

Innovating today...



...enabling our tomorrow

Annual Report & Accounts 2023



# We are Senior

We are an international, market-leading, engineering solutions provider with 26 operating businesses in 12 countries.

Senior's expertise in fluid conveyance and thermal management provides safe and innovative products for demanding applications in some of the most challenging environments.

## Thermal management

Industrial  
& Land Vehicle

➤ Read more on page 2



Aerospace  
& Defence

➤ Read more on page 16



## Fluid conveyance

Industrial  
& Land Vehicle

➤ Read more on page 42



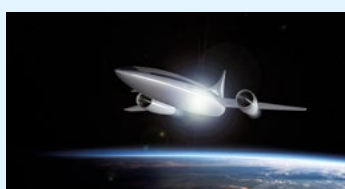
Aerospace  
& Defence

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## Enabling technologies

➤ Read more on page 136



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## Financial highlights

<b>Revenue</b> <b>+14%</b> <b>£963.5m</b> 2022 – £848.4m	<b>Adjusted operating margin<sup>(1)</sup></b> <b>+140bps</b> <b>4.8%</b> 2022 – 3.4%	<b>Adjusted profit before tax<sup>(2)</sup></b> <b>+91%</b> <b>£38.3m</b> 2022 – £20.1m
<b>Profit before tax</b> <b>+2%</b> <b>£22.8m</b> 2022 – £22.4m	<b>Adjusted earnings per share<sup>(3)</sup></b> <b>+136%</b> <b>10.28p</b> 2022 – 4.36p	<b>Basic earnings per share</b> <b>+55%</b> <b>7.52p</b> 2022 – 4.86p
<b>Return on capital employed<sup>(4)</sup></b> <b>+240 bps</b> <b>7.1%</b> 2022 – 4.7%	<b>Dividend per share</b> <b>+77%</b> <b>2.30p</b> 2022 – 1.30p	<b>Free cash flow<sup>(5)</sup></b> <b>-44%</b> <b>£15.5m</b> 2022 – £27.7m
<b>Net debt<sup>(5)</sup></b> <b>£25m increase</b> <b>£203.8m</b> 2022 – £178.9m		

## Non-financial highlights

<b>CDP</b> (climate disclosure project) <b>A</b> 2022 – A Leadership rating “Implementing best practices”	<b>Total Scope 1 and 2 Carbon Dioxide Emissions</b> (tonnes CO <sub>2</sub> equivalent emitted) <b>40,491 tonnes</b> 2022 – 44,878 tonnes (Scope 1, Scope 2 – market based)	<b>Lost time injury rate</b> (per 100 employees) <b>0.32</b> 2022 – 0.38
<b>Waste recycled</b> <b>95.1%</b> 2022 – 94.8%	<b>Ethics</b> (percentage of employees who completed Annual Code of Conduct Training) <b>95%</b> 2022 – 94%	
<b>Women in leadership – Board of Directors</b> <b>57%</b> 2022 – 55%	<b>Women in leadership – Executive Committee</b> <b>38%</b> 2022 – 29%	

Adjusted operating profit and adjusted profit before tax are stated before £2.2m amortisation of intangible assets from acquisitions (2022 – £0.2m), £5.6m net restructuring costs (2022 – £4.2m net income) and £0.1m site relocation cost (2022 – £nil). Adjusted profit before tax is also stated before costs associated with corporate undertakings of £7.6m (2022 – £1.7m). A reconciliation of adjusted operating profit to operating profit is shown in Note 9. Adjusted earnings per share includes benefit of 2.54 pence from the release of the provision for uncertain tax positions in the second half of 2023, that will not repeat in 2024 (see Note 10 for further details).

EBITDA is adjusted profit before tax and before interest, depreciation, amortisation and profit or loss on sale of property, plant and equipment. It also excludes EBITDA

from businesses which have been disposed and includes 12 months EBITDA for businesses acquired and it is based on frozen GAAP (pre-IFRS 16). This measure is used for the purpose of assessing covenant compliance and is reported to the Group Executive Committee.

- (1) Adjusted operating margin is the ratio of adjusted operating profit to revenue.
- (2) A reconciliation of adjusted profit before tax to profit before tax is shown in Note 9.
- (3) A reconciliation of adjusted earnings per share to basic earnings per share is shown in Note 12.
- (4) See page 57 for the derivation of return on capital employed.
- (5) See Notes 32b and 32c for the derivation of free cash flow and of net debt respectively.

The US Dollar exchange rate applied in the translation of revenue, profit and cash flow items at average rates for 2023 was \$1.24 (2022 – \$1.24). The US Dollar exchange rate applied to the balance sheet at 31 December 2023 was \$1.27 (31 December 2022 – \$1.21).

### Cautionary statement

The Annual Report & Accounts 2023 contains certain forward-looking statements. Such statements are made by the Directors in good faith based on the information available to them at the date of this Report and they should be treated with caution due to the inherent uncertainties underlying any such forward-looking statements.

# Strategic Report

## Thermal management: Industrial & Land Vehicle

### Developing products for our customers today...

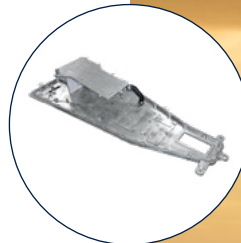
#### EGR Cooler

Aids in reducing combustion temperatures, thereby reducing NOx (which creates smog) and improving fuel economy (which results in lower CO<sub>2</sub>). In order to meet tightening emissions standards, EGR Coolers will be required for diesel, natural gas and synthetic fuel internal combustion engines.



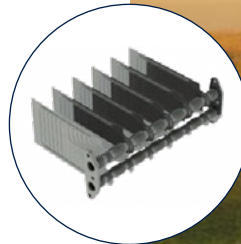
#### Electronic thermal management

Thermal management of critical electronic components is required for all new land vehicles. Newer, more efficient vehicles require more electronic systems for engine management and therefore need advanced thermal management for electronic durability.



#### Battery cooling plates for electric buses

Senior has designed and manufactured customised cooling plates for the battery pack used on battery electric powertrains, meeting stringent performance requirements.





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Statement



# Our Purpose

We help engineer the transition to a sustainable world for the benefit of all our stakeholders.

We do this by:



## Technology expertise



Using our technology expertise in fluid conveyance and thermal management to provide safe and innovative products for demanding applications in some of the most hostile environments.



## Customer transition



Enabling our customers, who operate in some of the hardest-to-decarbonise sectors, to transition to low-carbon and clean energy solutions.



**David Squires** | Group Chief Executive Officer

“Our Purpose resonates across our various stakeholder groups.”



## Climate action



Staying at the forefront of climate disclosure and action by ensuring our own operations achieve our Net Zero commitments.

## Our Vision

Our Vision is to be a trusted and collaborative high value-added engineering and manufacturing company delivering sustainable growth in operating profit, cash flow and shareholder value.

## Our core Values

### ‘The Senior Way’

<b>Safety</b>	We operate safely, protecting people and the environment.
<b>Integrity</b>	We operate with integrity and in an ethical manner.
<b>Customer focus</b>	We put the customer at the heart of everything we do.
<b>Respect and trust</b>	We work together with mutual respect and trust.
<b>Accountability</b>	We do what we say.
<b>Excellence</b>	We continually strive to do better in every aspect of our business.

# Our Business Model

We aim to create value for all our stakeholders through our Business Model.



**Purpose** We help engineer the transition to a sustainable world for the benefit of all our stakeholders.

➔ Read more about how we do this on [pages 4 and 5](#)

**Vision** Our Vision is to be a trusted and collaborative high value-added engineering, manufacturing and technology company delivering sustainable growth in operating profit, cash flow and shareholder value.

## What we do

Senior designs and manufactures highly engineered, technology-rich components and systems for principal original equipment manufacturers in the worldwide aerospace and defence, land vehicle and power & energy markets. For the majority of original equipment applications, revenue is recognised on sale to customer on incoterms (with no long-term contract accounting).

The Group has a global footprint with

26

operating businesses located in

12

countries servicing blue-chip customers.



Aerospace



Flexonics

➔ Read more on [pages 72 to 77](#)

## How we do it

### Our strengths/differentiators

#### Organisation

- A culture of autonomous collaboration.
- Active sharing of best practices.
- Complementary capabilities.
- Leverage common customer and supplier relationships.
- Strong Divisions provide additional focus on growth, performance and governance.

#### Financial

- Financial strength supporting investment and innovation for customer benefit.

#### Global footprint

- 26 operating businesses in 12 countries serving a number of markets.
- An integrated global footprint providing customers with market proximity and cost competitiveness.

### Our strategic priorities

#### Autonomous and collaborative Business Model

Senior's Business Model is one of empowering and holding accountable our businesses, operating within a clearly defined divisional structure, to develop and deliver business plans in line with overall Group strategy.

#### Focus on growth

We seek to outgrow our end markets, which have structural long-term growth drivers, both organically and through acquisition.

#### Considered and effective capital deployment

Senior understands the importance of considered and effective capital deployment in the interest of maximising shareholder value.

#### High performance operating system

Senior has implemented a high-performance operating system, drawing on the many excellent practices from across the Group, through the Senior Operating System and a comprehensive business review process.

## Our core Values

### 'The Senior Way'

**Safety:** We operate safely, protecting people and the environment.

**Integrity:** We operate with integrity and in an ethical manner.

**Customer focus:** We put the customer at the heart of everything we do.

**Respect and trust:** We work together with mutual respect and trust.

**Accountability:** We do what we say.

**Excellence:** We continually strive to do better in every aspect of our business.



➤ Read more about our people on [page 34](#) and about our technology on [pages 42 to 47](#)

**People and culture**

- Integrity and high ethical standards.
- Maintaining a safe and healthy workplace
- Empowerment of local management, within a well-defined control framework.
- Ongoing investment in personal and professional development at all levels throughout the business.

**Innovation**

- Focusing on technology product and process innovation to better serve our customers and enhance our Business Model.

➤ Read more about our strategic priorities on [pages 40 and 41](#)

**Competitive cost country strategy**

Senior has a global footprint to ensure we stay competitive at a capability and cost level. In addition to our North American and European footprint, we have facilities in Thailand, Malaysia, China, India, Mexico, South Africa and the Czech Republic which help to ensure we meet our customers' cost and price challenges whilst enhancing returns on investment.

**Sustainability**

Sustainability is a fundamental component of our strategic approach and underpins our Purpose. Our ongoing commitment is to provide products in a way that is not only environmentally sustainable but also contributes to economic growth, fostering long-term value for shareholders through sustainable practices.

**Talent development**

Senior has a skilled workforce and highly experienced entrepreneurial business leaders. We invest continuously in technical skills, and professional and leadership development.

**Our culture**

**Our Values set out the principles and standards of behaviour that drive our culture.**

The safety and wellbeing of our employees is a priority in everything that we do. In our autonomous and collaborative Business Model, our operational business leaders are empowered and accountable, and set the tone for their operations.

The principles of openness and transparency are strongly encouraged and are evident across all our businesses.

**Creating value for our stakeholders**

**Our employees**

Ensuring Senior is a great place to work with inspiring operational leadership and a highly motivated workforce.



**Our customers**

Continuously delivering competitive products and solutions to customers with outstanding quality and delivery performance.



**Our suppliers**

Developing reliable, ethical and sustainable supply chains ensuring we can meet our customers' requirements.



**Our shareholders**

Generating shareholder value through sustainable growth in operating profit and cash flow.



**Our communities**

Actively participating and helping to improve the quality of life in our local communities. Minimising our environmental impact through peer-leading sustainability programmes.



**Our environment**

Caring for our planet by reducing greenhouse gas emissions, using less water and recycling our waste.



# Group at a glance

**David Squires** | Group Chief Executive Officer

“Our core Values underpin our culture with Safety and Integrity first amongst equals.”

