyler was appointed as Senior Independent Director from 17 May 2023, when Brendan Connolly retired from the Board. This role provides a sounding board for the Chair and serves as an intermediary for the other Directors and shareholders. Ian also led the annual performance review of the Chair – see page 68. Either after or before each Board meeting, Non-Executive Directors and the Chair meet without Executive Directors being present.
I Policies, processes, information and resources	The Chair and Company Secretary ensure that the Board and its Committees have the necessary policies and processes in place and that they receive timely, accurate and clear information. The Board and its Committees also have access to the Company Secretary, independent advice and other necessary resources at the Company's expense.

3	**Composition, succession and evaluation**	
J	**Appointments**	The Nomination Committee considers succession plans in line with evolving strategy, business requirements, tenure and diversity. The overall process of appointing and removing Directors is overseen by the Board as a whole, through the Nomination Committee. All our Directors retire and seek election or re-election at each Annual General Meeting. The Nomination Committee also supports the Board in succession planning for senior management.
K	**Skills**	A key part of Board succession planning is a regular review of Board skills, which the Nomination Committee does each year – see pages 96 to 97. The Chair and Company Secretary ensure that new Directors receive a full induction (see page 94), and that all Directors continually update their skills and have the requisite knowledge and familiarity with the Group to fulfil their role. The Executive and Non-Executive Directors have significant commercial, financial and operational experience of the markets and sectors within which the Group operates, as well as wider industry. Their diverse range of skills and leadership experience enables them to monitor the performance of the management team and provide constructive challenge and support to them.
L	**Annual evaluation**	The Board undertakes either an internal or external annual Board effectiveness evaluation. Provision 21 of the Code states that an externally facilitated board evaluation should take place at least every three years. Our last external Board evaluation was carried out in 2020 and we appointed The Effective Board to work with us on an external evaluation in 2023. Performance evaluations of Directors, including the Chair, are also carried out each year (see pages 67 to 68).
4	**Audit, risk and internal control**	
M	**Audit functions**	All members of the Audit Committee are Independent Non-Executive Directors. Ian Tyler, the Chair of the Committee, has recent and relevant financial experience, and the Committee as a whole has competence relevant to the sector in which we operate. The Audit Committee reviewed the effectiveness of the Group's Internal Audit function and also assessed external auditor PwC LLP's performance during 2023, including its independence, effectiveness and objectivity. For details of these reviews, see the Audit Committee report on pages 87 to 93.
N	**Assessment of the Company's position and prospects**	The Board considers the Annual Report, taken as a whole, to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. Its Statement of Directors' responsibilities is set out on page 120. The Directors have also concluded it is appropriate to prepare accounts treating the Group as a going concern and this is set out on pages 118 to 119. An explanation of the Group's performance, business model, strategy and the risks and uncertainties relating to the Group's prospects, including the viability of the Group, is set out in the Strategic report.

4	**Audit, risk and internal control** continued	
O	**Risk management**	The Board determines the nature and extent of the principal risks the organisation is willing to take to achieve its strategic objectives – it sets the risk appetite. We carried out an assessment of the principal and emerging risks facing the Group during the year, including those risks that would threaten the Group's business model, future performance, solvency or liquidity and reputation. The Board and Audit Committee monitor the Group's risk management and internal controls systems and review their effectiveness each year. Throughout the year the Board has directly – and through delegated authority to the Executive Committee, the Executive Risk Committee and the Audit Committee – overseen and reviewed all material controls, including financial, operational and compliance controls and confirms that no significant control findings/weaknesses were identified. For more detail, see pages 44 to 55.
5	**Remuneration**	
P	**Remuneration policies and practices**	Holly Van Deursen was appointed Chair of the Remuneration Committee when Brendan Connolly retired in May 2023. Holly is a hugely experienced Non-Executive Director and has been chair and member of several international remuneration committees. She has sat on our Remuneration Committee since she joined the Board in 2018, so is very well placed to assume the role of Committee Chair. The Remuneration Committee is responsible for developing executive remuneration policy and determining the remuneration packages of Directors and senior management.
Q	**Procedure for developing policy on executive remuneration**	Details of how the Directors' remuneration policy was implemented in 2023 are set out on pages 98 to 116. Provision 41 of the Code requires engagement with the workforce on how executive remuneration aligns with wider Company pay policy. We consulted with a wide range of employees towards the end of 2022. So, in 2023, we decided this was not the main priority for employee consultation, instead focusing on the cost of living and business pressures more generally. We plan to engage again on remuneration in 2024. No individual Director is involved in deciding his or her own remuneration outcome.
R	**Independent judgement and discretion**	The Remuneration Committee has formal discretions in place in relation to outcomes under the annual bonus and performance share plan (PSP), and these are disclosed as part of the remuneration policy. The Committee may, at its discretion, adjust the level of vesting of an award, if it considers that the outcome is not appropriate or does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period – or, that such a payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When deciding this, the Committee may consider other factors it feels are relevant. Information about how the Remuneration Committee considered discretion in 2023 is set out on pages 98 to 100.

Audit Committee report: introduction from the Chair

“ In a difficult year, I believe the work we have done has created the financial stability to help us weather future economic turbulence.”

Ian Tyler
Audit Committee Chair

While keeping our long-term objectives in our sights this year, the Audit Committee's focus was on managing important short-term issues.

Synthomer is going through one of the deepest market-wide recessions any of us can remember. Weakened demand across the business has created a significant challenge for all of us.

So, unsurprisingly, the vast majority of the Audit Committee's time – and mine as its Chair – has been spent working with the wider Board and Executive Committee to create the stability we need to weather the ongoing economic turbulence. That includes making sure the business has the right financial structure in place to allow our executives to get on with the business of delivering our strategy.

Prioritising our time to focus on the most pressing issues

As a Committee, our focus is on Synthomer's overall risk management process and compliance framework, and on overseeing financial controls.

Since I became Chair, our priority has been the integration of the AS business and reorganisation of the Group's operations in line with the refreshed strategy and divisional structure. As part of this work, the Committee undertook deep-dives and thematic reviews on internal controls, compliance processes, impacts to innovation and IP from sustainability practices, and findings from previous internal audits.

The focus on financial issues this year meant the Committee had to prioritise its time – putting a temporary pause on some of our other areas to support more immediate financial matters and principal risks.

With these arrangements now in place, we will return our attention to our key areas of focus to ensure we have the right level of Group oversight. The first visible outcome of this is the comprehensive refresh of our Code of Conduct in Q1 2024. This will strengthen ethical practice across the business and its implementation will remain an item on the Committee's agenda in the coming year.

Deleveraging the business

Caroline provides more detail about the work the Board has done this year on our refinancing and rights issue on pages 63 to 66.

In light of this, the Audit Committee spent considerable time reviewing and scrutinising the Group's financial results, both at half year and year end, to ensure we had sufficient oversight of the implications and impact of activities to deleverage the business. This included detailed reviews of management's going concern assessments and ensuring all options for deleveraging were adequately evaluated.

Throughout this period, the Committee has worked well with our fellow Board members to ensure that, together, we have provided the appropriate balance of support and challenge to the Executive Committee. I have spent a lot of time working with our CFO, Lily, and her team and making sure that the Committee and the Board are kept up to date about relevant discussions.

I think we have done a good job in making sure that we reached a robust outcome that the entire Board supported. No one knows what the future holds, but I am satisfied that we have done everything in our power to position ourselves for when the market starts to pick up again.

Sustainability and ESG

ESG and climate reporting continue to develop at a rapid pace, with a number of new standards being introduced in 2023. The Committee has continued to remain tuned in to the evolving disclosure environment and maintains responsibility for the integrity of ESG-related reporting and compliance.

During the year we updated our risk register to incorporate sustainability risks, consistent with Task Force on Climate-related Financial Disclosures (TCFD) requirements, and we continue to support management with the development of transition plans in line with the Group's strategy.

The Committee has also discussed the assurance process to support our growing sustainability agenda. We are conscious of the need for transparency and accuracy in evaluating our performance against the targets set and the need for a thoughtful and pragmatic approach, particularly given the widening scope of new legislation, such as the Corporate Sustainability Reporting Directive (CSRD).

Refocusing on our priorities

While we are yet to see significant improvements in our key markets, I believe the work we have done this year has created the financial stability to help us weather future economic turbulence.

Now, we must turn our attention back to our longer-term priorities, supporting work to create greater visibility in our Group-wide control structure, developing our sustainability agenda and continuing to embed our risk management framework into our business management structure.

Our priority areas for 2024 will also include leading the external audit tender process and providing support and challenge to the CFO on the new functional strategy.

Ian Tyler
Chair

12 March 2024

Audit Committees and the External Audit: Minimum Standard

As part of its activities in the year, the Committee reviewed and considered the requirements of the FRC's Audit Committees and the External Audit: Minimum Standard. This will become effective from 1 January 2025 as part of the UK Corporate Governance Code 2024 (Code), which was published in January 2024. We reviewed the standard in conjunction with the Code and the FRC's Guidance on Audit Committees.

We believe we are in a strong position to apply the standard, which focuses on overseeing the external audit process, external audit tendering processes and reporting of work performed by the Committee. Significant issues we considered as part of our activities in the year are detailed on pages 87 to 93, with our oversight of the external audit detailed on pages 92 to 93.

Audit Committee role

We help the Board to monitor the integrity of financial statements, overseeing the adequacy and effectiveness of the internal controls and risk management processes. We also lead the oversight of external and internal audit. The Committee's full terms of reference, reviewed and updated during the year, are available on our **website**.

Committee members

The composition of the Committee is compliant with the Code. It currently comprises four Independent Non-Executive Directors and is chaired by Ian Tyler, who was appointed in 2022.

The Board considers that Ian has recent and relevant financial experience in line with Provision 24 of the Code. He has extensive board experience, including in the roles of CEO and chair of FTSE 250 companies, and has been a Non-Executive Director for several international industrial organisations, including in the role of FTSE 100 audit committee chair.

Together, the Committee members have a wide range of financial, operational and commercial experience across the chemicals and engineering sectors.

The skills and experience of the Committee members are set out on pages 69 to 72.

Committee meetings and operation

The Committee met six times during 2023 and has met once since the end of the financial year.

Other Board members have a standing invitation to attend our meetings, unless notified otherwise. We are very pleased that the Chair of the Board, CEO and CFO routinely attend our Committee meetings, often with the rest of the Board. Our programme of risk reviews and updates has also allowed us to invite high-potential and diverse members of the management team to attend. These include senior Group Finance and Group Compliance team members and the Group Internal Audit and Risk Director.

PwC, led by audit partner David Beer, has attended all meetings of the Audit Committee.

In addition to the scheduled meetings, the Committee meets regularly with PwC and the Group Internal Audit and Risk Director without management present, providing more opportunity for open dialogue and feedback.

The Chair also liaises with the Chair of the Remuneration Committee, to discuss matters such as setting Executive Director compensation targets.

Outside formal meetings, the Chair meets regularly on a one-to-one basis with the CEO, CFO, Group Finance team members, the Group Internal Audit and Risk Director, and PwC to develop the Committee's programme of work and to review progress on actions we have agreed. This enables us to explore and understand key issues as they arise and to ensure we have appropriate information prepared for, and sufficient time to address, key issues in Committee meetings.

Significant areas of activity

Going concern and viability statements

In light of continuing economic uncertainty, the Committee applied enhanced scrutiny to its review of the going concern and viability statements at the March 2024 Committee meeting.

To enable the Committee and the Board to assess going concern and viability, management sets out its assumptions and the potential risks to the business and possible mitigations, together with economic and business scenarios. During the year, there was a particular focus on the impact of:

- Challenging macroeconomic conditions in the chemicals industry, with subdued volumes and limited visibility
- The rights issue, completed in October 2023 and described in more detail on pages 63 to 66
- Optimising the Group's portfolio, including the closure of USA-based paper and carpet activities and the reorganisation of European SBR manufacturing
- The Group's cost control programmes and cash conversion.

The process – which management conducted and the Committee reviewed to support the Board's statement – included:

- Reviewing the Group's sources of funding and, in particular, testing the leverage covenant in our financing arrangements and assessing available headroom – in light of the temporary covenant relaxation described on pages 15 and 20
- Reviewing the short-, medium- and long-term cash flow forecasts in various severe but plausible scenarios, as well as reverse stress-testing forecasts
- Assessing the Group's current and forecast activities and factors likely to affect its future performance and financial position.

The Committee discussed the going concern and viability statements at the March 2024 Committee meeting, recommending that the Board provide the statements on 118 to 119, and 60, respectively.

Significant financial judgements and estimates

In applying the Group's accounting policies, management necessarily is required to make judgements and estimates that have a significant effect on the amounts recognised in the Annual Report and Accounts. Management presented its view on key accounting issues and resulting issues to the Committee throughout the year.

The Committee reviewed the most significant financial judgement areas and estimations, details of which are explained in the table on the right. In each case, the Committee considered and challenged the key facts and judgements that management presented, and consulted with PwC as external auditor to establish its professional view on the judgements. This included a review of the disclosures included within the Annual Report and Accounts.

Issue/area of judgement	Committee action and conclusion
Impairment of goodwill and intangible assets Synthomer's market capitalisation remains below the net asset value of the Group. Combined with a lower-than-expected trading performance for the year, there continue to be indicators of a potential risk of impairment to goodwill and intangible assets.	Management presented a summary of the impairment of goodwill and intangible assets for the cash generating units of the Group to the Committee for review. This included key assumptions, including discount and growth rates, and potential sensitivities. The Committee also received a paper from management that considered the enterprise value of the Group and current market capitalisation in respect of potential indicators of impairment. The Committee challenged the key assumptions made by management and made more enquiries with PwC. It was concluded that the assessment of potential impairment was appropriate.
Special Items The Group discloses Special Items – which are either irregular or technical adjustments to ensure compliance with IFRS requirements – separately to provide a clearer indication of underlying performance. For more detail, see note 4 to the Consolidated financial statements on pages 144 to 145.	The Committee regularly challenges management on what are considered Special Items. It reviews in detail the spend that is excluded or separated from reported Underlying profit and considers guidance from the FRC and the external auditors. The Committee is satisfied that it is helpful to a reader of the financial statements to report Underlying profit, together with IFRS profit, without Special Items – and that all Special Items reported met with the Group's definition of such items.

Integrity of reporting and governance

At the Board's request, we reviewed whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the necessary information for shareholders to assess the Group's financial position and performance, business model and strategy. More detail of the work performed to support this statement is detailed in the table below.

The Committee also reviews the interim financial reporting – which includes challenge to estimates, judgements and going concern assumptions – as part of the reporting cycle.

The Committee received and reviewed FRC thematic reviews in relation to IFRS 13 Fair Value Measurement as well as updates on previous thematic reviews over the past 18 months, including IFRS 3 Business Combinations, IAS 12 Deferred Tax Assets, IAS 33 Earnings Per Share and TCFD disclosures.

We also discussed:

- The FCA's proposed reforms to the UK Listing Regime
- The FRC's November 2023 review of Corporate Governance Reporting
- The FRC's UK Corporate Governance Code update, effective from 1 January 2025
- The FRC's Minimum Standard for Audit Committees
- An ICAEW paper focusing on corporate fraud.

The Committee continues to review the division of responsibilities between itself and the Executive Risk Committee, which was created in 2022, to ensure their effectiveness.

Fair, balanced and understandable

In supporting this statement, the Committee oversaw work that included:

- Establishing a working group of appropriately qualified people at Group level to oversee the drafting of the Annual Report and Accounts. This group met regularly to ensure that disclosures were appropriate for all stakeholders and that drafting was progressing well
- Engaging a corporate communications and reporting adviser to assist in drafting, editing and proofreading the Annual Report
- Discussing the equal prominence of GAAP and non-GAAP financial measures
- Ensuring that the FRC's latest guidance, along with other relevant guidance, was considered
- The CEO and CFO confirming that, in their opinion, the Annual Report was fair, balanced and understandable and that they were not aware of any material misstatements
- Requesting that certain key contributors, for example presidents and finance directors of our global divisions, sign a declaration confirming the accuracy of their information
- Arranging for our remuneration consultants to review the Directors' remuneration report
- The Vice President, Group Finance completing an audit trail for material data underpinning non-financial information in the Annual Report
- Circulating drafts of the Annual Report to PwC, the Audit Committee and the Board for review.

The Committee discussed the fair, balanced and understandable statement at our March 2024 Committee meetings and, in light of the above, recommended that the Board provided the statement on page 120.

Climate-related reporting and governance

Following Synthomer's inclusion in the FRC's thematic review of TCFD and climate-related disclosures in 2022, and the rapidly evolving scope of those disclosures, the Committee continues to discuss developments in ESG reporting, both in the UK and globally.

Most notable during the year were the impact of the CSRD and ISSB's first two sustainability reporting standards (IFRS S1 and IFRS S2).

The Committee plays a key role in the governance of climate-related risks and opportunities, and will continue to discuss ESG initiatives and related reporting requirements to ensure the Group retains a thoughtful and pragmatic approach to reporting, compliance and assurance. Where required, we will continue to seek external support and guidance to meet the Company's Vision 2030 targets.

Risk management and internal control environment

Each year, the Board is required to conduct a review of the effectiveness of the Group's systems of risk management and internal control. At its March 2024 meeting, the Committee reviewed management's assessment of the key elements of these systems and confirmed their overall effectiveness.

Our conclusion drew on the following:

- The internal audit programme completed during 2023 and progress in implementing its resulting actions
- Our programme of risk reviews and discussions with senior managers and other staff across the Group throughout the year
- Ongoing management assurance – through Committee papers, and Board and Committee presentations and discussions – to review the Group's key financial controls to ensure they support our continued growth
- The key financial controls questionnaire, which is completed and signed by each Group operating unit each quarter
- Representations to the CFO from the divisions' financial and commercial management that the financial information reported to the Group has been prepared according to our accounting policies and that all relevant information has been provided to prepare the Group's Annual Report and Accounts. These representations are made twice a year in line with our external reporting timetable.

Internal audit and risk management function

The Group Internal Audit and Risk Director has a direct reporting line to the Audit Committee Chair, and provides an independent assessment of the effectiveness of our internal control and risk management processes, highlights key issues, makes recommendations, and monitors the implementation of mitigations and recommendations. We have a dedicated in-house Internal Audit function, which draws on specialist resources as required.

At each meeting in 2023, the Committee reviewed progress against the Internal Audit annual plan and explored areas identified for action. We also reviewed completed audit reports, focusing on recurring themes – which might require Group actions – and areas where there was divergence from self-assessments.

The new risk management process, established in 2022, continues to work well. This year, our Group Internal Audit and Risk Director and her team assisted the Board in their review and update of our risk appetite statements for our refreshed principal risks, to make sure they reflect Synthomer's new strategic focus.

External auditor

The Committee reviewed and recommended to the Board the continued appointment of PwC as the Group's external auditor, and approved its remuneration and terms of engagement for 2023.

PwC presented the strategy and scope of the audit for the year ended 31 December 2023 at the Committee meeting held in December 2023. The following key topics were discussed:

December 2023	Committee action or outcome
PwC's audit risk assessment (pages 122 to 128)	PwC undertook a detailed risk assessment, setting out its view of the significance of key risks and the potential risk of material misstatement.
Materiality level for the audit (page 125)	PwC proposed an audit materiality level of £8.5m, based on 5% of the average Underlying profit before tax for the past three years. This is consistent with the approach adopted in previous years, but was a reduction from £11.7m in 2022. After discussing this with PwC and management, the Committee agreed it remained an appropriate methodology for 2023.
PwC's audit plan	We reviewed the audit coverage and agreed scope (pages 122 to 128) in detail and agreed they were appropriate. The Committee noted and approved the continued high level of coverage and timetable for the audit to be undertaken within.
PwC's resources	We reviewed and discussed PwC's resources with the firm, particularly the experience of the teams covering key overseas territories, given changes to scoping.
Audit fee and terms of engagement	The Committee reviewed PwC's fee proposal in light of the risks identified and proposed scope, and approved the proposed fee of £2.4m, which, following scope and efficiencies identified, was reduced from £2.5m charged in 2022.

The Committee discussed the following key topics with PwC in relation to the 2023 audit at the meeting held in March 2024:

March 2024	Committee action or outcome
Confirmation of PwC's audit plan	PwC confirmed that the audit materiality had been revised to £9.1m to reflect the actual results of 2023.
Audit findings, significant issues and other accounting judgements (pages 122 to 124)	These were discussed with PwC and management – the work of the Committee is described earlier in this report.
Management representation letter	The Committee reviewed and approved this.
PwC's independence and objectivity, and quality-control procedures	The Committee evaluated and confirmed PwC's independence and objectivity, and quality-control procedures.

During the year, the Committee Chair was in regular discussion with PwC's lead audit partner to discuss the progress of the audit. The Committee met PwC without management present after the March 2024 Committee meeting. No significant issues were raised.

The Committee evaluated the performance and effectiveness of the external auditor in the following ways:

Audit quality – how we reviewed PwC's performance

External evidence	The Committee reviewed the FRC's 2022/23 Audit Quality Inspection Report covering its conclusions from a review of a selection of PwC audits. This demonstrated that PwC had maintained its focus on audit quality on individual audits, achieving FRC inspection results consistent with the previous year. David Beer, our audit partner, shared details of actions taken by PwC in response to this report.
Management evidence	At our request, management sought feedback from people across the business who were involved in working on the year-end financial statements with PwC teams. The feedback was broadly positive indicating that PwC had performed its audit well, particularly given lower levels of materiality. It was noted that the timeliness and communication of the audit plan and information requests had affected the efficiency of the audit.
Audit Committee evidence	David Beer attended all Committee meetings during the year. In assessing the quality of the audit, the Committee noted the professionalism, pragmatism and robustness of challenge to management, particularly with regard to judgemental items and key business risks.

Auditor independence, objectivity and length of service

In addition to the annual review of PwC's effectiveness, the Committee considered its independence and objectivity. It concluded that PwC continues to demonstrate appropriate independence and objectivity.

As part of this review, PwC provided assurances to the Committee in relation to its independence, including safeguards implemented, confirmation of compliance with ethics and independence policies and procedures by audit-related staff, and confirmation of independence in respect of non-audit services provided. This included one-off work undertaken before the launch of the rights issue in September.

The Committee has a clear policy about the provision of non-audit services by the external auditor and has defined the very limited non-audit services they can provide, in line with the FRC Ethical Standard. This extends to all services that may be provided by an external audit firm, which must be pre-approved by the Committee to ensure as many firms as possible would be independent in the case of an audit tender.

Details of audit and non-audit fees paid to the auditor in 2023 are set out in note 7 on page 148.

The Committee also maintained oversight of compliance with the policy on employing former auditors.

PwC has been the Group auditor since 2012 and successfully re-tendered for the audit in 2016.

The Committee intends to undertake a competitive audit tender process in 2024, noting that the Group will need to undertake an audit tender process before 31 December 2026, in line with regulatory requirements. Should PwC win this tender it would need to be replaced for the years ending 31 December 2032 onwards.

As part of this future tender process, the Committee periodically monitors the ability of other accounting firms to meet the independence requirements needed to participate.

Nomination Committee report

“ From our sites to our boardroom we have focused on having diverse teams, with the right people in the right places with the right skills and the right support.”

Caroline Johnstone
Nomination Committee Chair

The Nomination Committee has continued to focus on having the right mix of skills at Board level while helping to strengthen the Executive Committee, promote diversity and support talent development throughout the business.

This year we built on the hard work of 2022, when we supported Synthomer's refreshed strategy and leadership, by focusing on ensuring that the business has the right people, with the right skills to deliver growth in the future. At the same time, we strengthened our culture, in which the Board both supports and challenges the Executive Committee in a range of key areas. While the close interaction between our Board and Executive Committee is quite unusual, I believe it has been essential in addressing the challenges of 2023 and is a key ingredient in helping Synthomer realise its strategic goals. It also reflects the collaborative approach and commitment to excellence that we are building throughout the business.

Welcoming new members of the Board and Executive Committee

In September, we welcomed Martina Flöel as our newest Board member, following a comprehensive recruitment process – see below for more detail.

Our process for appointing Martina Flöel

Setting role requirements	At the end of 2022, the Nomination Committee debated the findings of our Board skills review and agreed on the need to appoint a new Independent Non-Executive Director with specific innovation and sustainability expertise. The Committee worked with Egon Zehnder to develop a clear role and person specification.
Identifying candidates	Egon Zehnder developed a longlist and shortlist of Non-Executive Director candidates. In doing so, it considered the broadest definition of diversity.
Process	Egon Zehnder researched a large pool of potentially suitable individuals that matched our initial specification, from which a longlist of more than 20 candidates was selected for more consideration. A shortlist of candidates then met the Chair and certain other Board members, including the CEO. We then debated the candidates and invited two of them to meet the rest of the Board. Having discussed their merits and attributes, the Board agreed unanimously to recommend Martina Flöel.
Recruitment	Martina joined the Board in September 2023 and is a member of the Audit, Remuneration and Nomination Committees.
Induction	Martina was given access to the full suite of Board materials, policies and guidance documents. A full induction programme was put in place in consultation with Martina and the Chair, which included meetings with the Executive Committee and a number of other senior leaders in the Company, as well as key external advisers.

Martina's arrival has added to the excellent mix of experience and skills on our Board. Having discussed the results of last year's Board skills review, the Nomination Committee sought a candidate with a particular focus on innovation and sustainability. Both are crucial to our strategy, and to Michael's ambition to become more agile in the way we innovate and develop sustainable products that truly meet our customers' needs. Martina has considerable experience in the chemicals industry, leadership, technology and sustainability, and I have already seen her focus and perspective adding value to the business.

Martina joined Synthomer at a particularly important moment, given we held a Board meeting on 1 September to consider and approve launching a rights issue. So, while an induction programme is always an essential part of a Director's first few months at Synthomer, we accelerated parts of Martina's programme ahead of her joining to make sure she was fully briefed.

» **For more information on how the Board oversaw our rights issue, see pages 63 to 66.**

At the executive level, the Committee was also closely involved in appointing Stephan Lynen in May 2023 as our new President, Adhesive Solutions. Stephan brings long experience of the adhesives business and market and has also brought a different perspective and focus, which has already proved essential in guiding the division through an extremely challenging period.

Setting an example for the organisation with senior-level diversity

Considering DE&I – one of the five pillars of our strategy – has become instinctive at Board level. The Board considers many aspects of diversity among its members when reviewing its composition and in planning succession and new appointments. We look for diversity of experience and skills, including relevant international business, chemicals industry and financial experience, as well as appropriate engineering and regulatory knowledge.

» **For more information, see our Board members' biographies on pages 70 to 72.**

Inclusion and diversity are also at the heart of our Code of Ethics and workforce policies. We continue to support the Company's diversity and inclusion programme through reports from our DE&I Advisory Board and employee resource groups.

» **For more information on our approach to DE&I see People in focus on pages 38 to 40.**

In the first year since the FTSE Women Leaders Review was published (the successor to the Hampton-Alexander and Davies Reviews), women represented 37% of our Executive Committee and 30% of senior management. Meanwhile, women represent 44% of the Board and 22% identify as belonging to an ethnic minority.

This is excellent progress, and we must keep that momentum going, not least to ensure we meet our Vision 2030 senior management gender diversity target.

I am particularly pleased, therefore, to note the rising talent that we have across Synthomer, made evident during a working session led by our CEO and Chief Human Resources Officer on behalf of the Nomination Committee and attended by all Board members, in December 2023. During the session, Michael and Alice presented the results of our annual talent review across the Group's middle and senior levels, along with succession plans for key roles across the business.

Retention is key in challenging times and the Nomination Committee also discussed innovative ways in which we might recognise talented individuals and groups.

» **For more information on our Vision 2030 targets, including gender diversity in senior management, see Sustainability in focus on pages 28 to 33.**

Adopting a new inclusion and diversity policy

The Board has adopted a Diversity, Equity and Inclusion Policy, applicable to the Board and its Committees, which fully aligns with our Group diversity policy. The policy reinforces the Board's ongoing commitment to leading on diversity and promoting an inclusive environment where everyone feels valued and respected.

It also acknowledges the importance of diversity in the boardroom as a key driver of board effectiveness – and that diversity of thought produces better decision-making and outcomes.

We have developed the policy with the Financial Conduct Authority's updated Listing Rule requirements and evolving recommendations of the FTSE Women Leaders Review in mind. That includes our aim to maintain at least 40% female representation on the Board and for at least one of four key roles – Chair, CEO, Senior Independent Director or CFO – to be a woman. We are pleased to have already met both requirements.

We also comply with the guidance that at least one Board member be from an ethnically diverse background, although we recognise that changing one director can sway the proportion significantly. Nevertheless, one of our great strengths is that our Board has a very rich international perspective, with more than 50% non-British members.

Read the Board's Diversity, Equity and Inclusion Policy in full on our website.

Board and Executive Committee diversity

The following tables provide data on gender identity and ethnic background across our Board and Executive Committee. The information was collected on a self-reporting basis.

Sex/gender representation as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, SID, CFO)	Number in Executive Committee	Percentage of Executive Committee
Men	5	56%	2	5	37%
Women	4	44%	2	3	63%
Not specified/prefer not to say	–	–	–	–	–

Ethnic representation as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, SID, CFO)	Number in Executive Committee	Percentage of Executive Committee
White British or other White (including minority-white groups)	7	78%	3	6	75%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	2	22%	1	2	25%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Board nationality and tenure

Nationality	
British	3
Swiss	1
Malaysian	1
American	1
German	1
German/Italian*	1
British/Australian**	1

Tenure	
0-5 years	5
5-10 years	2
>10 years	2

Reviewing Board skills

We work with Egon Zehnder as independent external advisers on our Board succession planning, and every year we conduct a skills review, through self-assessment and against industry benchmarks. This review informs discussions at both a Committee and Board level on succession planning and Board skills.

The Committee asked Egon Zehnder – which has no connection with the Company or any individual Director – to update our Board skills review in 2023. Having discussed the findings in December 2023, the Committee concluded that the Board has strong chemicals industry experience and a good breadth of most other skills that we need.

For example, several members, including Martina, have developed their skills and knowledge in sustainability

*Roberto Gualdoni holds dual German and Italian citizenship **Lily Liu holds dual British and Australian citizenship issues – particularly climate change – through other board appointments and training programmes. We might consider the need for specific digitalisation skills in the future but would seek that within wider industrial experience.

Like diversity and inclusion, skills reviews are an ongoing discussion for the Nomination Committee, particularly when it comes to Board succession plans. In the future, we will apply more of that rigour to our executive-level succession planning. Having put emergency succession plans in place in 2022 for key roles, including our CEO and CFO, the Committee will turn its attention to that longer-term succession planning over the next 12 months.

Staying focused on our priorities while preparing for the future

In March 2024, I reach my nine years' tenure on the Board of Synthomer and have agreed with the Board that I will step down no later than our Annual General Meeting in 2025. This extension reflects the flexibility provided by the UK Corporate Governance Code on recommended tenure, and I hope provides useful continuity – having made a number of changes to the executive team over the past two years – and stability, as Synthomer continues to navigate challenging economic circumstances. Our Senior Independent Director, Ian Tyler, explains more about my tenure and the steps we are taking to appoint my successor on the right.

I expect the Committee will focus on identifying and bringing the new Chair on board during 2024. Meanwhile, we will continue 'business as usual' as we focus on talent development throughout the organisation and deepen our approach to succession planning at an executive level. I look forward to continuing that work with my fellow Committee members.