➤ Read more about our Values on page 6

## Our people worldwide

North  
America

43%

UK and  
Europe

35%

Asia

19%

Africa

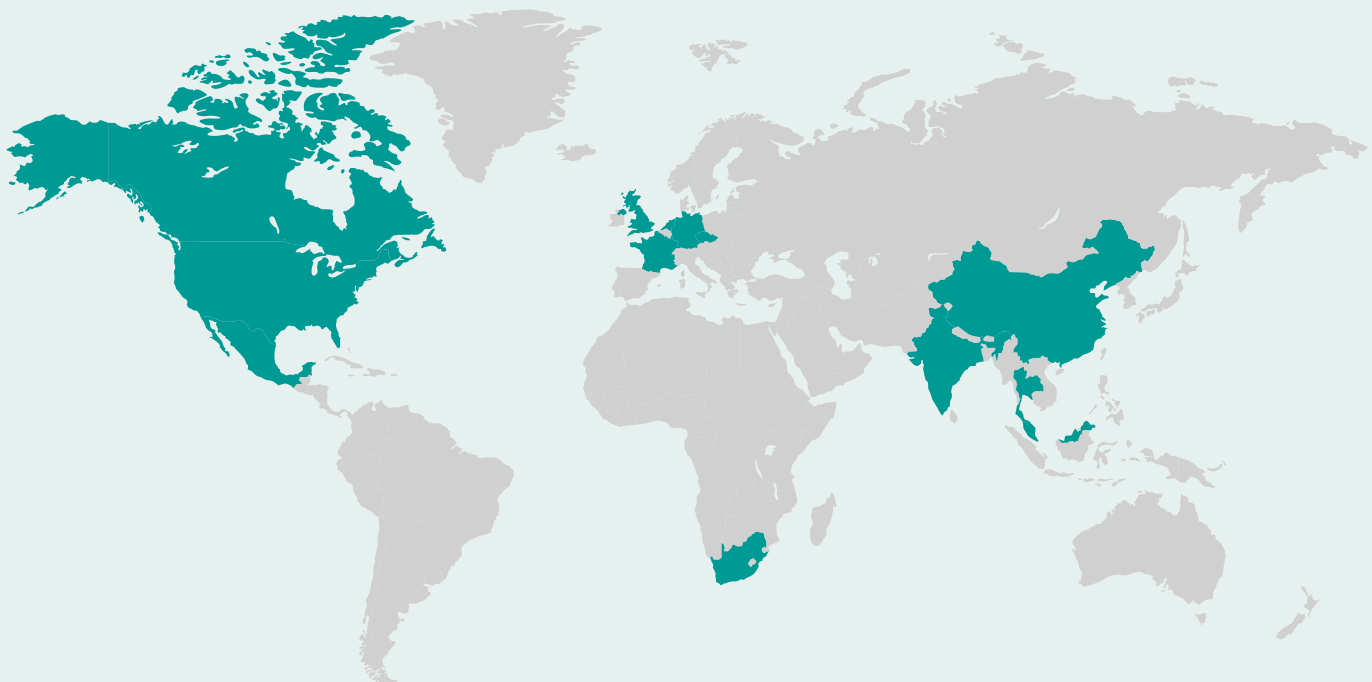
3%

Worldwide  
operating  
businesses

26

Countries

12



➤ Read more about our people and culture on page 35



# Aerospace



Senior Aerospace provides high technology products and systems for demanding applications in aerospace & defence and adjacent markets.

Our product portfolio spans a wide range of fluid conveyance, and thermal management components and sub-systems, as well as complex structural parts and assemblies, for fixed-wing and rotary aircraft, aero-engines, spacecraft and a variety of other industrial applications.

With a global footprint, Senior Aerospace manufactures proprietary designed and build-to-print products for customers around the world that meet today's challenges and is actively engaged in developing products and capabilities for a low-carbon sustainable future.

➤ Read more about Aerospace on [page 70](#)

## Fluid conveyance systems

Design and manufacture:

- High-pressure and low-pressure ducting systems (metal and composite)
- Control bellows, sensors and assemblies

## Structures

- Precision-machined airframe components and assemblies

## Gas turbine engines

- Precision-machined and fabricated engine components (rotating and structural)
- Fluid systems, ducting and control products

➤ Read more on [pages 42 to 47](#)

# 64%

(2022 – 65%)

■ Civil Aerospace	42%
■ Defence	14%
■ Other Aerospace (Adjacent Markets)	8%



# Flexonics



Senior Flexonics provides high technology products and systems for demanding applications in land vehicle, power & energy and adjacent markets.

Our product portfolio spans a wide range of fluid conveyance and thermal management components / sub-systems, as well as complex precision-machined parts, for conventional and advanced land vehicle propulsion systems, petrochemical, renewable energy and a variety of other industrial applications.

With a global footprint, Senior Flexonics manufactures proprietary designed and build-to-print products for customers around the world that meet today's challenges and is actively engaged in developing and supplying products and capabilities for a low-carbon sustainable future.

➤ Read more about Flexonics on [page 72](#)

## Land vehicle emission control

- Exhaust gas recirculation coolers
- Fuel mixing and distribution systems
- Flexible couplings

## Industrial process control

Design and manufacture:

- Engineered expansion joints, dampers and diverters
- Flexible hose assemblies and control bellows
- Fuel cells and heat exchangers
- Precision-machined components

➤ Read more on [pages 42 to 47](#)

# 36%

(2022 – 35%)

■ Land vehicle	21%
■ Power & energy	15%

# Chair's statement

## Good operational and strategic progress in the year



**Ian King** | Chair

"We continue to deliver what we say we will. We remain confident in maximising value for shareholders over the medium-term."

### Stakeholder engagement

The success of the Group is enabled by mature and progressive engagement with all stakeholders. A key priority for the Group is ensuring that their viewpoints are fully considered when assessing the impact of our decisions and strategies.

➤ [Pages 48 to 53](#) for further details

### Sustainability Report

A commitment to sustainability underpins Our Purpose and is a key objective of the Executive team and the Board. Our programme is well defined and being delivered. Our progress is measured by metrics, targets and an annual scorecard.

➤ For more information on progress and external validation of our sustainability programme read [pages 16 to 37](#).

### Overview

The geopolitical and business environment currently is challenging for all of us but we have a robust strategy and operate in long-term, attractive and resilient core markets. Our diversity of technology and product offerings remain attractive and relevant.

As markets recover and supply chains normalise, we will continue to see improving profitability, whilst managing inflationary impacts through our focus on cost and pricing management.

The operating businesses, under David and Bindi's leadership, have risen to the challenge and delivered significant growth and improved profitability during the period. Growing core markets, evidenced by increased production volumes in both Aerospace and Flexonics, underpinned a Group revenue growth of 14% and a healthy order intake. The metric of new orders placed divided by revenue (book-to-bill) is healthy at 1.14.

The Group's strategy continues to be compelling and along with our well-capitalised businesses provides a solid foundation to support our future growth aspirations. The integration of Spencer Aerospace is progressing well and growth in revenue of high-pressure hydraulic fluid fittings has been strong in its North American home market, over 50% year on year, with promising progress in Europe in collaboration with their Senior Aerospace France colleagues. The Spencer business continues to develop under the Senior umbrella.

What Senior offers is pivotal technologies for emissions reduction and environmental efficiency; capabilities that continue to be highly relevant as the world transitions towards a low-carbon economy. R&D investment in the right technologies and leveraging our engineering capabilities will ensure that we provide solutions both today and in the future.

In October, the Company hosted a Technology "Teach In" for investors to highlight how working with our customers on new technologies in fluid conveyance and thermal management will shape our business as core markets decarbonise in the coming decades.

This evolution is further ahead in Flexonics' businesses given their market's dynamics and there are mechanisms in place to share these innovations with our Aerospace businesses in order to enable technological advancements and solutions for our Aerospace customers.

We are a well-capitalised and intrinsically cash generative Group with operating businesses that have capacity to benefit from attractive end markets. The Group maintains a strong financial position and the balance sheet remains robust, further enhanced by the recent debt raising of \$50m (in the US Private Placement market) in February 2024.

The Board continues to actively review the portfolio within the Group, understanding the importance of considered and effective capital deployment to maximise shareholder value creation. Growing Senior's high-quality fluid conveyance and thermal management businesses remains an ongoing priority. Investments are supported by a business case and are assessed using a rigorous investment appraisal process.

The Board is confident in our strategy and that it will deliver enhanced value for all stakeholders.



## Our performance and dividend

In 2023, the Board and the Executive team continued to make good strategic, operational, and financial progress. We grew strongly across both divisions and further improved profitability as well as growing the order book.

Group revenue increased 14% to £963.5m, with growth in both divisions. Our adjusted operating profit increased to £45.8m which resulted in the Group's adjusted operating margin increasing by 140 basis points, to 4.8%. We have made good financial progress in the year with growth in ROCE and earnings per share.

The Group's financial position remains robust, with a healthy balance sheet and period-end net debt to EBITDA of 1.6x, after taking into account the second tranche of consideration of \$30m for the acquisition of Spencer Aerospace.

In line with the Board's decision in 2022 to reinstate dividends, and reflecting confidence in the Group's performance, financial position and future prospects, the Board is proposing a final dividend of 1.70 pence per share (2022 – 1.00 pence per share). This would bring total dividends, paid and proposed for 2023 to 2.30 pence per share. The Board will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover over the medium-term.

## Our sector leading sustainability credentials

The Board recognises the importance of adopting a bold and comprehensive sustainability programme. We firmly believe our Company Purpose and our leadership in this area provide a distinct commercial competitive advantage as the world transitions to a low-carbon economy. Sustainability remains an integral part of our strategy, firmly embedded within the behaviours of our people and the culture of our organisation.

In 2023, our Long-Term Net Zero science-based emission reduction targets were validated by the Science Based Targets initiative. The targets, to be achieved by 2040, are aligned to keep global warming to 1.5°C, the most ambitious goal of the Paris Agreement. We have been awarded the top "A" score by Carbon Disclosure Project ("CDP"), consecutively, in its global annual ranking for transparency on climate change, based on our disclosure in 2023.

The Sustainability Report on pages 16 to 37 explains how Senior has achieved significant improvement against our non-financial targets and outlines our Long-Term Net Zero targets in more detail.

## Our Board

We have a cohesive, diverse and high performing Board working with and challenging the Executive Leadership team to implement the Company's strategy. The non-executive Directors (NEDs) continued to bring very strong, broad, professional and complementary qualities to the Board in 2023 and I look forward to continue working with the Board in 2024 to deliver long-term sustainable growth.

I am delighted that Joe Vorih has agreed to join the Board as a NED with effect from 1 January 2024. Joe's leadership and engineering background in complementary industrial markets will enhance the current Board. Joe is committed to a personal integration plan in 2024.

The Board has completed a questionnaire-based, externally conducted Board Performance Review during 2023. The review concluded that the Board had exercised strong governance and was operating effectively. NED succession continues to be a priority for 2024 with Susan Brennan's nine-years tenure at the end of the calendar year. To find more details on the outcome of the review and actions, please refer to page 97 in the Governance section.

The Governance section on pages 80 to 127 explains how the Board takes the lead on governance matters and sets the tone. We continue to ensure the health, wellbeing and safety of our employees is a priority and everyone who works for Senior conducts themselves with integrity and in an ethical, sustainable and socially responsible manner.

## Stakeholder Engagement

The Board continues to focus on our responsibility to all of Senior's stakeholder groups – our shareholders, employees, customers, suppliers and the communities we operate in. We believe that engaging with our stakeholders is key to the long-term success of the Group.

In 2023, the Executive team, Group Chair, and Chair of the Remuneration Committee (Barbara Jeremiah), continued the Group's engagements with shareholders through a diverse and tailored range of channels. This included a consultation with shareholders on a new remuneration policy. Please refer to page 109 in the Remuneration Report. The impacts on employees from inflation and cost of living increases were a major focus in the year and the Board is committed to treating all our people fairly.

This year we have been following up on the actions from the 2022 Global Employee Opinion Survey and the Group will be conducting its third global survey in 2024. Mary Waldner, together with our Group HR Director, Jane Johnston, participated in 20 employee engagement focus groups with two of our US operating businesses and three of our UK businesses. Feedback from the meetings was provided to local management, the Executive Leadership team and the Company's Board of Directors, who were given the opportunity to ask questions on the findings.

The Group reviewed and discussed the recommendations of the Parker Review during 2023 to assess equal opportunity for senior management (executive and their direct reports). Senior aims to achieve ethnic diversity in 30% of managers versus the current level of 23%.

## Looking forward

Our strategy and positioning in attractive and structurally resilient core markets, combined with our sector-leading sustainability credentials and highly-relevant technical capabilities, underpins our commitment to continuing to deliver a strong performance across our Aerospace and Flexonics Divisions, which in turn will deliver enhanced value for our stakeholders.

We have made good strategic, operational, and financial progress in the year and remain confident of continuing to do so in 2024. We are on track to drive the Group ROCE to a minimum of 13.5% in line with our previously stated ambition.

On behalf of the Board, I would like to thank our employees and all other stakeholders for their continued support.

## Ian King

Chair

# Group Chief Executive Officer's statement

## Senior made good operational and strategic progress in 2023

David Squires | Group Chief Executive Officer



### Overview of 2023 results

Trading performance was strong with revenue growing 14% and adjusted operating profit growing 61% over 2022.

In 2023, Group revenue increased by 14% on a constant currency basis to £963.5m with strong double-digit growth across both divisions. This year-on-year increase reflected the strength in our core markets and our positioning on key growth platforms across both Aerospace and Flexonics. The Group benefited from growth in land vehicle and power & energy markets, the increases in civil aircraft production rates and higher defence spending.

In Flexonics, revenue grew 18% compared to prior year, on a constant currency basis. This performance was driven by strong customer demand and market share gains in land vehicle as well as good momentum in power & energy markets. In Aerospace, revenue increased 11.5% year-on-year on a constant currency basis. The increase reflected ramp up in civil aircraft production rates and growth in the defence market more than offsetting the reduction in sales to semiconductor equipment customers, which is included in "Other Aerospace" (Adjacent Markets).

For the third year running, the Group recorded good order intake reflecting the broad, diversified and high-quality nature of our business. The 2023 book-to-bill ratio of 1.14 underpins our confidence in further growth in 2024 and beyond.

We measure Group performance on an adjusted basis, which excludes items that do not directly reflect the underlying trading performance in the period (see Note 7). References below therefore focus on these adjusted measures.

The Group generated an adjusted operating profit of £45.8m (2022 – £28.5m). Adjusted operating margin increased by 140 basis points, to 4.8% for the year. Price increases secured during the period helped to more than offset the impact of continued inflationary cost increases, including raw materials. The improved profitability also reflected volume related operating leverage, particularly across our Flexonics operating businesses. In Aerospace, trading performance has been in line with expectations whilst absorbing the significant impact of the Thailand supplier fire and other supply chain issues in 2023.

As anticipated, the Aerospace supply chain has started to improve and we expect further progress throughout 2024. The volume of parts shortages and specific supply chain challenges has reduced considerably, however, there are still some challenges on certain material and component categories that are affecting some of our operating businesses in common with the whole industry.

One of the most significant supply chain challenges in 2023 that we have previously highlighted was the fire at one of our key suppliers in Thailand. Our team in Thailand proactively managed the consequences of the fire to help customers, and the supplier in question, to the very best of their ability.

Nonetheless the fire had a significant effect on planned growth and performance in our Thailand business and it was to the credit of our other Aerospace businesses that they stepped up to ensure we met our expectations for the Division as a whole. Progress with the factory rebuild at our supplier is continuing apace and should be near completion by the end of Q1 although, as previously advised, it will be well into the second half of 2024 before requalification of their parts from the new factory will allow return to normal operations. Thereafter we are confident that Thailand will see rapid growth as they have a compelling value proposition that our customers are keen to take advantage of.

The Group's adjusted profit before tax increased by 91% in 2023 to £38.3m (2022 – £20.1m). This includes £3.5m benefit (2022 – £nil) from interest unwind following a simplification of our Americas legal entity ownership structure, that will therefore not repeat in 2024 (see Note 10).

The adjusted tax credit for 2023 was £4.2m (2022 – a charge of £2.0m) and includes £7.0m benefit (2022 – £nil) from a release of provision for uncertain tax positions, following the legal entity simplification described above. Adjusted earnings per share increased by 136% to 10.28

pence (2022 – 4.36 pence) and includes benefit of 2.54 pence from the above noted release of interest and tax provisions following the legal entity simplification, that will not repeat in 2024.

Reported operating profit was £37.9m (2022 – £32.5m) and profit before tax was £22.8m (2022 – £22.4m). Basic earnings per share increased to 7.52 pence (2022 – 4.86 pence).

The Group generated free cash inflow of £15.5m (2022 – £27.7m) in 2023; higher year-on-year profits were offset by increased investment in working capital reflecting production growth. Cash outflows from working capital of £27.6m (2022 – £12.1m) reflected higher receivables as a result of revenue growth and planned investment in inventory to enable us to meet the strong increase in demand from our customers, as well as to mitigate ongoing supply chain issues in Aerospace. Gross capital expenditure was £35.9m (2022 – £30.5m) which was 0.9x depreciation (excluding the impact of IFRS 16). Cash interest paid, net of interest received, was £12.9m (2022 – £9.0m) reflecting the effect of higher borrowing costs on variable rate debt. The Group experienced a net cash outflow of £25.5m (2022 – £2.6m) in 2023, due to free cash inflow of £15.5m (2022 – £27.7m), offset by £25.8m cash outflows related to corporate undertakings; £6.6m dividends paid; £5.6m purchase of shares held by the employee benefit trust; and £3.0m net outflows related to restructuring and the US pension settlement.

The Group's balance sheet remains healthy with a period-end net debt to EBITDA of 1.6x. The headroom on our committed borrowing facilities at 31 December 2023 was £142.4m. Net debt at the end of December 2023 was £203.8m (including capitalised leases of £71.8m), an increase of £24.9m from December 2022, after taking into account favourable currency movements of £8.5m and a £7.9m increase for lease movements.

ROCE increased by 240 basis points to 7.1% (2022 – 4.7%). The continued increase in ROCE reflects the 61% increase in adjusted operating profit in 2023. This improvement keeps the Group on track to deliver our stated ROCE target of at least 13.5%.

The Board has confidence in the Group's performance, financial position and future prospects, and has approved a final dividend of 1.70 pence per share (2022 – 1.00 pence). This will be paid on 31 May 2024 to shareholders on the register at close of business on 3 May 2024. This brings the total dividends, paid and proposed for 2023, to 2.30 pence per share (2022 – 1.30 pence). We will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover.

## Revenue

# £963.5m

(2022 – £848.4m)

## Adjusted profit before tax

# £38.3m

(2022 – £20.1m)

## Adjusted earnings per share

# 10.28p

(2022 – 4.36p)

David Squires | Group Chief Executive Officer

“Senior has delivered a year of strong trading performance and profit growth with significant momentum across our two divisions and good growth anticipated for the Group in 2024, in line with our expectations.”

## Land Vehicle



## Power &amp; Energy



## Civil Aerospace



## Defence



## Other Aerospace (Adjacent Markets)



## Market Overview

Our core Flexonics and Aerospace markets were strong during 2023.

## Land Vehicle

Land vehicle markets experienced good momentum in 2023 with strong growth in Europe and India and record heavy-duty truck production in North America.

According to Americas Commercial Transportation (“ACT”) research, the North American heavy-duty truck market grew by 8% in 2023 compared to 2022 which was ahead of their earlier expectations. ACT expects this market to decline by 16% in 2024 reflecting a return to more normal levels of production before returning to growth in 2025. As stated by S&P, European truck and bus market production grew by 14% in 2023 and is forecast to decline by 11% in 2024, with growth resuming in 2025. The global commercial vehicle market is expected to grow at low single-digit compound annual growth rate through the cycle.

Passenger vehicle production in 2023 continued to benefit from improving supply chains and pent-up demand. According to S&P, European passenger vehicle production grew by 12% in 2023 and it is forecast to decline by 3% in 2024. Production of electric vehicles (EVs) grew by 32% during 2023, representing 12% of all new passenger vehicles.

## Power &amp; Energy

In 2023, power & energy markets grew with higher levels of activity in upstream oil & gas continuing and good levels of maintenance and overhaul. In upstream markets oil producers sought to enhance both their existing and future production capabilities. Investment in exploration, appraisal and production was high in multiple geographies.

Global oil-refining capacity grew by an estimated 2% in 2023, according to the International Energy Agency (IEA), with most of this growth in Africa, China and India. Capacity growth in North America was flat.

Looking ahead demand for oil in 2024 is anticipated by the IEA to increase by 1%, in line with the growth in supply. Refining capacity is anticipated to increase by 1% per annum over the next five years. Wood McKenzie forecast that oil consumption will peak in 2028 as improvements in the efficiency of the global-vehicle fleet and the adoption of EVs lead to lower demand, while renewables and nuclear represent a greater share of energy supply.

## Civil Aerospace

Air-passenger traffic volumes continued to recover strongly during 2023. Revenue Passenger-Kilometres (RPKs) increased by 37% and have now reached 94% of 2019 (pre-pandemic) levels. Domestic passenger traffic surpassed 2019 RPKs during the year, reaching 104% of 2019 levels, while international passenger traffic has reached 89% of pre-pandemic levels. Air traffic will continue to grow driven in particular by demand in Asia-Pacific.

Both single-aisle and wide-body aircraft build rates increased in 2023. Airbus has confirmed that production of the A320-family of aircraft, which represented 10% of Group sales in 2023, are planned to move progressively to 75 per month in 2026. On other important Airbus

platforms production of the A220 remains on track to reach 14 per month in 2026, for the A330 rates of 4 per month in 2024 and the A350 a build rate of 10 per month in 2026.

Boeing has confirmed that production of the B737-MAX, which represented 6% of Group sales in 2023, increased from 31 aircraft a month in H1 2023 to 38 aircraft per month by the end of 2023. Rates will not increase beyond this level until approved to do so by the Federal Aviation Administration (FAA). Boeing has previously said that they plan to increase B737 production to 50 per month over the 2025/2026 timeframe. During the pause in the expansion of B737-MAX production, Boeing has said that they will maintain the current master schedule, which for some suppliers may be above rate 38 per month, to avoid disruptions to the supply chain and support future production increases once authorised by the FAA.

Production of the B787, currently at 5 per month, is planned to move steadily to 10 per month by 2025/2026, while production of the B777X has resumed and the programme’s timeline of reaching a build rate of 4 per month by 2025 remains unchanged.

## Defence

Senior’s sales to the defence sector are focused primarily on the US-military aircraft market.

The Group is well placed with good content on the F-35 Joint Strike Fighter, mature programmes such as the C-130J and A400M transport aircraft, Eurofighter and the newer T-7A Red Hawk trainer programme.

Lockheed Martin has stated that they expect to produce F-35 at a rate of 156 aircraft per annum over the next five years.

The first T-7A advanced trainer aircraft from the production line was delivered to the US Air Force (USAF) in November 2023 for flight testing. The USAF have awarded Boeing a contract for 351 of the aircraft, with entry into service expected in 2027.

## Other Aerospace (Adjacent Markets)

Sales from our Aerospace operating businesses into end markets outside of the civil aerospace and defence markets are classified under “Other Aerospace” (Adjacent Markets) and include sales into the semiconductor equipment, medical device and space markets.

Using our world class bellows technology, we manufacture highly engineered proprietary products to provide unique solutions for semiconductor manufacturing equipment and low-earth orbit satellites. Demand in the semiconductor equipment market is anticipated to remain flat during H1 2024 before beginning to recover in the second half.

The low-earth-orbit satellite market is expected to grow at a compound annual growth rate of 15% between 2023 and 2030 driven by demand for high-speed and low-cost broadband, growing advancements in satellite network and potential uses for laser-based space optical communications.



## Sustainability

Our dedication to sustainability is ingrained in our core Values, forming the foundation of our Purpose.

Our Environmental, Social, and Governance (ESG) programmes are dynamic and continually advancing. Notably, we have earned a distinguished "A" rating from CDP for our work during 2023 on climate disclosure and action. In addition, we also attained the highest leadership rating for our 2022 Supplier Engagement programme. These achievements underscore our ongoing commitment to sustainability, reflecting our proactive stance in addressing environmental challenges and fostering positive social and governance practices.

In 2023, our ambitious Net Zero science-based emission reduction targets received verification from the Science Based Targets initiative ("SBTi").

Senior's verified SBTi targets, using 2018 as a base year are:

- commitment to reach Net Zero greenhouse gas emissions across the value chain by 2040;
- near-term, commitment to reduce absolute Scope 1 and 2 greenhouse gas emissions 30% by 2025, and that 82% of suppliers by spend covering purchased goods and services and capital goods will have science-based targets by 2025;
- commitment to reduce absolute Scope 1, 2 and 3 greenhouse gas emissions 90% by 2040.

- SBTi's Target Validation Team assessed Senior's Scope 1 and 2 Near-Term and Long-Term Target ambitions and Scope 3 long-term ambition and has determined that they are in line with the Paris Agreement targets to limit global warming to a 1.5°C trajectory.

In addition, SBTi commended Senior on the ambition of their overall target, which is the highest designation available through the SBTi process.

In 2023, we have again made good progress with our key sustainability metrics and activities:

### Environment.

- We remain on track to achieve our Scope 1, 2 and 3 Science Based Target initiative ("SBTi") verified Near-Term Targets.
- Verification of our Long-Term Net Zero carbon reduction targets.
- 48% of our electricity was sourced from renewable energy, an increase from 41% in 2022.
- Recycled 95.1% of waste produced, compared to 94.8% in 2022.

### Social

- Following our 2022 Global Employee Opinion Survey our operating businesses continue to work on implementing their action plans and communicate progress to employees. We will run the next survey in May 2024.

- Our Lost Time Injury Illness Rate reduced to 0.32 in 2023, an improvement from 0.38 at the end of 2022. Our Total Recordable Injury Illness Rate improved from 0.93 in 2022 to 0.63 in 2023.
- Currently, 57% of the Board Directors are female, including the Chair of the Audit Committee, the Senior Independent Director, who is also Chair of the Remuneration Committee, and the Group Finance Director. The Chair of the Audit Committee is also the non-executive Director with Board responsibility for employee engagement. Two of the Directors (29%) are from ethnic minority backgrounds.

### Governance

- The Board approved the Group's Human Rights Policy, demonstrating commitment to do business in a responsible way and respecting the human rights of our workers and everyone we engage with.
- Introduction for 2024 of two new non-financial performance measures (carbon reduction and employee engagement) to the Company's annual bonus targets.

Further information on Senior's sustainability activities can be found on pages 16 to 37.

## OUR SUSTAINABILITY PERFORMANCE

### Environment

29.5%

Reduction in Scope 1 (Direct) and Scope 2 (Indirect) emissions (market based) from 2018 base year (2022 – 22%)

### Waste

95.1%

Recycling rate (2022 – 94.8 %)

### Diversity

57%

Percentage of women on Senior plc Board (2022 – 55%)





## Delivery of Group Strategy

Senior has a compelling strategy to maximise value for shareholders. Our Purpose is "we help engineer the transition to a sustainable world for the benefit of all our stakeholders", further explained on pages 4 and 5.

To achieve our strategy, we will continue to:

- strengthen our strategic focus on IP-rich fluid-conveyance and thermal-management products;
- maintain a strong focus on lean manufacturing and operational efficiency through our Senior Operating System;
- execute on our portfolio optimisation strategy to maximise value creation;
- maintain our sector leading sustainability performance; and
- drive intrinsic strong cash generation and deliver our stated target of at least 13.5% ROCE.