Caroline Johnstone
Nomination Committee Chair

12 March 2024

Succession planning for our Chair

Caroline joined the Board as an Independent Non-Executive Director and Chair of the Audit Committee in March 2015. She became Chair in December 2020. This means that, as of March 2024, Caroline has served nine years on the Board.

In 2023, my predecessor, Brendan Connolly, led a comprehensive review of the Chair's tenure in light of the UK Corporate Governance Code (Code), Provision 19, which states that a Chair should not remain in post beyond nine years from the date of their first appointment to the Board. The Code allows some flexibility, usually to support effective succession planning and to help develop a diverse board, particularly in cases where the Chair was an existing Non-Executive Director.

Having succeeded Brendan in May 2023, I continued to work with the Nomination Committee to update that review. During our discussions with the Board, the Committee considered three main themes:

- Our most recent external and internal Board and Chair evaluations: these evaluations concluded that the Board is very satisfied with Caroline's support, leadership and independence as Chair. The feedback was highly positive, recognising her interpersonal dynamics across a diverse and engaged Board. The external review also noted Caroline's strong people focus and understanding of our business.
- Our Chair's experience: Caroline has considerable leadership, corporate and commercial experience, including more than 20 years in the chemicals industry and expertise in corporate recovery and turnaround.
- Group stability: Caroline has overseen a programme of executive succession and development over the past three years, with Michael joining the company as CEO in November 2021, Lily joining as CFO in July 2022 and other changes following that at Executive Committee level. As the team continues to develop through a period of significant economic challenge, the Board believes stability, at the Board leadership level, is important.

The process of selecting a new Chair
In line with our Board succession plans, we have begun our search for a new Chair and will follow a Code-compliant, rigorous and independent process supported by our external advisers.

That process is being led by a sub-committee made up entirely of Independent Non-Executive Directors and chaired by me. The current Chair, and any candidate who is a current member of the Board, will be excluded from the process in accordance with the Code.

The sub-committee, working with Egon Zehnder, has developed a job specification, against which we are evaluating candidates to create a longlist and shortlist. The full Board will approve the new Chair's appointment following interviews with all our Directors. The Board will keep shareholders informed through direct engagement, as needed, and in next year's Annual Report.

The Committee's recommendation
Having carefully considered the Code and the Nomination Committee's comprehensive review in 2023, the Board has concluded that it is in the Group's – and our stakeholders' – best interests to extend Caroline's tenure. She has agreed with the Board that she will step down no later than our Annual General Meeting in 2025. This will allow time to recruit a new Chair with an appropriate handover period. The Board will therefore be recommending to shareholders Caroline's re-election at our forthcoming Annual General Meeting in May 2024.

Ian Tyler
Senior Independent Director

Directors' remuneration report: introduction from the Chair

"The Committee's focus has been on making sure we have the right approach to motivating and retaining our talented people in the midst of a challenging time for the sector."

Holly Van Deursen
Remuneration Committee Chair

The Remuneration Committee's agenda this year has focused on the challenges around motivating and rewarding our executives in a difficult economic environment and on better understanding remuneration across the wider workforce and sector, including the approach to total rewards and the gender pay gap across key regions.

It has been a very challenging 12 months for our industry, with macroeconomic uncertainty and reduced end-market demand affecting Synthomer's financial and share price performance. The consequences of that difficult economic climate have been felt across the Company, and resulted in short- and long-term incentive payouts that were significantly below target for a second year. And yet, throughout, our Executive Directors have demonstrated great resilience and tenacity, delivering what I believe to be the best possible outcomes for our stakeholders under the circumstances. They delivered significant cash savings by rapidly adjusting the cost base of the business to reflect changed market conditions, completed a substantial divestment at an attractive multiple, and carried out a number of other actions to strengthen the Group's financial position.

This has meant that a good deal of my first year as Chair has been taken up discussing with my fellow Committee members the most appropriate way to motivate and retain our executive talent, in what is likely to continue to be a difficult external environment – and with a substantially more complex set of challenges to resolve and actions to carry out as a Company than was anticipated when our Executive Directors joined Synthomer. At the same time, we are very conscious of the impact the market downturn continues to have on our stakeholders, including our shareholders, who have continued to demonstrate their endorsement of the Group's new strategy, particularly through their support of the rights issue completed in October.

Balancing incentives with the environment

While our current remuneration structure is in line with UK practice, it is below the market median when compared with our competitor chemical companies across Europe, which operate globally as we do. This creates challenges for the recruitment and retention of the executive talent we need to lead the Group through our ambitious value creation strategy, especially at such a challenging time for the chemicals sector.

We are mindful that our executives have received below-target bonus payouts for the past two years. This is no reflection on their achievements and commitment to the business, but a consequence of market conditions. However, we do not believe that this level of payout is sustainable if we are to retain and motivate our talent, both at executive level and across the wider workforce. We know that many of our executives have opportunities available to them in the broader industry, so we need to be mindful of our approach compared with other UK-listed companies and the wider UK and European chemicals industry.

We have sought to balance our desire to retain and incentivise our experienced, highly talented executives with the wider workforce environment and, as a result, have chosen to adjust our CEO's and our CFO's base salaries by 4% relative to 2023 levels. These increases are lower than the average 4.8% for our UK non-unionised workforce. With this increase, our Executive Directors' base salaries are likely to remain below median when compared with our UK and European chemicals peers.

2023 incentive outcomes

Annual bonus

The Committee recognises that the chemicals sector continues to experience market challenges, which led to a difficult trading environment in 2023. This is reflected in the zero payout for PBT, the main financial metric in the annual bonus plan. I am pleased that, in spite of this broader environment, the management team has continued to focus on delivering the new strategy and improving balance sheet strength. Given the importance of reducing debt in 2023, a group cash flow metric was put in place, weighted at 20% of the total. Cash performance (excluding divestment and rights issue proceeds) exceeded expectations and the maximum outturn level for this metric, which enabled net debt to be reduced by half in the year.

The organisation has also remained focused on the health and safety agenda, delivering a maximum outturn for this element of bonus too. The 10% maximum outturn for the Executive Directors' strategic objectives also reflects their achievements in advancing the organisation's strategy and improving its financial strength.

The Committee considered the resulting bonus outturn in the round, taking into account management performance and the experience of stakeholders. We decided that an overall outturn of 40% of maximum for the CEO and CFO was a fair reflection of their achievements in 2023, particularly around cash management and strategy delivery, and was also appropriate to continue to retain and motivate our executive talent. As such, no discretion was applied.

PSP

The EPS and cash metrics for the 2021 PSP, based on three years' performance to 31 December 2023, did not meet the threshold levels set when the awards were made. Both the NPP and carbon-reduction metrics achieved above-maximum levels of performance in some key projects – such as using renewable electricity and reducing coal usage – which significantly contributed to the Group delivering an overall outturn of 20% of maximum. Lily Liu does not have an award under this plan because she was not with Synthomer in 2021. Michael Willome joined in November 2021 and received a pro-rata PSP award for 2021. The Committee considered that the 20% outturn was fair and did not apply any discretion. The share price has reduced since the original awards were made, so there was no potential windfall gain to be considered.

Performance measures for 2024 incentives

Our target short-term and long-term incentives remain at the same levels relative to base salary. Our annual bonus plan continues to emphasise the key financial and non-financial metrics that support delivering our strategy. For 2024, we have simplified the financial measures so that 80% of the bonus will be based on EBITDA as a sole financial metric, replacing PBT as the key profit measure. Cash will not be used as a measure for 2024. EBITDA reflects our performance through core operations, which is a key indicator of our business recovery, and also provides an important measure of our performance relative to our competitors. Equally, a strong EBITDA performance will also support cash generation. As such, we feel EBITDA performance should be the absolute focus for management this year. The 2024 measures will continue to include a small weighting to non-financial metrics, with 10% for achieving SHE objectives and 10% for strategic personal objectives.

The Committee carefully considered the performance measures for the 2024 PSP award, to ensure they appropriately incentivise management to deliver underlying performance improvements, manage financing costs and return value to shareholders. We have determined that, for 2024, it is appropriate to replace the EPS measure with a measure related to growth in EBITDA (30% weighting). This is to ensure management is incentivised to drive improvements in underlying operational performance, which the Board believes is the key driver of future sustainable long-term growth in profitability and shareholder value. Our intention is to reintroduce EPS as a metric in the future.

Under the EBITDA measure, there will be threshold payout for delivering 8% per annum growth with a maximum payout for delivering 20% growth per annum. Leverage will continue to be incorporated within the LTIP, with a 30% weighting. This, alongside driving operational performance through EBITDA, incentivises management to reduce debt to long-term sustainable levels and manage financing costs and improve earnings per share over the longer term. Relative TSR will continue to have a 20% weighting, to also reward management in line with the shareholder experience. The remaining 20% of the award will continue to be based on strategic (NPP) and ESG (Scope 1 and 2 reduction) measures.

As approved by shareholders at our 2023 AGM, the additional PSP award of 50% of base salary will continue to be based wholly on more challenging relative TSR targets. This award will only start to vest for achieving upper-quartile performance, with maximum vesting achieved at upper decile, as described in our 2023 remuneration policy. We believe this is an important component of the total reward package for our Directors, because it further aligns their reward with our shareholders.

The Committee is critically aware of the current share price level and the possibility of windfall gains, and of the need to retain and motivate management to deliver our strategy and pay them appropriately in the context of our FTSE and chemicals peers. In this context, we carefully considered the award levels for 2024 PSP awards. We feel strongly that growing the share price from this level will require management to successfully drive improvements in operational performance, to effectively manage the balance sheet and to continue to transform the organisation. Our view is that any material share price improvements from this point will require significant performance and effort from management, which should be rewarded.

We concluded, then, that it is appropriate to maintain the current level of primary incentive award for the CEO at 200% and the CFO at 150% of base salary, with both having the opportunity to receive an additional 50% of base salary under the additional award. The Committee retains discretion to consider the level of payout award at the end of the vesting period and to scale back vesting if it considers that the outcome did not align with shareholder and wider stakeholder experience during the period – including if we consider in retrospect that management benefited from a windfall.

As a result of the rights issue and the share consolidation (see page 11), and having taken advice from our remuneration adviser, we applied the standard, UK HMRC-approved conversion approach to reset the number of shares held by employees in the in-flight long-term incentive plans and deferred bonus share plans. We also reviewed performance metrics associated with these shares and made adjustments to reflect the revised number of shares in issue (see page 110).

Continuing to support our workforce

The Committee recognises the importance of looking at the total reward landscape across Synthomer's wider workforce in addition to our decisions about executive reward. The Group has also continued to provide support to our employees to help them manage the impact that inflation has had on the cost of living.

For example, budgets for annual merit increases have been set at a country level to account for specific inflationary pressures in each region. Once again, this will focus more on lower levels within the organisation. We have also offered a range of solutions for people living in parts of the world that have been particularly affected by higher inflation, including one-off cash bonuses, supermarket vouchers and discounted products and services. We have protected well-being-related benefits from inflationary increases, holding rates for health benefits globally despite a significant rise in premiums. The Committee is particularly pleased that Synthomer now has its Employee Assistance Programme in place globally to help employees and their dependants get advice and support on a range of issues, including financial matters.

Hearing from our stakeholders

In early 2023, I had a comprehensive handover with our outgoing Remuneration Committee Chair, Brendan Connolly, to understand the stakeholder landscape, as well as interactions with shareholders and proxy advisory firms on our remuneration policy. I was pleased to observe the deep understanding of the challenges that we face in a turbulent environment, and shareholders' openness to adapting our approach to addressing these challenges. As a result, I feel I have a good appreciation of our historical approach to stakeholder engagement and look forward to hearing perspectives from all stakeholders in my role as Committee Chair.

Shareholder feedback since our last Annual General Meeting has focused on the market environment, and the Company's efforts to manage the business – and our balance sheet – through these challenges. I believe that the management team has made material progress in delivering the new strategy and in outperforming market expectations on cash generation, enabling a significant amount of debt reduction. Alongside recognising what has been achieved in the year, several of our major shareholders have indicated they are understandably interested in making sure we achieve an appropriate balance between motivating and retaining our very capable Executive Directors and aligning our decisions with shareholder experience. I believe that we have struck that balance.

Understanding a complex remuneration landscape

Given the Committee's discussions on executive retention and reward, I have been keen to make sure we fully understand the differences between remuneration governance and quantum in UK companies and in UK and European chemicals companies operating in a global environment. Our remuneration adviser has provided invaluable education to help us deepen that knowledge and understand where we sit relative to other similar UK-listed businesses and our chemicals industry peers. We feel better prepared to set a remuneration path that supports our growth strategy and provides leadership quality and continuity that will best serve our shareholders.

Evaluating our gender pay gap

This year, to broaden our understanding of remuneration across the wider workforce, the Company asked Willis Towers Watson to evaluate our gender pay gap for our largest employee populations in the USA, the UK, Germany and Malaysia – which, together, form around 58% of our total employee base. This used methodology that is different to the UK's prescribed gender pay reporting requirements.

Although there is still more work to do, we now know that the overall adjusted gap (between what we pay men and women) is relatively low and varies by location. This has helped us identify potential underlying causes, such as the gender imbalance in more senior positions, and enabled us to focus on key aspects of our DE&I agenda, which will help us to reduce these gaps.

This review has also been valuable in preparing for the EU Pay Transparency Directive, which will require more transparency around pay in EU countries.

Looking ahead

The demand challenges we face in the sector are not going to change overnight. But executive talent and stability are key to delivering our strategy and the best results for our shareholders, so the Committee will continue to review the options available to us.

On a personal note, I am proud to be part of a Committee that is willing to discuss those challenges and make the decisions that best support our strategy and operations, as well as our stakeholders. Together with my fellow Committee members, I look forward to continuing those conversations, particularly with our shareholders, over the coming year.

Holly Van Deursen
Remuneration Committee Chair

12 March 2024

Remuneration at a glance

Here we highlight the performance and remuneration outcomes for the year ended 31 December 2023. More detail is provided in the annual report on remuneration from pages 103 to 116.

Policy for Executive Directors

The table on this page summarises the policy approved by our shareholders at the Annual General Meeting on 16 May 2023. Find more information about how we implemented the policy in 2023 on pages 103 to 110. The full policy can be found on our **website**.

The Committee continues to align with the principles of directors' remuneration outlined in the UK Corporate Governance Code, as set out in the policy.

The Remuneration Committee takes account of the reward, incentives and terms and conditions of employees throughout the Group when considering the remuneration of Executive Directors and senior management.

Remuneration type

- Base salary
- Benefits
- Pension
- Annual bonus
- Performance share plan (PSP)
- Shareholding requirements

Base salary		
Generally reviewed each year. Salary increases of 4% were awarded with effect from 1 January 2024, in line with the average merit increase awarded in the UK at management levels, and below the average merit increase awarded in the UK below management levels. Executive Director salaries are:		
CEO £701,690	**CFO £474,990**	
Benefits		
Includes private health insurance, life insurance, car allowance and costs related to business moves (relocation) or international assignments. The CEO also receives a housing allowance for a four-year period.		
Pension		
Cash allowance of 7% of base salary for the CEO and CFO, which is aligned with that of the UK workforce.		
Annual bonus (audited)		
Maximum up to 150% of base salary. At least 70% assessed against financial metrics (80% in 2023), with up to 30% assessed against strategic and operational measures (20% in 2023). Awards in relation to financial performance of:		
20% of maximum for threshold	**50%** of maximum for target performance	**100%** of maximum for out-performance.
The Committee determines performance against personal objectives in the round, taking into account performance against objectives set and each executive's overall contribution. A proportion of the bonus earned is deferred into shares for two years, which are subject to continued employment. For current Executive Directors, this is one third of any bonus.		
Performance Share Plan (PSP)		
Shares awarded may not exceed 250% of salary (primary award 200%, additional award 50%).		
Vesting based on performance over three years. For the primary award, at least 70% based on financial measures and up to 30% on strategic and sustainability performance measures linked to delivering the business strategy. Usually, no single measure will constitute more than 50% of an annual award. There is a two-year post-vesting holding period requirement. For the additional PSP award, relative TSR will be the single performance metric, with threshold vesting for upper-quartile performance and maximum vesting at upper-decile performance.		
Maximum of 25% for each element will vest for threshold performance.		
Shareholding requirements		
CEO 220% and CFO 200% of base salary.		
Requirements expected to be built up over five years.		

2023 performance

Annual bonus

Actual performance against the four annual bonus metrics are set out below.

	Weighting	Threshold	Target	Maximum	Actual	Bonus %
Underlying Group PBT	60%	Threshold £3.2m	Target £18.2m	Maximum £33.2m	-£27.2m	0%
Group operating cash flow	20%	Threshold £94.8m	Target £105.3m	Maximum £115.8m	£134.3m	20%
SHE – OSHA incidents	5%		>0.32		0.16	5%
SHE – Process safety	5%		>0.19		0.18	5%
Individual strategic and operational goals	10%				100%	10%
Total bonus as a % of maximum	**100%**					**40%**

Performance Share Plan (PSP) 2021 award

Actual performance against the four elements of the PSP are set out below.

	Weighting	Threshold	Maximum	Actual	PSP %
Relative TSR	40%	Median quartile	Upper quartile	Below median	0%
EPS growth (targets restated post share consolidation and rights issue)	40%	85.7p	100p	-35.1p	0%
New and protected products (NPP)	10%	15% of 2023 sales volume to come from new products launched in the five years to Dec 2023	20%	22%	10%
Carbon reduction	10%	15% reduction in CO_2 emissions compared with 2019 baseline	25%	41%	10%
Total outcome	**100%**				**20%**

Our key principles for Executive Directors' remuneration

At Synthomer, our key principles for Executive Directors' remuneration are that it:

- Should be clear and simple with maximum award levels being clearly defined
- Is sufficient to attract and retain Executive Directors of the ability and expertise necessary to achieve the strategic goals of the Company
- Incentivises Executive Directors by rewarding performance and driving the right behaviours while ensuring appropriate safeguards are in place to mitigate risk
- Aligns Executive Director reward with the experience of shareholders.

As well as considering the reward, incentives and conditions of employees throughout the Group when looking at the remuneration of Executive Directors and senior management, the Committee also considers corporate governance requirements and best practice in terms of remuneration structures and the process of setting executive remuneration.

The Committee reviews performance targets regularly to ensure that they do not encourage or motivate inappropriate risk-taking. When assessing performance, the Committee will also, when necessary, consider any ESG events and the Audit Committee's reviews of the effectiveness of internal controls and risk management.

Annual report on remuneration

Single figure of remuneration for Executive Directors (audited)

	Year	Base salary £	Benefits £	Other £	Pension £	Total fixed remuneration £	Annual bonus £	Long-term incentives[1] £	Total variable remuneration £	Total £
Executive Directors										
M Willome	**2023**	**674,700**	**201,368**	**–**	**47,229**	**923,297**	**404,820**	**11,417**	**416,237**	**1,339,534**
	2022	650,000	194,313	–	45,500	889,813	97,500	–	97,500	987,313
L Liu[2]	**2023**	**456,720**	**15,844**	**50,605**	**31,970**	**555,139**	**274,032**	**–**	**274,032**	**829,171**
	2022	220,000	7,861	–	15,400	243,261	66,000	–	66,000	309,261

1 For 2023, the values relate to awards granted under the PSP in 2021, which vest on 8 November 2024. More information about the level of vesting is provided in this report. Given these awards have not yet vested, they have been valued based on the average share price for the period 1 October 2023 to 31 December 2023 of 191.6p, along with accrued dividends from the date of grant. This will be restated next year to reflect the actual value. There was no share price appreciation that affected the value of the awards, so the Remuneration Committee did not exercise discretion in respect of the share price changes. M Willome joined in 2021 and received a pro-rated PSP award for 2021. L Liu joined the Board in 2022 and did not participate in the 2021 LTIP. The number of shares subject to the award was adjusted to reflect the share consolidation and rights issue. More details of these adjustments can be found on page 11.

2 L Liu joined as CFO on 1 July 2022. As part of the terms of her recruitment, it was agreed she would be compensated in the future for an LTIP award and deferred shares that lapsed when she left her former employer Essentra. A payment of £50,605 for the 2020 deferred shares was made in July 2023. The extent of compensation for the LTIP award, which will be settled in cash, will depend on the extent to which the lapsed award would have vested and will be determined at the end of the performance period in 2024.

Additional information for single figure remuneration (audited)

Benefits

	Relocation expenses £	Car expenses/ benefit £	Other £	Total £
M Willome[3]	176,604	24,000	764	**201,368**
L Liu	–	15,000	844	**15,844**

3 Given M Willome has moved from Switzerland to the UK, he receives a monthly relocation allowance for a period of four years. This allowance was set at £7,800 per month for the first two years. Following a review by the Committee, it has been agreed to maintain the same level of payment for the remaining two years. The allowance is grossed up for tax.

Pension entitlements (audited)

Both current Executive Directors receive a cash allowance in lieu of pension contributions of 7% of base salary in line with the pension provision for the wider workforce.

Annual bonus (audited)

2023 award

For 2023, the Company operated a cash bonus plan for the Executive Directors related to the achievement of Underlying profit before tax targets, operating cashflow targets, SHE targets, and individual strategic and operational goals, weighted as follows:

- Profit before tax – 60%
- Operating cashflow – 20%
- SHE – 10%
- Individual goals – 10%.

The maximum bonus level for M Willome and L Liu was 150% of salary.

Executive Directors	Maximum bonus as a % of salary	Total bonus as a % of maximum	Total bonus £
M Willome	150%	40%	**404,820**
L Liu	150%	40%	**274,032**

For M Willome and L Liu, one third of the bonus has been deferred into shares for two years, which are subject to continuous employment.

More information about the four elements of the 2023 bonus are as follows:

1. Underlying profit before tax (60%)

	Threshold	Target	Maximum	Achieved[2]
Level of award (% of element)	0%	50%	100%	0%
Underlying profit before tax[1]	£3.2m	£18.2m	£33.2m	-£27.2m

1 Targets are set by reference to the Board-approved internal budget for the Group and measured on a constant currency basis.
2 For the purposes of calculating Underlying profit before tax, adjustments were made for currency.

2. Operating cash flow (20%)

	Threshold	Target	Maximum	Achieved
Level of award (% of element)	0%	50%	100%	100%
Operating cash flow	£94.8m	£105.3m	£115.8m	£134.3m

3. SHE (10%)

Targets with an aggregate weighting of 10% related to improvements in recordable injury and process safety.

	Recordable injury (measured as injury rate)	Process safety (measured as process safety event rate)
Target	0.32	0.19
Level of award	0% for a rate greater than 0.32 5% for a rate less than 0.32	0% for a rate greater than 0.19 5% for a rate less than 0.19
Rate achieved	0.16	0.18
Award outcome	5%	5%

More details about the definition and measurement of the recordable injury case rate and the process safety event rate are given on pages 12 and 43.

4. Individual strategic and operational goals (10%)

The Remuneration Committee considered individual goals and achievements against them with an aggregate weighting of 10%, including:

	Chief Executive Officer	Chief Financial Officer
Target	The overall objective is to achieve a clear focus on delivering the strategy approved by the Board and announced in Q4 2022: 1 **Progress in portfolio management** 2 **Reduce leverage towards medium-term target (using all levers, including refinancing) to strengthen the business balance sheet, without affecting the long-term strategic aims** 3 **Complete and embed senior leadership team, with focus on the Executive Committee**	1 **Strengthen balance sheet and improve leverage, and develop medium-to-longer term financing strategy** 2 **Manage leverage within the agreed covenant** 3 **Establish functional excellence roadmap for Finance and IT functions**
Level of award	Up to 10%	Up to 10%

	Chief Executive Officer	Chief Financial Officer
Performance against targets	1 **Progress in portfolio management** Significant progress was achieved in 2023, despite a worsening economic environment. The number of sites across the Group decreased, from 43 in October 2022 to 36 at year end, including through the sale of the Laminates, Films and Coated Fabrics businesses completed in Q1 2023. Transition services were successfully delivered until Q4 2023. Detailed business reviews led to closing the North America Paper and Carpet business and mothballing the Kluang site in Malaysia, which were both implemented with careful stakeholder engagement and without major disruption. Progress was made on a number of other M&A projects during the year, including the SBR disentanglement and a number of joint venture options – all of which show clear evidence of ensuring maximum value and strategic alignment. Additional projects were initiated and progressed to develop market opportunities but to minimise capital investment and site footprint in the USA and China.	1 **Strengthen balance sheet and improve leverage, and develop medium-to-longer term financing strategy** Coordinated advisers to assess all options to strengthen the balance sheet and maximise cash generation, and project managed successful implementation. Instrumental in developing alternative funding options, including the rights issue, to put to the Board. Led the strategy for, and discussions with, banks and other lenders throughout 2023 and was part of a small leadership team that delivered the rights issue programme. Together with the CEO, met more than 60 existing and potential shareholders as part of the rights issue process. Throughout that time, ensured the business was always within agreed covenants with a good safety margin through careful, realistic and forward-looking planning. Early and ongoing engagement with banks and other funders was instrumental in this. Led refinancing the RCF at the beginning of 2023 with a prudent covenant and prepared the business for refinancing its bond to provide maximum flexibility on timing. Also renegotiated and extended our main RCF facility by two years to 2027.

	Chief Executive Officer	Chief Financial Officer
Performance against targets continued	**2 Reduce leverage towards medium-term target (using all levers, including refinancing) to strengthen the business balance sheet, without affecting the long-term strategic aims** Led the team through assessing all options for reducing debt and maximising cash generation and then successful implementation, taking input from a number of external and internal advisers. The RCF, covenants and bond were all considered and renegotiated at the agreed timing, as needed. As part of the successful rights issue, engaged with more than 60 existing and potential shareholders to discuss the rationale, timing and size of the rights issue. Numerous other funding options were considered and put to the Board. Alongside the focus on debt, instigated the SynEx programme to focus on improving cash generation (sustainable and environment-specific working capital reductions) and cost reduction (including a nuanced but significant headcount reduction programme). Implemented targeted investments to deliver more cost savings, protect the business and position it for future growth (such as the investment in AS technology and the China Innovation Centre). The resulting year-end cash position was ahead of expectations and net debt halved from the end of year 2022. **3 Complete and embed senior leadership team, with focus on the Executive Committee** Completed executive appointments and embedded team in 2023 – a team with greater diversity. Worked with each team member to develop their contribution and ensured they had Board visibility. Took decisive action to change leadership in our AS division when required. Strengthened the GLT (75 global leaders), bringing the team together in October 2023. This demonstrated collective strength in leadership, following the successful rights issue.	**2 Manage leverage within the agreed covenant** Alongside debt reduction, focused on cash generation, improving forecasting across the Group and financial reporting to the Board. Established daily, weekly and monthly procedures to track, monitor and report successes and opportunities to improve efficiency and minimise cash needs. Empowered team to challenge capex and opex across the Group, introduced and oversaw the significant processes to increase receivables management funding, and led the programme to ensure repayments were duly received in the year. Oversaw the finalisation of the Laminates, Films and Coated Fabrics divestment and the provision of transition services until Q3 2023. The resulting year-end cash position was ahead of expectations and net debt halved from the end of year 2022. **3 Establish functional excellence roadmap for Finance and IT functions** In a period of significant challenge for the team, continued to develop skills and experience, including key appointments in Treasury and Financial Planning & Analysis, and instigated regular interactions and training and development programmes. Led the IT team in preparing the IT strategic plan presented to and approved by the Board in August 2023. Restructured the IT team and refocused the enterprise resource planning (ERP) roll-out to minimise capital outlay in 2023 and maximise the benefits. The ERP roll-out in Germany (wave 4) was successfully achieved in Q4. Oversaw continuing development of cyber security planning and approach, and led the team throughout the year as it successfully responded to attempted cyber attacks.
Award outcome	10%	10%

The Committee considered the final outcome in the context of management performance in the year, taking into account the experience of all stakeholders, to determine whether discretion should be applied. The Committee considered that an overall outturn of 40% of maximum for the CEO and CFO was appropriate and a fair reflection of their achievements in 2023, particularly around cash management and strategy delivery, so no discretion was applied.

Additional information for single figure remuneration (audited)

Long-term incentives – PSP

The award made on 8 November 2021 for M Willome under the PSP was subject to the following performance metrics:

- Relative TSR performance condition – 40%
- An absolute Underlying earnings per share performance condition – 40%
- Carbon reduction (Scope 1 and 2) – 10%
- NPP – 10%.

	Weighting	Threshold	Maximum	Outcome achieved	% vesting (of maximum)
Relative TSR	40%	Median	Upper quartile	Below median	0%
EPS[1]	40%	85.7p	100.0p	-35.1p	0%
Carbon reduction – in Scope 1 and 2 CO_2 emissions from the 2019 baseline	10%	15%	25%	41%	10%
NPP – by volume over the five-year period to end 2023	10%	15%	20%	22%	10%
Total	100%				20%

1 EPS targets have been restated to reflect the impact of the share consolidation and rights issue on the issued share capital. The original targets were: Threshold 33.0p, Maximum 38.5p.

25% vests for threshold performance. All metrics vest on a straight-line basis between threshold and maximum.

10% of the award was subject to a strategic measure relating to a 10% reduction of carbon dioxide equivalent emissions over the performance period, excluding additional emissions from the acquired OMNOVA business.

Carbon dioxide equivalent reduction	Percentage of this part of an award that vests	Percentage achieved
Less than 15%	0%	41% achieved, which exceeded maximum performance, resulting in vesting of 10% of award
Between 15% and 25%	On a straight-line basis between 25% and 100%	
25% or more	100%	

In aggregate, 20% of the 2021 award vested. The Committee felt the final outcome to be fair and so no discretion was applied.

Additionally, because the share price is currently lower than that of the 2021 grant, the Committee considered that there was no windfall gain.

The 2021 award will vest for M Willome in November 2024 as follows:

		No. of shares[1] in original award	No. of shares that lapse	No. of shares that vest	Estimated value of shares that vest[2] £
M Willome	November 2021	29,796	23,837	5,959	11,417

1 The numbers of shares have been adjusted to reflect the impact of the share consolidation and rights issue on the issued share capital and accrued dividends from the date of grant.

2 As these awards have not yet vested, they have been valued based on the average share price for the period 1 October 2023 to 31 December 2023 of 191.6p. This will be restated next year to reflect the actual value.

Overall, the Committee considers that the remuneration policy has operated as it intended during 2023, and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

Single figure of remuneration for Non-Executive Directors (audited)

Non-Executive Director	Year	Base fee £	Committee membership fee £	Committee Chair fee £	Total £
CA Johnstone	**2023**	**235,000**	**–**	**–**	**235,000**
	2022	235,000			235,000
The Hon AG Catto	**2023**	**44,805**	**–**	**–**	**44,805**
	2022	44,805			44,805
RC Gualdoni	**2023**	**44,805**	**15,000**	**–**	**59,805**
	2022	44,805	15,000	–	59,805
Dato' Lee Hau Hian	**2023**	**44,805**	**–**	**–**	**44,805**
	2022	44,805	–	–	44,805
HA Van Deursen	**2023**	**44,805**	**15,000**	**3,134**	**62,939**
	2022	44,805	15,000	–	59,805
I Tyler[1]	**2023**	**51,073**	**15,000**	**5,000**	**71,073**
	2022	23,747	7,950	–	31,697
M Flöel[2]	**2023**	**14,935**	**5,000**	**–**	**19,935**
	2022	–	–	–	–
BWD Connolly[3]	**2023**	**24,919**	**6,250**	**–**	**31,169**
	2022	54,805	15,000	5,000	74,805
Total	**2023**	**505,147**	**56,250**	**8,134**	**569,531**
	2022	565,126	45,000	–	610,126

1 Appointed to the Board on 21 June 2022. Fee includes an additional £10,000 for his role as Senior Independent Director.
2 Appointed to the Board on 1 September 2023.
3 Retired from the Board in May 2023.