Our strategic focus and expertise in fluid conveyance and thermal management technology and capabilities is supported by extensive design and manufacturing process intellectual property and know-how. We develop and supply proprietary products, sub-systems and systems for our customers' demanding applications across a range of diverse and attractive end markets. Our products are key enablers of pivotal technologies which are delivering emission reductions and environmental efficiency and are highly relevant as the world transitions towards a low-carbon economy. Senior has developed novel solutions for low and zero carbon applications. We are involved in a range of research and development projects that support the drive for electrification and hydrogen propulsion systems on land and in the air. This is discussed further on pages 42 and 47.

As well as our businesses being actively focused on new product offerings for the transition to a low-carbon world, we continue to be actively involved in making conventional technology cleaner as part of our 'one foot in today, one foot in tomorrow' approach. In addition, Senior's end-markets are evolving to reflect the global effort to achieve Net Zero carbon emissions. Senior's technology and product roadmap is aligned to these trends with a product development strategy that is compatible with our focus on sustainability see pages 16 and 37. This strategy, along with our well-capitalised businesses, provides a solid foundation to support our future growth aspirations.

## Spencer Aerospace

Acquired in November 2022, the integration of Spencer Aerospace is progressing well. Sales grew over 50% versus prior year and order intake underpins further strong growth expected in 2024. In addition, Spencer Aerospace is working collaboratively with our French Aerospace business, Ermeto, which has qualified hydraulic fittings for European Aerospace customers.

### Considered and effective capital deployment

We understand the importance of considered and effective capital deployment towards maximising shareholder value creation. The Group has a financial objective to maintain an overall ROCE in excess of its cost of capital and to target a minimum pre-tax return on capital employed of 13.5% on a post IFRS 16 basis. Our strategy of expanding Senior's high-quality fluid conveyance and thermal management businesses remains a priority. All significant investments are supported by a business case and are assessed using a rigorous investment appraisal process.

To maximise the Group's operating efficiency, overall effectiveness and returns, we actively review our overall portfolio of operating businesses and evaluate them in terms of their strategic fit within the Group in order to maximise Group operating efficiency and optimal value to shareholders.

We continue to explore strategic options for our Aerostructures business which includes the potential divestment of the business.

## Outlook

Overall, the Board anticipates good growth for the Group in 2024 in line with its expectations.

Momentum is building in our Aerospace Division. We have achieved a diversified position across key civil and defence aircraft platforms and are benefiting from increasing aircraft build rates which we expect will lead to higher sales in 2024 and beyond. Supply chain issues are improving as anticipated and we expect further improvement as 2024 progresses. Beyond this, we can expect Aerospace performance to continue to improve in 2025 as production rates increase, supply chain continues to improve, and additional contractually agreed price rises take effect.

Our Flexonics Division performed well in 2023 with double-digit margins and strong growth in both land vehicle and power & energy. In 2024 we expect to maintain good performance with land vehicle market demand normalising to more typical levels and continuing robust demand in our downstream oil & gas business.

Looking further ahead, we remain on track to achieve our stated Group ROCE target of at least 13.5%. Our strategy and positioning in attractive and structurally resilient core markets, active portfolio management, combined with our sector leading sustainability credentials and highly relevant technical capabilities, provides confidence of continuing performance improvements across our Aerospace and Flexonics Divisions, enhancing value for our stakeholders.

## David Squires

Group Chief Executive Officer

# Sustainability

## Thermal management: Aerospace

### Developing innovative technology today...

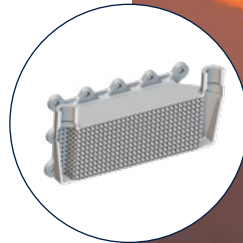
#### Electronics cooling

Each new generation of aircraft utilises more and more sophisticated electronic systems. Such aircraft utilise high voltages and currents, and require extensive thermal management of the various power electronics modules to assure component life and reliability. Senior has used our extensive experience of thermal management systems to develop high efficiency heatsinks and bespoke cooling plates for a variety of aerospace electronics applications.



#### Heat exchangers

Heat exchangers are a core component of several aircraft and aero-engine subsystems – ranging from maintaining lubricating oil temperature to cooling pressurised air in between compressor stages. Senior is developing the capability to design and manufacture heat exchangers, both with conventional fin-type designs as well as new high-efficiency designs made via additive manufacturing methods.




#### Battery compartment thermal management

Senior has leveraged its significant experience in the development of thermal management systems for land-vehicle applications into new-generation aircraft propulsion systems. As an example, Senior has worked with a leading e-VTOL manufacturer to develop venting systems to mitigate thermal runaway in large-capacity battery compartments on a development UAM.



**IN THIS SECTION**

- 20 Our Technology and Product Development on the Path to Net Zero
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- 25 TCFD
- 32 Social
- 37 Governance



**...to help customers  
save weight and  
become more fuel  
efficient tomorrow**

# Sustainability



**Mark Roden** | Group Director of HSE & Sustainability

“Our sustainability programmes continued to develop in 2023. Highlights included the verification of our Net Zero 2040 carbon reduction targets by SBTi and our “A” rating for climate disclosure from CDP.”

**Environment**

**29.5%**

Reduction in Scope 1 (Direct) and Scope 2 (Indirect) emissions (market based) from 2018 base year (2022 – 22%)

**Waste**

**95.1%**

Recycling rate (2022 – 94.8%)

**Diversity**

**57%**

Percentage of women on Senior plc Board (2022 – 55%)

## Our sustainability framework

**Our sustainability framework reflects our core Values including safety, the highest ethical standards and care for the environment.**

We believe this framework and the high standards we set, helps us to attract, develop and retain the right people, and that this is fundamental to our long-term success.

We have talented, committed people with the right skills and experience across our businesses, and we continue to support the personal and professional development of our staff.

Environment	Social	Governance
<p><b>SUSTAINABLE PRODUCTS</b> Support our customers in developing products that help reduce the impact on the environment.</p> <p><b>ENVIRONMENTAL FOOTPRINT</b> <b>Carbon</b> Overall Net Zero Target  <ul style="list-style-type: none"> <li>Senior Plc commits to reach Net Zero GHG emissions across the value chain by 2040 from a 2018 base year.</li> </ul> <b>Near-Term Target</b> Read more on page 21  <b>Long-Term Target</b> Read more on page 21  <b>Waste</b> <ul style="list-style-type: none"> <li>Achieve 95% recycling rate by 2025.</li> </ul> <b>Water</b> <ul style="list-style-type: none"> <li>Limit the environmental impact of our production processes through the efficient use of water.</li> </ul> </p>	<p><b>HEALTH &amp; SAFETY</b> Reduce Lost Time Injury Rate to 0.3 by 2025</p> <p><b>DIVERSITY &amp; INCLUSION</b> Develop greater diversity and inclusion within the Group</p> <p><b>PEOPLE &amp; CULTURE</b> Create a working environment that enables our employees to achieve their full potential</p> <p><b>EMPLOYEE WELLBEING</b> Support physical and mental health of employees. Create the environment that leads to a highly engaged workforce</p> <p><b>COMMUNITY INITIATIVES</b> Bring positive change to the communities in which we operate</p>	<p><b>UPHOLD HIGH STANDARDS OF ETHICAL INTEGRITY</b> <b>Bribery &amp; Corruption</b> Ensure our policies and practices deliver the highest standards of integrity, avoiding the possibility of bribery and corruption</p> <p><b>Human Rights</b> Uphold international standards on human rights</p> <p><b>Modern Slavery</b> Prevent slavery and human trafficking in the Group’s activities and its supply chain</p> <p><b>Responsible Sourcing</b> Promote the use of responsible practices with a supply chain</p> <p><b>Responsible Taxation</b> Fully comply with the tax laws, regulations and disclosure requirements in the countries we operate in</p> <p><b>Whistle-blowing</b> Encourage the reporting of wrongdoing in the organisation</p> <p><b>CYBERSECURITY &amp; DATA PROTECTION</b> Reduce the risk of cyber attacks and ensure protection of all confidential data</p> <p><b>PRODUCT SAFETY</b> Ensure that Senior products are certified to the required International Standards</p>



**Senior achieves SBTi Net Zero 2040 approval**  
**Our ambitious Net Zero (2040) science-based emission reduction targets have been validated by the Science Based Targets initiative ("SBTi").**

The validation highlights Senior's leading position in climate disclosure and action.

Our validated targets;

- **Overall Net Zero Target;** Senior commits to reach Net Zero GHG emissions across the value chain by 2040 from a 2018 base year.
- **Near-Term Targets;** Senior commits to reduce absolute Scope 1 and 2 GHG emissions 30% by 2025 from a 2018 base year. Senior also commits that 82% of its suppliers by spend covering purchased goods and services and capital goods will have science-based targets by 2025.
- **Long-Term Targets;** Senior commits to reduce absolute Scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2018 base year.

\*SBTi is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science.

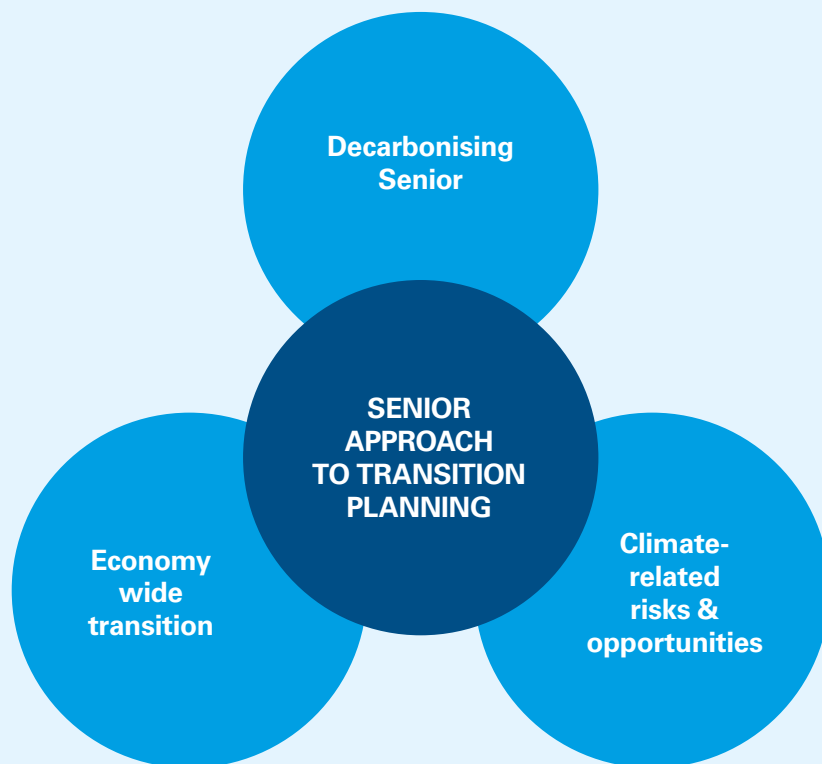


**Senior achieves climate CDP "A" rating in 2023**

Based on data reported through CDP's 2023 Climate Change questionnaire, Senior is one of a small number of companies that achieved an "A" out of over 21,000 companies rated.



## Our approach to climate transition planning



### Economy wide transition

Our fluid conveyance and thermal management technology allows us to support our customers with high-value solutions in the medium and long-term as they transition to sustainable technologies

### Decarbonising Senior

Senior commits to reach Net Zero GHG emissions across the value chain by 2040 from a 2018 base year.

### Climate-related risks & opportunities

Climate change has been reported as one of the Group's principal risks since 2019. In 2023, we performed our annual assessment of climate-related risks and opportunities taking into consideration legislative frameworks on climate change, expectations from regulators and market stakeholders, changes in weather patterns as well as the latest technological trends related to climate change.

# Our technology and product development on the path to Net Zero

## Delivering sustainable solutions

As the world transitions to a low-carbon economy, Senior continues to work with our customers developing efficient and effective products that are more sustainable and have lower environmental impact during the manufacture process and in use.

Our success is built on developing long-term partnerships with our customers, which enable us to help them meet today's challenges and deliver solutions for future low

2020 —————> 2030

## Aerospace



### Observation

The latest generation aero-engine technology can deliver up to 15% fuel-efficiency improvements.

Urban Air Mobility (UAM) operators planning to start operations from 2024, but widespread acceptance unlikely before 2030.

### Our response

We have, and continue to win, significant content on systems critical to fuel efficiency on current best-in-class engines.

We are working with multiple UAM providers on prototype solutions for thermal management solutions.

### Observation

The US aims to supply  $\geq 3$  bn gallons of sustainable aviation fuels ("SAFs") per year by 2030.

The EU's policy objective is for SAF to be  $>5\%$  of aviation fuels by 2030 while planning to end free CO<sub>2</sub> credits (aviation allowances) for airlines by 2027.



Bleed air duct

## Land vehicle



### Observation

The California Air Resources Board requires 82.5% NOx reductions by 2027. EURO VII standards to be introduced in 2025.

Semiconductor content in cars is increasing, especially in EVs. The US passed the CHIPS act to secure supply, EU/India are implementing similar plans.

### Our response

Our emissions controls products help vehicle manufacturers meet increasingly stringent regulations, such as the radial-fin EGR cooler for EURO-VII compliant diesel engines.

We are a key supplier to semiconductor equipment manufacturers.

### Observation

The US EPA will tighten emissions rules countrywide from 2027.

Major car markets are implementing a COP26 agreement to ban new fossil fuel cars by 2035.



Radial-fin EGR cooler design

## Power & energy



### Observation

Nuclear is increasingly seen as vital for a low-carbon future. The European Parliament voted to classify nuclear as a green investment.

World leaders have agreed to transition away from fossil fuels at COP28.

### Our response

We are providing engineering design and bid support for expansion joints to OEMs of Small Modular Reactors ("SMR").

Our flue gas diversion products are mitigating climate impact of conventional energy.

### Observation

The EU increased its renewables target to  $\geq 45\%$  of energy mix by 2030.

The US eyes 100% carbon pollution-free electricity by 2035.



Large expansion joint for power generation application

carbon requirements. An example of this is our work to provide customers with more energy efficient solutions on existing internal combustion technologies while simultaneously helping these same customers bring to market efficient and viable electric and hydrogen power trains.

We have continued to reduce our carbon emissions (market based Scope 2) using more renewable energy and more sustainable

production methods and materials wherever possible. Reducing waste and the consumption of electricity and water during the manufacturing of the products remains a key focus. In 2023 we achieved a waste recycling rate of 95.1%. With operations in 12 countries, we are also able to be geographically close to major customers which helps to minimise the carbon footprint of our products.

→ 2040 → 2050

**Our response**

Our current fluid conveyance and structural components solutions are fully compatible with SAFs.

We are collaborating with multiple customers on various components and systems for more-electric aircraft, whether with conventional or zero-emission propulsion systems.



Inverter heat sink

**Observation**

Alternative-powered aircraft will increase demand for our battery thermal management, fuel cell and cryogenic expertise. Airbus ZEROe H2 aircraft planned for service in 2035.

**Our response**

Our Aerospace and Flexonics divisions are working together to develop various demonstrator hydrogen powertrain components for OEM customers.



Double-wall liquid-hydrogen ducting

**Our response**

We have patented solutions for electric vehicle (EV) inverter heat sinks (power electronics cooling), as well as battery thermal management systems.

We are developing fuel (H2) and exhaust water ducting solutions for hydrogen fuel-cell truck applications.



Fuel inlet piping for H2 fuel-cell truck application

**Observation**

27 countries have committed to 100% zero-emission new truck and bus sales by 2040.

**Our response**

We are developing very high pressure hoses capable of 1000bar (40% higher than current capacity) for high speed H2 refuelling.

We are in series production of battery coolers, and have won multiple contracts for fluid conveyance applications on BEVs.



Battery-cooling plate for heavy-duty on-road vehicles

**Our response**

Energy storage applications will grow in importance as renewable energy sources grow to be the dominant mode of generation.

Senior is already working with energy storage companies to develop thermal management solutions for this sector.

Carbon capture is another area where we are working with OEMs to develop solutions.



Atmospheric Carbon Capture system

**Observation**

The IEA forecasts that under its Announced Pledges Scenario solar and wind power generation will grow by >3x from 2021 to 2050 (~4% CAGR)

Ensuring stable power supply for critical infrastructure such as data centres will be important.

**Our response**

We continue to support our customers in their sustainability journey by providing solutions for wind and solar power generation.

We have extensive experience in land-based solid oxide fuel cell ("SOFC") components used in backup power units for data centres. We are also applying core thermal management and fluid systems expertise to electrolysers for hydrogen generation.



Electrolyser system (Source: Cummins)



# Environment

## The route to Net Zero

Senior has verified targets to achieve Net-Zero by 2040

2010	First submission to the Carbon Disclosure Project
2015	Launch of "20/20 Vision for Sustainability" including adopting climate targets for carbon intensity, waste recycling and water usage
2020	"20/20 Vision for Sustainability" climate targets achieved
2020 July	Scope 1, 2 and 3 targets approved by the SBTi
2020 Dec	Gap analysis undertaken to assess the Company's alignment to TCFD recommendations and to identify areas for improvement
2021 July	Re-assessment of climate-related risks and opportunities
2021 Sept	Scenario analysis undertaken
2021 Dec	Senior's 2021 CDP score A-"Implementing current best practice" Senior achieves "Supplier Engagement Leadership Status" from CDP
2022	Develop our Long-Term Net Zero Targets
2022 July	Submit application to SBTi for verification of our Long-Term Net Zero Targets
2022 Dec	Senior achieves "A" rating for Climate Disclosure
2023	Net Zero 2040 Targets approved by the SBTi
2024 Jan	Senior achieves "A" rating for Climate Disclosure

### Progress towards our certified Science Based Targets

#### Scope 1 and 2 carbon emissions

Scope 1 emissions are greenhouse gas emissions released directly from a business, this includes natural gas combustion, owned transport and refrigerant use.

Scope 2 emissions are indirect GHG emissions released from energy purchased by an organisation, principally electricity.

We continue with our carbon reduction programme, increasing energy efficiency, on site renewable generation and the sourcing of low-carbon electricity where available.

In 2022 we introduced our energy hierarchy; the aim was to focus on energy efficiency as well as reducing our overall carbon emissions. Our businesses have focused on improving energy management and monitoring as well as upgrading plant and equipment with more energy efficient alternatives.

As a result of this in 2023:

- gas usage decreased by 11.9%
- electricity usage decreased by 3.1%
- total energy usage decreased by 5.4%
- we increased our sourcing of low-carbon/renewable electricity.
- extended our on-site solar generation with a facility in the Czech Republic (Thailand, Malaysia and our India operating businesses have existing solar photovoltaics (PV)).

#### We remain ahead of our 2025 Near-Term Science Based Target

- 10% reduction in total Scope 1 and 2 emissions (market based) in 2023 compared to 2022.
- 29.5% reduction in Scope 1 and 2 emissions compared to our 2018 baseline. 15% reduction in Scope 2 emissions in 2023 (market based) compared to 2022.
- 48% of our electricity sourced from renewable supply (41% in 2022).

#### Scope 3 emissions

Scope 3 emissions are the result of activities from assets not owned or controlled by Senior, emissions of carbon outside of Scope 1 and 2 which Senior indirectly affects in the value chain.

In order to reduce Scope 3 emissions, we know that it is vital to engage with our supply chain as purchased goods and capital goods are our major sources of Scope 3 emissions.

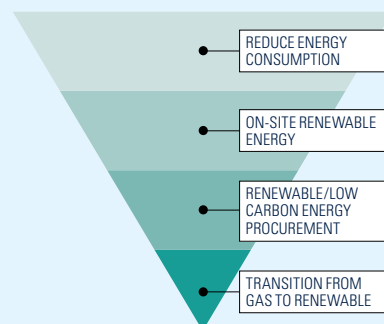
Since 2021, in partnership with CDP, we have been working constructively with our suppliers, following best practices, to achieve our Scope 3 (supplier engagement) SBTi target.

In 2023

# 48%

of our electricity was sourced from renewable energy, an increase from 41% in 2022

### Senior energy hierarchy



### Supplier engagement

In 2023, we were awarded "A" for our efforts in the CDP supplier programme, the highest rating awarded to only the most committed companies who are dynamically working across the supply chain to reduce greenhouse gas emissions.



### Scope 3 Emissions Progress

Our continued work on the supplier base continues to be successful with an increase of 14% in our supplier participation rate:

- in 2021, 94 of our suppliers provided data to us;
- in 2022, we had a response rate of 160 suppliers; and
- in 2023 we have been successful in increasing our response to 182 suppliers.

This has been achieved through increased contact and support with our supply base. We hosted a number of Webex meetings, some alongside our partners in CDP as well as assisting with carbon calculations with some smaller suppliers.

We continue our focus on improving our engagement with suppliers; many of them are new to climate-related disclosures and targets. We are working with CDP to fully assess the targets reported by our suppliers to effectively measure their alignment with the core principles of SBTi. We will use this data to disclose progress in meeting our approved Supplier Engagement target in future.

# 14%

Increase in supplier responses in 2023 compared to 2022





## Carbon emissions

### In Compliance with Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 – Streamlined Energy and Carbon Reporting (“SECR”)

	1 Jan 2023 to 31 Dec 2023			1 Jan 2022 to 31 Dec 2022		
	UK and Offshore	Global excluding UK and Offshore	Total	UK and Offshore	Global excluding UK and Offshore	Total
Scope 1: Combustion of fuel and operation of facilities	1,122	8,579	9,701	1,224	7,405	8,629
Scope 2: (location based) Electricity, heat and steam purchased for own use	2,264	39,473	41,737	2,159	39,550	41,709
Scope 2: (market based) Electricity + District Heating	0	30,790	30,790	1,085	35,107	36,249
Total gross Scope 1 and 2 (location based) emissions/ tCO <sub>2</sub> e	3,387	48,051	51,438	3,383	46,955	50,338
Energy consumed in MWh to calculate above emissions	16,309	130,610	146,919	17,198	138,029	155,227
Scope 3: Business travel, waste, water	238	2,226	2,464	103	1,995	2,098
Total Gross emissions/tCO <sub>2</sub> e (Scope 1, Scope 2 location based, Scope 3 ; Business travel, waste, water)	3,625	50,278	53,902	3,486	48,950	52,436
Intensity measure tonnes CO <sub>2</sub> emitted per £m of revenue	21	64	56	25	69	62
Water usage (in megalitres)	32	228	260	32	235	266
Percentage of waste recycled or recovered	100%	94.5%	95.1%	100%	94%	94.8%

### Methodology

The Group’s approach to calculating and reporting our GHG emissions follows the GHG Protocol on how to measure and monitor GHG emissions. Three data sources are used to calculate GHG emissions:

1. UK Government GHG Conversion factors for company reporting (DEFRA full set for advanced users 2023).
2. US EPA (eGRID) Emission factors for greenhouse gas inventories for US electricity generation (2023 Version).
3. IEA (International Energy Agency) Emission factors year 2023 Edition. Reporting has incorporated Scope 2 greenhouse gas emissions (associated with electricity consumption) calculated using both the Location and Market-based methods. Data for the market based, utility emission rates has been collated during the period December 2023 – January 2024, as best available information to represent the emissions during the year. It should be noted that these vary and are periodically updated, so are representative of our best endeavour to determine market-based emissions at the time of collating data for this report.

Each Senior business reports its environmental performance monthly using the Group’s financial reporting process.

The Scope 1 and 2 emissions Location Based and Market Based (FY23) are independently assured in accordance with the International Standard on Assurance Engagements ISAE 3410 (limited assurance).

In calculating GHG emissions, the Group has used the control approach and more specifically the financial control approach under which a company accounts for 100% of the GHG emissions from operations over which it has control. This covers all wholly owned operations and subsidiaries of the Group for financial reporting purposes.

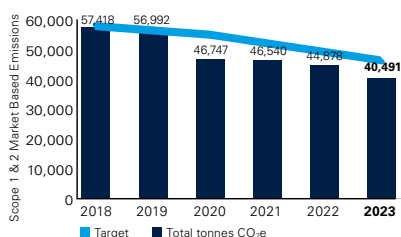
Limited Scope 3 emissions are reported in the table above, they are not externally verified at the time of publication of this Annual Report and Accounts. A full disclosure of the 2023 Scope 3 emissions, externally verified, will be made publicly available within our CDP Climate Change later in 2024.

Total waste includes the reported production and non-production-related hazardous and non-hazardous solid, sludge and liquid materials (including wastewater since 2019) that is sent off site for disposal, treatment, reprocessing, recycling or reuse by others. Waste materials do not include by-products or scrap from a Senior business process which are re-used in a production process. Similarly, waste that arises from construction and other maintenance/remediation work performed by third party contractors are not included in the scope of reporting where the contractor is responsible for the disposal of the waste. DEFRA conversion factors are used worldwide for waste data as means to determine a reasonable carbon conversion factor.

Water volumes are obtained from meter readings and from supplier invoices. All water consumption is converted to megalitres, carbon is derived using recognised and appropriate DEFRA conversion factors.

For vehicle and air mileage, Senior uses the most applicable DEFRA conversion factors to calculate the carbon based on distance travelled.

### Scope 1 and 2 market based emissions



# 29.5%

reduction in total Scope 1 and 2 emissions from our 2018 baseline

We remain on track to achieve our

# 30%

SBTi reduction target by 2025

### Carbon emissions

(measured as tonnes of CO<sub>2</sub>e)

	Scope 1	Scope 2 Electricity + District Heating (market based)	Total
2018	10,414	47,004	57,418
2019	10,378	46,614	56,992
2020	8,731	38,016	46,747
2021	8,445	38,095	46,540
2022	8,629	36,249	44,878
<b>2023</b>	<b>9,701</b>	<b>30,790</b>	<b>40,491</b>

Note: The Scope 1 and 2 emissions Location Based and Market Based (FY22) are independently verified in accordance with the International Standard on Assurance Engagements ISAE 3410 (limited assurance).



## Energy efficiency actions

**In the reporting year we have implemented energy efficiency projects across our global operating businesses. In total, Senior's environmental improvements have the potential to reduce annual GHG emissions by 340 tonnes of CO<sub>2</sub>e.**

These environmental improvements include improving the energy efficiency in buildings, including insulation, heating, ventilation and air conditioning improvements, as well as further installation of LED lighting. Senior has also looked carefully at energy efficiency in production processes, including machine/equipment replacement and compressed air efficiency and heat recovery.