Directors' shareholding and share interests (audited)

Director	Interests in Company shares 31 December 2023	Total unfettered interests in shares and vested options 31 December 2023	Deferred annual bonus award	Unvested performance-related options 31 December 2023[1,2]	Share options exercised during 2023	Share ownership requirements (% of salary)[3]	Interest in shares at 31 December 2023 (% of salary)
M Willome	63,000	61,775	1,225	315,940	–	220	18%
L Liu	27,812	27,296	516	168,170	–	200	12%
CA Johnstone	41,772						
The Hon AG Catto	252,829 282,133[4]						
RC Gualdoni	29,394						
Dato' Lee Hau Hian	163,604						
HA Van Deursen	24,000						
I Tyler	–						
M Flöel	–						
BWD Connolly[5]	19,579						

1 Unvested performance-related options comprise the awards made under the PSP in 2021, 2022 and 2023. Details of the performance conditions attached to the 2021 awards are set out on page 107, and to 2023 awards on page 110.
2 All existing share awards under the PSP have been adjusted to reflect the impact of the share consolidation and rights issue.
3 Until this requirement is met, no sales of shares that vest under long-term incentive plans are permitted other than to satisfy tax liabilities that arise on the exercise of share awards under such plans. The Committee considers that unfettered unexercised vested nil-cost awards are economically equivalent to shares and, as such, that they should count (on a net-of-tax basis) towards compliance with the share ownership guidelines.
4 Non-beneficial interest.
5 The figure for BWD Connolly reflects his shareholding on 16 May 2023, the date he retired from the Board.

There have been no changes in the interests of the Directors in shares between 31 December 2023 and at such time as this report was signed on 12 March 2024.

2023 awards (audited)

The awards made on 4 April (primary award) and 26 June (additional award) 2023 to M Willome and L Liu were as follows:

	Scheme	Basis of award	Number of shares[1]	Face value	Percentage vesting at threshold performance
M Willome	PSP – nil-cost options (primary award)	200% of salary	1,173,799	£1,349,400	25%
	PSP – nil-cost options (additional award)	50% of salary	458,792	£337,350	25%
L Liu	PSP – nil-cost options (primary award)	150% of salary	595,929	£685,080	25%
	PSP – nil-cost options (additional award)	50% of salary	310,567	£228,360	25%

1 The awards were subsequently adjusted to reflect the impact of the share consolidation and rights issue. The revised numbers of shares are as follows: M Willome – primary award 159,353 shares, additional award 62,285 shares; L Liu – primary award 80,903 shares, additional award 42,162 shares.

The face value of the awards was calculated using a share price of 114.96p (primary award) and 73.53p (additional award) per share, the average share price on the five dealing days before the date of grant.

The 2023 awards under the PSP are subject to the following performance conditions:

Primary award

	Definition	Weighting	Threshold (25% vesting)	Maximum
Relative TSR	Relative TSR performance against the FTSE 250 Index (excluding investment funds and financial services companies) over the three-year period ended 31 December 2025	20%	Median	Upper quartile
EPS[1]	EPS for the 2025 financial year	30%	61.8p	72.1p
Leverage	Leverage ratio at 31 December 2025	30%	Targets will be disclosed retrospectively due to commercial sensitivity	
Carbon reduction – in Scope 1 and 2 CO_2 emissions from the 2019 baseline	Reduction in carbon emissions (Scope 1 and 2) from the 2019 baseline by 31 December 2025	10%	20%	30%
NPP – by volume over the five-year period to end 2025	Percentage of group sales (by volume) in the financial year 2025 that are derived from NPP launched in the five years to 31 December 2025	10%	14%	21%
Total		100%		

1 EPS targets have been restated to reflect the impact of the share consolidation and the rights issue on the issued share capital. The original targets were: Threshold 21.7p, Maximum 25.3p.

All metrics vest on a straight-line basis between threshold and maximum.

Additional award

For the additional award, the sole performance measure is relative TSR performance versus FTSE 250 (excluding investment trusts and financial services companies):

- 25% of this element will vest for upper-quartile performance
- 100% will vest for upper-decile performance
- Vesting on a straight-line basis between these points.

Operation of the Executive Director remuneration policy for 2024

The current policy was approved at the Annual General Meeting on 16 May 2023, and was implemented as follows in 2023:

Base salary	A salary increase was awarded with effect from 1 January 2024 of 4% for the CEO and CFO in line with the average merit increase awarded in the UK at management levels, and below the average merit increase awarded in the UK below management levels. 2024 salaries are: • M Willome: £701,690 • L Liu: £474,990
Pension and benefits	Pension contributions for Executive Directors are aligned with those of the UK workforce. Executive Directors receive a cash allowance in lieu of pension contributions, car allowance and private health insurance. Given M Willome has moved from Switzerland to the UK, the Company also agreed a monthly relocation allowance for a four-year period. This allowance was £7,800 per month for the first two years. Following a review by the Committee, it has been agreed to maintain the same level of payment for the remaining two years. The allowance is grossed up for tax. 2024 cash allowances in lieu of pension contributions are: • M Willome: 7% of salary • L Liu: 7% of salary
Annual bonus	For 2024, performance under the annual bonus will be measured on the following basis: • 80% subject to performance against EBITDA targets • 10% subject to performance measures against key SHE targets • 10% subject to performance against individual strategic and operational goals. EBITDA replaces PBT as a metric, because it reflects performance through core operations. Targets and objectives for 2024 are, by their financial and commercial nature, considered by the Board to be unsuitable for disclosure in advance. However, the Committee will provide information on targets and objectives retrospectively. 2024 maximum award opportunity: • M Willome: 150% of salary • L Liu: 150% of salary

Performance Share Plan (PSP)	For primary awards to be made in 2024, performance will be measured as follows: • 20% based on relative TSR performance versus FTSE 250 (excluding investment trusts and financial services companies): – 25% of this element will vest for median performance – 100% will vest for upper-quartile performance – Vesting on a straight-line basis between these points • 30% based on EBITDA growth: – 25% of this element will vest for EBITDA growth of 8% – 100% vesting for EBITDA growth of 20% – Vesting on a straight-line basis between these points • 30% based on a reduction in leverage, which by its financial nature is considered by the Board to be unsuitable for disclosure in advance; however, the Committee will provide information on the target retrospectively • 20% based on strategic targets, of which half will be a sustainability measure linked to a reduction in carbon dioxide emissions of up to 41% from the 2019 baseline, and half linked to greater than 21% of 2026 sales volume coming from NPP launched or sold in the five years to December 2026. For the additional awards, the sole performance measure will be TSR performance versus FTSE 250 (excluding investment trusts and financial services companies): • 25% of this element will vest for upper-quartile performance • 100% will vest for upper-decile performance • Vesting on a straight-line basis between these points. 2024 maximum award opportunity: • M Willome: 250% of salary (200% primary award, 50% additional award) • L Liu: 200% of salary (150% primary award, 50% additional award). Given the recent fall in share price, the Committee has considered the 2024 PSP grants and the potential for windfall gains. The Committee believes it is critical to ensure that Executive Directors are appropriately incentivised in the context of challenging market conditions. The Committee has determined, therefore, that it is not appropriate to reduce awards at this stage but will review at vesting.
Shareholding guidelines during employment	The CEO and CFO are expected to build interests in shares of at least 220% and 200% of salary, respectively.
Chair and Non-Executive Directors	The fees to be paid in 2024 to the Chair and the Non-Executive Directors have been increased by 4% in line with the UK wider workforce from 1 January 2024. In addition, Committee Chair fees have increased from £5,000 to £10,000 with effect from the same date to reflect the increased time commitment required for these roles.

Payments to past directors (audited)

CG MacLean, who stepped down as CEO in November 2021, and SG Bennett, who stepped down from the Board in July 2022, were entitled to the vesting of the PSP awards made to them in 2021. They did not receive any other remuneration in 2023.

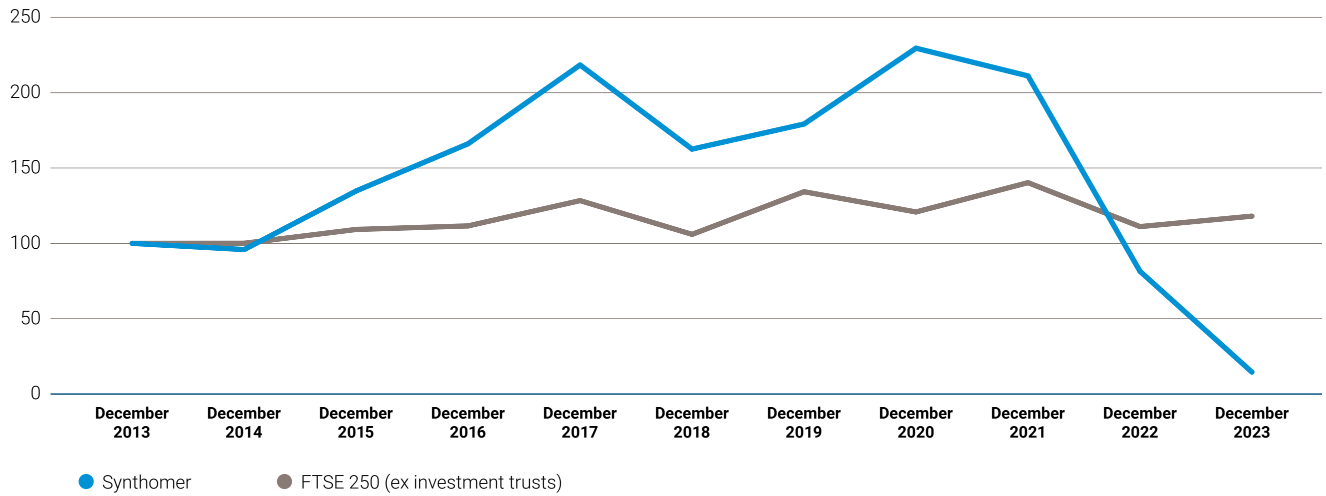
Payments for loss of office (audited)

No payments for loss of office were made during the year.

Performance graph and table

The graph and table below allow comparison of the TSR of the Company and the CEO remuneration outcomes over the past 10 years.

TSR chart



The chart above compares the TSR performance of the Company with that of the FTSE 250 (excluding investment trusts). This is considered to be the most appropriate index against which to make a comparison and was chosen because it represents a broad equity market index of which the Company was a constituent during 2023.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CEO	AM Whitfield	CG MacLean	CG MacLean	CG MacLean	CG MacLean	CG MacLean	CG MacLean	CG MacLean/ M Willome	M Willome	**M Willome**
CEO total single figure remuneration (£'000)	967	1,246	1,218	2,516	1,807	890	1,805	2,279	987	**1,340**
Bonus (% of maximum awarded)	57.3	69.7	100.0	100.0	76.5	20.0	100.0	95.0	10	**40**
PSP (% of maximum vesting)	0.0	n/a	n/a	96.3	86.2	10.0	31.8	64.0	n/a	**20**

The CEO total single figure of remuneration includes salary, benefits and pension contributions paid in the year, together with bonuses and long-term incentive awards that vested based on performance in the year.

The 2021 single figure comprises the figure for CG MacLean, which covers the period to 31 October 2021, and the figure for M Willome, which covers the period from 1 November to 31 December 2021.

CEO pay ratio

The following table provides pay ratio data in respect of the CEO's total remuneration compared to the 25th, median and 75th percentile employee.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	**Option B**	**32:1**	**26:1**	**19:1**
2022	Option B	24:1	21:1	16:1
2021	Option B	54:1	44:1	31:1
2020	Option B	37:1	28:1	22:1
2019	Option B	28:1	23:1	16:1

The employees used for the purposes of compiling the table above were identified on a full-time equivalent basis at the pay period during which 5 April 2023 fell. Option B, which involves identifying the employees at the 25th, 50th and 75th percentile from our gender pay gap report, was chosen as the calculation methodology. Under this methodology, the employees were identified based on the full-time equivalent basis at the pay period during which 5 April fell. The selected employees' pay and benefits for the calendar year were then calculated using each element of employee remuneration consistent with the CEO and no element of pay has been omitted. Employees for the purpose of the gender pay gap are employees of Synthomer (UK) Limited (463 relevant employees as at the snapshot date of 5 April 2023). The ratio has been determined at 31 December 2023.

Option B is considered to be the simplest and most accurate way of identifying the relevant employees for Synthomer who are the best representatives of the data points. Using this methodology, we were able to identify specific employees to make the required comparisons.

The ratio has increased for 2023, because of the increased variable pay for 2023 for the CEO, who had a smaller bonus outturn and no PSP in 2022.

The definition of pay used included annual salary, car allowances, all other cash allowances, all bonuses and incentive scheme payments for services delivered in the year, and private medical insurance.

The following table provides salary and total remuneration information in respect of the employees at each quartile:

Financial year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2023	**Salary**	**39,653**	**46,259**	**63,164**
	Total remuneration	**41,827**	**51,072**	**71,356**

Our CEO pay is made up of a higher proportion of incentive pay than that of the majority of our employees. This is likely to introduce more variability in the CEO's total compensation and therefore his pay ratio – hence the change in values across the period.

The Board has confirmed that, in its view, the ratios are consistent with the Company's wider policies on employee pay, reward and progression.

Percentage change in remuneration of the Directors and employees

The table below sets out the increase in salary, benefits and annual bonus of the Directors compared with a selected group of employees. The parent company, Synthomer plc, does not have any direct employees, so a comparator group of employees of the Group's main UK trading subsidiary has been used, comprising 268 employees. The Directors consider that this employee population is the most relevant for comparison purposes, considering geographical location and remuneration structure.

	2023			2022			2021			2020		
Director	**Salary and fee % increase**	**Benefits % increase/ (decrease)**	**Annual bonus % increase**	Salary and fee % increase	Benefits % increase/ (decrease)	Annual bonus % increase	Salary and fee % increase	Benefits % increase/ (decrease)	Annual bonus % increase	Salary and fee % increase	Benefits % increase/ (decrease)	Annual bonus % increase
M Willome[1]	**3.8**	**3.6**	**315**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
L Liu[2]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SG Bennett[3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	2.5	(1.3)	1.1	1.3	(24.1)	560.7
CA Johnstone	**n/a**	**n/a**	**n/a**	24.0	n/a	n/a	2.5	n/a	n/a	n/a	n/a	n/a
The Hon AG Catto	**n/a**	**n/a**	**n/a**	3.0	n/a	n/a	5.6	n/a	n/a	0.9	n/a	n/a
BWD Connolly	**n/a**	**n/a**	**n/a**	9.2	n/a	n/a	5.4	n/a	n/a	1.1	n/a	n/a
CS Dubin[3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	3.1	n/a	n/a	n/a	n/a	n/a
RC Gualdoni[1]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dato' Lee Hau Hian	**n/a**	**n/a**	**n/a**	3.0	n/a	n/a	2.8	n/a	n/a	1.6	n/a	n/a
HA Van Deursen	**5.3**	**n/a**	**n/a**	2.2	n/a	n/a	3.6	n/a	n/a	1.3	n/a	n/a
I Tyler[2]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M Flöel[4]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average change for employees	**5.8**	**42.4**	**166.7**	2.1	19.6	(73.2)	2.6	3.2	36.5	1.4	n/a	n/a

1 M Willome and RC Gualdoni were appointed to the Board in 2021.
2 L Liu and I Tyler were appointed to the Board in 2022 so only had a part-year salary for 2022.
3 SG Bennett and CS Dubin left the Board in 2022.
4 M Flöel joined the Board in 2023.

Relative importance of spend on pay

The table below shows the relative importance of the Group's all-employee remuneration expense compared with returns to shareholders by way of dividends.

Financial year	**2023 £m**	2022 £m	% change
Dividends paid	**0**	99.5	n/a
Total employee remuneration	**245.2**	266.4	-8%

Dividends are the dividends paid in the year. There were no dividends paid in 2023. Total employment remuneration is the consolidated salary and bonus cost for all Group employees.

External appointments

Executive Directors are permitted to accept external appointments with the approval of the Board, provided that there is no adverse impact on their role and duties to the Company. Any fees arising from such appointments may be retained by the Executive Directors where the appointment is unrelated to the Group's business.

M Willome has been a non-executive director of Glaston Oyj (Nasdaq Helsinki) since May 2020 and received a Board membership fee of EUR43,000 in 2023. M Willome has sat on European subsidiary boards of Indutrade AB since 2013 and received a board membership fee of CHF30,000 in 2023.

L Liu has been a non-executive director of DCC plc since 2021 and received a board membership fee of €86,847 in 2023.

Remuneration Committee

Remuneration Committee membership since 1 January 2023:

HA Van Deursen (Chair)
RC Gualdoni
I Tyler
M Flöel (from 1 September 2023)

Attendance at Committee meetings is set out on page 69.

Key duties of the Committee

During 2023, the Committee was responsible for determining the remuneration of the Executive Committee and for reviewing remuneration elsewhere in the Group – including reviewing workforce remuneration and related policies to ensure that incentives and reward are aligned with culture.

Advisers

The CEO, Company Secretary and CHRO are invited to attend Committee meetings to contribute to the Committee in its deliberations. However, no individual is involved in discussions, or is part of any decisions, relating to their own remuneration.

The Committee received independent advice from Deloitte LLP (Deloitte), which it appointed as its independent remuneration adviser in April 2013, following a tender process.

During the year, Deloitte provided advice on governance and market trends and other remuneration matters that materially assisted the Committee. The fees paid to Deloitte in respect of this work were charged on a time and expenses basis and totalled £110,175 for advice in 2023.

The Committee is comfortable that the Deloitte engagement team that provides remuneration advice to the Committee does not have connections with the Company or its Directors that may impair its independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. Deloitte also provided tax services to part of the Group and advice about implementing TCFD to the Board in the year. The Committee was satisfied that this did not compromise the independence of the advice received.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct. Deloitte was appointed directly by the Committee, and the Committee is satisfied that the advice received was objective and independent.

Statement of voting at the Annual General Meeting

The table below sets out the results of the votes on the Directors' remuneration policy and report at the 2023 Annual General Meeting.

	Votes for		Votes against		Votes withheld
	Number	% of vote	Number	% of vote	Number
2022 Directors' remuneration report	**311,883,956**	**81.79**	**69,458,297**	**18.21**	**51,166**
2022 Directors' remuneration policy	**331,283,004**	**86.87**	**50,072,165**	**13.13**	**38,250**

By order of the Board

Anant Prakash
Company Secretary

12 March 2024

Other regulatory disclosures

The Directors submit their Annual Report and the audited consolidated financial statements for the year ended 31 December 2023. None of the matters required to be disclosed by Listing Rule 9.8.4R applies to the Company, except for the following:

- The amount of capitalised interest – see note 21 to the financial statements
- Details of long-term incentive programmes – see Directors' remuneration report on pages 98 to 116.
- Shareholder waiver of dividends – see note 32 to the Financial statements.

The Directors' report is covered on pages 117 to 119 as well as in the following sections of the Annual Report:

Item	Location in Annual Report
Statement of Directors' responsibilities	Page 120
Financial risk management	Financial statements – note 22
Present Board membership	Pages 70 to 72
Governance report	Pages 62 to 120
Strategic report (including principal activities)	Pages 1 to 61
Management of risk and viability statement	Pages 44 to 60
Employee engagement	Pages 28 to 40
Directors' remuneration report	Pages 98 to 116
Share capital	Financial statements – note 27
Greenhouse gas emissions	Pages 31 to 32
Sustainability report	Pages 28 to 33

Results and dividends

The loss attributable to shareholders was £67m. In 2022, the Board announced the suspension of dividends. The Board has confirmed that dividends will remain suspended at least until the Group's net debt to EBITDA is less than 3x.

Acquisitions and divestments

On 28 February 2023, the Company completed the sale of its Laminates, Films and Coated Fabrics businesses.

Directors

All the Directors will seek election or retire and seek re-election at the forthcoming AGM.

None of the Directors seeking re-election has a service contract except Michael Willome and Lily Liu, who both have service contracts that contain a 12-month notice period.

Director indemnity provisions

Under the Company's Articles of Association, the Directors of the Company have the benefit of a qualifying third-party indemnity provision. This means the Company indemnifies them against certain liabilities, as permitted by Sections 232 and 234 of the Companies Act 2006, and against costs incurred by them in relation to any liability for which they are indemnified. The Company has purchased and maintains insurance against Directors' and officers' liabilities in relation to the Company.

UK pension funds

The trustees have reviewed the independent investment management of the assets of the Company's UK pension schemes and assured themselves of the security and controls in place. In particular, it is the trustees' policy not to invest in Synthomer plc shares nor lend money to the Company.

Share capital and control

On 25 September 2023, the Company issued 140,200,818 new ordinary shares of 10p each, which were then subject to a capital reorganisation (of one new ordinary share of 1p each for every 20 existing ordinary shares of 10p each) – which took place place alongside a rights issue on a six-for-one basis at a price of 197p per new share.

The Company's Articles of Association set out the rights and obligations attached to the Company's ordinary shares, being the only class of issued share capital, alongside the powers of the Company's Directors. Copies can be obtained from Companies House or downloaded from the Company's website (www.synthomer.com). There are no restrictions on the voting rights attached to the Company's ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company that carry special rights with regard to the control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Unless expressly specified to the contrary in the Company's Articles of Association, those Articles of Association may be amended by special resolution of the Company's shareholders.

Other than in relation to its borrowings, which become repayable on a takeover unless certain conditions are satisfied, the Company is not party to any significant agreements that would come into effect, alter or terminate on a change of control prompted by a takeover bid. The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover.

All the Company's share programmes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Interests disclosed under DTR 5

As at 31 December 2023, the following information had been received by the Company, in accordance with Chapter 5 of the DTRs, from holders of notifiable interests in the Company's issued share capital. It should be noted that these holdings may have changed since they were notified to the Company. Substantial shareholders do not have different voting rights from those of other shareholders.

	Ordinary shares (number)	Percentage of total voting rights*
Kuala Lumpur Kepong Berhad Group	**6,309,474**	**27%**
Jupiter Fund Management plc	**12,787,976**	**7.81%**
Greater Manchester Pension Fund	**28,038,592**	**6%**
Lombard Odier Asset Management (Europe) Limited	**6,117,495**	**3.74%**

*Percentage based on ordinary shares in issue, as at the date the notification was received by the Company. On 7 September 2023, the Company announced a 20 to 1 share consolidation and the issuance of six new shares for every one consolidated share at a discount in the rights issue that completed on 13 October 2023.

Between 31 December 2023 and 12 March 2024, being the latest practicable date before the publication of this Annual Report, the Company received no further notifications under DTR 5.

Employment policies and employee involvement

The Group gives every consideration to job applications from disabled people. Employees who become disabled are given every opportunity to continue working for Synthomer under normal terms and conditions with appropriate training, career development and promotion wherever possible. The Group seeks to achieve equal opportunities in employment through recruitment and training policies.

The Group encourages employee involvement in its affairs. The Company regularly engages with employees to make them aware of the financial and economic factors affecting Group performance. Performance-related bonus programmes operate throughout the Group. Alexander Catto (supported by Holly Van Deursen) is the designated Non-Executive Director responsible for gathering the views of employees. More information on the Board's employee engagement work can be found on pages 78 to 79. The Group's approach to diversity and inclusion is explained on page 39.

Authority to purchase own shares

At the 2023 AGM, shareholders passed a special resolution to authorise the Company, subject to certain conditions, to purchase on the market a maximum of 46,744,604 ordinary shares, at that time representing approximately 10% of the Company's issued share capital. This authority will expire at the conclusion of the 2024 AGM. The Directors are seeking the renewal of this authority at the 2024 AGM.

Subsidiaries

All the Group's subsidiaries, joint ventures and related undertakings are listed on pages 189 to 191.

Statement as to disclosure of information to auditors

Each Director of the Company confirms that, to the best of their knowledge, the Company's auditors are aware of all relevant audit information. Each Director also confirms that he or she has taken all necessary steps as a Director to make themselves aware of any relevant audit information and to establish that the information has been shared with the Company's auditors. For these purposes, relevant audit information means information needed by the Company's auditors in connection with preparing its report on pages 122 to 128. This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Going concern

The Directors have acknowledged the latest guidance on going concern and, in reaching their conclusions, have considered factors that include:

- The $400m RCF, which was put in place in September 2023 and matures in July 2027, subsequently reduced to €300m in March 2024
- The UK Export Finance facilities of €288m and $230m, which were put in place in October 2022 and mature in July 2027, subsequently reduced to €300m in March 2024
- The five-year €520m 3.875% senior loan notes, which are due in June 2025.

After making enquiries and considering reasonably possible changes in trading performance, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and Company.

Political donations

No political donations were made in the year (2022: nil).

Independent auditors

A resolution to appoint PricewaterhouseCoopers LLP (PwC) as the Company's auditors will be proposed at the next Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the offices of the Company at 45 Pall Mall, London SW1Y 5JG on 9 May 2024 at 11.00 am.

By order of the Board

Anant Prakash
Company Secretary

12 March 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, including the Strategic report, Governance report and financial statements, in accordance with applicable laws and regulations.

Company law requires the Directors to prepare consolidated financial statements for each financial year in accordance with IFRS, as adopted by the UK. The Directors have elected to prepare parent company financial statements in accordance with UK-adopted IAS.

In addition, company law requires that Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and apply them properly and consistently
- Present information in a manner that is relevant, reliable and comparable
- Provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Assess the Group's and Company's ability to continue as a going concern.

The Directors are responsible for safeguarding the assets of the Group and Company and so for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions, and to disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.synthomer.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Fair, balanced and understandable

On the advice of the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group and Company's position, performance, business model and strategy.

Disclosing information to the auditor

In line with Section 418 of the Companies Act 2006, the Directors confirm that, as far as they are each aware, there is no relevant audit information that has not been brought to the attention of the Company's auditor. Each Director has taken all reasonable steps that they ought to have taken in line with their duty as a Director to make themselves aware of any relevant audit information and to make sure that the Company's auditor is aware of that information.

Directors' responsibility statement

The Directors consider that, to the best of each person's knowledge, the:

- Financial statements, taken as a whole, which have been prepared in line with IFRS as adopted by the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company
- Strategic report, taken as a whole, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

Cautionary statement

The purpose of this report is to provide information to the members of the Company. It contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. 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 report, and the Company is under no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast.

Details of the Company's Directors and their roles are listed on pages 70 to 72.

Approved by the Board of Directors on 12 March 2024 and signed on its behalf by

Lily Liu
Chief Financial Officer

FINANCIAL STATEMENTS

Independent auditors' report

to the members of Synthomer plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Synthomer plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's loss and the Group's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- The Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework, and applicable law); and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 2023 (the 'Annual Report'), which comprise: the Consolidated balance sheet and the Company statement of financial position as at 31 December 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement and the Reconciliation of net cash flow from operating activities to movement in net debt for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7 to the consolidated financial statements, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- Audit procedures provide coverage of 82% of revenue and 79% of underlying operating profit.
- Audit scope covers 9 countries, performing procedures over 14 components.
- Financially significant component in the USA (Synthomer Adhesive Technologies LLC).

Key audit matters

- Impairment of goodwill (Group)
- Valuation of defined benefit pension obligations (Group)
- Presentation of Special Items (Group)
- Recoverability of investment in, and amounts owed by, Group undertakings (Company)

Materiality

- Overall Group materiality: £9,105,000 (2022: £11,743,000) based on approximately 5% of three-year weighted average of underlying profit before taxation (2022: approximately 5% of three-year weighted average of underlying profit before taxation).
- Overall Company materiality: £8,194,000 (2022: £10,568,000) based on 1% of total assets capped at 90% of Group materiality.
- Performance materiality: £6,828,750 (2022: £8,807,000) (Group) and £6,145,000 (2022: £7,926,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Fair value accounting associated with the Adhesive Technologies acquisition, which was a key audit matter last year, is no longer included because of there being no acquisitions during the financial year ended 31 December 2023. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill (Group) As set out in note 14, the Group had goodwill of £465.7m (2022: £480.8m) at 31 December 2023, after an impairment of £nil (2022: £133.7m). This is significant in the context of the overall balance sheet of the Group. We consider this to be a key audit matter because the estimates underlying the recoverability of goodwill are subject to high estimation uncertainty, particularly in a year where the Group's performance has significantly deteriorated. Management's assessment of the "value in use" of the Group's cash-generating units (CGUs) involves judgements about the future results of the businesses, particularly assumptions around growth rates and the weighted average cost of capital applied to future cash flow forecasts, where there is a higher degree of sensitivity.	Procedures performed included: • Understanding business processes and controls related to the assessment of the carrying value of goodwill for impairment. • Assessing the reasonableness of the impairment model and understanding management's process and judgements utilised for developing estimates and assumptions. This included testing of the underlying "value-in-use" calculations. • Agreeing the inputs in management's impairment model to board approved plans. • Performing a retrospective review of the previous period estimates by comparing this to actual results in the current period. • Engaging our internal valuation specialists to assess the reasonableness of the weighted average cost of capital and growth rate assumptions used by management. • Assessing corroborating or contradictory evidence relating to significant assumptions in the cash flow projections. • Performing sensitivity analyses based on reasonably possible outcomes. • Checking the mathematical accuracy of the calculations. • Assessing the effect of climate change included in management's cash flow forecast. • Reviewing the disclosures in the financial statements in respect of the carrying value of goodwill. Based on the procedures performed, we concluded that no impairment was required. We also consider the disclosures in the financial statements to be appropriate.
Valuation of defined benefit pension obligations (Group) As set out in note 26, the Group had £64.7m (2022: £73.4m) net liabilities as at 31 December 2023 in relation to defined benefit pension schemes. This primarily represents the Yule Catto group retirement benefits scheme in the UK with defined benefit obligation of £269.6m (2022: of £268.9m), the OMNOVA Solutions Consolidated Pension Plan in the USA with defined benefit obligation of £166.5m (2022: £175.9m) and an unfunded scheme in Germany with defined benefit obligation of £63.0m (2022: £60.8m). The Group uses third-party actuaries to calculate pension obligations. The valuation of these obligations is based on a number of assumptions, and the calculation is highly sensitive to small changes in the assumptions. For instance, changes in inflation, mortality tables and discount rates can have a significant impact on the valuation of the obligation recorded.	In order to assess the identified risks: • We reviewed external actuarial reports of the UK and German schemes which set out the calculations and assumptions underpinning the year-end pension scheme obligations valuation and our USA component team reviewed an external actuarial report for the USA scheme. • We (and PwC US) held discussions with the external actuaries and were satisfied that the scope of their work was such that we could use this work to provide evidence for the purpose of our audit. • We assessed the competency and objectivity of the external actuaries to perform the year-end calculations by considering their technical expertise and independence from the Group. • We used our own specialist actuarial team to evaluate the key assumptions used in each of the three schemes by comparing these assumptions to our expectations for similar schemes as at the year end. • We also considered the appropriateness of the disclosures within the financial statements. Based on the outcome of our procedures as set out above, we have concluded that the pension assumptions are within a reasonable range and that the defined benefit obligations are appropriately valued as of the 31 December 2023 year end.