Several Senior operating businesses have implemented energy monitoring software systems to give granular insights into energy

consumption trends within the plant. This enables plants to drill down into energy consumption by service usage categories (gas, electricity and water) and check against baseline comparisons and cost impact using a dashboard. Plants can also detect energy anomalies and investigate when identified.

Senior has set out its year 2025 plan and is on target to reduce Scope 1 and 2 emissions by 30%. Key to achieving this year 2025 target is the further purchase of renewable electricity supply/contracts.

All of Senior's UK operating businesses and our corporate office have now contracted into the supply of 100% renewable electricity, avoiding over 2,200 tonnes of GHG emissions annually.

One of our USAs operating businesses continues to purchase 100% renewable electricity and a further business in the US has increased their renewable energy contract from 25% to a 50% renewable tariff.

Other Senior operating businesses continue to make progress to achieving renewable energy contracts.

We continue to invest in solar PV – one European business has installed a solar PV system late in 2023 with the ability to reduce GHG emissions by 50 tonnes. With this latest addition, the total number of our businesses equipped with on-site solar photovoltaic (PV) systems now stands at four.



## Water

**Objective: our primary goal is to minimise the environmental impact of our production processes by optimising water usage, especially in regions facing high water scarcity.**

Recognising the escalating strain on freshwater reserves, we are proactively exploring regions experiencing water scarcity and evaluating strategies to reduce freshwater consumption in these areas. Leveraging tools such as the World Wide Fund for Nature ("WWF") water filter, we identify businesses situated in water-scarce regions to target our efforts effectively.

➤ For information on water, please see [www.seniorplc.com/sustainability](http://www.seniorplc.com/sustainability)



## Waste

**Objective: 95% recycling rate by 2025.**

To increase the amount of waste that is recycled on site and provide efficient ways to recycle the waste that is produced.

With continued progression with business level actions to increase our overall recycling rate, we have achieved a recycling rate of 95.1% in 2023, an increase from 94.8% in 2022.

➤ For information on hazardous waste, please see [www.seniorplc.com/sustainability](http://www.seniorplc.com/sustainability)



## Certification

**All Senior legacy businesses have accreditation to ISO14001, while our latest acquisition, Spencer Aerospace, will be working to achieve accreditation in 2024.**



In Senior, the Environmental Management System ("EMS") ISO 14001 serves as a collaborative endeavour that fosters teamwork and a shared commitment to a common goal. Through internal communication of achievements and progress, staff members are motivated and engaged, leading to a more cohesive and productive work environment.

**Water usage in 2023**

**260** megalitres

**In 2023, Senior was successful in recycling**

**95.1%**

of waste produced

**Reduction in usage of**

**82** megalitres

compared to 2019 (342 ML), the last full year before COVID-19 related impact to operations

**In 2023, 75% of our businesses achieved a recycling rate of**

**90%**

or higher

# Task Force on Climate-Related Financial Disclosures (“TCFD”)

This section summarises the Group’s climate-related financial disclosures consistent with the TCFD framework recommending 11 disclosure topics across four pillars – governance, strategy, risk management and metrics and targets.

## TCFD compliance statement

Senior’s climate-related disclosures for the year ending 31 December 2023 are consistent with the TCFD recommendations and recommended disclosures (set out in Section C of the 2021 TCFD Annex “Guidance for All Sectors”), and comply with the requirements of the Listing Rule 9.8.6 R(8).

## Governance

### Oversight of climate-related risks and opportunities

The Company’s Board of Directors has oversight over climate-related matters. It is important that the Board of Directors has a clear understanding of the climate-related risks and opportunities, and that this knowledge is subsequently integrated into the decision-making process. The Group Chief Executive Officer is ultimately responsible for climate-related risks and opportunities. Reporting to the Group Chief Executive Officer, the Group Director of HSE & Sustainability is responsible for Senior’s sustainability and climate-related strategies. During 2023, the Board was informed on climate-related matters as outlined below:

- **Regular reporting:** Over the last few years, we have established a routine reporting of climate-related matters to the Board through a dedicated sustainability section in the Group Chief Executive Officer’s report to the Board, which is presented at every scheduled Board meeting. This section of the report updates the Board about the Group’s performance on a wide range of sustainability matters, including climate-related issues. The items that were brought to the Board’s attention in 2023 included: the results of the Group’s 2022 supplier engagement programme and actions planned to increase supplier response rates in 2023; the results of the 2022 carbon emissions calculations for Scope 1 and 2 market based emissions; and the activities planned for 2023 in respect of increasing the sourcing of low-carbon and renewable electricity to mitigate the potential increase of the Group’s Scope 2 emissions. Throughout the year, the Board was regularly updated on the progress of the Group’s Net Zero application to the SBTi. During its September meeting, the Board was notified that the SBTi had approved the following Group’s Net Zero targets:
  - **Overall Net Zero Target:** Senior plc commits to reach net-zero GHG emissions across the value chain by 2040 from a 2018 base year.
  - **Long-Term Targets:** Senior plc commits to reduce absolute Scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2018 base year.

In the near-term, Senior plc remains committed to reducing its absolute Scope 1 and 2 GHG emissions 30% by 2025 from a 2018 base year. In 2023, we revised our supplier engagement target – Senior commits that 82% of Senior’s suppliers by spend, covering purchased goods and services and capital goods, will have science-based targets by 2025.

The Board recognises that a robust governance framework is critical to ensure accountability for Senior’s Net Zero commitments. Therefore, the Board will continue its oversight activities in 2024 around reviewing, challenging and approving the actions and initiatives to be taken by the Group to achieve its Long-Term Net Zero Targets.

- **Engagement with the Group’s Sustainability team:** the Group Director of HSE & Sustainability attended two Board meetings in 2023, during which the Board was presented with the Group’s Scope 1 and 2 Market Based Emission Tracker, illustrating the Group’s progress in meeting Senior’s Near-Term Scope 1 and 2 targets as well as the initiatives taken by the sustainability team to engage with suppliers in respect of their Scope 3 emissions. In 2022, we developed Senior’s Energy Hierarchy – a framework of priorities in managing and reducing emissions and energy consumption. As part of the presentation to the Board, the Group Director of HSE & Sustainability reported on the progress made by the operating businesses in moving to low-carbon electricity contracts as well as actions taken as part of Senior’s Energy Hierarchy, such as installation of energy monitoring systems, on-site generation of energy, and formulating plans to transition to renewable energy. Over the years, there has been an increase in customer requests for CDP and other ESG disclosures from Senior, and the Board was briefed on the engagement between the Group’s sustainability team with a number of customers in this regard.
- **Board Committees:** the Audit Committee is responsible for reviewing the TCFD disclosures in the Company’s Annual Report & Accounts. The Board is cognisant of the fact that it may need to adapt its current oversight mechanism over the Group’s sustainability matters as various sustainability-related reporting regulations evolve.
- **Risk Management:** following the Group’s annual identification and assessment of climate-related risks and opportunities, the Executive Committee and the Board received and reviewed the summary of findings during their meetings in December 2023.
- **Integration with Strategy:** in 2022, we updated the Company’s Purpose – “We help engineer the transition to a sustainable world for the benefit of all our stakeholders” – to reflect its commitment to sustainability. The focus of the 2023 Board Strategy meeting was, among other matters, how Senior’s technology expertise could be applied to capitalise on the opportunities presented by transitions to a low-carbon future. In particular,

discussions evolved around opportunities associated with the application of hydrogen in a variety of products for land vehicles, aerospace, power and energy markets. Electrification, or the transitioning from fossil-based energy sources to electricity, and sustainable aviation fuel were among other themes that received significant prominence in strategic discussions this year.

- Board expertise:** the Board of Directors needs to continually develop its expertise in climate matters and stay abreast of the evolving regulatory landscape related to climate change, both in the UK and internationally. In 2023, all Board Directors completed the TCFD training. Regular secretarial reports to the Board highlight sustainability and climate-related regulations being developed by countries and international bodies to address the impact of climate change. In October 2023, we held the “Investor Technology Teach-In” event. The event, attended by Board Directors, investors and some Group employees, was delivered by the Group Director of Business Development & Strategy and other representatives of the Group’s operating businesses with the support of the Group Chief Executive Officer in the format of an interactive online educational session focused on the five main technology themes specific to Senior. The aim of this session was to inform and educate the audience about current and future potential applications of thermal management and fluid conveyance products, as well as to build good understanding of Senior’s enabling technologies, such as additive manufacturing and digitisation.

**Assessing and managing climate-related risks and opportunities**

Senior’s management is responsible for assessing and managing climate-related risks and opportunities.

The Group Director of HSE & Sustainability has direct oversight over Senior’s operations on the matters of climate change, ensuring that data, such as Scope 1, 2 and 3 emissions, waste recycling and water consumption, is collated, monitored, presented and reported to the Executive Committee and the Board on a regular basis. Responsibility for carbon emission management and the development of the Energy Efficiency programme also resides with this position.

Chief Executives of the Aerospace and the Flexonics Divisions have direct responsibility for ensuring that their Divisions meet the Group’s carbon reduction targets and supplier engagement responsibilities. They constantly monitor customer demands and are best placed to ensure that these requirements are reflected in future programmes as customers transition to low-carbon products.

The Executive Committee, led by the Group Chief Executive Officer, ensures that material climate-related risks form part of the Group’s overall risk management framework, and that climate-related opportunities are incorporated into the Group’s strategic and financial planning. The HSE Committee, chaired by the Group Chief Executive Officer, monitors the Group’s progress on its environmental targets, including Scope 1, 2 and 3 emissions.

The assessment of the Group’s climate-related risks and opportunities is performed on an annual basis, and the outcomes of the 2023 assessment can be found on page 27.

**Case study**

**Innovation Competition “Innovation on the Road to Net Zero”**

In Senior, we foster a culture that encourages and celebrates innovation. In 2023, we launched our first Group-wide innovation competition which was sponsored by the Technology Council and aimed at inspiring innovation, encouraging collaboration and participation with our wider Technology Council activities. The theme of the competition was “Innovation on the Road to Net Zero”. A total of ten entries were submitted from 10 operating businesses from both Aerospace and Flexonics Divisions, with projects covering process technology improvements, new product developments or sustainability improvements.

Senior Aerospace Thailand was one of the two operating businesses winning the Gold Award for their projects.

**Background**

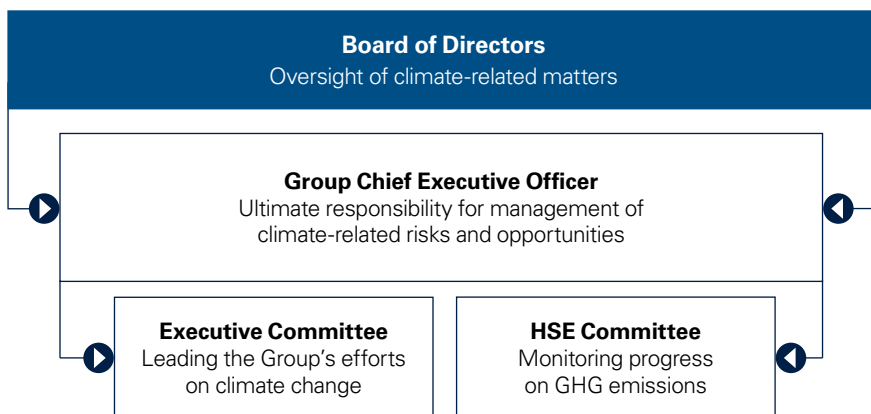
Senior Aerospace Thailand is located in Chonburi – a province of Thailand with a tropical climate. Chonburi has hot, humid weather and the average temperature inside the factory can be as high as 32°C, with the humidity jumping to 82% during the rainy season. Consequently, the operating business had installed an air conditioning system which has a sizable cooling tower and runs continuously.

**Project**

The team at Senior Aerospace Thailand have designed a customised wind turbine system that is driven by the exhaust airflow from the air conditioning systems to generate clean and cost-effective electricity sufficient to power two manufacturing cells and also to provide battery charging for a small electric vehicle. It is estimated that the implementation of the system in 2024 will reduce Scope 1 GHG emissions by 100 tonnes per annum.



**Senior’s climate-related governance framework**





## Strategy

### Climate-related risks and opportunities identified over the short, medium and long-term

Senior assessed climate-related risks and opportunities using the below time horizons, because they align with the Group's internal risk management and planning time frames:

Rating	Range
<b>S</b> Short-term	2023 – 2026
<b>M</b> Medium-term	2026 – 2028
<b>L</b> Long-term	2028 – 2043

In 2023, we carried out an annual Group-level assessment of climate-related risks and opportunities; we believe such a proactive approach ensures that the Group is better prepared to address existing and future challenges posed by climate change and to take advantage of potential opportunities.

Consideration was given to the existing and forthcoming legislative and regulatory sustainability reporting requirements likely to affect the Group's operations, expectations of the Group's customers, suppliers, employees,

investors, regulators and other stakeholders, changes in weather patterns and the latest technological trends. The assessment also considered the various geographical locations of the Group's operations together with challenges and opportunities arising in industry sectors where Senior operates. The risks and opportunities, shown in the table below, are relevant to all of the Group's market sectors.

The results of the assessment indicate that the Group's material risks remain relatively unchanged from the 2022 assessment. The risk of "Increased pricing of GHG emissions/cost of carbon offset" has moved from medium-term into long-term horizon, reflecting the complexities of carbon pricing mechanisms in individual countries and considering the Group's current time horizons. The assessment identified a new opportunity "Employee retention and/or recruitment". Increasingly, candidates prefer to work for companies taking a proactive approach on climate change and sustainability matters. We believe that leveraging the opportunity of attracting talented and

forward-thinking candidates could offer a strategic advantage to Senior. The opportunity "Shift in Consumer Preferences" has moved from the short-term to the medium-term horizon, recognising that any benefit from changing consumer preferences was likely to occur beyond the three-year timeframe.

The WWF Water Risk Filter analysis conducted in 2022, indicated that nine of our operating businesses were in areas of potential water scarcity. These are our businesses in India, South Africa, California (Senior Aerospace SSP, Senior Aerospace Jet Products, Senior Aerospace Ketema, Senior Aerospace Steico Industries and Senior Aerospace Spencer), as well as our Flexonics and Aerospace businesses in Mexico. To date, Senior has not been subject to conditions where water scarcity had led to interruptions in operations, although we are aware that severe localised water shortages can lead to potential operational interruption and interrupted supply of products to our customers. We are analysing the opportunities to reduce overall water consumption in each of these businesses.

Category	Sub category	Risk/Opportunity description	Indicative time frame	Link to Senior's Principal Risks
Opportunities	Products and Services	<b>Development of new products</b> Development or expansion of low-emission products may raise demand for Senior's products.	<b>S</b>	
		<b>Shift in Consumer preferences</b> Changing customer/consumer behaviour or preferences increases demand for Senior's products which support the transition to a low-carbon economy.	<b>M</b>	
	Resilience	<b>Resource substitutes/diversification</b> Shift to sustainable low-carbon energy sources may raise cost-effectiveness of the Group's operations, reduce GHG emissions, strengthen energy security and resilience to climate shocks.	<b>M</b>	
		<b>Employee retention and/or recruitment</b> Commitment to environmental sustainability may enhance employee retention and attract talent.	<b>S</b>	
Transition Risks	Market	<b>Changing customer/consumer behaviour or preferences</b> Customers' shift to low-emission products may reduce demand for some of Senior's products.	<b>M</b>	Climate change
		<b>Influence of ESG on debt-rating agencies/assessment of credit risk</b> Changes in investor expectation can change market valuations in a negative way (such as attracting negative screening).	<b>M</b>	Implementation of strategy Financing and liquidity
	Technology	<b>Substitution of existing products and services with lower emissions options</b> Disregarding evolving low-emission technologies and product demand may reduce market share.	<b>M</b>	
		<b>Costs to transition to lower emissions technology</b> Decarbonising processes/products as per SBTi targets may require additional capital investment.	<b>M</b>	Innovation and technological change
		<b>Unsuccessful investment in new technologies</b> Delaying investment in low-emission technology may commit Senior to fossil-fuel dependent assets long-term, incurring extra costs to transition from such assets before their useful life ends.	<b>M</b>	
	Policy & legal	<b>Increased pricing of GHG emissions/cost of carbon offset</b> Future GHG emission pricing may raise the costs for products both bought and sold by Senior.	<b>L</b>	Inflation
		<b>Exposure to litigation</b> Failure to manage climate-related issues may result in prosecution (fines and reputational damage).	<b>L</b>	Corporate governance breach
	Reputation	<b>Increased stakeholder concern or negative stakeholder feedback</b> Failure to align climate change commitments with corresponding actions may result in discontent among customers and other stakeholders, attract negative press and lead to reputational damage.	<b>M</b>	Implementation of strategy
		<b>Stigmatisation of sector</b> Activism and protests against aviation, land vehicles and oil and gas market sectors might become a threat to the reputation of Senior.	<b>M</b>	
	Physical Risks	Acute	<b>Increased severity of extreme weather events such as cyclones and floods</b> Extreme weather events may damage infrastructure and disrupt operations.	<b>S</b>
Chronic		<b>Changes in precipitation patterns and extreme variability in weather patterns</b> Global temperature rise and changing weather patterns may intensify droughts, impacting water supply to Senior's manufacturing sites and disrupting operations.	<b>S</b>	

## Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

### ▶ Products and Services

In terms of climate change, our strategy is being influenced in several key areas.

Climate change regulation and understanding is driving changes in consumer attitudes and increasing demand for energy efficient transportation. This will mean the increased use of hybrid, fully electric and hydrogen powered vehicles. Senior is currently active in this area with new products, including innovative thermal management solutions for large battery packs (initially for public transport vehicles). The opportunity here is for Senior to become a leader in this technology, as we have the expertise to design products with class-leading technical performance which will help to increase sales in this growing market sector. Examples of these include battery cooling, electronics cooling, electric vehicle fluid handling and flex for vehicle range extenders, fluid conveyance hoses and tubes for hydrogen fuel cells. The time horizon for this is short to medium-term with prototypes currently under test for some products.

We have a dedicated team based in the Flexonics businesses specifically working on exhaust gas recirculation ("EGR") systems with customers. Requirements are driven by performance (lower carbon emissions) and changing legislation. Legislation drives lower NOx allowances for heavy-duty diesel engines.

We have invested in specialised additive manufacture equipment in some of our Aerospace businesses. The purpose of this is two-fold: to develop and manufacture metallic components which are much lighter, reducing weight and, ultimately, saving fuel and reducing carbon emissions during flight. At the same time, lighter components will reduce waste during the production process, therefore decreasing the amount of material required (reducing our Scope 3 emissions) and the associated material cost.

➤ [Read more on pages 20 to 21 and 44 to 47](#)

### ▶ Operations and supply chain

To be effective, it is vital that climate change considerations are applied at individual operating business sites where Senior's approach has focused on energy efficiency and cost reduction, particularly in respect of the Scope 1 and 2 emissions. Numerous energy conservation projects have been implemented in production sites across the world, such as improving building insulation, upgrading energy efficient lighting, installation of heat recovery systems and upgrading HVAC systems.

The strategic focus has been on the Group's Scope 3 emissions, particularly how our products and services help customers and society at large reduce emissions. This has been supported by our ongoing engagement initiatives with over 300 of the Group's suppliers through the Carbon Disclosure Project, asking them to align with Senior's environmental goals and set emissions reduction targets by 2025.

An important decision in relation to our operating businesses was to have our carbon reduction targets approved by the SBTi. Following high-level discussions on our carbon reduction strategy and the need to ensure our approach followed science-based evidence and was aligned to the Paris Agreement, we applied to the SBTi. Following the approval of our targets to reduce Scope 1 and 2 emissions 30% by 2025 by the SBTi, we started exploring low-carbon energy supply opportunities, while supporting existing energy efficiency initiatives. Within the framework of Senior's Energy Hierarchy, operating businesses needed to investigate and cost on-site generation of low-carbon energy, as well as switching to low-carbon electricity by 2025. As part of the roll-out of our Energy Strategy, the Group-wide energy consumption reduced by 5.4% in 2023 (compared to 2022).

Each site within the Group has a scenario-based Business Continuity Plan which is tested on an annual basis; this enables us to ensure that mitigation and adaptation activities associated with the physical risks from climate change are addressed. Further information on how we manage the risk of climate change can be found on page 63.

➤ [Read more on pages 22 to 24](#)

### ▶ Investment in research and development

Climate change is a fundamental element of the Group's business strategy. As a consequence, when considering R&D spend and expansion, we assess sustainability aspects of our products in terms of supporting our customers' aims to reduce energy consumption and carbon. A recent example is the development of specialised thermal management products to maintain the optimum working temperature of vehicle battery packs (battery cooling packs, initially for large public service vehicles), as described above.

➤ [Read more on page 40](#)

**▶ Access to capital**

Investors and lenders consider Senior plc’s ESG policies, strategy and performance when making decisions in allocating capital. Whilst we have not yet identified any significant correlation related to climate change and access to capital, it is an area that remains under our review. We expect capital to become harder to source for industrial companies that do not manage their climate risks and opportunities progressively. The Group has successfully extended its main UK Revolving Credit facility (“RCF”) by an additional year to November 2027 which involved the extension of our sustainability KPIs in agreement with our lenders.

**▶ Acquisitions or divestments**

Portfolio optimisation is a central pillar of our strategy. Climate change is considered in the overall view of acquiring new businesses, in terms of potential of the sustainability of the product portfolio as well as in future planned divestures. The future markets of the goods produced will be assessed in line with expected changes in consumer spending as climate change dictates the use of alternative energy and reduced carbon solutions.

**▶ Financial planning process**

One of the short-term (one to three years) influences of climate change on Senior’s business strategy is that of cost and internal efficiencies, particularly in respect of the Group’s Scope 1 and 2 emissions. In support of the 2025 SBTi targets, our operating businesses initiated energy conservation projects as detailed on page 24. In 2023, Senior Flexonics Czech commissioned the installation of the solar PV system; further details can be found in the case study below.

We are seeing some limited negative effects from the decreasing market trend for diesel passenger vehicles in Europe and a consequent reduction in demand for some products. Although some of Senior’s operating businesses are experiencing reduced demand, the effect is not significant overall with other product lines filling demand. This means we are tailoring our financial planning to reflect these market changes. At the same time, opportunities in new technologies that may require investment are also considered as part of the financial planning.

We consider climate change when assessing liabilities in the Group’s operating businesses. The need to insure fixed assets and the adoption of safety measures to protect staff in areas subject to severe weather are current examples.



**Case study**

**INSTALLATION OF PHOTOVOLTAIC SYSTEM AT SENIOR FLEXONICS CZECH**

Senior Flexonics Czech located in Olomouc, the Czech Republic, produces and distributes components and tube systems from stainless steel, low-carbon steel and aluminium. Their products are mainly made for oil, air conditioning, roof, cooling and air systems for prominent brands of world automotive factories.

In 2023, Senior Flexonics Czech commissioned the installation of the solar PV system with an investment of approximately £300,000.

**Project Rationale**

1. Reduce energy costs by generating own electricity from solar energy.
2. Reduce carbon footprint of Senior Flexonics Czech in support of the Group’s sustainability commitments.
3. Reduce reliance on non-renewable energy sources.

This case study demonstrates how the installation of photovoltaic system has fulfilled both financial and environmental objectives for the business.

**Results**

Produced energy	383,770 kWh/year
Consumption of produced energy	280,950 kWh/year
Consumption of produced energy in %	73%
Energy supplied to the grid	102,820 kWh/year
Savings CO <sub>2</sub>	154,5 tons/year
Plant consumption	1,487,140 kWh/year
Share of solar panel generated electricity on plant consumption	19%



**Resilience of the organisation’s strategy with reference to three climate-related scenarios, including a 2°C or lower scenario**

In 2021, we carried out scenario analysis to understand the potential impact of climate change on the Group’s operations. We selected the three climate scenarios produced by the Bank of England because:

- they meet TCFD recommendation to assess business resilience at different climate-related scenarios, including a 2°C or lower scenario;
- these scenarios are used by the Bank of England to explore resilience of the UK financial system to climate change;
- the scenarios are modelled to a 30-year timespan, out to 2050 to align to the Paris Agreement and other Net Zero 2050 targets;
- they consider the macroeconomic impacts with more granularity and within a more applicable business context than climate scenarios based on temperature increases; and
- multiple high transition scenarios provide diversity in stress test.

Further information on the assumptions and parameters used in the scenarios can be found on the Company’s website.

Scenario 1 (<2°C)	Scenario 2 (<2°C)	Scenario 3 (>3°C)
<p><b>Early policy action: smooth transition</b></p>	<p><b>Late policy action: disruptive transition</b></p>	<p><b>No policy action: business as usual</b></p>
<ul style="list-style-type: none"> <li>• Decisive carbon action to reduce global emissions starts in 2021;</li> <li>• Carbon taxes and other policies intensify gradually over the scenario horizon;</li> <li>• Global warming is limited to 1.8°C by 2050 compared to pre-industrial levels;</li> <li>• Limited physical risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Delay in implementing the policy required to reduce global emissions by 10 years;</li> <li>• Starting in 2031, significant and rapid policy action causing drastic bending of emissions trajectory globally;</li> <li>• Global warming is limited to 1.8°C by 2050 compared to pre-industrial levels;</li> <li>• Limited physical risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Governments fail to introduce further policies to address climate change beyond those already implemented;</li> <li>• Increase in global temperatures reach 3.3°C by 2050 compared to pre-industrial levels;</li> <li>• High physical risks.</li> </ul>
<p>▼</p>	<p>▼</p>	<p>▼</p>
<p><b>Potential impact</b> Policy changes start to accelerate, and consumer and investor preferences evolve rapidly to facilitate decarbonisation.</p> <p>In the short and medium-term, Senior needs to ensure that its investment decisions are consistent with its Science Based Targets and deliver expected results.</p> <p>In the long-term, it is important to keep pace with changing market demand for low-emission products and remain consistent between Senior’s public commitments and market expectations.</p>	<p><b>Potential impact</b> A sudden increase in the intensity of climate policy in 2031, following an initial period which is characterised by insufficient or ineffective emission reducing policies.</p> <p>Senior needs to ensure that it takes action over this time period to avoid disruption in the long-term as mature economies make rapid strides to cut emissions.</p>	<p><b>Potential impact</b> Absence of transition policies result in a growing concentration of greenhouse gas emissions in the atmosphere.</p> <p>Increased exposure to heatwaves, tropical cyclones and droughts may increasingly provide challenge for some of Senior’s sites and supply chains.</p> <p>With less policy action and investment driving forward technology development, the costs of transitioning to the new technologies may be higher, the likelihood of successful implementation and the relative rewards for the investment may be lower.</p>
<p>▼</p>	<p>▼</p>	<p>▼</p>
<p><b>Opportunities</b> The ability to maximise returns on new investments in the long-term, once transition has occurred and markets have stabilised.</p>	<p><b>Opportunities</b> Early investment can set the Group up to be ready for the swift changes to the disrupted economy after 2030.</p> <p>Opportunities may materialise over the long-term, due to the late policy action and the abrupt transition to low-carbon economy.</p>	<p><b>Opportunities</b> The Group’s continued investments and its ability to diversify business activities can help Senior be more resilient to changes in the markets and adapt to the impacts of climate change.</p>

**Resilience statement**

Senior recognises that its strategy may be affected by climate-related risks and opportunities. We believe that our Purpose acts as a solid cornerstone for business decisions that shape and future-proof the Group’s strategy.