Key audit matter	How our audit addressed the key audit matter
Presentation of special items (Group) The Group presents two measures of performance in the income statement; statutory and underlying, the latter after adjusting for certain items of income or expenses ('Special Items'), as management believes these measures provide additional useful information on the underlying trends, performance and position of the Group. The determination of which items of income or expense are classified as Special Items is subject to judgement, and therefore users of the financial statements could be misled if amounts are not classified or calculated appropriately. Description of the amounts presented as Special Items are included in note 4 to the financial statements.	We considered the appropriateness of amounts classified as Special Items. To do this we considered: • The Group's accounting policy on Special Items and pronouncements by the Financial Reporting Council on this matter. • We assessed the income and expenses classified as Special Items against the Group's accounting policies. • We challenged management on the appropriateness of the classification of such Special Items, being mindful that classification should be even-handed between gains and losses, the basis of the classification should be clearly disclosed and a clear reconciliation to statutory measures provided and applied consistently one year to the next. • We challenged management on the quantum of the Special Items, and the estimates underpinning a number of these items. Having considered the nature and quantum of these items, overall we are satisfied that the presentation of Special Items in the financial statements for the year ended 31 December 2023 is materially appropriate and consistent with the previous years.
Recoverability of investment in, and amounts owed by, Group undertakings (Company) As disclosed in notes 3 and 6 of the Company's financial statements, the Company held an investment in subsidiaries of £737.2m (2022: £733.1m) and amounts owed by Group undertakings of £1,991.1m (2022: £1,987.3m) at 31 December 2023. The assessment of the recoverability of these assets required the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for a formal impairment assessment and in assessing whether the carrying value of each investment and amounts owed by Group undertakings are recoverable. As changes to these judgements and estimates could have a material impact on the Company's financial statements, we consider this to be a key audit matter.	Our procedures included the following: • Assessing the recoverable value with reference to the net assets of the underlying subsidiaries and amounts owed by Group undertakings with reference to the Director's intentions for the settlement of Group-wide intercompany balances. • Verifying that the recoverable values of the investment was consistent with the recoverable value of the CGUs tested for goodwill impairment purposes, leveraging the audit work undertaken as part of the Group audit. Based on the procedures performed, we noted no material issues from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

As set out in note 5 'Segmental analysis', the Group reports its results as three segments: Coatings & Construction Solutions, Adhesive Solutions; and Health & Protection and Performance Materials. The Group's financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and operating companies, across 24 countries. Two countries, being the USA and Germany, account for a significant portion of the Group's results. We accordingly focused our work on four (one of which is financially significant) of the reporting units in these countries, which were subject to audits of their complete financial information. In addition, to increase our coverage of the Group's revenue and underlying profit before tax, we performed full scope audit procedures on an additional 10 reporting units located in the UK, Italy, Malaysia, the Czech Republic, Austria, France and the Netherlands. These components accounted for 82% of the Group's revenue and 79% of the Group's underlying operating profit.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's financial statements as a whole. During the audit, senior members of the Group team held a number of meetings with all the component teams and reviewed the work performed by these teams over those areas of higher audit risk. The Group audit partner also visited the USA and the Netherlands as part of the audit planning and completion processes.

At the Group level, we also carried out analytical procedures on selected components not covered by the procedures described above. The Group engagement team also performed audit procedures over the consolidation process.

Synthomer plc (the 'Company') was in full scope and the audit procedures over the Company's transactions and balances were performed by the Group audit team. The Company's material financial statement line items which were in scope for the Group audit are other intangible assets, cash and cash equivalents, borrowings and other payables. The Company is also audited on a standalone basis, and hence testing has been performed on all material financial statement line items included in the Company standalone financial statements.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand the process management has adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the Task Force on Climate-related Financial Disclosures (TCFD) report. In addition to enquiries with management, we also read the governance processes in place to assess climate risk. We challenged the completeness of management's climate risk assessment by reading the Group's website/communications for details of climate-related impacts. Management have made commitments to achieve net zero carbon emissions by 2050, and with Vision 2030 they are working on their pathway towards this. Management considers the impact of climate risk does not give rise to a potential material financial statement impact. Using our knowledge of the business, we evaluated management's risk assessment and its estimates as set out in note 2 of the financial statements and resulting disclosures where significant. We considered impairment of non-current assets, especially impairment of goodwill and intangible assets, as the area to potentially be materially affected by climate risk, and consequently we focused our audit work in this area. To respond to the audit risks identified in this area, we tailored our audit approach to address these. In particular, we challenged management on how the impact of climate commitments made by the Group would affect the assumptions within the discounted cash flows prepared by management that are used in the Group's impairment analysis. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the TCFD section) within the Annual Report with the financial statements and our knowledge obtained from our audit. Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2023.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£9,105,000 (2022: £11,743,000).	£8,194,000 (2022: £10,568,000).
How we determined it	Approximately 5% of three-year weighted average of underlying profit before taxation (2022: approximately 5% of three-year weighted average of underlying profit before taxation).	1% of total assets capped at 90% of Group materiality.
Rationale for benchmark applied	We believe that underlying profit before taxation, being profit before tax adjusted for Special Items, is a key metric for investors and is used by the Board in measuring the Group's financial performance.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the Company, and is a generally accepted benchmark. The value is capped for the purpose of the Group audit with reference to Group materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £700,000 to £6,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example, in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £6,828,750 (2022: £8,807,000) for the Group financial statements and £6,145,000 (2022: £7,926,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk, and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £455,000 (Group audit) (2022: £587,000) and £409,000 (Company audit) (2022: £528,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed the Directors' going concern paper and model supporting their going concern assumption. We discussed with management the assumptions applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business. We tested the model's mathematical accuracy and considered the reasonableness of the revenue and cost assumptions made, and the available headroom throughout a period of at least 12 months from the date of approval of the financial statements;
- We reviewed management's sensitivity scenarios including their severe but plausible downside. We considered potential mitigating actions available to the Group that are achievable and within management's control. We then assessed the availability of liquid resources under the different scenarios prepared by management and the associated covenant tests applicable;
- We also assessed additional downside sensitivities and considered the impact on covenants and liquidity headroom; and
- We reviewed the Group's post year end performance, including the January 2024 CFO report, and noted that the Group's performance in January 2024 was significantly ahead of budget.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company, and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' remuneration

In our opinion, the part of the annual report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement and other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit, and only consisted of making enquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental, health and safety and competition regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Listing Rules, UK tax legislation and equivalent local laws and legislations applicable to material component teams. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud. This included review of Board minutes, internal audit reports and the report from the whistleblowing hotline;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of goodwill, going concern and viability, and the valuation of defined benefit scheme liabilities; and
- Identifying and testing journal entries, in particular, any journal entries posted with unusual account combinations (for example, credit to revenue with a debit entry to an unexpected account).

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data-auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our previous consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- The Company financial statements and the part of the annual report on remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 12 July 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 31 December 2012 to 31 December 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Watford
12 March 2024

Consolidated income statement

for the year ended 31 December 2023

	Note	2023 Underlying performance £m	2023 Special items £m	2023 IFRS £m	2022 Underlying performance £m	2022 Special items £m	2022 IFRS £m
Continuing operations							
Revenue	5	**1,970.9**	**–**	**1,970.9**	2,332.3	–	2,332.3
Company and subsidiaries operating profit before Special Items		**36.3**	**–**	**36.3**	167.8	–	167.8
Amortisation of acquired intangibles	4	**–**	**(49.3)**	**(49.3)**	–	(44.8)	(44.8)
Restructuring and site closure costs	4	**–**	**(14.7)**	**(14.7)**	–	(19.2)	(19.2)
Acquisition costs and related losses	4	**–**	**(2.0)**	**(2.0)**	–	(6.5)	(6.5)
Sale of business	4	**–**	**(0.3)**	**(0.3)**	–	(0.3)	(0.3)
Regulatory fine	4	**–**	**(0.7)**	**(0.7)**	–	21.5	21.5
Abortive bond costs	4	**–**	**(0.5)**	**(0.5)**	–	–	–
Impairment charge	4	**–**	**(5.6)**	**(5.6)**	–	(133.7)	(133.7)
Company and subsidiaries operating profit/(loss)		**36.3**	**(73.1)**	**(36.8)**	167.8	(183.0)	(15.2)
Share of joint ventures	18	**1.4**	**–**	**1.4**	1.7	–	1.7
Operating profit/(loss)	6	**37.7**	**(73.1)**	**(35.4)**	169.5	(183.0)	(13.5)
Interest payable	9	**(70.6)**	**–**	**(70.6)**	(44.8)	–	(44.8)
Interest receivable	9	**10.2**	**–**	**10.2**	1.6	–	1.6
Fair value (loss)/gain on unhedged interest derivatives	4	**–**	**(1.8)**	**(1.8)**	–	25.1	25.1
Loss on extinguishment of financing facilities	4	**–**	**(4.7)**	**(4.7)**	–	–	–
Net interest expense on defined benefit obligations	9	**(2.7)**	**–**	**(2.7)**	(1.2)	–	(1.2)
Interest element of lease payments	9	**(1.8)**	**–**	**(1.8)**	(1.4)	–	(1.4)
Finance costs		**(64.9)**	**(6.5)**	**(71.4)**	(45.8)	25.1	(20.7)
(Loss)/profit before taxation		**(27.2)**	**(79.6)**	**(106.8)**	123.7	(157.9)	(34.2)
Taxation	10	**1.7**	**2.8**	**4.5**	(27.6)	42.9	15.3
(Loss)/profit for the year from continuing operations		**(25.5)**	**(76.8)**	**(102.3)**	96.1	(115.0)	(18.9)
(Loss)/profit for the year from discontinuing operations attributable to equity holders of the parent	30	**(4.1)**	**39.6**	**35.5**	0.8	(14.9)	(14.1)
(Loss)/profit for the year		**(29.6)**	**(37.2)**	**(66.8)**	96.9	(129.9)	(33.0)
Profit/(loss) attributable to non-controlling interests		**0.4**	**(0.2)**	**0.2**	0.5	(1.0)	(0.5)
(Loss)/profit attributable to equity holders of the parent		**(30.0)**	**(37.0)**	**(67.0)**	96.4	(128.9)	(32.5)
		(29.6)	**(37.2)**	**(66.8)**	96.9	(129.9)	(33.0)
Earnings per share							
– Basic from continuing operations	13	**(30.3)p**	**(89.7)p**	**(120.0)p**	150.7p	(179.7)p	(29.0)p
– Diluted from continuing operations	13	**(30.3)p**	**(89.7)p**	**(120.0)p**	150.7p	(179.7)p	(29.0)p
– Basic	13	**(35.1)p**	**(43.4)p**	**(78.5)p**	152.0p	(203.2)p	(51.2)p
– Diluted	13	**(35.1)p**	**(43.4)p**	**(78.5)p**	152.0p	(203.2)p	(51.2)p

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Note	2023 Equity holders of the parent £m	2023 Non-controlling interests £m	2023 Total £m	2022 Equity holders of the parent £m	2022 Non-controlling interests £m	2022 Total £m
(Loss)/profit for the year		**(67.0)**	**0.2**	**(66.8)**	(32.5)	(0.5)	(33.0)
Actuarial gains	26	**2.9**	**–**	**2.9**	34.1	–	34.1
Tax relating to components of other comprehensive income	10	**(1.0)**	**–**	**(1.0)**	(11.6)	–	(11.6)
Total items that will not be reclassified to profit or loss		**1.9**	**–**	**1.9**	22.5	–	22.5
Exchange differences on translation of foreign operations		**(58.3)**	**(0.8)**	**(59.1)**	95.9	0.8	96.7
Exchange differences recycled on sale of business		**(0.5)**	**–**	**(0.5)**	–	–	–
Fair value (loss)/gain on hedged interest derivatives		**(7.7)**	**–**	**(7.7)**	9.7	–	9.7
Gains on net investment hedges taken to equity		**1.0**	**–**	**1.0**	2.4	–	2.4
Total items that may be reclassified subsequently to profit or loss		**(65.5)**	**(0.8)**	**(66.3)**	108.0	0.8	108.8
Total other comprehensive (expense)/income for the year		**(63.6)**	**(0.8)**	**(64.4)**	130.5	0.8	131.3
Total comprehensive (expense)/income for the year		**(130.6)**	**(0.6)**	**(131.2)**	98.0	0.3	98.3

All items of other comprehensive income/(expense) relates to continuing operations.

Consolidated statement of changes in equity

for the year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging & translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2023		**46.7**	**620.0**	**0.9**	**75.9**	**273.5**	**1,017.0**	**14.0**	**1,031.0**
(Loss)/profit for the year		**–**	**–**	**–**	**–**	**(67.0)**	**(67.0)**	**0.2**	**(66.8)**
Other comprehensive (expense)/income for the year		**–**	**–**	**–**	**(65.5)**	**1.9**	**(63.6)**	**(0.8)**	**(64.4)**
Total comprehensive (expense) for the year		**–**	**–**	**–**	**(65.5)**	**(65.1)**	**(130.6)**	**(0.6)**	**(131.2)**
Share consolidation	27	**(46.5)**	**46.5**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of shares	27	**1.4**	**259.4**	**–**	**–**	**–**	**260.8**	**–**	**260.8**
Share-based payments		**–**	**–**	**–**	**–**	**1.4**	**1.4**	**–**	**1.4**
At 31 December 2023		**1.6**	**925.9**	**0.9**	**10.4**	**209.8**	**1,148.6**	**13.4**	**1,162.0**

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging & translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total equity £m
At 1 January 2022		46.7	620.0	0.9	(32.1)	383.8	1,019.3	13.7	1,033.0
Loss for the year		–	–	–	–	(32.5)	(32.5)	(0.5)	(33.0)
Other comprehensive income for the year		–	–	–	108.0	22.5	130.5	0.8	131.3
Total comprehensive income for the year		–	–	–	108.0	(10.0)	98.0	0.3	98.3
Dividends	12	–	–	–	–	(99.5)	(99.5)	–	(99.5)
Share-based payments		–	–	–	–	(0.8)	(0.8)	–	(0.8)
At 31 December 2022		46.7	620.0	0.9	75.9	273.5	1,017.0	14.0	1,031.0

Consolidated balance sheet

as at 31 December 2023

	Note	2023 £m	2022 £m
Non-current assets			
Goodwill	14	**465.7**	480.8
Acquired intangible assets	15	**452.5**	523.6
Other intangible assets	16	**71.1**	60.9
Property, plant and equipment	17	**705.7**	753.6
Deferred tax assets	11	**36.8**	50.3
Defined benefit asset	26	**16.5**	5.9
Investment in joint ventures	18	**7.5**	8.1
Total non-current assets		**1,755.8**	1,883.2
Current assets			
Inventories	19	**344.1**	407.9
Trade and other receivables	20	**213.0**	271.6
Current tax assets	10	**8.8**	34.3
Cash and cash equivalents	21	**371.3**	227.7
Derivative financial instruments	22	**12.2**	26.7
Assets classified as held for sale	30	**1.5**	196.2
Total current assets		**950.9**	1,164.4
Total assets		**2,706.7**	3,047.6
Current liabilities			
Borrowings	21	**(0.7)**	(18.5)
Trade and other payables	24	**(431.3)**	(460.8)
Lease liabilities	23	**(13.8)**	(10.6)
Current tax liabilities	10	**(28.0)**	(33.6)
Provisions for other liabilities and charges	25	**(11.9)**	(13.7)
Derivative financial instruments	22	**(2.4)**	–
Liabilities classified as held for sale	30	**–**	(45.5)
Total current liabilities		**(488.1)**	(582.7)

Consolidated balance sheet
continued

	Note	2023 £m	2022 £m
Non-current liabilities			
Borrowings	21	**(870.3)**	(1,234.1)
Trade and other payables	24	**(0.2)**	(0.4)
Lease liabilities	23	**(41.5)**	(34.9)
Deferred tax liabilities	11	**(33.8)**	(44.9)
Retirement benefit obligations	26	**(81.2)**	(79.3)
Provisions for other liabilities and charges	25	**(29.6)**	(40.3)
Total non-current liabilities		**(1,056.6)**	(1,433.9)
Total liabilities		**(1,544.7)**	(2,016.6)
Net assets		**1,162.0**	1,031.0
Equity			
Share capital	27	**1.6**	46.7
Share premium	27	**925.9**	620.0
Capital redemption reserve		**0.9**	0.9
Hedging and translation reserve	27	**10.4**	75.9
Retained earnings	27	**209.8**	273.5
Equity attributable to equity owners of the parent		**1,148.6**	1,017.0
Non-controlling interests		**13.4**	14.0
Total equity		**1,162.0**	1,031.0

Property, plant and equipment include right of use assets. See note 17 for further details.

The financial statements on pages 129 to 182 were approved by the Board of Directors and authorised for issue on 12 March 2024. They are signed on its behalf by:

M Willome
Director

L Liu
Director

Consolidated cash flow statement

for the year ended 31 December 2023

	Note	2023 £m	2023 £m	2022 £m	2022 £m
Operating					
Cash generated from operations	28		**195.0**		237.7
– Interest received		**10.2**		1.6	
– Interest paid		**(62.7)**		(38.4)	
– Interest element of lease payments		**(1.8)**		(1.4)	
Net interest paid			**(54.3)**		(38.2)
– UK corporation tax paid		**(2.9)**		–	
– Overseas corporate tax received/(paid)		**12.2**		(65.6)	
Total tax received/(paid)			**9.3**		(65.6)
Net cash inflow from operating activities			**150.0**		133.9
Investing					
Dividends received from joint ventures	18		**1.9**		1.9
Purchase of property, plant and equipment and intangible assets	16,17		**(84.0)**		(90.8)
Acquisition of adhesive resins business			**(18.4)**		(759.6)
Proceeds from sale of business	30		**208.2**		0.3
Net cash inflow/(outflow) from investing activities			**107.7**		(848.2)
Financing					
Dividends paid	12		**–**		(99.5)
Dividends paid to non-controlling interests			**–**		–
Proceeds on issue of shares	27		**265.5**		–
Settlement of equity-settled share-based payments			**(0.4)**		(1.5)
Repayment of principal portion of lease liabilities			**(12.4)**		(10.1)
Repayment of borrowings			**(892.0)**		(207.6)
Proceeds of borrowings			**548.4**		733.2
Net cash (outflow)/inflow from financing activities			**(90.9)**		414.5
Increase/(decrease) in cash, cash equivalents and bank overdrafts during the period			**166.8**		(299.8)
Cash and cash equivalents and bank overdrafts at 1 January	21		**209.2**		505.3
Foreign exchange (loss)/gain	21		**(5.4)**		3.7
Cash, cash equivalents and bank overdrafts at 31 December	21		**370.6**		209.2

See note 30 for further details of cash flows from discontinued operations.

Reconciliation of net cash flow from operating activities to movement in net debt

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Net cash inflow from operating activities		**150.0**	133.9
Add: dividends received from joint ventures	18	**1.9**	1.9
Less: net capital expenditure		**(84.0)**	(90.8)
Less: Acquisition of adhesive resins business		**(18.4)**	(759.6)
Add: proceeds from sale of business		**208.2**	0.3
		257.7	(714.3)
Ordinary dividends paid	12	**–**	(99.5)
Issue of shares	27	**265.5**	–
Dividends paid to non-controlling interests		**–**	–
Settlement of equity-settled share-based payments		**(0.4)**	(1.5)
Repayment for principal portion of lease liabilities		**(12.4)**	(10.1)
Foreign exchange and other movements	21	**14.8**	(85.3)
Decrease/(increase) in net debt		**525.2**	(910.7)

Notes to the consolidated financial statements

for the year ended 31 December 2023

1 General information

Synthomer plc (the 'Company') is a public limited company limited by shares and incorporated and domiciled in the United Kingdom and registered in England under the Companies Act. The address of the registered office is given on page 203. The Company is listed on the London Stock Exchange.

The principal activities of the Company and its subsidiaries (the 'Group') and the nature of the Group's operations are set out in the Strategic report.

The consolidated financial statements are prepared in pounds sterling, the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 2.

2 Significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The financial statements have been prepared on a going concern basis and under the historical cost basis, except for defined benefit assets and the revaluation of financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The principal accounting policies adopted and applied in the preparation of these financial statements consistently in all the years presented are set out below.

Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty, particularly over the level of demand for the Group's products. The Group's forecasts and projections take account of reasonably possible changes in trading performance and a severe but plausible downside scenario has been prepared, linked to our principal risks. Various mitigating actions have been identified so that, should such a scenario crystallise, the Group could take action quickly to significantly reduce costs and cash outflows as demonstrated during the course of the COVID-19 pandemic in 2020.

The severe but plausible downside scenario, offset by mitigation actions as required, does not threaten the Group's ability to operate within the level of its current facilities. Having assessed the principal risks and the other matters discussed in connection with the viability statement (see page 60), the Directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the Group's borrowings is given in note 21.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the Investee
- Has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins from the date the Company obtains control and ceases from the date the Company loses control. Where necessary on obtaining control, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Subsequent to the date on which the Company obtains control, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes
- Liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during a measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

A measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

If a business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Goodwill

Goodwill is measured as the excess of the consideration transferred over the Group's interest in acquisition-date identifiable assets acquired less liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGU) expected to benefit from the synergies of the combination. CGUs are defined as our reportable segments: Coatings & Construction Solutions, Adhesive Solutions, and Health & Protection and Performance Materials.

CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Goodwill written off to reserves under UK GAAP before 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Joint ventures

Joint ventures are accounted for using the equity method of accounting. Under the equity method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Revenue

General

Synthomer manufactures and sells mainly water-based polymers across a diverse range of end-use applications. Our products are predominantly sold in liquid form, in bulk containers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer when performance obligations are satisfied. Revenue is recognised at the point in time when control of the product is transferred from Synthomer to the customer.

The customer is deemed to obtain control of the resultant asset in line with the International Commercial Terms under which it is sold. The significant majority of Synthomer's products are sold under Carriage Paid To (CPT) and Carriage and Insurance Paid (CIP) International Commercial Terms. Under these terms, control of the product is transferred when the goods reach their destination. At this point, the risks of obsolescence and loss have been transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the product. A receivable is recognised at this point in time as consideration is unconditional and only the passage of time is required before payment is due.

2 Significant accounting policies continued

Rebates

Synthomer may grant customers rebates if the goods purchased by the customer exceed a contractually defined threshold within the specified period. Rebates are usually deducted from the amounts payable by the customer. Depending on the terms of the underlying contract, Synthomer uses either the expected value or the most likely amount to estimate the variable consideration for expected future rebates. Historical, current and forecast information is considered when calculating rebates.

The majority of rebate programmes are aligned with the Group's financial year end, providing certainty around how much should be recognised in the financial statements.

Other

The Group does not have any contracts where the period between the transfer of promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group applies the practical expedient in IFRS 15 and does not adjust any of the transaction prices for the time value of money.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under 'hedge accounting')
- Exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's non-sterling operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities.

Operating profit and loss

Operating profit and loss represents profit and loss from continuing activities before financing costs and taxation.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Global Minimum Top-up Tax

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure (see Note 10).

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The lease term is determined from the commencement date of the contract and covers the non-cancellable term. If considered reasonably certain, extension or termination options are included in the lease term.

At the commencement date, a lease liability is recognised, measured at the present value of the future lease payments and discounted using the Group's incremental borrowing rate. Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

At the commencement date, a right of use asset is recognised, measured at an amount equal to the lease liability plus any lease payments made before the commencement date and any initial direct costs, less any lease incentive payments. An estimate of costs to be incurred in restoring an asset, in accordance with the terms of the lease, is also included in the right of use asset at initial recognition. Subsequently, right of use assets are measured in accordance with the accounting policy for property, plant and equipment and are depreciated over the shorter period of lease term and the useful life of the underlying asset. Any adjustments to the corresponding lease liability are reflected in the corresponding right of use asset.

Short-term leases and low value leases are not recognised as lease liabilities and right of use assets, but are recognised as an expense straight-line over the lease term.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss. Cost comprises original purchase price and the costs attributable to bringing the asset to its working condition for its intended use, including, where appropriate, capitalised finance costs.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	• 50 years
Leasehold land and buildings	• The lesser of 50 years and the period of the lease
Plant and equipment	• Between 3 and 20 years

Assets in the course of construction are carried at cost, less any recognised impairment loss. Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of those assets. Depreciation of these assets commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2 Significant accounting policies continued

Acquired intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date, which is regarded as their cost. Where necessary, the fair value of assets at acquisition and their estimated useful lives are based on independent valuation reports.

Acquired intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over estimated useful lives, on the following bases:

Customer relationships	• Between 5 and 20 years
Other intangibles	• Up to 20 years

Assets with an indefinite life are not subject to amortisation.

Acquired intangible assets are derecognised on reaching the end of their useful lives.

Other intangible assets

Other intangible assets that are not acquired through a business combination are initially measured at cost and amortised on a straight-line basis over their estimated useful lives of up to 10 years.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if all of the following conditions have been demonstrated:

- The technical feasibility of completing the asset
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the asset once development has been completed
- The probability that the asset created will generate future economic benefits
- The availability of adequate technical, financial and other resources to complete the development
- The asset created can be separately identified and the development cost can be measured reliably.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in previous years. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where they exist.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial instruments in the following categories:

- Financial assets and liabilities at amortised cost (AC)

- Financial assets and liabilities at fair value through profit and loss (FVTPL)
- Financial assets and liabilities at fair value through other comprehensive income (FVTOCI).

Financial assets and liabilities are initially measured at fair value including, where permitted, any directly attributable transaction costs.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

Financial assets and liabilities measured at amortised cost
Financial assets measured at amortised cost include cash and cash equivalents and trade and other receivables. Cash and cash equivalents comprise cash held in bank accounts with no access restrictions, and bank term deposits repayable on demand or maturing within three months of inception.

At each reporting date, the Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Group applies either the general approach or the simplified approach, depending on the nature of the underlying class of financial assets:

- Under the general approach, the Group recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses
- The simplified approach is applied to the impairment assessment of trade and other receivables. Under this approach, the Group recognises expected lifetime losses on initial recognition.

Financial liabilities measured at amortised cost include trade and other payables, lease liabilities and borrowings. Borrowings are measured at amortised cost unless they form part of a fair value hedge relationship. The difference between the initial carrying amount of borrowings and the redemption value is recognised in the income statement over the contractual terms using the effective interest rate method.

Financial assets and liabilities held at fair value
Financial assets and liabilities are measured at fair value through profit or loss when they do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

Financial assets and liabilities at FVTPL are measured at fair value at the end of each reporting period with fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see below).

Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are set out in note 22.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Hedge accounting
To mitigate foreign currency and interest rate risk, the Group designates certain derivatives as hedging instruments in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk.

On adoption of IFRS 9, the Group elected to continue to apply the hedge accounting requirements of IAS 39 as permitted by the standard.

Fair value hedges
The Group only applies fair value hedge accounting for foreign currency risk.

The fair value change on qualifying hedging instruments is recognised in the income statement and is recognised in the same line as the hedged item.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge.

Gains or losses relating to an ineffective portion are recognised immediately in the income statement.

2 Significant accounting policies continued

Cash flow hedges continued
Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified in the income statement in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated at that time in equity is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognised immediately in profit or loss.

Hedges of net investment in foreign operations
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Retirement benefit costs
Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are treated as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

For defined benefit schemes, the cost of providing benefits is calculated using the projected unit credit method, with actuarial valuations carried out at the end of each reporting period.

Defined benefit costs are split into three categories, namely:

- Service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements
- Net interest expense
- Remeasurements.

The Group presents service costs within cost of sales and administrative expenses.

Past service cost is recognised when the plan amendment or curtailment occurs.

Net interest expense is recognised within finance costs and is calculated by applying a discount rate to the net defined benefit liability.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of other comprehensive income in the period in which they occur and are not subsequently reclassified to profit and loss.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Share-based payments
The Group issues equity-settled share-based payments to certain employees. These are measured at the fair value of the equity instruments at grant date. The fair value excludes the effect of non-market-based vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. The Group will on occasion, at its own discretion, settle these share-based payments in cash rather than equity.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Alternative Performance Measures

The Group has consistently used two significant Alternative Performance Measures (APMs) since its adoption of IFRS in 2005:

- Underlying performance, which excludes Special Items from IFRS profit measures
- EBITDA, which excludes Special Items, amortisation and depreciation from IFRS operating profit.

The Board's view is that Underlying performance provides additional clarity for the Group's investors and so it is the primary focus of the Group's narrative reporting. It is not intended to be a superior measure to IFRS, however, these measures are used internally to manage the business. Further information and the reconciliation to the IFRS measures are included in notes 4 and 5.

Critical accounting judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision, and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The assumptions for each estimate are set out in the relevant note referenced below.

- Defined benefit obligation (note 26): calculation of the Group's defined benefit obligation includes a number of assumptions which affect the carrying value of the obligation.
- Impairment of goodwill and intangible assets: as part of impairment testing, the Group is required to estimate the recoverable amount of CGUs by estimating future cash flows. The assumptions involved in estimating the recoverable amount include future growth rates and the discount rates used. Changing the assumptions selected by management could significantly affect the amount of any impairment.
- Current tax liability and deferred tax (notes 10 and 11): The Group annually incurs significant amounts of income taxes payable to various jurisdictions around the world, and it also recognises significant changes in deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions.

Critical judgements in applying the Group's accounting policies

Debt factoring

During the year, the Group maintained agreements under which amounts receivable from customers can be sold to a third party on a non-recourse basis. These receivables are derecognised at the point of sale which is shortly after the initial recognition of the receivable balance. This derecognition generated a net cash inflow of £28.6m for the year ended 31 December 2023 (2022: £82.7m) and a net reduction in receivables of £110.6m as at 31 December 2023 (2022: £82.7m).

In accordance with IFRS 9, the Group has determined that substantially all the risks and rewards of ownerships of these receivables have been transferred to the third parties under the facilities, resulting in derecognition of the customer receivables.

IFRS 7 provides further guidance on disclosure requirements where there is continued involvement in the derecognised financial assets. The Group has determined that an asset should be recognised in respect of deferred purchase price reserve, which represents a portion of the original receivable. This reserve is subsequently paid by the counterparties to the agreements, whether the customer pays the receivable in full or not. Further disclosures in relation to this receivable can be found in note 22.

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilised, based on management's assumptions relating to future taxable profits. Determination of future taxable profits requires application of judgement and estimates, including: market share, expected changes to selling prices, product profitability, precious metal prices and other direct input costs, based on management's expectations of future changes in the markets using external sources of information where appropriate. The estimates take account of the inherent uncertainties, constraining the expected level of profit as appropriate. Changes in these estimates will affect future profits and therefore the recoverability of the deferred tax assets.

There are no other critical judgements, apart from those involving estimations (which are discussed above), that the Directors have made in the process of applying the Group's accounting policies.

3 Adoption of new and revised standards

The group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

3 Adoption of new and revised standards continued

There are a number of amendments and clarifications to IFRS, effective in future years, which have not been early adopted by the Group. These standards, amendments or clarifications are not expected to significantly affect the Group's consolidated results or financial position in the current or future periods.

4 Special items

IFRS and Underlying performance

The IFRS profit measures show the performance of the Group as a whole and as such include all sources of income and expense, including both one-off items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of the Group's businesses, management uses 'Underlying' performance as an Alternative Performance Measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

Special Items

Special Items are disclosed separately in order to provide a clearer indication of the Group's Underlying performance.

Special Items are either irregular – and therefore including them in the assessment of a segment's performance would lead to a distortion of trends – or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of a segment in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

The following are consistently disclosed separately as Special Items in order to provide a clearer indication of the Group's Underlying performance:

- Restructuring and site closure costs
- Sale of business or significant asset
- Acquisition costs
- Amortisation of acquired intangible assets
- Impairment of non-current assets
- Fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied
- Items of income and expense that are considered material, either by their size and/or nature
- Tax impact of above items
- Settlement of prior period tax issues.

Special Items comprise:

	Note	2023 £m	2022 £m
Amortisation of acquired intangibles	15	**(49.3)**	(44.8)
Restructuring and site closure costs		**(14.7)**	(19.2)
Impairment charge		**(5.6)**	(133.7)
Acquisition costs and related losses		**(2.0)**	(6.5)
Sale of business		**(0.3)**	(0.3)
Regulatory fine		**(0.7)**	21.5
Abortive bond costs		**(0.5)**	–
Total impact on operating loss		**(73.1)**	(183.0)
Finance costs			
Fair value (loss)/gain on unhedged interest derivatives	9	**(1.8)**	25.1
Loss on extinguishment of financing facilities	9	**(4.7)**	–
Total impact on loss before taxation		**(79.6)**	(157.9)
Taxation Special items	10	**(1.7)**	3.6
Taxation on Special items	10	**4.5**	39.3
Total impact on loss for the year – continuing operations		**(76.8)**	(115.0)
Discontinued Operations			
Amortisation of acquired intangibles		**–**	(6.1)
Restructuring and site closure costs		**(3.7)**	(0.3)
Sale of business		**61.5**	(8.3)
Impairment charge		**(0.8)**	–
Taxation on Special Items		**(17.4)**	(0.2)
Total impact on profit/(loss) for the year – discontinued operations		**39.6**	(14.9)
Total impact on loss for the year		**(37.2)**	(129.9)

Amortisation of acquired intangibles is the amortisation on the customer lists, patents, trademarks and trade secrets arising on past acquisitions. The fair value of the intangible assets arising on past acquisitions are being amortised over periods of 5-20 years mainly dependent on the characteristics of the customer relationships.

Within continuing operations, Restructuring and site closure costs in 2023 comprised:

- A £3.3m charge in relation to the ongoing integration of the acquired Adhesive Resins business into the Adhesive Solutions division
- £3.8m of costs in relation to the strategy change and alignment of the business into its new divisions effective from 2023
- £5.9m of costs for ongoing functional and site rationalisation in the USA and Europe, as a result of divisional realignment and the sale of the Laminates, Films and Coated Fabrics business
- A £1.7m charge in relation to demolition and site rationalisation activity in Malaysia.

Within discontinued operations, Restructuring and site closure costs of £3.3m were incurred due to the closure of the US paper and carpets business that was announced in September 2023.

Restructuring and site closure costs in 2022 included charges to integrate the Adhesive Resins business, site rationalisation costs in Malaysia and Europe, and costs in relation to the strategy change and alignment of the business into its new divisions.

Within continuing operations, a £5.6m impairment charge was provided on the mothballing of the nitrile butadiene latex (NDR) plant in Malaysia. Within discontinued operations, a £0.8m impairment charge was taken to discontinued items in the year, relating to lease impairments in the discontinued US paper and carpets business. The impairment charge in 2022 related to the acquired Adhesive Resins business.

Acquisition costs and related gains are for the acquisition of Eastman's Adhesive Resins business and include £1.9m of costs, related to obligations to the USA pension schemes. Acquisition costs in 2022 also related to the acquisition of Eastman's Adhesive Resins business.

Sale of business mainly related to the proceeds net of any costs, primarily professional fees, incurred in conjunction with the sale of the Laminates, Films and Coated Fabrics business to Surteco.

During 2018, the European Commission initiated an investigation into Styrene monomer purchasing practices of a number of companies, including Synthomer, operating in the European Economic Area. The Company has fully cooperated with the Commission throughout the investigation. In 2021, based on the information available and the resulting assessment of the expected outcome of the investigation a provision of £57.2m was made. In 2022, the Commission concluded its investigation, resulting in a fine of £38.5m. In 2023, interest of £0.7m on the settlement was due.

During the year, the Group commenced a process to issue fixed rate unsecured loan notes, the Group later decided to issue new shares in a rights issue and did not proceed with the issue of the loan notes. The costs of this process are not reflective of underlying performance.

In July 2018, the Group entered into swap arrangements to fix euro interest rates on the full value of the then €440m committed unsecured revolving credit facility. The fair value movement of the unhedged interest rate derivatives relates to the movement in the mark-to-market of the swap in excess of the Group's borrowings.

Continuing taxation Special Items related principally to the movement in foreign exchange on the uncertain tax provision in relation to a historical tax issue in Malaysia.

Continuing taxation on Special Items is mainly deferred tax credits arising on the amortisation of acquired intangibles and restructuring and site closure costs.

Discontinuing taxation on Special Items relates principally to the utilisation of the USA tax losses against the USA tax on the sale of the Laminates, Films and Coated Fabrics Business.

5 Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance.

As part of the strategy refresh announced in October 2022, the Group has changed the way it does business to be closer to consumers, more embedded in customers' markets, and better able to deliver the sustainable innovations that will drive success. As of 1 January 2023, the Group now has three new, market-focused divisions with strong commercial positions and global reach.

The Group's reportable segments are as follows:

Coatings & Construction Solutions

Our specialist polymers enhance the sustainable performance of a wide range of coatings and construction products. We work across architectural and masonry coatings, mortar modification, waterproofing and flooring, fibre bonding, and energy solutions.

Adhesive Solutions

Our adhesive solutions bond, modify and compatibilise surfaces and components for products including tapes and labels, packaging, hygiene, tyres and plastic modification, helping improve permeability, strength, elasticity, damping, dispersion and grip.

5 Segmental analysis continued

Health & Protection and Performance Materials

We help enhance protection and performance in a wide range of industries including medical glove manufacture, speciality paper, food packaging, carpet and artificial turf, gel foam elastomers, and vinyl-coated seating fabrics.

The Group's Executive Committee is the chief operating decision maker and primarily uses a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments. No information is provided to the Group's Executive Committee at the segment level concerning interest income, interest expense, income tax or other material non-cash items.

No single customer accounts for more than 10% of the Group's revenue.

A segmental analysis of Underlying performance and Special Items is shown below.

	Continuing Operations					Discontinued Operations	
2023	**Coatings & Construction Solutions £m**	**Adhesive Solutions £m**	**Health & Protection and Performance Materials £m**	**Corporate £m**	**Total £m**	**Health & Protection and Performance Materials £m**	**Total £m**
Revenue							
Total revenue	**815.5**	**581.7**	**584.3**	**–**	**1,981.5**	**50.3**	**2,031.8**
Inter-segmental revenue	**–**	**–**	**(10.6)**	**–**	**(10.6)**	**–**	**(10.6)**
	815.5	**581.7**	**573.7**	**–**	**1,970.9**	**50.3**	**2,021.2**
EBITDA	**100.1**	**31.2**	**31.0**	**(20.2)**	**142.1**	**(3.0)**	**139.1**
Depreciation and amortisation	**(26.8)**	**(38.7)**	**(31.7)**	**(7.2)**	**(104.4)**	**(0.9)**	**(105.3)**
Operating profit/(loss) before Special Items	**73.3**	**(7.5)**	**(0.7)**	**(27.4)**	**37.7**	**(3.9)**	**33.8**
Special Items	**(32.2)**	**(25.2)**	**(9.5)**	**(6.2)**	**(73.1)**	**57.0**	**(16.1)**
Operating profit/(loss)	**41.1**	**(32.7)**	**(10.2)**	**(33.6)**	**(35.4)**	**53.1**	**17.7**
Finance costs							**(71.4)**
Loss before taxation							**(53.7)**

	Continuing Operations					Discontinued Operations	
2022	Coatings & Construction Solutions £m	Adhesive Solutions £m	Health & Protection and Performance Materials £m	Corporate £m	Total £m	Health & Protection and Performance Materials £m	Total £m
Revenue							
Total revenue	996.1	572.9	779.7	–	2,348.7	252.8	2,601.5
Inter-segmental revenue	–	–	(16.4)	–	(16.4)	–	(16.4)
	996.1	572.9	763.3	–	2,332.3	252.8	2,585.1
EBITDA	120.8	67.2	86.5	(20.7)	253.8	11.3	265.1
Depreciation and amortisation	(26.7)	(22.7)	(28.9)	(6.0)	(84.3)	(9.6)	(93.9)
Operating profit/(loss) before Special Items	94.1	44.5	57.6	(26.7)	169.5	1.7	171.2
Special Items	(31.3)	(170.6)	(3.4)	22.3	(183.0)	(14.7)	(197.7)
Operating profit/(loss)	62.8	(126.1)	54.2	(4.4)	(13.5)	(13.0)	(26.5)
Finance costs							(21.1)
Profit before taxation							(47.6)

5 Segmental analysis continued

Geographical information

The Group's revenue from external customers and its non-current assets (excluding deferred tax and the defined benefit asset) by geographical location are detailed below:

	Revenue by destination		Non-current assets	
	2023 £m	2022 £m	**2023 £m**	2022 £m
UK	**97.1**	106.0	**191.6**	187.5
Germany	**259.9**	304.3	**174.7**	183.4
Italy	**94.0**	135.6	**34.6**	30.6
The Netherlands	**68.5**	76.6	**140.7**	140.4
France	**98.8**	111.9	**73.0**	100.1
Belgium	**49.8**	63.0	**57.9**	60.1
Spain	**77.6**	97.7	**6.0**	6.5
Other Europe	**261.1**	339.5	**90.4**	76.0
Malaysia	**117.6**	174.5	**154.5**	177.9
China	**110.7**	116.1	**23.7**	23.9
Other Asia	**122.4**	206.1	**4.2**	4.5
USA	**511.2**	693.6	**742.5**	827.7
Rest of World	**152.5**	160.2	**8.7**	9.3
	2,021.2	2,585.1	**1,702.5**	1,827.0

6 Operating profit/(loss) – continuing operations

	Note	**2023 £m**	2022 £m
Revenue		**1,970.9**	2,332.3
Cost of sales		**(1,663.6)**	(1,918.7)
Gross profit		**307.3**	413.6
Sales and marketing costs		**(74.5)**	(72.4)
Administrative expenses		**(92.1)**	(89.1)
Share of joint ventures	18	**1.4**	1.7
EBITDA		**142.1**	253.8
Depreciation and amortisation – Underlying performance		**(104.4)**	(84.3)
Operating profit – Underlying performance		**37.7**	169.5
Special items		**(73.1)**	(183.0)
Operating loss – IFRS		**(35.4)**	(13.5)

	Note	**2023 £m**	2022 £m
Operating loss is stated after charging/(crediting) the following:			
Amortisation of acquired intangibles	15	**49.3**	44.8
Amortisation of other intangibles	16	**8.8**	7.9
Depreciation of property, plant and equipment		**84.1**	67.3
Depreciation of right of use assets		**11.5**	9.1
Research and development expenditure		**34.0**	32.0
Net loss/(gain) on foreign exchange		**2.0**	(1.7)

7 Auditors' remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditors for:		
– Audit of the Company's annual financial statements and the consolidated annual financial statements	**637**	485
Fees payable to the Company's auditors and their associates for other services to the Group:		
– Audit of the Company's subsidiaries' annual financial statements	**1,893**	1,951
Total audit fees	**2,530**	2,436
Audit related assurance services	**51**	46
Other assurance services	**542**	213
Total non-audit fees	**593**	259

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditors were used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance report on page 93. No services were provided pursuant to contingent fee arrangements.

8 Staff costs

	2023 Number	2022 Number
The average monthly number of employees during the year by segment was:		
Coatings & Construction Solutions	**2,152**	2,180
Adhesive Solutions	**723**	670
Health & Protection and Performance Materials	**1,816**	2,311
Corporate	**47**	41
	4,738	5,202

	2023 £m	2022 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	**245.2**	266.1
Social security costs	**35.2**	35.3
Other pension costs	**15.8**	16.1
Share-based payments	**1.8**	0.7
	298.0	318.2

Directors' emoluments are disclosed in the Directors' remuneration report on pages 98 to 116.

9 Finance costs

	2023 £m	2022 £m
Interest payable on bank loans and overdrafts	**70.6**	44.8
Less: interest receivable	**(10.2)**	(1.6)
Net interest expense on defined benefit obligations	**2.7**	1.2
Interest element of lease payments	**1.8**	1.4
Underlying finance costs	**64.9**	45.8
Fair value loss/(gain) on unhedged interest derivatives	**1.8**	(25.1)
Loss on extinguishment of financing facilities	**4.7**	–
Total finance costs from continuing operations	**71.4**	20.7
Finance costs from discontinued operations	**–**	0.4
Total finance costs	**71.4**	21.1

10 Taxation

	2023 £m	2022 £m
Current tax		
UK corporation tax	**(0.1)**	1.3
Overseas taxation	**11.8**	21.5
	11.7	22.8
Deferred tax		
Origination and reversal of temporary differences	**(13.2)**	5.3
	(1.5)	28.1
Special items		
Current tax:		
Historical issues	**1.7**	–
Purchase and sale of business	**0.1**	(0.1)
Restructuring and site closure costs	**(1.9)**	(2.6)
Deferred tax:		
Sale of business	**17.0**	–
Restructuring and site closure costs	**0.6**	1.5
Amortisation of acquired intangibles	**(2.9)**	(7.5)
Impairment of goodwill	**–**	(30.0)
Acquired tax attributes	**–**	(0.4)
Prior year adjustment	**–**	(3.6)
	14.6	(42.7)
Total tax on (loss)/profit before taxation	**13.1**	(14.6)
Total tax from continuing operations	**(4.5)**	(15.3)
Total tax from discontinued operations	**17.6**	0.7

UK corporation tax is calculated at 23.5% (2022: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of tax expense to profit before taxation

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2023 £m	2022 £m
Loss before taxation	**(53.7)**	(47.6)
Tax on (loss)/profit before taxation (continuing operations) at standard UK corporation tax rate of 23.5% (2022: 19.0%)	**(12.6)**	(9.0)
Effects of:		
Expenses not deductible for tax purposes	**7.0**	5.3
Tax incentives and items not subject to tax	**(4.3)**	(4.2)
Higher tax rates on overseas earnings	**(0.5)**	(2.6)
Other deferred tax asset not recognised less amounts now recognised	**1.8**	0.2
Adjustments to tax charge in respect of prior periods	**(0.2)**	(2.8)
Effect of change of rate on deferred tax	**(0.9)**	(1.5)
Sale of business	**22.8**	–
Tax charge for year	**13.1**	(14.6)

Tax relating to components of other comprehensive income

	2023 £m	2022 £m
Current tax credit in respect of actuarial losses	**–**	0.3
Deferred tax charge in respect of actuarial movements	**(1.0)**	(11.9)
Total tax charge in respect of actuarial gains/losses	**(1.0)**	(11.6)

Current tax

	2023 £m	2022 £m
Current tax receivables	**8.8**	34.3
Current tax liabilities	**(28.0)**	(33.6)

Sale of business relates to the tax on the sale of the Laminates, Films and Coated Fabrics business.

10 Taxation continued

Global Minimum Top-up Tax

The group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the United Kingdom, the jurisdiction in which the parent company is incorporated, and will come into effect from 1 January 2024. Since Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in amendends to IAS 12 issued in May 2023.

Under the legislation, the group is liable to pay a top-up tax for the differrence between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. The Group does not expect to be subject to the top-up tax in the normal course of business.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted legislation is not yet reasonably estimable. Therefore even for those entities with an accounting effective tax rate above 15% in the normal course of business, there might still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist it with applying the legislation.

11 Deferred taxation

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities are shown below.

Deferred tax liabilities

2023	**Accelerated tax depreciation £m**	**Acquired intangibles £m**	**Sub-total £m**	**Right of offset £m**	**Total £m**
At 1 January	**(56.2)**	**(37.8)**	**(94.0)**	**49.1**	**(44.9)**
Purchase of business	**–**	**–**	**–**		
Reclassification to assets/liabilities classified as held for sale	**(0.1)**	**–**	**(0.1)**		
(Charged)/credited to income statement	**10.6**	**2.9**	**13.5**		
Exchange adjustment	**4.8**	**2.1**	**6.9**		
At 31 December	**(40.9)**	**(32.8)**	**(73.7)**	**39.9**	**(33.8)**

2022	£m	£m	£m	£m	£m
At 1 January	(33.2)	(73.5)	(106.7)	49.2	(57.5)
Purchase of business	0.7	(7.5)	(6.8)		
Reclassification to assets/liabilities classified as held for sale	7.0	11.1	18.1		
(Charged)/credited to income statement	(25.3)	37.5	12.2		
Exchange adjustment	(5.4)	(5.4)	(10.8)		
At 31 December	(56.2)	(37.8)	(94.0)	49.1	(44.9)

11 Deferred taxation continued

Deferred tax liability not recognised

No deferred tax liability has been recognised on temporary differences relating to unremitted earnings of overseas subsidiaries of £174.8m (2022: £117.4m), as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that the differences will reverse in the foreseeable future.

Deferred tax assets

2023	**Losses £m**	**Pension £m**	**Restructuring £m**	**Other £m**	**Sub-total £m**	**Right of offset £m**	**Total £m**
At 1 January	**62.6**	**8.0**	**9.8**	**19.0**	**99.4**	**(49.1)**	**50.3**
Purchase of business	**–**	**–**	**–**	**–**	**–**		
Reclassification to assets/liabilities classified as held for sale	**–**	**–**	**–**	**–**	**–**		
Credited/(charged) to income statement	**(23.0)**	**(1.2)**	**(0.6)**	**9.8**	**(15.0)**		
Charged to statement of other comprehensive income	**–**	**(1.0)**	**–**	**–**	**(1.0)**		
Transfers					**–**		
Exchange adjustment	**(2.5)**	**(0.4)**	**(0.1)**	**(3.6)**	**(6.6)**		
At 31 December	**37.1**	**5.4**	**9.1**	**25.2**	**76.8**	**(39.9)**	**36.8**

2022	£m	£m	£m	£m	£m	£m	£m
At 1 January	26.1	20.0	16.1	16.2	78.4	(49.2)	29.2
Purchase of business	–	–	–	3.7	3.7		
Reclassification to assets/liabilities classified as held for sale	–	–	–	(1.1)	(1.1)		
Credited/(charged) to income statement	29.3	(1.8)	(1.5)	(3.5)	22.5		
Charged to statement of other comprehensive income	–	(11.9)	–	–	(11.9)		
Transfers	4.4	–	(4.4)	–	–		
Exchange adjustment	2.8	1.7	(0.4)	3.7	7.8		
At 31 December	62.6	8.0	9.8	19.0	99.4	(49.1)	50.3

Tax losses not recognised

The amounts of tax losses for which no deferred tax asset has been recognised at the balance sheet dates are as follows:

	2023 £m	2022 £m
Tax losses	**89.0**	53.0
	89.0	53.0

All the unrecognised tax losses set out above can be carried forward indefinitely.

12 Dividends

	2023		2022	
	Pence per share	£m	Pence per share	£m
Interim dividend	–	–	–	–
Proposed final dividend	–	–	–	–
	–	–	–	–

As part of a covenant amendment process in October 2022, the Group suspended dividend payments, including the interim dividend of 4.0p announced in 2022 that was due to be paid in November 2022.

Dividends paid

	2023 £m	2022 £m
Interim dividend	–	–
Prior year final dividend	–	99.5
	–	99.5

13 Earnings per share

		2023			2022		
		Underlying performance	Special Items	IFRS	Underlying performance	Special Items	IFRS
Earnings							
(Loss)/profit attributable to equity holders of the parent – continuing operations	£m	(25.9)	(76.6)	(102.5)	95.6	(114.0)	(18.4)
(Loss)/profit attributable to equity holders of the parent	£m	(30.0)	(37.0)	(67.0)	96.4	(128.9)	(32.5)
Number of shares							
Weighted average number of ordinary shares – basic	'000			85,382			63,441
Effect of dilutive potential ordinary shares	'000			251			138
Weighted average number of ordinary shares – diluted	'000			85,633			63,579
Earnings per share for (loss)/profit from continuing operations							
Basic earnings per share	pence	(30.3)	(89.7)	(120.0)	150.7	(179.7)	(29.0)
Diluted earnings per share	pence	(30.3)	(89.7)	(120.0)	150.7	(179.7)	(29.0)
Earnings per share for (loss)/profit from discontinued operations							
Basic earnings per share	pence	(4.8)	46.3	41.5	1.3	(23.5)	(22.2)
Diluted earnings per share	pence	(4.8)	46.3	41.5	1.3	(23.5)	(22.2)
Earnings per share for (loss)/profit attributable to equity holders of the parent							
Basic earnings per share	pence	(35.1)	(43.4)	(78.5)	152.0	(203.2)	(51.2)
Diluted earnings per share	pence	(35.1)	(43.4)	(78.5)	152.0	(203.2)	(51.2)

The weighted average number of ordinary shares for the year to 31 December 2022, used in the calculation of earnings per share, have been adjusted for the 20 to 1 share consolidation which took place on 28 September 2023, and the bonus element (factor of 2.715) of the additional shares issued under the terms of the rights issue which completed on 13 October 2023.

14 Goodwill

	2023 £m	2022 £m
Cost		
At 1 January	**629.9**	502.4
Measurement period adjustment	**1.3**	–
Purchase of business	**–**	124.9
Transferred to assets held for sale	**–**	(43.5)
Exchange adjustments	**(22.8)**	46.1
At 31 December	**608.4**	629.9
Accumulated impairment losses		
At 1 January	**149.1**	15.4
Impairment charge	**–**	133.7
Exchange adjustments	**(6.4)**	–
At 31 December	**142.7**	149.1
Net book value		
At 31 December	**465.7**	480.8

14 Goodwill continued

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

The allocation of the carrying value of goodwill is represented below.

	Net book value at 1 January 2022 £m	Purchase of business £m	Transfer to asset held for sale £m	Impairment £m	Exchange adjustments £m	Net book value at 31 December 2022 £m	**Measurment period adjustment £m**	**Purchase of business £m**	**Transfer to asset held for sale £m**	**Impairment £m**	**Exchange adjustments £m**	**Net book value at 31 December 2023 £m**
Coatings & Construction Solutions	307.0	–	–	–	25.6	332.6	**–**	**–**	**–**	**–**	**(12.1)**	**320.5**
Adhesive Solutions	20.8	124.9	–	(133.7)	12.1	24.1	**1.3**	**–**	**–**	**–**	**(0.9)**	**24.5**
Health & Protection and Performance Materials	159.2	–	(43.5)	–	8.4	124.1	**–**	**–**	**–**	**–**	**(3.4)**	**120.7**
Total	487.0	124.9	(43.5)	(133.7)	46.1	480.8	**1.3**	**–**	**–**	**–**	**(16.4)**	**465.7**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts for CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rate, profitability and growth rate. These assumptions have been based on past experience and updated in the year in light of the current economic environment.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The discount rate is based on the Group's weighted average cost of capital adjusted. A pre-tax discount rate of 11.9% has been used in the above calculations for each CGU (2022: 11.4% for previous Performance Elastomers, Functional Solutions and Industial Specialities divisions, and 12.3% for previous Adhesive Technologies division).

The Group prepares cash flow forecasts for each CGU, derived from the most recent five-year business plans approved by the Board. The final year cash flow is then assumed to apply into perpetuity with estimated annual growth rates of 2.06 %, 1.9 % and 2.76% for Coatings & Construction Solutions, Adhesive Solutions and Health & Protection and Performance Materials respectively (2022: 3.1 %, 1.9 %. 2.0 % and 2.0 % for the previous Performance Elastomers, Functional Solutions and Industial Specialities and Adhesive Technologies divisions respectively). These rates do not exceed average long-term growth rates for relevant markets.

For each CGU, a sensitivity analysis has been undertaken on the impairment tests, with scenarios covering increased cost of capital, the effect of potential carbon taxes, reduced margins and reduction in customer demand. For each CGU, except for Adhesive Solutions, the Directors believe that there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU. For Adhesive Solutions, the primary sensitivities identified were the discount rate and the perpetuity growth rate. Every 0.25% decrease in perpetuity growth rate yields a decrease of c.£13m in recoverable amount. Every 0.1% increase in discount rate yields a decrease in recoverable amount of c.£7m.

15 Acquired intangible assets

	Customer relationships £m	Other acquired intangibles £m	Total £m
Cost			
At 1 January 2023	**525.6**	**117.4**	**643.0**
Derecognition of fully amortised assets	**(15.2)**	**(3.9)**	**(19.1)**
Exchange adjustments	**(22.4)**	**(4.9)**	**(27.3)**
At 31 December 2023	**488.0**	**108.6**	**596.6**
Accumulated amortisation			
At 1 January 2023	**108.9**	**10.5**	**119.4**
Amortisation charge for the year	**40.8**	**8.5**	**49.3**
Derecognition of fully amortised assets	**(15.2)**	**(3.9)**	**(19.1)**
Exchange adjustments	**(4.9)**	**(0.6)**	**(5.5)**
At 31 December 2023	**129.6**	**14.5**	**144.1**
Net book value			
At 31 December 2023	**358.4**	**94.1**	**452.5**

	Customer relationships £m	Other acquired intangibles £m	Total £m
Cost			
At 1 January 2022	361.7	21.1	382.8
Acquisition of business	180.9	92.3	273.2
Transfer to held for sale	(60.2)	(2.4)	(62.6)
Derecognition of fully amortised assets	(4.1)	(2.6)	(6.7)
Exchange adjustments	47.3	9.0	56.3
At 31 December 2022	525.6	117.4	643.0
Accumulated amortisation			
At 1 January 2022	78.5	6.7	85.2
Amortisation charge for the year	44.7	6.2	50.9
Transfer to held for sale	(17.8)	(0.4)	(18.2)
Derecognition of fully amortised assets	(4.1)	(2.6)	(6.7)
Exchange adjustments	7.6	0.6	8.2
At 31 December 2022	108.9	10.5	119.4
Net book value			
At 31 December 2022	416.7	106.9	523.6

16 Other intangible assets

	Other intangible assets £m	Assets under construction £m	Total £m
Cost			
At 1 January 2023	**90.9**	**–**	**90.9**
Additions	**2.2**	**17.0**	**19.2**
Disposals	**(1.6)**	**–**	**(1.6)**
Transfers from assets under construction	**14.7**	**(14.7)**	**–**
Other transfers	**1.7**	**–**	**1.7**
Exchange adjustments	**(0.9)**	**(0.6)**	**(1.5)**
At 31 December 2023	**107.0**	**1.7**	**108.7**
Accumulated amortisation			
At 1 January 2023	**30.0**	**–**	**30.0**
Amortisation charge for the year	**8.8**	**–**	**8.8**
Disposals	**(1.5)**	**–**	**(1.5)**
Transfers	**1.0**	**–**	**1.0**
Exchange adjustments	**(0.7)**	**–**	**(0.7)**
At 31 December 2023	**37.6**	**–**	**37.6**
Net book value			
At 31 December 2023	**69.4**	**1.7**	**71.1**

Other intangible assets comprises mainly the Pathway project and other software.

	Other intangible assets £m	Assets under construction £m	Total £m
Cost			
At 1 January 2022	61.8	–	61.8
Additions	21.8	–	21.8
Disposals	(0.4)	–	(0.4)
Transfer to held for sale	(3.1)	–	(3.1)
Transfers	8.6	–	8.6
Exchange adjustments	2.2	–	2.2
At 31 December 2022	90.9	–	90.9
Accumulated amortisation			
At 1 January 2022	15.4	–	15.4
Amortisation charge for the year	7.9	–	7.9
Disposals	(0.5)	–	(0.5)
Transfer to held for sale	(0.3)	–	(0.3)
Transfers	6.3	–	6.3
Exchange adjustments	1.2	–	1.2
At 31 December 2022	30.0	–	30.0
Net book value			
At 31 December 2022	60.9	–	60.9

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

As disclosed in note 2, there are various conditions required by IAS 38 for an internally generated intangible asset to be recognised.

During the year, the Group invested a further £9.1m in its Pathway programme (2022: £19.4m). This programme is designed to deliver a unified operating model on a single set of integrated systems to improve the efficiency and effectiveness of the Group. The investment in this programme was shown as an asset under construction until the deployment phase began.

17 Property, plant and equipment

	Owned assets				Right of use assets		
	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and equipment £m	Assets under construction £m	Land and buildings £m	Plant and equipment £m	Total £m
Cost							
At 1 January 2023	213.1	9.5	996.9	3.2	35.8	33.9	1,292.4
Additions	1.4	–	29.9	38.4	11.3	12.7	93.7
Purchase of business	–	–	–	2.4	–	–	2.4
Transfer to held for sale	(6.6)	–	–	–	–	–	(6.6)
Disposals	(1.9)	(1.0)	(10.2)	–	(2.4)	(15.8)	(31.3)
Transfer from assets under construction	5.3	–	–	(5.3)	–	–	–
Other transfers	–	–	(1.7)	–	–	–	(1.7)
Exchange adjustments	(8.1)	(0.5)	(44.4)	(2.0)	(1.3)	(1.3)	(57.6)
At 31 December 2023	**203.2**	**8.0**	**970.5**	**36.7**	**43.4**	**29.5**	**1,291.3**
Accumulated depreciation and impairment							
At 1 January 2023	59.7	5.4	443.0	–	12.0	18.7	538.8
Depreciation charge for the year	4.6	0.2	80.2	–	3.8	7.7	96.5
Transfer to held for sale	(5.2)	–	–	–	–	–	(5.2)
Impairment	5.6	–	0.3	–	–	–	5.9
Disposals	(0.5)	(0.1)	(6.8)	–	(2.6)	(15.8)	(25.8)
Other transfers	–	–	(1.0)	–	–	–	(1.0)
Exchange adjustments	(2.0)	(0.4)	(20.2)	–	(0.4)	(0.6)	(23.6)
At 31 December 2023	**62.2**	**5.1**	**495.5**	**–**	**12.8**	**10.0**	**585.6**
Net book value							
At 31 December 2023	**141.0**	**2.9**	**475.0**	**36.7**	**30.6**	**19.5**	**705.7**

17 Property, plant and equipment continued

	Owned assets				Right of use assets		
	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and equipment £m	Assets under construction £m	Land and buildings £m	Plant and equipment £m	Total £m
Cost							
At 1 January 2022	178.7	8.7	761.0	27.9	36.6	23.0	1,035.9
Additions	3.7	–	62.2	3.2	1.0	3.4	73.5
Purchase of business	43.6	1.0	212.4	–	1.1	6.4	264.5
Transfer to held for sale	(34.6)	–	(106.5)	–	(3.8)	(0.1)	(145.0)
Disposals	(0.9)	(0.6)	(19.1)	–	(1.0)	(2.5)	(24.1)
Transfer from assets under construction	1.2	–	26.7	(27.9)	–	–	–
Other transfers	7.5	–	(16.1)	–	–	–	(8.6)
Exchange adjustments	13.9	0.4	76.3	–	1.9	3.7	96.2
At 31 December 2022	213.1	9.5	996.9	3.2	35.8	33.9	1,292.4
Accumulated depreciation and impairment							
At 1 January 2022	70.6	5.2	429.7	–	9.4	12.7	527.6
Depreciation charge for the year	5.6	0.2	70.6	–	4.0	5.6	86.0
Transfer to held for sale	(17.7)	–	(71.3)	–	(1.2)	(0.1)	(90.3)
Impairment	–	–	–	–	0.6	–	0.6
Disposals	(0.1)	(0.3)	(17.3)	–	(1.0)	(2.5)	(21.2)
Other transfers	(2.2)	0.3	(4.4)	–	–	–	(6.3)
Exchange adjustments	3.5	–	35.7	–	0.2	3.0	42.4
At 31 December 2022	59.7	5.4	443.0	–	12.0	18.7	538.8
Net book value							
At 31 December 2022	153.4	4.1	553.9	3.2	23.8	15.2	753.6

Freehold land is not depreciated and is held at historical cost. At 31 December 2023, the Group's freehold land was recognised at £59.2m (31 December 2022: £62.9m).

At 31 December 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £8.8m (2022: £32.6m).

18 Investment in joint ventures

Details of the Group's joint ventures are as follows:

Name of entity	Place of incorporation	Ownership	Principal activity	Segment
Synthomer Middle East Company Ltd	Saudi Arabia	49%	Manufacturer and sale of acrylic and vinyl resin emulsions	Coatings & Construction Solutions
Synthomer Functional Solutions FZCO	UAE	49%	Trading in adhesives and oilfield chemicals	Adhesive Solutions
Synthomer FZCO	UAE	49%	Sales and marketing support for Synthomer Group Companies	Coatings & Construction Solutions
Nanjing Yangzi Eastman Chemical Ltd	China	50%	Manufacturer of hydrogenated hydrocarbon resins	Adhesive Solutions
Super Sky Ltd	United Kingdom	50%	Non-trading	Corporate

Joint ventures are accounted for using the equity method in these financial statements. The ownership of entities has not changed since the previous year.

Summarised financial information in respect of the joint ventures is set out below. This information represents amounts in the joint ventures' financial statements adjusted for differences in accounting policies between the Group and the joint venture (and not the Group's share of those amounts).

The registered addresses for the joint venture companies are disclosed in Note 12 of the Company financial statements.

Summarised balance sheet (100%)

	2023 £m	2022 £m
Non-current assets	**12.4**	12.6
Cash and cash equivalents	**6.2**	5.0
Other current assets	**24.6**	24.5
Total current assets	**30.8**	29.5
Other current liabilities	**(28.2)**	(25.5)
Total current liabilities	**(28.2)**	(25.5)
Net assets	**15.0**	16.6

Summarised statement of comprehensive income (100%)

	2023 £m	2022 £m
Revenue	**91.3**	100.1
Operating profit	**3.0**	3.4
Taxation	**(0.1)**	–
Profit for the year	**2.9**	3.4
Exchange differences on translation	**(0.1)**	(2.1)
Total comprehensive income	**2.8**	1.3
Dividends paid	**(3.4)**	(4.0)
Movement in retained earnings	**(0.6)**	(2.7)
Group share:		
Profit for the year	**1.4**	1.7
Exchange differences on translation	**–**	(0.9)
Dividends paid	**(1.9)**	(1.9)

18 Investment in joint ventures continued

The following table reconciles the summary information above to the carrying amount of the Group's interest in the joint ventures:

Investment in joint venture

	2023 £m	2022 £m
At 1 January	**8.1**	7.4
Profit from continuing operations	**1.4**	1.7
Exchange differences on translation	**(0.1)**	0.9
Dividend paid	**(1.9)**	(1.9)
At 31 December	**7.5**	8.1

19 Inventories

	2023 £m	2022 £m
Raw materials and consumables	**163.4**	184.8
Finished goods	**180.7**	223.1
	344.1	407.9
Stock written off during the year	**8.0**	5.8
Cost of inventory recognised as an expense and included in cost of sales	**1,258.0**	1,686.7

Inventories are stated net of provisions for obsolescence. The nature of the chemical reaction necessary to produce finished goods from raw materials is such that 'work in progress' is not a material part of the Group's inventory at any given point of time.

20 Trade and other receivables

	2023 £m	2022 £m
Trade receivables	**147.6**	201.3
Other receivables	**59.8**	62.7
Prepayments	**5.6**	7.6
	213.0	271.6

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Before accepting a new customer, the Group uses appropriate procedures to assess the potential customer's credit quality in order to set a credit limit.

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Trade receivables – days past due				
2023	**Not yet due £m**	**<60 £m**	**61-120 £m**	**>120 £m**	**Total £m**
Gross carrying amount	**120.6**	**21.9**	**4.8**	**1.4**	**148.7**
Expected credit loss rate					**0.06%**
Lifetime expected credit loss					**(1.1)**
Total					**147.6**

	Trade receivables – days past due				
2022	Not yet due £m	<60 £m	61-120 £m	>120 £m	Total £m
Gross carrying amount	140.3	48.1	12.4	2.1	202.9
Expected credit loss rate					0.07%
Lifetime expected credit loss					(1.6)
Total					201.3

The following table shows the movement in the lifetime expected credit loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2023 £m	2022 £m
At 1 January	**1.6**	1.5
Exchange adjustments	**(0.1)**	0.3
Acquisition of business	**–**	2.2
Transfer from credit impaired	**0.8**	(0.2)
Uncollectable amounts recovered	**(1.2)**	(2.2)
At 31 December	**1.1**	1.6

21 Cash and borrowings

	1 January 2023 £m	Cash flows £m	Exchange and other movements £m	31 December 2023 £m
Bank overdrafts	(18.5)	17.8	–	(0.7)
Current Liabilities	(18.5)	17.8	–	(0.7)
Bank loans	(777.7)	343.6	12.2	(421.9)
€520m 3.875% senior unsecured loan notes due 2025	(456.4)	–	8.0	(448.4)
Non-current liabilities	(1,234.1)	343.6	20.2	(870.3)
Total borrowings	(1,252.6)	361.4	20.2	(871.0)
Cash and cash equivalents	227.7	149.0	(5.4)	371.3
Net debt	(1,024.9)	510.4	14.8	(499.7)

Capitalised debt costs which have been recognised as a reduction in borrowings in the financial statements, amounted to £10.5m at 31 December 2023 (31 December 2022: £14.2m).

	1 January 2022 £m	Cash flows £m	Exchange and other movements £m	31 December 2022 £m
Bank overdrafts	–	(17.6)	(0.9)	(18.5)
Current Liabilities	–	(17.6)	(0.9)	(18.5)
Bank loans	(187.9)	(525.6)	(64.2)	(777.7)
€520m 3.875% senior unsecured loan notes due 2025	(431.6)	–	(24.8)	(456.4)
Non-current liabilities	(619.5)	(525.6)	(89.0)	(1,234.1)
Total borrowings	(619.5)	(543.2)	(89.9)	(1,252.6)
Cash and cash equivalents	505.3	(282.2)	4.6	227.7
Net debt	(114.2)	(825.4)	(85.3)	(1,024.9)

Analysis of net debt by currency:

	2023		2022	
	Cash and cash equivalents £m	Total borrowings £m	Cash and cash equivalents £m	Total borrowings £m
Sterling	117.5		20.5	108.1
Euro	116.4	700.8	54.4	602.0
US dollar	79.5	180.7	65.1	556.7
Malaysian ringgit	38.5	–	32.7	–
Other	19.4	–	55.0	–
Total	371.3	881.5	227.7	1,266.8

The principal features of the Group's borrowings are as follows:

The Group has unsecured borrowing facilities comprising, an undrawn $400m revolving credit facility ending July 2027, €520m 3.875% unsecured senior loan notes due in June 2025, and UK Export Finance facilities for €288m and $230m respectively. These are 80% guaranteed by UK Export Finance and are on terms that are similar to the Company's existing revolving credit facility.

Changes in liabilities arising from financing activities

			Non cash changes		
	1 January 2023 £m	Financing cash outflows £m	Acquisitions £m	Exchange and other movements £m	31 December 2023 £m
Borrowings	(1,234.1)	343.6	–	20.2	(870.3)
Lease liabilities	(45.5)	12.4	–	(22.2)	(55.3)
Total	(1,279.6)	356.0	–	(2.0)	(925.6)

	1 January 2022 £m	Financing cash (inflows)/ outflows £m	Acquisitions £m	Exchange and other movements £m	31 December 2022 £m
Borrowings	(619.5)	(525.6)	–	(89.0)	(1,234.1)
Lease liabilities	(43.5)	10.1	(7.5)	(4.6)	(45.5)
Total	(663.0)	(515.5)	(7.5)	(93.6)	(1,279.6)

22 Financial instruments

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

	2023					2022		
	Valuation category in accordance with IFRS 9[1]	Fair value hierarchy level	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Fair value £m	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Fair value £m
Trade receivables	AC	Level 2	147.6	147.6	147.6	201.3	201.3	201.3
Other receivables	AC	Level 2	59.8	35.3	35.3	62.7	42.4	42.4
Cash and cash equivalents	AC	Level 2	371.3	371.3	371.3	227.7	227.7	227.7
Derivatives – no hedge accounting	FVTPL	Level 2	5.5	5.5	5.5	17.3	17.3	17.3
Total assets			584.2	559.7	559.7	509.0	488.7	488.7
Borrowings	AC	Level 2	(871.0)	(871.0)	(881.5)	(1,252.6)	(1,252.6)	(1,266.8)
Trade and other payables	AC	Level 2	(431.5)	(419.9)	(419.9)	(461.2)	(449.5)	(449.5)
Derivatives – no hedge accounting	FVTPL	Level 2	–	–	–	–	–	–
Total liabilities			(1,302.5)	(1,290.9)	(1,301.4)	(1,713.8)	(1,702.1)	(1,716.3)

1. AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss. A more detailed description of the categories can be found in note 2.

The fair value of the Group's borrowings at 31 December 2023 was £881.5m (31 December 2022: £1,266.8m).

As at 31 December 2023, £4.3m (2022: £9.4m) of the interest rate swap derivative asset was designated as being in a hedging relationship.

Financial risk management

The Group's policies, approved by the Board, provide written principles on financial risk management and the use of financial derivatives.

These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group has a policy of hedging significant foreign exchange transactional exposure at operating company level. The Group regularly reviews its net assets and borrowing currency exposures, borrowing in overseas currencies in order to hedge the net assets held in those currencies as appropriate. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

22 Financial instruments continued

Currency risk

The Group presents its consolidated financial statements in sterling and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which will affect the Group's transactions and the translation of the results and underlying net assets of its operations.

To manage the currency risk, the Group uses foreign currency borrowings, forward contracts and currency swaps to hedge overseas net assets, which are predominantly denominated in euros, US dollars and Malaysian ringgits. Profit translation exposures are not hedged.

The Group hedges currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities. Consequently, there are no material currency exposures to disclose (2022: none).

Interest rate risk

The Group has an exposure to interest rate risk, arising principally on changes in US dollar and euro interest rates. To manage interest rate risk, the Group manages its proportion of fixed to floating rate borrowings, and utilises interest rate swaps. These practices aim to minimise the Group's net finance charges with acceptable year-on-year volatility.

At 31 December 2023, the Group had in place swap arrangements to fix interest rates on €260m and $125m of borrowings.

The Group's interest rate derivatives are designated as cash flow hedges with fair value movement on the hedged portion recognised in equity. Interest paid on these derivatives is recognised in the income statement, within Underlying interest costs. Fair value movement in the unhedged portion is also recognised in profit and loss, as a Special Item.

After taking account of interest rate swaps, the Group's currency and interest rate exposure as at 31 December 2023 was:

	2023			2022		
	Floating rate borrowings £m	**Fixed rate borrowings £m**	**Total borrowings £m**	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Sterling	**–**	**–**	**–**	108.1	–	108.1
Euro	**31.3**	**669.5**	**700.8**	–	602.0	602.0
US dollar	**75.6**	**105.1**	**180.7**	556.7	–	556.7
Total	**106.9**	**774.6**	**881.5**	664.8	602.0	1,266.8

22 Financial instruments continued

Market risk sensitivity analysis

The Group's main exposure to market risk is in the form of interest rate risk and foreign currency risk. The Group uses a sensitivity analysis that estimates the impacts on the consolidated income statement and other comprehensive income of either an instantaneous increase or decrease of 1.0% in market interest rates or a 10% strengthening or weakening in sterling against all other currencies, from the rates applicable at 31 December 2023 and 31 December 2022 with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on the net post-employment benefit liabilities and assets, and corporate tax payable. This analysis is for illustrative purposes only, as interest and foreign exchange rates rarely change in isolation.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

	2023			2022		
	Income statement		**Equity**	Income statement		Equity
	Underlying -/+ £m	**IFRS -/+ £m**	**IFRS -/+ £m**	Underlying -/+ £m	IFRS -/+ £m	IFRS -/+ £m
Interest rate sensitivity analysis						
UK interest rate +/- 1.0%	**1.2**	**–**	**–**	0.9	–	–
Euro interest rate +/- 1.0%	**0.9**	**–**	**2.3**	0.6	3.1	1.4
US interest rate +/- 1.0%	**–**	**–**	**0.9**	4.9	–	–
Foreign currency sensitivity analysis						
Sterling -/+ 10%	**5.8**	**5.8**	**9.4**	5.5	5.5	3.3
Euro exchange rate -/+ 10%	**11.9**	**11.9**	**0.9**	7.4	7.4	5.3
US dollar exchange rate -/+ 10%	**7.6**	**7.6**	**9.4**	4.3	4.3	8.7
Malaysian ringgit exchange rate -/+ 10%	**0.6**	**0.6**	**–**	1.8	1.8	–

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

For interest rate derivatives, the mark-to-market adjustment and amount recognised in equity as part of a hedging arrangement, is estimated using the interest rate sensitivity against the nominal amount.

The foreign currency sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower.

22 Financial instruments continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on cash balances, derivative financial instruments and credit exposures to customers.

The carrying amount of financial assets represents the Group's exposure to credit risk at the balance sheet date as disclosed at the start of this note. A financial asset is in default when the counterparty fails to pay its contractual obligations. Financial assets are written off when there is no reasonable expectation of recovery. Credit risk is managed separately for financial and business-related credit exposures.

Financial credit risk

Synthomer aims to minimise its financial credit risk through the application of risk management policies approved and monitored by the Board. Counterparties are predominantly limited to major banks and financial institutions with a credit rating of investment grade and the policy restricts the exposure to any one counterparty by setting credit limits. The Group's policy is designed to ensure that individual counterparty limits are adhered to and that there are no significant concentrations of credit risk. The Board also defines the types of financial instruments which may be transacted. Synthomer annually reviews the credit limits applied and regularly monitors the counterparties' credit quality, reflecting market credit conditions.

Business-related credit risk

Trade and other receivables exposures are managed locally in the operating units where they arise and active risk management is applied, focusing on country risk, credit limits, ongoing credit evaluation and monitoring procedures. There is no significant concentration of credit risk with respect to receivables as the Group has a large number of customers who are internationally dispersed. See note 20 for information on credit risk with respect to trade and other receivables.

22 Financial instruments continued

Liquidity risk

Liquidity risk is the risk that Synthomer is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds at an acceptable price to fund actual or proposed commitments. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

The following tables provide an analysis of the anticipated undiscounted contractual cash flows including interest payable for the Group's financial liabilities and derivative instruments. The liquidity analysis for lease liabilities is included in note 23. Where interest payments are calculated at a floating rate, rates of each cash flow until maturity of the instruments are calculated based on the forward yield curve prevailing at the respective year ends. Derivative contracts are presented on a net basis.

	2023			2022		
	Amount due			Amount due		
	Within one year £m	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	Within one year £m	Between 1 and 2 years £m	Between 2 and 5 years £m
Overdrafts	**(0.7)**	**–**	**–**	(18.5)	–	–
Financial liabilities in trade and other payables	**(419.7)**	**(0.1)**	**(0.1)**	(449.1)	(0.2)	(0.2)
Bank loans – principal	**–**	**–**	**(429.9)**	–	(646.2)	(141.7)
€520m 3.875% senior unsecured loan notes due 2025	**–**	**(450.9)**	**–**	–	–	(460.4)
Interest payments on borrowings	**(41.8)**	**(13.4)**	**(7.4)**	(62.2)	(33.3)	(13.3)
Total non-derivative financial liabilities	**(462.2)**	**(464.4)**	**(437.4)**	(529.8)	(679.7)	(615.6)

	2023				2022			
	Amount due				Amount due			
	Within one year £m	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Total £m**	Within one year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Total £m
Interest rate swaps	**6.3**	**4.2**	**–**	**10.5**	5.1	5.1	3.8	14.0
Currency forwards	**5.5**	**–**	**–**	**5.5**	1.5	–	–	1.5
Total derivative financial assets	**11.8**	**4.2**	**–**	**16.0**	6.6	5.1	3.8	15.5
Interest rate swaps	**–**	**–**	**–**	**–**	–	–	–	–
Currency forwards	**1.7**	**1.7**	**2.9**	**6.3**	–	–	–	–
Total derivative financial liabilities	**1.7**	**1.7**	**2.9**	**6.3**	–	–	–	–

The financial covenant at 31 December 2023 for the RCF is that net debt must be less than 5.0x EBITDA.
At 31 December 2023 the actual covenant for the net debt was 4.2x EBITDA.

22 Financial instruments continued

Any non-compliance with covenants underlying Synthomer's financing arrangements could, if not waived, constitute an event of default with respect to any such arrangements, and any non-compliance with covenants may, in particular circumstances, lead to an acceleration of maturity on certain borrowings and the inability to access committed facilities. Synthomer was in full compliance with its financial covenants in respect of its borrowings throughout each of the years presented.

At the year end, Synthomer had available undrawn committed bank facilities as follows:

	2023					2022				
	Expiring within one year £m	Expiring between 1 and 2 years £m	Expiring between 2 and 5 years £m	Expiring after 5 years £m	Total £m	Expiring within one year £m	Expiring between 1 and 2 years £m	Expiring between 2 and 5 years £m	Expiring after 5 years £m	Total £m
Unsecured €460m multi-currency RCF expiring 03 July 2024	–	–	–	–	–	–	224.5	–	–	224.5
Unsecured $400m multi-currency RCF expiring 31 July 2027	–	–	314.2	–	314.2	–	–	–	–	–
Unsecured UK Export Finance facilities of €288m and $230m expiring 12 October 2027	–	–	–	–	–	–	–	303.2	–	303.2
	–	–	314.2	–	314.2	–	224.5	303.2	–	527.7

Fair value measurement

Certain of the Group's financial instruments are held at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

As prescribed by IFRS 13 Fair Value Measurement, fair values are measured using a hierarchy where the inputs are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – not level 1 but are observable for that asset or liability either directly or indirectly
- Level 3 – not based on observable market data.

Interest rate swaps and foreign currency forwards and swaps are valued using discounted cash flow techniques. These techniques incorporate inputs such as foreign exchange rates and interest rates, which are used in a discounted cash flow calculation incorporating the instrument's term, notional amount and discount rate, and taking credit risk into account. As significant inputs to the valuation are observable in active markets, all the Group's financial instruments are classified as level 2 financial instruments.

The fair value of forward foreign exchange contracts, interest rate swaps and currency swaps is estimated by discounting the future contractual cash flows using forward exchange rates, interest rates and prices at the balance sheet date.

There were no transfers of any financial instrument between the levels of the fair value hierarchy during the current or prior year.

22 Financial instruments continued

Hedge relationships

The Group targets a one-to-one hedge ratio. Strengths of the economic relationship between the hedged item and the hedging instrument is analysed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of timing, cash flows or value except when the critical terms of the hedging instrument and hedged item are closely aligned. The change in the credit risk of the hedging instruments or the hedged items is not expected to be the primary factor in the economic relationship.

The notional amounts, contractual maturities and rates of the hedging instruments designated in hedging relationships as of 31 December 2023 by the main risk categories are as follows:

	Hedged risk	Notional amount	Maturity	Range of hedged rates
2023				
Cash flow hedges				
Interest rate swap	**Interest rate**	**Up to €440m and $125m**	**28/08/2018 – 10/10/2027**	**0.517% to 4.637% Fixed**
Net investment hedges				
Net investment	**Currency**	**Up to $560m**	**01/04/2020 – present**	**1.18-1.31**
Net investment	**Currency**	**Up to €370m**	**01/04/2020 – present**	**1.11-1.17**
2022				
Cash flow hedges				
Interest rate swap	Interest rate	Up to €440m	28/08/2018 – 28/08/2025	0.517% to 0.535% Fixed
Net investment hedges				
Net investment	Currency	Up to $560m	01/04/2020 – present	1.07-1.37
Net investment	Currency	Up to €370m	01/04/2020 – present	1.11-1.21

Where hedge accounting is applied, hedges are documented and tested for effectiveness on an ongoing basis.

The ratio for hedging instruments designated in both net investment and cash flow hedge relationships was 1:1. Ineffectiveness could occur on either hedging relationship due to significant changes in counterparty credit risk or a reduction in the notional amount of the hedged item during the designated hedging period.

Cash flow hedges

The Group designated as a cash flow hedge the interest rate swaps used to manage interest rate risk on its euro borrowings.

In 2023, a loss of £7.7m (2022: £9.7m gain) was recognised in the cash flow hedge reserve in respect of these derivatives. At 31 December 2023, the cash flow hedge reserve includes a cumulative loss of £8.0m (2022: loss of £0.3m), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2023 and 2027.

In the year, the Group's euro borrowings remained below the total of the interest rate derivative contracts, leading to a balance not able to be designated as a cash flow hedge. The change in fair value relating to the unhedged portion of the interest rate swaps was a loss of £1.8m (2022: gain of £25.1m) which was recognised in the income statement within finance costs as a Special Item.

22 Financial instruments continued

Receivables financing

During the year, the Group continued to sell amounts receivable from customers to a third party on a non-recourse basis. As a result, £123.3m of trade receivables were sold and derecognised as at December 2023. A corresponding asset of £12.7m has been recognised in respect of deferred purchase price reserves, which represents a portion of the original receivables. This balance has been recorded within 'other debtors' in note 20.

These reserves are subsequently paid by the counterparties to the agreements, whether the customer pays the receivable in full or not. The fair value of these assets is considered to be the same as the carrying value.

Capital management

The Board is committed to enhancing shareholder value in the long term, both by investing in the business so as to deliver continued improvement in the return from those investments and by managing the capital structure.

Synthomer manages its capital structure to achieve capital efficiency and to provide flexibility to invest through the economic cycle and give efficient access to debt markets at attractive cost levels. This is achieved by targeting a net debt to EBITDA ratio between 1.0 and 2.0. In order to finance acquisitions, the Group may increase the ratio with a view to deleveraging within 12-24 months.

As at 31 December 2023, the net debt to EBITDA ratio was 4.2x (2022: 3.7x).

In 2022, the Board announced the suspension of dividends. The Board has confirmed that dividends will remain suspended at least until the Group's net debt is less than 3.0x its EBITDA.

23 Leases

The Group has a portfolio of leases mainly comprising land and buildings, chemical storage tanks and vehicles. Further details are given in note 2.

Information in respect of right of use assets, including the carrying amount, additions and depreciation, are set out in note 17 to these financial statements. Information in respect of the carrying value is set out below and information in respect of interest arising on lease liabilities is set out in note 9.

Synthomer also enters into short-term leases and low-value leases which are not recognised as right of use assets and lease liabilities. The expense recognised in the year in relation to these leases is not material. Synthomer has no material exposure to variable lease payments, extension options or committed leases not yet commenced.

The total cash outflow for leases in the year was as follows:

	2023 £m	2022 £m
Payments for the principal portion of lease liabilities	**12.4**	10.1
Payments for the interest portion of lease liabilities	**1.8**	1.4

Lease liabilities included in the balance sheet are as follows:

	2023 £m	2022 £m
Current	**13.8**	10.6
Non-current	**41.5**	34.9
	55.3	45.5

The following table details the maturity of contractual undiscounted cash flows for lease liabilities:

	2023 £m	2022 £m
Less than one year	**13.8**	11.2
Between one and two years	**9.8**	7.5
Between two and five years	**17.5**	14.2
More than five years	**41.7**	17.9

24 Trade and other payables

	2023 £m	2022 £m
Amount due within one year		
Trade payables	**272.1**	253.7
Other payables	**68.1**	110.3
Accruals	**91.1**	96.8
	431.3	460.8
Amount due after one year		
Accruals	**0.2**	0.4
	0.2	0.4

Average trade payable days in 2023 was 66 (2022: 62). This figure represents trade payable days for all trading operations within the Group, calculated as a weighted average based on cost of sales.

The Directors consider that the carrying amount of trade payables, other payables and accruals approximates to their fair value.

25 Provisions for other liabilities and charges

	Environmental £m	Restructuring and site closure £m	Total £m
At 1 January 2023	**10.8**	**43.2**	**54.0**
Credited to the income statement	**–**	**(0.2)**	**(0.2)**
Utilised during the year	**(0.3)**	**(10.9)**	**(11.2)**
Exchange adjustments	**(0.2)**	**(0.9)**	**(1.1)**
31 December 2023	**10.3**	**31.2**	**41.5**

Analysis of provisions

	31 December 2023 £m	31 December 2022 £m
Non-current	**29.6**	40.3
Current	**11.9**	13.7
	41.5	54.0

Analysis of credit to the income statement

	2023 £m	2022 £m
Underlying performance	**–**	–
Special Items	**(0.2)**	(19.9)
	(0.2)	(19.9)

The closing balance includes £9.9m (2022: £15.0m) in relation to the rationalisation of sites around the Group, most notably in Marl and Villejust, £2.2m (2022:£6.8m) in relation to the onerous contract arising on the disposal of the European Tyre Cord business, and £9.6m (2022: £9.6m) to demolish assets at a small number of sites. £10.3m (2022:£9.9m) relates to environmental remediation work required at the Jefferson and Middelburg sites, acquired in 2022, and a further £8.7m (2022:£9.9m) relates to the demolition and disposal of unused equipment and vacant tanks at the Jefferson and Longview sites in order to bring them into line with our ESG strategy. The majority of the provisions will be utilised within the next 3 years.

26 Retirement benefit obligations

The Group operates a variety of retirement benefit arrangements, covering both defined contribution and defined benefit schemes.

Defined contribution scheme

The Group operates a number of defined contribution schemes for its employees. Costs recognised in respect of defined contribution pension plans across the Group for the year ended 31 December 2023 were £14m (2022: £12.6m).

The risk relating to benefits to be paid to the dependants of scheme members (widow and orphan benefits) is re-insured with an external insurance company.

Multi-employer schemes

The Group participates in several tariffs of the Pensionskasse Degussa in Germany, which is a multi-employer pension scheme. Regular contributions are payable to the scheme by each participating employer for new benefits accruing. The assets of all participating employers are pooled, and contributions are calculated based on aggregated demographic experience. Therefore sufficient information is not available to identify the Group's share of the assets on a consistent and reliable basis, and the Group accounts for the scheme on a defined contribution basis. The Group expects to make a regular contribution of £2.1m to the scheme in 2024.

To the extent that there is underfunding in the scheme, deficit contributions are payable based on an actuarial assessment of each participating employer's share of the future benefit accrual. At 31 December 2023, there is no indication of any commitment for additional deficit contributions in excess of regular contributions.

Defined benefit schemes

UK

The Group's UK defined benefit scheme is administered by a fund that is legally separate from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension scheme are responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to future accrual in 2009, and all retirement benefits since that time are provided by way of a defined contribution scheme. The assets of the scheme are held separately from those of the companies concerned. A triennial actuarial valuation of the scheme was undertaken in 2021 and completed in 2022. The next triennial valuation is due in 2024.

USA

The Group's US defined benefit scheme was acquired as part of the OMNOVA acquisition and is administered by a fund which is legally separate from OMNOVA Solutions Inc. The fiduciary committee is required by law to act in the interest of the fund and is responsible for the investment policy with regard to the assets of the fund.

26 Retirement benefit obligations continued

The scheme was closed to future accrual in 2011, and all retirement benefits since that time are provided by way of a defined contribution scheme. The assets of the scheme are held separately from those of the companies concerned and a formal valuation is undertaken on an annual basis.

Germany
The Group operates a number of defined benefit schemes in Germany. These schemes are closed to new members. In line with common practice, these schemes are unfunded and liabilities are settled on a cash basis as they fall due. At each balance sheet date, obligations are calculated by external actuaries.

Other
The Group operates a number of smaller overseas pension and retirement benefit schemes. For the funded schemes, assets are held separately from those of the Group. The aggregated pension disclosures for the other defined benefit schemes have been compiled from a number of actuarial valuations at 31 December 2023.

Retirement benefit obligations
Defined benefit schemes expose the Group to a number of risks, the most significant of which are detailed below:

Asset return risk	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit.
Interest rate risk	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan assets in bond holdings.
Longevity risk	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Charges to the income statement in respect of the Group's defined benefit pension schemes are as follows:

	2023					2022				
	UK £m	**US £m**	**Germany £m**	**Other £m**	**Total £m**	UK £m	US £m	Germany £m	Other £m	Total £m
Service cost	**0.3**	**0.6**	**0.2**	**0.7**	**1.8**	0.8	1.5	0.4	0.8	3.5
Net interest (income)/expense	**(0.4)**	**0.5**	**2.2**	**0.4**	**2.7**	(0.1)	0.6	0.9	0.2	1.6
	(0.1)	**1.1**	**2.4**	**1.1**	**4.5**	0.7	2.1	1.3	1.0	5.1

Amounts recognised in the statement of comprehensive income are set out below:

	2023					2022				
	UK £m	**US £m**	**Germany £m**	**Other £m**	**Total £m**	UK £m	US £m	Germany £m	Other £m	Total £m
Return on plan assets excluding amounts included in interest income/(expense)	**8.6**	**7.6**	**–**	**–**	**16.2**	(139.0)	(25.7)	–	(2.4)	(167.1)
(Losses)/gains from changes in financial assumptions	**(3.4)**	**(5.0)**	**(3.7)**	**(1.2)**	**(13.3)**	131.5	44.8	19.2	5.7	201.2
Actuarial gains and losses	**5.2**	**2.6**	**(3.7)**	**(1.2)**	**2.9**	(7.5)	19.1	19.2	3.3	34.1

26 Retirement benefit obligations continued

Amounts included in the Group's consolidated balance sheet arising from the Group's defined benefit scheme obligations are:

	2023					2022				
	UK £m	**US £m**	**Germany £m**	**Other £m**	**Total £m**	UK £m	US £m	Germany £m	Other £m	Total £m
Present value of defined benefit obligation	**(269.6)**	**(166.5)**	**(63.0)**	**(15.5)**	**(514.6)**	(268.9)	(175.9)	(60.8)	(14.1)	(519.7)
Fair value of schemes' assets	**286.1**	**158.3**	**2.6**	**2.9**	**449.9**	274.8	165.3	3.1	3.1	446.3
Net asset/(liability) arising from defined benefit obligation	**16.5**	**(8.2)**	**(60.4)**	**(12.6)**	**(64.7)**	5.9	(10.6)	(57.7)	(11.0)	(73.4)

Fair value of the schemes' assets are set out below:

	2023					2022				
	UK £m	**US £m**	**Germany £m**	**Other £m**	**Total £m**	UK £m	US £m	Germany £m	Other £m	Total £m
At 1 January	**274.8**	**165.3**	**3.1**	**3.1**	**446.3**	405.5	178.5	2.9	9.5	596.4
Interest income	**13.5**	**7.9**	**–**	**0.1**	**21.5**	7.3	4.1	–	0.1	11.5
Amounts recognised in income in respect of defined benefit schemes	**13.5**	**7.9**	**–**	**0.1**	**21.5**	7.3	4.1	–	0.1	11.5
Remeasurement:										
– Return on plan assets excluding amounts included in interest income	**8.6**	**7.6**	**–**	**–**	**16.2**	(139.0)	(25.7)	–	(2.4)	(167.1)
Amounts recognised in the statement of comprehensive income	**8.6**	**7.6**	**–**	**–**	**16.2**	(139.0)	(25.7)	–	(2.4)	(167.1)
Contributions:										
– Employers	**5.0**	**0.4**	**–**	**0.5**	**5.9**	17.9	2.9	–	0.8	21.6
Payments from plans										
– Benefit payments	**(15.8)**	**(14.5)**	**–**	**(0.6)**	**(30.9)**	(16.9)	(15.1)	–	(5.2)	(37.2)
	(10.8)	**(14.1)**	**–**	**(0.1)**	**(25.0)**	1.0	(12.2)	–	(4.4)	(15.6)
Exchange adjustments	**–**	**(8.4)**	**(0.5)**	**(0.2)**	**(9.1)**	–	20.6	0.2	0.3	21.1
At 31 December	**286.1**	**158.3**	**2.6**	**2.9**	**449.9**	274.8	165.3	3.1	3.1	446.3

26 Retirement benefit obligations continued

Plan assets for the principal schemes comprised:

	2023			2022		
	UK £m	**US £m**	**Germany £m**	UK £m	US £m	Germany £m
Hedge funds	**30.6**	**–**	**–**	31.2	–	–
Equities	**47.0**	**38.6**	**1.3**	52.2	36.4	1.6
Debt instruments	**195.3**	**111.9**	**1.3**	181.0	119.9	1.5
Property	**5.8**	**7.8**	**–**	6.3	9.0	–
Annuity assets	**2.4**	**–**	**–**	2.2	–	–
Cash	**5.0**	**–**	**–**	1.9	–	–
Fair value of schemes' assets	**286.1**	**158.3**	**2.6**	274.8	165.3	3.1

All investments in equities, bonds and property are quoted.

26 Retirement benefit obligations continued

Present value of defined benefit obligations comprised:

	2023					2022				
	UK £m	US £m	Germany £m	Other £m	Total £m	UK £m	US £m	Germany £m	Other £m	Total £m
At 1 January	**(268.9)**	**(175.9)**	**(60.8)**	**(14.1)**	**(519.7)**	(410.1)	(206.2)	(77.6)	(24.9)	(718.8)
Current service cost	**(0.3)**	**(0.7)**	**(0.2)**	**(0.5)**	**(1.7)**	(0.8)	(1.5)	(0.4)	(0.8)	(3.5)
Past service cost	**–**	**0.1**	**–**	**(0.2)**	**(0.1)**	–	–	–	–	–
Interest expense	**(13.1)**	**(8.4)**	**(2.2)**	**(0.5)**	**(24.2)**	(7.2)	(4.7)	(0.9)	(0.3)	(13.1)
Amounts recognised in income statement in respect of defined benefit schemes	**(13.4)**	**(9.0)**	**(2.4)**	**(1.2)**	**(26.0)**	(8.0)	(6.2)	(1.3)	(1.1)	(16.6)
Remeasurement gains/(losses) from:										
– Changes in financial assumptions	**(14.0)**	**(3.8)**	**(3.2)**	**(1.7)**	**(22.7)**	144.2	46.7	21.5	6.2	218.6
– Changes in demographic assumptions	**12.0**	**(0.9)**	**–**	**–**	**11.1**	–	–	–	0.1	0.1
– Experience adjustments	**(1.4)**	**(0.3)**	**(0.5)**	**0.5**	**(1.7)**	(12.7)	(1.9)	(2.3)	(0.6)	(17.5)
Amounts recognised in the statement of comprehensive income	**(3.4)**	**(5.0)**	**(3.7)**	**(1.2)**	**(13.3)**	131.5	44.8	19.2	5.7	201.2
Contributions:										
– Employers	**0.3**	**–**	**2.6**	**0.3**	**3.2**	0.8	–	2.2	0.2	3.2
Payments from plans										
– Benefit payments	**15.8**	**14.5**	**–**	**0.6**	**30.9**	16.9	15.1	–	5.2	37.2
	16.1	**14.5**	**2.6**	**0.9**	**34.1**	17.7	15.1	2.2	5.4	40.4
Business combinations/disposals/divestitures	**–**	**–**	**–**	**–**	**–**	–	–	–	1.6	1.6
Exchange adjustments	**–**	**8.9**	**1.3**	**0.1**	**10.3**	–	(23.4)	(3.3)	(0.8)	(27.5)
At 31 December	**(269.6)**	**(166.5)**	**(63.0)**	**(15.5)**	**(514.6)**	(268.9)	(175.9)	(60.8)	(14.1)	(519.7)

The Group remains committed to funding the UK and USA defined benefit schemes.

Following the 2021 triennial valuation of the UK scheme, which completed in 2022, the Company committed to paying contributions for the period to 31 March 2024.

The defined benefit obligation of the USA scheme reduced to £8.2m at 31 December 2023. The Group is expecting to contribute $3m in 2024, rising to $6m in 2025.

The Group's other defined benefit schemes are largely unfunded, with minimal plan assets. Liabilities from these schemes are settled on a cash basis as they fall due.

26 Retirement benefit obligations continued

Actuarial assumptions

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2023				2022			
	UK	**US**	**Germany**	**Other**	UK	US	Germany	Other
Rate of increase in pensions in payment	**2.90%**	**0.00%**	**2.50%**	**2.1%-9%**	3.00%	0.00%	1.00%	2.00%-3.70%
Rate of increase in pensions in deferment	**2.60%**	**0.00%**	**1.00%**	**3.5%-9%**	2.70%	0.00%	2.50%	2.00%-3.70%
Discount rate	**4.50%**	**4.94%**	**3.30%**	**3.1%-9.25%**	5.00%	5.20%	3.70%	0.27%-5.16%
Inflation assumption	**3.05%**	**0.00%**	**2.25%**	**2%-2.4%**	3.10%	0.00%	2.25%	2.00%-2.40%

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. Mortality assumptions are based on country-specific mortality tables and, where appropriate, include an allowance for future improvements in life expectancy. In addition, where credible data exists, actual plan experience is taken into account. The Group's most substantial pension liabilities are in the UK, the USA and Germany where, using the mortality tables adopted, the expected lifetime of average members currently at age 65 and average members at age 65 in 20 years' time is as follows:

	2023						2022					
	Retiring today			Retiring in 20 years			Retiring today			Retiring in 20 years		
	UK	**US**	**Germany**	**UK**	**US**	**Germany**	UK	US	Germany	UK	US	Germany
Males	**85.9**	**86.6**	**85.8**	**86.7**	**87.5**	**88.5**	87.3	86.4	85.6	88.9	87.4	88.4
Females	**88.3**	**87.6**	**89.2**	**89.1**	**88.6**	**91.4**	89.5	87.5	89.0	91.0	88.5	91.3

The weighted average duration of the benefit obligation at the end of the reporting period is 12 years for the UK scheme (2022: 11.0 years), 6.8 years for the USA scheme (2022: 6.8 years) and 13.9 years for the German schemes (2022: 13.9 years).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming that all other assumptions are held constant:

	Increase in scheme liabilities		
	UK £m	**US £m**	**Germany £m**
Discount rate (decrease of 1%)	**34.5**	**15.4**	**10.3**
Future mortality rate (one year increase in expectancy)	**12**	**5.0**	**2.7**

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

27 Share capital and reserves

Share capital

	2023 Number	2022 Number	2023 £m	2022 £m
Ordinary shares				
Ordinary shares of 10p in issue at 1 January	**467,336,041**	467,336,041	**46.7**	46.7
Share consolidation	**(443,969,238)**	–	**(46.5)**	–
Issued in year	**140,200,818**	–	**1.4**	–
Ordinary shares of 1p in issue at 31 December	**163,567,621**	467,336,041	**1.6**	46.7

Ordinary shares carry no right to fixed income.

On 9 September 2023, the Company proposed a share consolidation and rights issue. On 26 September, under the terms of the share consolidation, 20 existing 10p ordinary shares were converted to one 1p ordinary share. Immediately following the share consolidation, the Company shareholders were invited to subscribe to a rights issue of 140,200,818 ordinary 1p shares at an issue price of 197 pence per share on the basis of six new ordinary 1p shares for every one consolidated ordinary share held on 26 September 2023.

The rights issue resulted in gross proceeds of £276.2m. Shares totalling 129,881,397 were taken up by existing shareholders (93%) with the remaining rump of 10,319,421 being underwritten. The rights issue completed on 13 October 2023.

Share premium

	2023 £m	2022 £m
Balance at 1 January	**620.0**	620.0
Share consolidation	**46.5**	
Premium arising on issue of shares	**274.8**	–
Expenses of issue of shares	**(15.4)**	–
Balance at 31 December	**925.9**	620.0

The share premium account represents the difference between the issue price and the nominal value of shares issued.

Retained earnings

	2023 £m	2022 £m
Balance at 1 January	**273.5**	383.8
Dividends paid	**–**	(99.5)
Net loss for the year	**(67.0)**	(32.5)
Actuarial gains recognised in other comprehensive income	**2.9**	34.1
Tax arising from other comprehensive income	**(1.0)**	(11.6)
Credit/(charge) to equity for equity-settled share-based payments	**1.4**	(0.8)
Balance at 31 December	**209.8**	273.5

27 Share capital and reserves continued

Hedging and translation reserve

	Cash flow hedging reserve £m	Translation reserve £m	Total £m
Balance at 1 January 2023	**(0.3)**	**76.2**	**75.9**
Exchange differences on translation of foreign operations	**–**	**(58.3)**	**(58.3)**
Gains on net investment hedges taken to equity	**–**	**1.0**	**1.0**
Loss recognised on cash flow hedges:			
– Interest rate swaps	**(7.7)**	**–**	**(7.7)**
Reclassification to profit or loss:			
– Exchange differences recycled on sale of business	**–**	**(0.5)**	**(0.5)**
Balance at 31 December 2023	**(8.0)**	**18.4**	**10.4**

	Cash flow hedging reserve £m	Translation reserve £m	Total £m
Balance at 1 January 2022	(10.0)	(22.1)	(32.1)
Exchange differences on translation of foreign operations	–	95.9	95.9
Gains on net investment hedges taken to equity	–	2.4	2.4
Gain recognised on cash flow hedges:			
– Interest rate swaps	9.7	–	9.7
Balance at 31 December 2022	(0.3)	76.2	75.9

Cash flow hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being sterling, are recognised directly in the translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the translation reserve.

28 Reconciliation of operating profit/(loss) to cash generated from operations

Continuing and discontinued operations:

	2023 £m	2022 £m
Operating profit/(loss)	**17.7**	(26.5)
Less: share of profits of joint ventures	**(1.4)**	(1.7)
	16.3	(28.2)
Adjustments for:		
– Depreciation of property, plant and equipment	**85.0**	76.4
– Depreciation of right of use assets	**11.5**	9.6
– Amortisation of other intangibles	**8.8**	7.9
– Share-based payments	**1.8**	0.7
– Special Items	**16.1**	197.7
Cash impact of settlement of interest rate derivative contracts	**12.1**	–
Cash impact of restructuring and site closure costs	**(28.0)**	(25.9)
Cash impact of acquisition costs and related gains	**(1.9)**	1.7
Pension funding in excess of service cost	**(7.3)**	(21.3)
Movement in working capital	**80.6**	19.1
Cash generated from operations	**195.0**	237.7
Reconciliation of movement in working capital		
Decrease/(increase) in inventories	**45.7**	(12.3)
Decrease in trade and other receivables	**52.7**	147.0
Decrease in trade and other payables	**(17.8)**	(115.6)
Movement in working capital	**80.6**	19.1

29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note.

Transactions between the Company and its subsidiaries are disclosed in the Company's financial statements where appropriate.

The UK defined benefit scheme is a related party, see note 26.

	2023 £m	2022 £m
Key management compensation		
Short-term employee benefits	**6.9**	6.1
Pension costs	**0.6**	0.7
Share-based payments	**1.8**	0.7
	9.3	7.5

Key management personnel comprise the Board of Directors and the Executive Committee.

30 Discontinued operations

On 13 December 2022, the Group announced that it had entered into an agreement to sell its Laminates, Films and Coated Fabrics businesses to Surteco North America, Inc. The UK Financial Conduct Authority approved the circular to Shareholders on 16 December. Shareholder approval was subsequently obtained on 11 January 2023 with the transaction completing on 28 February 2023 with net cash proceeds of $262m. The gain on disposal was £61.5m (see note 4).

The associated assets and liabilities were consequently presented for sale in the 2022 financial statements.

All discontinued operations form part of the Health & Protection and Performance Materials division.

On 29 September 2023, it was announced that Synthomer intended to shut down its North America Paper and Carpet business before the end of 2023, honouring existing contractual commitments to customers until its exit. This falls as part of the wider previously announced strategy to exit a number of non-core businesses which includes the paper and carpet businesses globally.

Financial information in respect of the discontinued operation is set out below:

Financial performance and cash flow information

	2023			2022		
	Laminates Films and Coated Fabrics £m	**NA Paper and Carpet £m**	**Total £m**	Laminates Films and Coated Fabrics £m	NA Paper and Carpet £m	Total £m
Revenue	**28.0**	**22.3**	**50.3**	201.2	51.6	252.8
Expenses	**(25.5)**	**(27.8)**	**(53.3)**	(185.3)	(56.2)	(241.5)
EBITDA	**2.5**	**(5.5)**	**(3.0)**	15.9	(4.6)	11.3
Depreciation and amortisation – Underlying performance	**–**	**(0.9)**	**(0.9)**	(7.2)	(2.4)	(9.6)
Operating profit – Underlying performance	**2.5**	**(6.4)**	**(3.9)**	8.7	(7.0)	1.7
Special Items	**61.5**	**(4.5)**	**57.0**	(14.7)	–	(14.7)
Operating profit/(loss) – IFRS	**64.0**	**(10.9)**	**53.1**	(6.0)	(7.0)	(13.0)
Finance costs	**–**	**–**	**–**	(0.4)	–	(0.4)
Profit/(loss) before taxation	**64.0**	**(10.9)**	**53.1**	(6.4)	(7.0)	(13.4)
Taxation	**(17.6)**	**–**	**(17.6)**	(0.7)	–	(0.7)
Profit/(loss) for the year	**46.4**	**(10.9)**	**35.5**	(7.1)	(7.0)	(14.1)
Cash flows from discontinued operations						
Net cash inflow from operating activities	**(0.1)**	**(7.8)**	**(7.9)**	5.6	(4.6)	1.0
Net cash outflow from investing activities	**208.2**	**–**	**208.2**	(4.0)	–	(4.0)

The prior-year figures of the consolidated income statement and the consolidated statement of cash flows have been adjusted in accordance with IFRS 5 to report the discontinued operations separately from continuing operations.

30 Discontinued operations continued

Assets and liabilities classified as held-for-sale

As of December 31 2022, the disposal group in relation to the Laminates, Films and Coated Fabrics business was recognised at the lower of its carrying amount and fair value less costs to sell, and comprised main categories of assets and liabilities summarised below. In 2023, the assets held for sale as at the end of December related to land and buildings at the Calhoun site, and within the Desa Badhuri legal entity which was sold in January 2024.

	Note	**2023 £m**	2022 £m
Non-current assets			
Goodwill	14	–	43.5
Acquired intangible assets	15	–	44.4
Other intangible assets	16	–	2.8
Property, plant and equipment	17	**1.4**	54.7
Deferred tax assets	11	**0.1**	1.1
Total non-current assets		**1.5**	146.5
Current assets			
Inventories		–	31.1
Trade and other receivables		–	18.6
Total current assets		–	49.7
Total assets		**1.5**	196.2
Current liabilities			
Trade and other payables		–	(22.8)
Lease liabilities		–	(0.5)
Current tax liabilities		–	(0.3)
Total current liabilities		–	(23.6)
Non-current liabilities			
Lease liabilities		–	(2.2)
Deferred tax liabilities		–	(18.1)
Retirement benefit obligations	26	–	(1.6)
Total non-current liabilities		–	(21.9)
Total liabilities		–	(45.5)
Net assets held for sale		**1.5**	150.7

31 Contingent assets, contingent liabilities and guarantees

Guarantees and contingent liabilities of the Group amount to £nil (2022: £2.7m).

The Company and its subsidiaries have, in the normal course of business, entered into guarantees and counter-indemnities in respect of performance bonds, relating to the Group's own contracts.

32 Share-based payments

Executive share option schemes

The Group's share option scheme is described in the Directors' remuneration report on pages 98 to 116.

In addition to the two Executive Directors, it is available to other senior management. Movement in the options held under the scheme are defined as follows:

	Options 2023 number	**Weighted av. exercise price (£) 2023 number**	Options 2022 number	Weighted av. exercise price (£) 2022 number
Outstanding at 1 January	**3,273,222**	**–**	2,391,293	–
Granted during the year	**4,612,178**	**–**	2,084,186	–
Exercised during the year	**(313,491)**	**–**	(467,009)	–
Lapsed during the year	**(909,299)**	**–**	(735,248)	–
Adjustment for share consolidation and rights issue	**(5,817,209)**	**–**	–	–
Outstanding at 31 December	**845,401**	**–**	3,273,222	–
Exercisable at 31 December	**5,463**		22,367	

The outstanding share options were all issued under the performance share plan. As at 31 December 2023, the following options were outstanding:

Executive share options	**Number**
Exercisable between 2017-2024	943
Exercisable between 2023-2030	4,520
Exercisable between 2024-2031	68,115
Exercisable between 2025-2032	206,555
Exercisable between 2026-2033	565,268
	845,401

The total exercise price for all the above grants is £nil.

32 Share-based payments continued

For options outstanding as at 31 December 2023, the exercise price was £nil and the weighted average remaining contractual life was 5.57 years (2022: 5.24 years).

The weighted average share price at the date of exercise was £1.09 (2022: £2.33).

The weighted average fair value of the options at the measurement date granted during the year was £1.05 (2022: £2.37). The valuation was based on the following inputs and assumptions, using a Monte Carlo simulation model:

	2023	2022
Weighted average share price (£)	**1.05**	3.64
Option price (£)	**–**	–
Value of optionality	**nil**	nil
Vesting assumption	**30%**	35%

The vesting assumption is the estimate at the measurement date of the percentage of the options that will ultimately vest and is based on market conditions and management's assessment of the likelihood of achievement of the performance criteria.

The charge in the year in relation to the equity settled scheme was £1.8m (2022: £0.7m). The Group also operates a cash-settled share-based payment scheme for which there was a credit in the year of £0.1m (2022: charge of £1.9m) and for which there was a liability at the year end of £0.3m (2022: £0.9m).

The Synthomer Employee Benefit Trust

The Company established a trust, the Yule Catto Employee Benefit Trust, on 17 July 1996 to distribute shares to employees – enabling the obligations under the Yule Catto Longer-Term Performance Share Plan and the Yule Catto Longer-Term Deferred Bonus Plan to be met.

The Trust is managed by the RBC Trustees (Guernsey) Limited, an independent company located in Guernsey.

At 31 December 2023, the Trust held 708 (2022: 73,413) ordinary shares in the Company with a market value of £0.0m (2022: £0.1m).

The dividends on these shares have been waived. All of the shares are under option. Costs are amortised over the life of the plans.

33 Share price information

The middle market value of the listed ordinary shares at 31 December 2023 was 189.70 pence (31 December 2022: 144.2 pence). During the year, the market price ranged between 1,227.21 pence and 165.10 pence. The latest ordinary share price is available on the Group's website, **www.synthomer.com**

34 Post balance sheet event

During 2022, the European Commission concluded its investigation into styrene monomer purchasing practices, and the final settlement amount of £38.5m was transferred to other payables. The Group paid the settlement amount plus interest in January 2024 as agreed with the EC.

On March 2024, the Group agreed amendments with its banks to the financial covenants on its revolving credit facility and UK Export Finance term loans. Accordingly, the net debt: EBITDA ratios required under the covenant have been set at not more than 6.0x in June 2024 and 5.75x in December 2024, with ratios of not more than 5.0x in June 2025 and 4.75x in December 2025 conditional on a refinancing of the senior loan notes. In addition, the RCF amount was changed from $400m to €300m.

As part of the Group's previously announced non-core portfolio rationalisation programme, there are three formal divestment processes underway for non-core businesses in Europe, currently incorporated within the Health & Protection and Performance Materials division. Given progress made since the year end, the Directors now consider it is more likely than not that at least one of these processes will lead to a divestment within the next 12 months.

35 Audit exemptions

The following subsidiaries have taken advantage of the exemption from an audit for the year ended 31 December 2023 – available under ts479a of the Companies Act 2006 – as the Company has given a statutory guarantee of all the outstanding liabilities of these subsidiaries as at 31 December 2023.

Company	Registration
Dimex Limited	01763129
Ecatto Limited	00978441
Harlow Chemical Company Limited	00778831
Polymerlatex Limited	03439041
Revertex Limited	00873653
Super Sky Limited	02021871
Synthomer Adhesive Technologies Limited	13827669
Synthomer Overseas Limited	06349474
Temple Fields 514 Limited	04541637
Temple Fields 515 Limited	00692510
Temple Fields 522 Limited	05516912
Temple Fields 523 Limited	05516913
Temple Fields 530 Limited	00831113

Company statement of financial position

as at 31 December 2023

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented for Synthomer plc. As disclosed in note 2, the Company's profit for the year was £119.7m (2022: £129.7m).

The notes on pages 185 to 191 are an integral part of these financial statements. The financial statements of Synthomer plc (registered number 98381) on pages 183 to 184 were approved by the Board of Directors and authorised for issue on 12 March 2024. They are signed on its behalf by:

M Willome
Director

L Liu
Director

	Note	2023 £m	2022 £m
Non-current assets			
Property, plant and equipment	4	**3.0**	3.7
Other intangible assets	5	**60.4**	55.7
Investments	3	**737.5**	733.4
Other debtors: amounts falling due after more than one year	6	**1,913.5**	1,951.2
Deferred tax assets		**2.5**	0.4
Total non-current assets		**2,716.9**	2,744.4
Current assets			
Other debtors: amounts falling due within one year	6	**81.8**	40.5
Cash and cash equivalents		**228.5**	77.7
Derivative financial instruments		**9.8**	26.1
Total current assets		**320.1**	144.3
Current liabilities			
Borrowings	9	**–**	(18.1)
Other payables	7	**(514.6)**	(358.0)
Lease liabilities		**(0.7)**	(0.7)
Total current liabilities		**(515.3)**	(376.8)
Net current liabilities		**(195.2)**	(232.5)
Total assets less current liabilities		**2,521.7**	2,511.9
Non-current liabilities			
Borrowings	9	**870.3**	(1,234.1)
Lease liabilities		**(0.3)**	(0.9)
Total non-current liabilities		**(870.6)**	(1,235.0)
Net assets		**1,651.1**	1,276.9
Equity			
Share capital	11	**1.6**	46.7
Share premium		**925.9**	620.0
Revaluation reserve		**0.8**	0.8
Capital redemption reserve		**0.9**	0.9
Retained earnings		**721.9**	608.5
Total equity		**1,651.1**	1,276.9

Statement of changes in equity

for the year ended 31 December 2023

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance as at 1 January 2023	**46.7**	**620.0**	**0.8**	**0.9**	**608.5**	**1,276.9**
Profit for the year	**–**	**–**	**–**	**–**	**119.7**	**119.7**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**119.7**	**119.7**
Share consolidation	**(46.5)**	**46.5**	**–**	**–**	**–**	**–**
Issue of shares	**1.4**	**259.4**	**–**	**–**	**–**	**260.8**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Fair value loss on hedged interest rate derivatives	**–**	**–**	**–**	**–**	**(7.7)**	**(7.7)**
As at 31 December 2023	**1.6**	**925.9**	**0.8**	**0.9**	**721.9**	**1,651.1**
At 1 January 2022	46.7	620.0	0.8	0.9	569.4	1,237.8
Profit for the year	–	–	–	–	129.7	129.7
Total comprehensive income for the year	–	–	–	–	129.7	129.7
Dividends	–	–	–	–	(99.5)	(99.5)
Share-based payments	–	–	–	–	(0.8)	(0.8)
Fair value gain on hedged interest rate derivatives	–	–	–	–	9.7	9.7
As at 31 December 2022	46.7	620.0	0.8	0.9	608.5	1,276.9

Notes to the financial statements – Synthomer plc

31 December 2023

1 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the FRC. Accordingly, these financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on a going concern basis and under the historical cost basis except for the remeasurement of certain financial instruments that are measured at fair values at the end of each reporting period.

The basis of accounting and the principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

The company was in a net current liabilities position as at 31 December 2023, this position is due to the amounts owed to group undertakings. The directors have received confirmation from Synthomer Deutschland GmbH, Synthomer UK Limited and Synthomer Inc, to whom a total of £225.5m was owed at the balance sheet date, that they will not call for repayment of these amounts for at least 12 months from the date of approval of these financial statements.

Investments in subsidiaries and joint ventures are stated at cost less, where appropriate, provisions for impairment. The carrying amounts of the Company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the income statement and reflected in an allowance against the carrying value. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Intercompany balances are shown gross unless a right of set-off exists. Balances are valued at fair value at inception and are repayable on demand. All intercompany loans are repayable on demand, and the Company has the ability to refinance any of its subsidiaries using equity allowing the subsidiary to repay any receivables owed to Synthomer plc.

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

There are no significant accounting judgements and estimates applied in preparing the Company's account except for the impairment testing of amounts owed by subsidiary undertakings. When measuring the potential impairment of receivables from subsidiaries, forward-looking information based on assumptions for the future movement of different economic drivers are considered.

2 Profit attributable to equity shareholders

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented for Synthomer plc.

The Company reported a profit of £35.8m for the year ended 31 December 2023 (2022: profit of £129.7m). Auditors' remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements. The Company had no employees during the current or previous year.

3 Investments

	2023			2022		
	Subsidiaries £m	**Joint ventures £m**	**Total £m**	Subsidiaries £m	Joint ventures £m	Total £m
Cost						
At 1 January	**733.1**	**0.5**	**733.6**	537.6	0.5	538.1
Additions	**4.1**	**–**	**4.1**	234.7	–	234.7
Return of capital	**–**	**–**	**–**	(33.9)	–	(33.9)
Impairment	**–**	**–**	**–**	(5.3)	–	(5.3)
At 31 December	**737.2**	**0.5**	**737.7**	733.1	0.5	733.6
Provisions						
At 1 January and 31 December	**–**	**(0.2)**	**(0.2)**	–	(0.2)	(0.2)
Net book value						
At 31 December	**737.2**	**0.3**	**737.5**	733.1	0.3	733.4

Details of the Group's subsidiaries and joint ventures are included in note 12 on pages 189 to 190.

4 Property, plant and equipment

Land and buildings

	2023				2022			
	Right of use buildings £m	**Freehold land and buildings £m**	**Plant and equipment £m**	**Total £m**	Right of use buildings £m	Freehold land and buildings £m	Plant and equipment £m	Total £m
Cost								
At 1 January	**4.1**	**3.0**	**0.1**	**7.2**	4.1	3.0	0.1	7.2
Additions	**–**	**–**	**–**	**–**	–	–	–	–
Transfers to other intangible assets	**–**	**–**	**–**	**–**	–	–	–	–
At 31 December	**4.1**	**3.0**	**0.1**	**7.2**	4.1	3.0	0.1	7.2
Accumulated depreciation								
At 1 January	**2.5**	**1.0**	**–**	**3.5**	1.9	0.9	–	2.8
Charge for the year	**0.6**	**–**	**0.1**	**0.7**	0.6	0.1	–	0.7
At 31 December	**3.1**	**1.0**	**0.1**	**4.2**	2.5	1.0	–	3.5
Net book value								
At 31 December	**1.0**	**2.0**	**–**	**3.0**	1.6	2.0	0.1	3.7

Freehold land amounting to £1.8m (2022 £1.8m) has not been depreciated.

5 Other intangible assets

	2023 £m	2022 £m
Cost		
At 1 January	**63.0**	43.6
Additions	**4.2**	19.4
Transfers from Group undertakings	**6.9**	–
At 31 December	**74.1**	63.0
Accumulated amortisation		
At 1 January	**7.3**	2.1
Charge for the year	**6.4**	5.2
At 31 December	**13.7**	7.3
Net book value		
At 31 December	**60.4**	55.7

6 Debtors

	2023 £m	2022 £m
Amounts owed by Group undertakings: amounts falling due within one year	**77.6**	36.1
Amounts owed by Group undertakings: amounts falling due after more than one year	**1,913.5**	1,951.2
Other receivables	**2.3**	0.1
Prepayments and accrued income	**1.9**	4.3
	1,995.3	1,991.7

Amounts owed by Group undertakings are unsecured and valued at fair value at inception. Interest is charged at arm's length and receivable per the agreement in place. Of the Company's amounts owed by Group undertakings, £162.4m is impaired (2022: £162.4m). Future expected credit losses on amounts receivable from subsidiaries are immaterial.

7 Other payables

	2023 £m	2022 £m
Amount due within one year		
Amounts owed to Group undertakings	**450.5**	292.3
Other creditors	**43.4**	42.3
Accruals and deferred income	**20.7**	23.4
	514.6	358.0

Amounts owed to Group undertakings are unsecured and valued at fair value at inception and are repayable on demand. Interest is charged at arm's length and payable per the agreement in place.

8 Guarantees and other financial commitments

The Company has given guarantees amounting to £0.0m (2022: £0.0m) in respect of bank and other facilities of subsidiaries and joint ventures.

9 Borrowings

	2023 £m	2022 £m
Current borrowings		
Bank loans		
Overdrafts	**–**	18.1
	–	18.1
Non-current borrowings		
Bank loans		
Bank loans	**421.9**	777.7
€520m 3 7/8% senior notes due 1 July 2025	**448.4**	456.4
	870.3	1,234.1

Details of borrowings are provided in note 21 to the consolidated financial statements.

10 Financial instruments

The fair value of financial instruments has been disclosed in the Company's statement of financial position as:

			2023			2022		
	Valuation category in accordance with IFRS 9[1]	Fair value hierarchy level	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Fair value £m	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Fair value £m
Other receivables	**AC**	**Level 2**	**1,995.3**	**1,993.4**	**1,993.4**	1,991.7	1,987.4	1,987.4
Cash and cash equivalents	**AC**	**Level 2**	**228.5**	**228.5**	**228.5**	77.7	77.7	77.7
Derivatives – no hedge accounting	**FVTPL**	**Level 2**	**5.5**	**5.5**	**5.5**	16.7	16.7	16.7
Derivatives – hedge accounting	**n/a**		**4.3**	**–**		9.4	–	
Total assets			**2,229.3**	**2,227.4**	**2,227.4**	2,095.5	2,081.8	2,081.8
Borrowings	**AC**	**Level 2**	**(870.3)**	**(870.3)**	**(881.0)**	(1,252.2)	(1,252.2)	(1,266.4)
Trade and other payables	**AC**	**Level 2**	**(514.6)**	**(514.5)**	**(514.5)**	(358.0)	(357.9)	(357.9)
Total liabilities			**(1,384.9)**	**(1,384.8)**	**(1,395.5)**	(1,610.2)	(1,610.1)	(1,624.3)

1. AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss.

A fuller description of financial instruments is included in note 22 of the consolidated financial statements on page 162.

11 Share capital

Details of the Company's share capital and outstanding share options are shown in note 27 of the consolidated financial statements on page 177.

12 Subsidiaries and joint ventures

Country of incorporation and registered address	Principal activity	Ownership %
United Kingdom		
Central Road, Harlow, Essex, CM20 2BH		
Dimex Limited	Holding Company	100
Ecatto Limited	Holding Company	100[3]
Harlow Chemical Company Limited	Holding Company	100[2]
PolymerLatex Limited	Holding Company	100
Revertex Limited	Dormant	100[3]
Super Sky Limited	Holding Company	50[1,3]
Synthomer Adhesive Technology Limited	Holding Company	100
Synthomer (UK) Limited	Trading	100
Synthomer Holdings Limited	Holding Company	100[3]
Synthomer Holdings Thailand Limited	Non-Trading	100
Synthomer Overseas Limited	Holding Company	100[3]
Temple Fields 514 Limited	Holding Company	100[3]
Temple Fields 515 Limited	Non-Trading	100
Temple Fields 522 Limited	Holding Company	100[3]
Temple Fields 523 Limited	Non-Trading	100[3]
Temple Fields 530 Limited	Non-Trading	100
William Blythe Limited	Trading	100
45 Pall Mall, London, SW1Y 5JG		
Synthomer Trading Limited	Trading	100
44 Esplanade, St Helier, Jersey, JE4 9WG		
Synthomer Jersey Limited	Non-Trading	100[3]
Austria		
Industriepark, Pischelsdorf, 3435		
Synthomer Austria GmbH	Trading	100

Country of incorporation and registered address	Principal activity	Ownership %
China		
Building 53-55, 1000 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai, 201203		
Shanghai Synthomer Chemicals Co Ltd	Trading	100
No. 016 Room, Building 2, No. 59 Xionghua Road, Caojing Town, Jinshan District, Shanghai City		
Synthomer Advanced Material Technology (Shanghai) Co Ltd	Trading	100
210 Zhou Gong Road, Shanghai Chemical Industry Park, Shanghai 201507		
OMNOVA Shanghai Co Ltd	Trading	100
308 Jiangbin Road, Xiaogang United Development Zone, Ningbo Economic & Technical Development Zone, Ningbo, 315803		
OMNOVA Ningbo Co Ltd	Trading	100
55 Xi Li Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131		
Eliokem Trading (Shanghai) Co Ltd	Trading	100
No1 Yanhe Road, Nanjing Chemical park, Nanjing		
Nanjing Yangzi Eastman Chemical Ltd	Trading	50
Czech Republic		
Tovární 2093, Sokolov, 356 01		
Synthomer AS	Trading	100
V Celnici 1031/4, Prague, 110 00		
Synthomer Holdings (CZE) SRO	Holding	100
Egypt		
Industriel Zone 1-B, 10th of Ramadan City, Sharkiya		
Synthomer SAE	Trading	88

Notes

1 Joint ventures

2 Harlow Chemical Company Limited is incorporated in UK but is resident in the Netherlands

3 Shares directly held by Synthomer plc

12 Subsidiaries and joint ventures continued

Country of incorporation and registered address	Principal activity	Ownership %
France		
5162 Route de Noroit, 76430 Sandouville		
Synthomer Holdings France SAS	Holding Company	100
Synthomer International SAS	Holding Company	100
Synthomer Speciality Chemicals SAS	Trading	100
704 Rue Pierre et Marie Curie, Ribécourt-Dreslincourt, 60170		
Synthomer France SAS	Trading	100
6 Place de la Madelaine, Paris, 75008		
Yule Catto International SA	Non-Trading	100
Germany		
Werrastrasse 10, Marl, 45768		
Synthomer Deutschland GmbH	Trading	100
Temple Fields GmbH	Non-Trading	100
Yule Catto Holdings GmbH	Holding Company	100
India		
1001, Meadows, Sahar Plaza, Andheri-Kurla Road, Andheri East, Mumbai 400059		
OMNOVA India Trading LLP	Trading	100
Italy		
Via delle Industrie 9, Filago, BG, 24040		
Synthomer S.r.l.	Trading	100
Via Morozzo 27, Sant'Albano Stura, CN, 12040		
Synthomer Specialty Resins S.r.l.	Trading	100

Country of incorporation and registered address	Principal activity	Ownership %
Malaysia		
Unit 16-2, Wisma Uoa Damansara II, 6 Changkat Semantan, Damansara Heights, Kuala Lumpur, 50490		
Desa Baiduri Sdn Bhd	Property Letting	70[4]
Kind Action (M) Sdn Bhd	Trading	70
PolymerLatex Sdn Bhd	Trading	100
Quality Polymer Sdn Bhd	Non-Trading	70
Revertex (Malaysia) Sdn Bhd	Trading	70
Synthomer Sdn Bhd	Trading	100
Terra Simfoni Sdn Bhd	Holding Company	100
Mauritius		
c/o Citco (Mauritius) Limited, Tower A, 1 Exchange Square, Wall Street, Ebene		
Synthomer Asia Pacific Corp	Holding Company	100
Standard Charted Tower, 19 Cybercity, Ebene		
Synthomer China Holdings Ltd	Holding Company	100
Mexico		
Blvd. Paseo General Lazaro Cardenas No. 844 Col. La Magdalena, Uruapan, Michoacan, Mexico C.P. 60080		
Synthomer Mexico, S.A. de C.V.	Trading	100
Netherlands		
Ijsselstraat 41, Oss, 5347 KG		
Synthomer BV	Trading	100
Yule Catto BV	Non-Trading	100
Yule Catto Nederland BV	Holding Company	100
Herculesweg 35, 4338 PL Middelburg		
Synthomer Middelburg B.V.	Trading	100

12 Subsidiaries and joint ventures continued

Country of incorporation and registered address	Principal activity	Ownership %
Portugal		
Rua Francisco Lyon de Castro, 28, 2725-397 Mem Martins		
Synthomer (Portugal) SA	Trading	100
Lyon28 – Imobiliario SA	Property Letting	100
Saudi Arabia		
27 Street, 2nd Industrial City, Dammam, 31472		
Synthomer Middle East Company Ltd	Trading	49[1]
Singapore		
Ocean Financial Centre, 10 Collyer Quay, 049315		
OMNOVA Performance Chemicals Singapore Pte Ltd	Trading	100
Spain		
Camino de Sangroniz 8, Sondika, 48150		
Synthomer Asua SL	Trading	100
Rambla de Catalunya 53, Barcelona, 08007		
Yule Catto Spain SL	Non-Trading	100
Sweden		
Tostarpsvagen 11, Kavlinge, 244 32		
Synthomer Speciality Additives AB	Trading	100
UAE		
Building 2101, Office S10122A2, Jabel Ali Free Zone, Dubai		
Synthomer Functional Solutions FZCO	Trading	49[1]
East Wing 2, Office 201, Po Box 54645, Dubai Airport Free Zone, Dubai		
Synthomer FZCO	Trading	49[1]

Country of incorporation and registered address	Principal activity	Ownership %
USA		
1201 Peachtree Street NE, Atlanta, GA, 30361		
Synthomer LLC	Trading	100
Yule Catto Inc	Holding Company	100
160 Greentree Drive, Suite 101, Dover, DE, 19904		
Synthomer USA LLC	Trading	100
25435 Harvard Road, Beachwood, Ohio 44122-6201		
Decorative Products Thailand Inc		
OMNOVA Overseas Inc	Non-Trading	100
Synthomer Inc	Trading	100
OMNOVA Wallcovering (USA) Inc	Non-Trading	100
Synthomer Adhesive Technologies LLC	Trading	100
Synthomer Jefferson Hills LLC	Trading	100
Synthomer NBR Solutions LLC	Dormant	100
Vietnam		
8, 6th Street, Song Than Industrial Park, Di An		
Synthomer Vietnam Co Ltd	Trading	60

Notes

1 Joint ventures
2 Harlow Chemical Company Limited is incorporated in UK but is resident in the Netherlands
3 Shares directly held by Synthomer plc
4 Sold January 2024

OTHER INFORMATION

Environmental performance summary

	2023	2022	2021	2020	Baseline year 2019	Variance 2023 vs 2022[7,8]	Variance 2023 vs 2019[7,8]
Energy Consumption – GJ							
Absolute energy consumption[1]							
Group	**5,614,558**	6,194,661	5,035,920	4,919,295	4,964,234	-9.36%	13.10%
UK	**282,461**	321,034	339,579	340,477	329,741	-12.02%	-14.34%
Group energy consumption by source							
Natural gas	**3,243,326**	3,374,052	2,146,659	2,047,624	2,075,657	-3.87%	56.26%
Light and heavy oils and GLP	**277,546**	336,728	24,782	28,310	32,997	-17.58%	741.12%
Steam and hot water (metered)	**835,579**	873,923	892,030	883,941	999,288	-4.39%	-16.38%
Electricity (metered)	**1,258,106**	1,329,683	1,222,002	1,263,276	1,253,575	-5.38%	0.36%
Coal	**0**	280,275	750,448	696,145	602,716	-100.00%	-100.00%
Specific energy consumption (GJ/tonne production)							
Group	**4.01**	3.95	2.89	2.79	2.73	1.62%	44.03%
UK only	**4.64**	5.05	4.32	3.95	4.22	-8.14%	9.99%
Group refrigerant releases – HCFC and others – kg							
Absolute	**3,099**	2,442	1,783	1,670	2,000	26.90%	85.57%
Specific (kg/tonne production)	**0.0022**	0.0016	0.0010	0.0009	0.0011	42.28%	134.17%
Greenhouse Gas (GHG) emissions – tonnes CO_2e[2, 3, 4, 5, 9]							
Absolute Scope 1 GHG emissions							
Group	**228,014**	270,849	225,949	219,564	309,645	-15.82%	-26.36%
UK only	**10,223**	11,963	12,721	12,867	12,429	-14.54%	-17.75%
Absolute Scope 2 GHG emissions – Market based							
Group	**107,411**	105,942	83,857	183,429	259,040	1.39%	-58.53%
UK only	**6,443**	5,815	5,893	6,266	5,308	10.80%	21.38%
Absolute Scope 2 GHG emissions – Location based							
Group	**206,073**	209,500	210,899	226,537	263,745	-1.64%	-21.87%
UK only	**7,682**	7,545	7,887	8,785	8,367	1.82%	-8.19%
Absolute Scope 1&2 GHG emissions – Market based							
Group	**335,425**	376,791	309,806	402,993	568,685	-10.98%	-41.02%
UK only	**16,666**	17,778	18,613	19,133	17,737	-6.25%	-6.04%

	2023	2022	2021	2020	Baseline year 2019	Variance 2023 vs 2022[7,8]	Variance 2023 vs 2019[7,8]
Specific Scope 1&2 GHG emissions							
Group (tonnes CO_2e/tonne production)	**0.240**	0.240	0.178	0.228	0.289	-0.19%	-16.99%
UK only (tonnes CO_2e/tonne production)	**0.274**	0.280	0.237	0.222	0.227	-2.13%	20.65%
Absolute Group Scope 1&2 GHG emissions by source							
From energy[3]	**289,833**	326,992	270,097	362,222	513,994	-11.36%	-43.61%
From process emissions	**41,454**	43,807	34,724	35,916	47,164	-5.37%	-12.11%
From refrigerant releases	**4,138**	5,992	4,985	4,855	7,527	-30.94%	-45.02%
Absolute Scope 3 GHG emissions							
Group	**2,562,447**	2,441,375	2,318,828	n/a	2,992,405	4.96%	-14.37%
Specific Scope 3 GHG emissions							
Group (tonnes CO_2e/tonne production)	**1.832**	1.557	1.332	n/a	1.520	17.68%	20.52%
Other emissions to air							
Other emissions to air – absolute (tonnes)							
Sulphur dioxide (SO_2)	**14.08**	44.614	122.128	132.242	126.282	-68.44%	-89.35%
Nitrous oxides (NO_x)[6]	**162.92**	164.890	230.672	229.506	201.976	-1.19%	-29.01%
Particulate matter (PM)	**24.682**	29.659	n/a	n/a	n/a	-16.78%	n/a
Volatile organic compounds (VOCs)	**298.67**	529.783	268.076	246.792	231.342	-43.62%	21.02%
Other emissions to air – specific (kg/tonne production)							
Sulphur dioxide (SO_2)	**0.010**	0.028	0.070	0.075	0.070	-64.62%	-86.56%
Nitrous oxides (NO_x)[6]	**0.116**	0.105	0.133	0.130	0.111	10.78%	-10.42%
Particulate matter (PM)	**0.018**	0.019	n/a	n/a	n/a	-6.70%	n/a
Volatile organic compounds (VOCs)	**0.214**	0.338	0.154	0.140	0.127	-36.79%	52.72%
Group water usage – m^3							
Total water withdrawal	**7,066,045**	8,090,588	7,747,617	7,202,458	7,142,707	-12.66%	-1.89%
Specific water withdrawal (m^3/tonne production)	**5.05**	5.16	4.45	4.08	3.93	-2.08%	23.80%
Total water withdrawal by source							
Public potable supply	**2,105,024**	2,225,772	1,664,140	1,639,818	1,755,650	-5.42%	28.37%
Raw water from river	**2,681,342**	3,231,223	3,357,138	2,992,894	2,810,402	-17.02%	-10.41%
Raw water from borehole	**782,757**	1,058,105	1,327,913	1,158,464	1,192,088	-26.02%	-32.43%
Raw water form canal	**38,932**	54,018	80,039	70,609	65,012	-27.93%	-44.86%
Raw water from other	**1,457,990**	1,521,470	1,318,387	1,340,673	1,319,556	-4.17%	8.75%

	2023	2022	2021	2020	Baseline year 2019	Variance 2023 vs 2022[7,8]	Variance 2023 vs 2019[7,8]
Total water consumption[10]	**2,020,273**	2,565,882	n/a	n/a	n/a	-21.26%	n/a
Specific water consumption (m^3/tonne production)	**1.44**	1.64	n/a	n/a	n/a	-11.72%	n/a
Group waste management – tonnes							
Group waste (total)							
Absolute	**50,358**	62,454	39,708	39,852	49,364	-19.37%	26.36%
Specific (kg/tonne production)	**36.01**	39.83	22.81	22.58	27.19	-9.60%	59.46%
Group waste (landfill)							
Absolute	**12,772**	17,298	9,345	9,487	12,353	-26.16%	34.63%
Specific (kg/tonne production)	**9.13**	11.03	5.37	5.38	6.80	-0.17	69.89%
Group waste (hazardous)							
Absolute	**27,367**	35,591	22,674	21,402	23,128	-23.11%	27.87%
Specific (kg/tonne production)	**19.57**	22.70	13.03	12.13	12.74	-13.79%	61.36%
Group waste (non-hazardous)							
Absolute	**22,991**	26,863	17,034	18,450	26,236	-14.41%	24.61%
Specific (kg/tonne production)	**16.44**	17.13	9.79	10.45	14.45	-4.04%	57.25%
Hazardous waste by source							
Recycled – energy recovery	**8,677**	10,684	2,931	3,244	3,777	-18.79%	167.46%
Recycled – separated - reprocessed	**7,222**	7,914	5,065	6,418	5,959	-8.74%	12.52%
Incinerated – no energy recovery	**4,126**	5,392	2,738	1,611	1,430	-23.48%	156.09%
Disposed by landfill	**1,565**	2,755	3,235	2,276	1,643	-43.19%	-31.23%
Other	**5,777**	8,845	10,141	8,567	11,100	-34.69%	-32.56%
Non-hazardous waste by source							
Recycled – energy recovery	**3,232**	3,714	4,278	4,475	8,176	-12.98%	-27.78%
Recycled – separated - reprocessed	**3,006**	3,503	2,836	2,377	2,275	-14.19%	26.48%
Incinerated – no energy recovery	**75**	124	22.31	17.03	186.00	-39.52%	340.40%
Disposed by landfill	**11,206**	14,544	8,011	8,170	11,808	-22.95%	37.17%
Other – municipality	**5,471**	4,977	1,887	3,411	3,791	9.93%	60.38%
Sites that are zero prodution waste to landfill							
Number	**10**	n/a	n/a	n/a	n/a	n/a	n/a
Proportion of Group revenue	**26.5**	n/a	n/a	n/a	n/a	n/a	n/a
Proportion of Group production volume	**36.0**	n/a	n/a	n/a	n/a	n/a	n/a

	2023	2022	2021	2020	Baseline year 2019	Variance 2023 vs 2022[7,8]	Variance 2023 vs 2019[7,8]
Production sales volume							
Group	**1,398,480**	1,567,931	1,740,475	1,764,768	1,968,264	-10.81%	-28.95%
UK only	**60,901**	63,583	78,612	86,170	78,196	-4.22%	-22.12%
Additional TCFD metrics[11]							
Financial intensity (tonnes CO_2e/£m)							
Scope 1&2 GHG emissions (revenue)	**166**	146	133	245	390	14%	-32%
Scope 1&2 GHG emissions (EBITDA)	**2,411**	1,421	593	1,554	3,197	70%	-25%
Scope 3 GHG emissions (revenue)	**1,268**	944	995	n/a	2,051	34%	-38%
Scope 3 GHG emissions (EBITDA)	**18,422**	9,209	4,440	n/a	16,821	100%	10%
Scope 1, 2 and 3 GHG emissions (revenue)	**1,434**	1,090	1,128	n/a	2,441	32%	-41%
Scope 1, 2 and 3 GHG emissions (EBITDA)	**20,833**	10,631	5,034	n/a	20,017	96%	4%
Sites with an ETS or equivalent – %							
Proportion of Group Scope 1 GHG emissions	**57.7**	59.6	62.3	61.6	60.7	-3%	-5%
Proportion of Group production volume	**13.6**	n/a	n/a	n/a	n/a	n/a	n/a
Proportion of Group revenue	**19.2**	n/a	n/a	n/a	n/a	n/a	n/a
Sites in extremely high-risk location for water stress							
Number	**3**	n/a	n/a	n/a	n/a	n/a	n/a
Proportion of Group water use	**10.9**	n/a	n/a	n/a	n/a	n/a	n/a
Proportion of Group revenue	**12.4**	n/a	n/a	n/a	n/a	n/a	n/a

Environmental performance metrics and KPI data covers all manufacturing operations and major office/technical centres under Synthomer operational control for the calendar years stated. Data in these tables excludes all non-trading and office/sales-related subsidiaries and joint ventures.

GHG emission calculations follow GHG protocol rules for Scopes 1, 2 and 3, with Scope 1 and 2 reporting reflecting operational control boundaries. Details on Scope 3 calculations can be found on Synthomer's 2023 Scope 3 report.

a) Data here refers to the Group composition as of end 2023, and excludes the divested Coated Fabric and Laminate Films sites. 2019 data for GHG emissions has been re-calculated to reflect all acquisitions and divestments as this is the baseline year for our Scope 1-3 emissions reduction targets.

b) Data here reflects the composition of the Group at the time. It excludes divestments but the 3 ex-Eastman sites acquired in 2022 and under operational control and still not included.

1 Data relates to site usage of all fuels, excluding transport of goods to and from site and the movement of these vehicles on site. Internal transport on site is included.

2 Scope 1 and 2 CO_2e emissions have been calculated from the usage of all fuels, excluding 3rd party transport fuel. They therefore include both direct emissions and indirect emissions related to imported electricity, steam, compressed air, cooling water etc., with the exception of transmission and distribution losses for electricity, which are considered as Scope 3 and have not been estimated. As of this year, Scope 1 process emissions are now included for 2 specific processes on 2 sites.

3 CO_2 equivalent emissions include contributions from CH_4 and N_2O associated with combustion.

4 All direct energy production from fossil fuels has been aggregated on a Group-wide basis and converted to CO_2e by using the appropriate emissions factors. Scope 2 emissions associated with electricity have been calculated using two different methods as per GHG Protocol requirements:

Market based: using market-based emissions factors for electricity from suppliers of standard grid fuel mix tariffs, and emission factors of zero where verifiable renewable tariffs or renewable certificates with guarantees of origin have been purchased. In cases where supplier emissions factors were not available, the residual mix factor was used for EU and UK sites and the Location Base approach for non-EU sites.

Location based: using emissions factors from DEFRA (dataset published in June 2023) for UK grid electricity, US EPA Inventory eGRID sub-region factors for US sites (April 2023 dataset) and for other countries grid electricity from the relevant IEA (International Energy Authority) 'World CO_2 Emissions from Fuel Combustion' databases. In accordance with UK Government guidance, factors used for 2023 reporting are based on 2021 validated data.

Scope 2 emissions associated with imported steam have been estimated using verified emission factors provided by the suppliers where available. Where not available the UK DEFRA heat and steam factor has been used.

5 The total Scope 1 and 2 CO_2e figure is the total of the CO_2 equivalent emissions associated with energy, refrigerant release and relevant process emission contributions.

6 NO_x emissions are predominantly those from combustion processes. The CO_2 equivalent Global Warming Potential contribution from these releases is already included in the CO_2 from the energy figure above.

7 Some 2022-2019 data has been modified following verification and review, for example reflecting more accurate emission factors. No individual changes are considered to have had a material impact.

8 Percentage changes are calculated from the base data and may differ slightly from changes calculated from the data in the tables because of rounding.

9 Our Stallingborough site in the UK is supplied with most of its electricity from an adjacent municipal waste incinerator. But since the waste is both renewable and non-renewable, the site has some associated emissions In 2023, the emissions from this electricity were 0.427kg CO_2e per kWh, based on our determination of the factors used for the Climate Change Agreement submission.

10 Since adopting a more accurate and holistic water mass balance approach in 2022, we are not reporting water consumption for earlier years.

11 TCFD metrics are calculated using GHG data stated in this table and revenue figures stated in the Annual Report 2023.

Global reporting initiative (GRI) content index

Statement of use

Synthomer plc has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.
This table references the GRI Universal Standards 2021 and identifies where Synthomer addresses each disclosure topic – the 2023 Annual Report, the separate 2023 ESG Datapack, and the Synthomer corporate **website**.

GRI Standards used

GRI Universal Standards 2021 (GRI 1: Foundation 2021, GRI 2: General Disclosures 2021, GRI 3: Material Topics 2021) and material GRI Topic Standards

GRI standard	Disclosure	Location
GRI 2: General Disclosures 2021	2-1 Organisational details	1-4, 136, 145-147, back cover
	2-2 Entities included in the organisation's sustainability reporting	196
	2-3 Reporting period, frequency and contact point	28, 197
	2-4 Restatements of information	196
	2-5 External assurance	Synthomer ESG Data Pack
	2-6 Activities, value chain and other business relationships	1-4, 22-40
	2-7 Employees	38-40, 43, Synthomer ESG Data Pack
	2-9 Governance structure and composition	45-47, 56, 70-72, 75
	2-10 Nomination and selection of the highest governance body	94-97
	2-11 Chair of the highest governance body	70
	2-12 Role of the highest governance body in overseeing the management of impacts	45-47, 56-60, 75
	2-13 Delegation of responsibility for managing impacts	75
	2-14 Role of the highest governance body in sustainability reporting	75, 87-93
	2-15 Conflicts of interest	54, 82-86
	2-16 Communication of critical concerns	31, 54, 128
	2-17 Collective knowledge of the highest governance body	69-72
	2-18 Evaluation of the performance of the highest governance body	67, 68
	2-19 Remuneration policies	86, 98-102
	2-20 Process to determine remuneration	86, 98-102
	2-21 Annual total compensation ratio	114
	2-22 Statement on sustainable development strategy	6, 10, 66, 67
	2-23 Policy commitments	61
	2-24 Embedding policy commitments	61
	2-25 Processes to remediate negative impacts	54, 61
	2-26 Mechanisms for seeking advice and raising concerns	31, 54, 61

GRI standard	Disclosure	Location
GRI 2: General Disclosures 2021 continued	2-27 Compliance with laws and regulations	54, 60, 61
	2-28 Membership associations	31, 33
	2-29 Approach to stakeholder engagement	29, 30, 39, 76-81
	2-30 Collective bargaining agreements	Synthomer ESG Data Pack
GRI 3: Material Topics 2021	3-1 Process to determine material topics	29, 30
	3-2 List of material topics	30, 48-59
	3-3 Management of material topics	28-30, 45-47
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	129-135
	201-2 Financial implications and other risks and opportunities due to climate change	56-59, 125
	201-3 Defined benefit plan obligations and other retirement plans	171-176
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	54, 61
	205-2 Communication and training about anti-corruption policies and procedures	40
	205-3 Confirmed incidents of corruption and actions taken	54
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	54, 145
GRI 207: Tax 2019	207-1 Approach to tax	138, 139, 149-151, Synthomer Group Policies
	207-2 Tax governance, control, and risk management	92, 138, 139
	207-3 Stakeholder engagement and management of concerns related to tax	91
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	193, Sustainability Insights
	302-3 Energy intensity	193
	302-4 Reduction of energy consumption	31, 32, 42
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	33, Sustainability Insights
	303-3 Water withdrawal	42, 194, 195
	303-5 Water consumption	195
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	31, 32, 42, 193, 196, Sustainability Insights
	305-2 Energy indirect (Scope 2) GHG emissions	31, 32, 42, 193, 196, Sustainability Insights
	305-3 Other indirect (Scope 3) GHG emissions	34, 35, 194, 196, Sustainability Insights
	305-4 GHG emissions intensity	194, 196
	305-5 Reduction of GHG emissions	31, 32, 42, Sustainability Insights
	305-6 Emissions of ozone-depleting substances (ODS)	193
	305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	194
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	42, 195, Sustainability Insights
	306-2 Management of significant waste-related impacts	42
	306-3 Waste generated	195
	306-4 Waste diverted from disposal	195
	306-5 Waste directed to disposal	195

GRI standard	Disclosure	Location
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Synthomer ESG Data Pack
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Synthomer ESG Data Pack
	401-3 Parental leave	38-40
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	30, 31, Sustainability Insights
	403-2 Hazard identification, risk assessment, and incident investigation	30, 31, 44-47, 51
	403-4 Worker participation, consultation, and communication on occupational health and safety	30, 31, 51
	403-5 Worker training on occupational health and safety	30, 31, 51
	403-6 Promotion of worker health	30, 31
	403-8 Workers covered by an occupational health and safety management system	30, 31
	403-9 Work-related injuries	31, Synthomer ESG Data Pack
	403-10 Work-related ill health	Synthomer ESG Data Pack
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Synthomer ESG Data Pack
	404-2 Programs for upgrading employee skills and transition assistance programs	38-40
	404-3 Percentage of employees receiving regular performance and career development reviews	38-40
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	69
	405-2 Ratio of basic salary and remuneration of women to men	38-40
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Synthomer modern slavery statement
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Synthomer modern slavery statement
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Synthomer modern slavery statement
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	43, Sustainability Insights
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Synthomer ESG Data Pack
GRI 415: Public Policy 2016	415-1 Political contributions	119
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Sustainability Insights
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Insights
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Sustainability Insights
	417-2 Incidents of non-compliance concerning product and service information and labeling	Sustainability Insights
	417-3 Incidents of non-compliance concerning marketing communications	Sustainability Insights

Glossary of terms

AC	Amortised Cost
ACC	American Chemistry Council
AGM	Annual General Meeting
AIMS	Accident and Incident Management System
AM	Acrylate Monomers
APMs	Alternative Performance Measures
APO	Amorphous polyolefins
AS	Adhesive Solutions
Capital employed	Net assets excluding third-party net debt
CCS	Coatings & Construction Solutions
CDP	Carbon Disclosure Project
CGU	Cash Generating Unit
CH4	Methane
CIA	Chemical Industries Association
CO_2	Carbon Dioxide
CO_2e	Carbon Dioxide equivalent
Constant currency	Reflects current year results for existing business translated at the prior year's average exchange rates, and includes the impact of acquisitions
CRM	Customer Relationship Management system
CSRD	Corporate Sustainability Reporting Directive
DE&I	Diversity, equity and inclusion
DEFRA	Department for Environment, Food and Rural Affairs
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and Special Items
EMEA	Europe, Middle East, Africa and Americas
EPS	Earnings Per Share
ERC	Executive Risk Committee
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
FRC	Financial Reporting Council
Free Cash Flow	The movement in net debt before financing activities, foreign exchange and the cash impact of Special Items, asset disposals and business combinations
FRS	Financial Reporting Standard
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHGs	Greenhouse Gases
GJ	Gigajoule
GLT	Global Leadership Team
GRI	Global Reporting Initiative
H&P	Health & Protection
HPPM	Health & Protection and Performance Materials
HRWG	Human Rights Working Group
IFRS	International Financial Reporting Standards
ISA	International Standards of Auditing
ISCC PLUS	International Sustainability & Carbon Certification PLUS
KPIs	Key Performance Indicators
kt	Kilotonne or 1,000 tonnes (metric)
LTA	Lost Time Accident
LTIP	Long-Term Incentive Plan
M&A	Mergers and Acquisitions
MYR	Malaysian Ringgits
N_2O	Nitrous Oxide
NBR	Nitrile butadiene latex
NED	Non-Executive Director
Net debt	Cash and cash equivalents together with short- and long-term borrowings
n/m	Not meaningful

NO_x	Nitrogen Oxides
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation (sometimes also known as EBIT or earnings before interest and tax)
Operating Cash Flow	Operating Cash Flow is defined as Total Group EBITDA plus/minus net working capital movement less capital expenditure.
PBT	Profit Before Tax
PPE	Property, Plant and Equipment
PSER	Process safety event rate
PSP	Performance Share Plan
PVC	Polyvinyl Chloride
R&D	Research and Development
RCF	Revolving credit facility
RCR	Recordable injury case rate
ROIC	Return on Invested Capital (calculated as Group Underlying operating profit as a percentage of Group capital employed)
SBR	Styrene Butadiene Rubber
SDG	Sustainable Development Goals
SEC	Specific Energy Consumption
SHE	Safety, Health and Environment
SHEMS	Safety, Health and Environment Management System
STEM	Science, Technology, Engineering and Mathematics
TCFD	Task Force on Climate-related Financial Disclosures
The Code	The UK Corporate Governance Code
TSR	Total Shareholder Return
UKEF	United Kingdom Export Finance
Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items
VOCs	Volatile Organic Compounds

Historical financial summary

		2023 £m	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Revenue		**2,021.2**	2,585.1	2,329.5	1,644.2	1,459.1	1,618.9
Underlying performance	(a)						
EBITDA	(b)	**139.1**	265.1	522.2	259.4	177.9	181.0
Operating profit	(c)	**33.8**	171.2	450.9	189.6	125.8	142.1
Finance costs		**(64.9)**	(46.2)	(30.8)	(29.6)	(9.6)	(7.0)
Profit before taxation		**(31.1)**	125.0	420.1	160.0	116.2	135.1
Basic earnings per share	(f)	**(35.1)p**	152.0p	554.0p	212.9p	186.4p	226.2p
Dividends per share	(f)	**–**	–	30.0p	11.6p	4.0p	12.2p
Dividend cover		**–**	–	2.5	2.5	6.3	2.5
IFRS							
Operating profit	(c)	**17.7**	(26.5)	308.5	58.4	110.6	128.7
Finance costs		**(71.4)**	(21.1)	(24.6)	(38.1)	(10.1)	(8.4)
Profit before taxation		**(53.7)**	(47.6)	283.9	20.3	100.5	120.3
Basic earnings per share	(f)	**(78.5)p**	(51.2)p	355.8p	5.2p	158.4p	201.8p
Dividends per share	(f)	**–**	–	30.0p	11.6p	4.0p	12.2p
Dividend cover		**–**	–	1.6	0.1	5.4	2.2
Net debt	(d)	**(499.7)**	(1,024.9)	(114.2)	(462.2)	20.7	(214.0)
Capital expenditure	(e)	**84.0**	90.8	82.2	53.8	69.1	75.7

(a) Total of continuing and discontinued operations for the Group.
(b) As defined in the accounting policies at note 2 and reconciled in note 5.
(c) As defined in note 2 to the financial statements on page 136.
(d) As reconciled in note 21.
(e) As disclosed on the Consolidated Cash Flow statement.
(f) Dividends and earnings per share figures for change to 2022 and prior years have been adjusted for the 20 to 1 share consolidation and rights issue adjustment factor of 2.715.
(g) The 2022 interim dividend was cancelled to preserve cash, liquidity and balance sheet strength.

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