The output of forward-looking scenario analysis indicated that transition risks could have more significant impacts in scenarios 1 and 2. The approval of Long-Term Net Zero Targets, aligned to 1.5°C for all scopes, by SBTi and the initiatives the Group plans to take to achieve these targets will make the Group more resilient to the effects of climate change in a number of ways. As governments across the world start imposing stricter regulation of carbon

emissions, Senior will be better placed to avoid potential risks associated with penalties or liabilities. We recognise that transitioning to Net Zero will require our operating businesses to improve their operating efficiencies, and we have already started a number of initiatives in this regard as part of Senior’s Energy Hierarchy. Operational efficiencies can result in cost savings in the longer term. By working actively with our suppliers and encouraging them to decarbonise, we are enhancing the resilience of our supply chain against potential disruption by climate change. The Group’s focus on innovation and strong relationships with customers means we are well positioned to maximise opportunities offered by smooth and disruptive transition scenarios. We are

proactively assessing the way climate change affects market demand for our products as part of our annual strategic meetings.

Under scenario 3, the physical impacts of climate change could be more significant. The Group’s robust business continuity plans, tailored to the specific risks and vulnerabilities of a given area, help us become more resilient against the potential physical impacts of climate change. We recognise that scenario analysis will be developed over time, and we shall continue to integrate the findings into Senior’s risk management framework.

## Risk management

### The organisation's processes for identifying, assessing and managing climate-related risks

Climate risks are identified, assessed and managed using Senior's risk management process as shown on page 60 on an annual basis. The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") enterprise risk management integrated framework serves as the foundation of the Group's risk management process, tailored to reflect Senior's culture and Values. The process includes identification of relevant risks, risk scoring, development and assignment of response actions, monitoring the effectiveness of key mitigating controls and reporting of the risk and assurance environment to the Executive Committee, the Audit Committee and the Board.

During 2023, the multi-disciplinary team including the Group Director of Risk and Assurance, the Group Director of HSE & Sustainability, the Divisional CFOs, the Director of Investor Relations and Corporate Communications, the Director of Business Development & Strategy, the Head of Treasury and the members of the Secretarial team, re-assessed the climate-related risks at a Group level, taking into account the evolving landscape associated with climate change in the areas of existing and expected legislation, supplier and consumer preferences, government policies and commitments, as well as changes in weather

patterns. The results of the assessment were reviewed by the Executive Committee and the Board.

We recognise that there is benefit in assessing climate-related opportunities at the operational level, in addition to a broader Group level. Such an assessment can provide a more granular understanding of risks that are specific to any particular geographic location. At the same time, operational-level risk assessment can help identify operating businesses that are best placed to take advantage of opportunities offered by the transition to a low-carbon economy; for example, through energy efficiency initiatives or renewable energy sources. We were aware that those individuals responsible for assessing climate-related risks and opportunities at the operational level, required adequate training. To address this, in 2023 we rolled out the TCFD training programme to a large target audience which, in addition to the Board of Directors, included a wide range of functions such as divisional and operational CEOs, CFOs, EHS managers and others. In 2023, Senior Flexonics Bartlett was selected as one of the operating businesses to pilot an assessment of climate-related risks and opportunities.

Climate-related risks and opportunities are identified using a wide range of data sources, such as climate change specific publications and data, CDP disclosures from peers, relevant sector literature and guidance from TCFD for

Senior's sector. Materiality of climate-related risks is assessed by considering such factors as likelihood, magnitude of impact and the strategic importance to the business. For our 2023 assessment, risks were assessed as residual, having considered existing controls and mitigations.

Mitigating action plans are developed for all climate-related risks where the risk scoring exceeds the Group's tolerance level for that risk. The action plans include a detailed description of the response actions (assigned to the members of the Executive Committee and other senior members of staff) as well as time horizons for completion of the mitigating action plans. Action plan progress is tracked to ensure timely implementation. The overall effectiveness of the risk control environment is closely monitored through assurance and audit activities to assess if critical risks are being mitigated within the Group's risk tolerance.

### Integration of processes for identifying, assessing, and managing climate-related risks into the organisation's overall risk management framework

Climate-related risks form part of the Group's risk register and will be subject to an annual review by the Executive Committee and the Board. Climate change has been reported as one of the Group's principal risks since 2019.

## Metrics and targets

### Metrics used to assess climate-related risks and opportunities

### Targets used to manage climate-related risks and opportunities and performance against targets

The below table illustrates the metrics we have selected to measure our climate-related risks and opportunities. We selected these metrics because we consider that they are relevant to the climate-related risks and opportunities facing Senior, as well as regulatory and stakeholder

expectations; in addition, these metrics are measurable, transparent, comparable and actionable. Our Near-Term Scope 1, 2 and 3 targets were verified by SBTi in 2021. In 2023, the SBTi approved our Long-Term Net Zero climate Targets for Scope 1, 2 and 3 emissions. The targets, to be achieved by 2040, and aligned to 1.5°C for all scopes, are included in the table below. We started developing a high-level plan to reduce our emissions in line with the 2040 targets against the 2018 base year. In 2024, we

shall undertake further work to produce a more granular transition plan in line with the Transition Plan Taskforce ("TPT") guidance.

In 2023, the Remuneration Committee proposed that 10% of the 2024 bonus potential will be determined by a target related to absolute reductions in Scope 1 and 2 emissions over the one year performance period. The set target is consistent with the Group's SBTi-validated target of a 30% reduction in these emissions by 2025 (from a 2018 baseline).

Climate-related target	Target year	Base year	Progress in 2023	Metric	Link to material climate risk
Reduce absolute Scope 1 and 2 GHG emissions by 30%	2025	2018	<b>29.5% decrease (2022 – 22% decrease)</b>	Tonnes CO <sub>2</sub> e	
For Scope 3 GHG emissions, 82% of suppliers by spend to have climate Science Based Targets	2025	2018	<b>182 (2022 – 160)</b>	Supplier Engagement (response rate)	Increased pricing of GHG emissions/cost of carbon offset Increased stakeholder concern or negative stakeholder feedback/Stigmatisation of sector
Reduce absolute Scope 1, 2 and 3 emissions by 90%	2040	2018	<b>reporting to start in 2026</b>	Tonnes CO <sub>2</sub> e	
Achieve a recycling rate of 95%	2025		<b>95.1% (2022 – 94.8%)</b>	% of waste recycled	Increased stakeholder concern or negative stakeholder feedback/Stigmatisation of sector

### Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions

● The details of our Scope 1, 2 and 3 emissions, in compliance with SECR, can be found on page 23.

# Social



## Health & safety

The health and safety of our employees remains a core focus for Senior. The pursuit of world class health and safety in all of our undertakings is a recognised priority at all levels in our business.

In 2023, we continued to build on our sustained improvements in injury performance. The Lost Time Injury/Illness Rate of 0.32 represents a 16% decrease compared to the 2022 figure of 0.38. Additionally, the Total Recordable Injury Illness Rate, which includes factors such as lost time, job transfers, minor medical treatment, etc., demonstrates a significant decrease of approximately 32% in 2023 compared to the previous year. These positive trends underscore our ongoing commitment to fostering a safer and healthier work environment for our employees.

In 2023 there were no work-related employee or contractor fatalities and no major injuries (serious/life-changing).

To ensure we maintain a proactive safety culture, we urge all employees to identify and report unsafe work practices or potentially hazardous situations. In 2023, we received 15,310 such “near miss” reports, demonstrating a substantial improvement from the 12,615 reports received in 2022.

Senior maintains a comprehensive Group-wide Environment, Health & Safety (“EHS”) Management Framework, inclusive of risk evaluation and operational controls for all our facilities. This framework undergoes an annual audit by ISO-trained staff. Seven of our operating businesses have successfully transitioned from OHSAS 18001 to ISO 45001, reinforcing our commitment to aligning with the latest international standards.

Regular environment, health, and safety training are mandatory for employees at our operating businesses, tailored to their specific roles, work areas, job functions, and responsibilities.

### In 2023

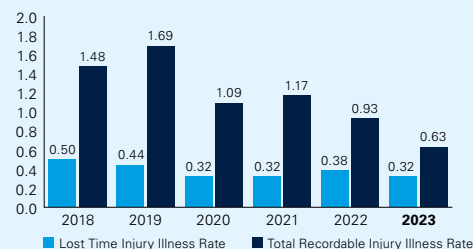
**Decreased our Total Recordable Injury and Illness Rate by around 32% compared to 2022.**

32%

**Decreased our Lost Time Injury and Illness Rate by around 16% compared to 2022**

16%

### Senior Group Injury rates



Lost Time Injury and Illness Rate (“LTIR”), defined as the number of work-related lost time injury or illness cases (losing more than one complete shift) per 100 employees. The Total Recordable Injury Illness Rate is defined as the number of cases of lost workdays, restricted work activities, job transfers, medical care beyond first aid and work-related illnesses expressed per 100 employees.

### Safety initiatives in 2023

- Embed our new group-wide hand-safety standard.
- Monthly safety performance bulletin produced for our operating business leaders.
- Regional in-person and virtual meetings with our global health and safety professionals.
- Senior Aerospace Spencer health and safety onboarding.
- Increased onsite safety/environment reviews.

### Looking forward to 2024, our plans include:

- a new behavioural safety programme for our supervisors;
- a new Senior Safety Standard covering ergonomic assessments; and
- additional assistance for those businesses with the most challenges and improvement opportunities.



**Case study**

**SAFETY BEHAVIOURS PROJECT AT SENIOR AEROSPACE JET PRODUCTS AND KETEMA**

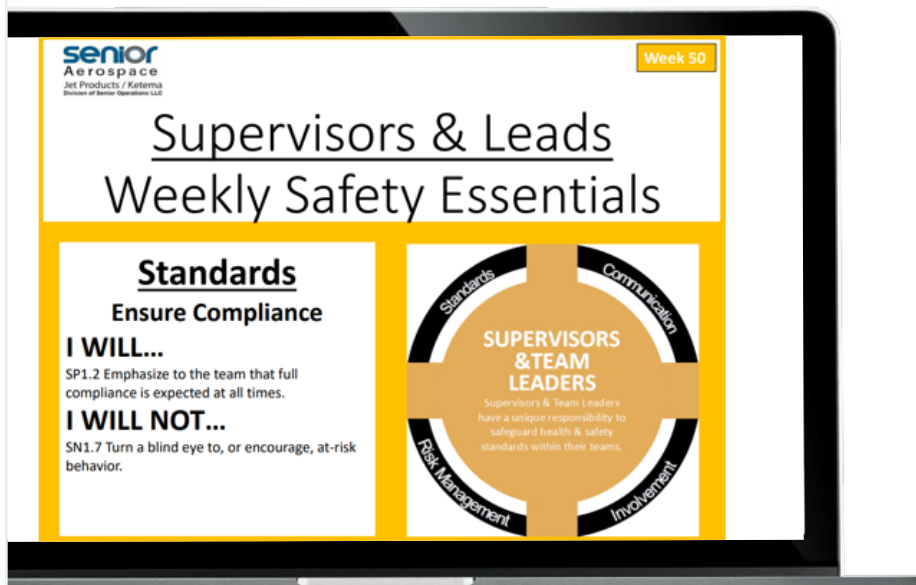
The team at Senior Aerospace Jet Products and Ketema implemented an Essential Safety Behaviours improvement project at their two facilities in San Diego, California.

At each weekly meeting, the site business leaders and supervisors review a specific set of the standards and remind all team leaders of their requirements to enforce the rules of the Essential Behaviours Standards. Additionally, a specific Essential Behaviour for everyone is reviewed at the daily management meeting.

Senior plc, as a whole, implemented The Essential Behaviours Standard several years ago, and various business units employ diverse methods to communicate these standards to employees. In the case of Senior Aerospace Jet Products and Ketema, business leaders and supervisors pledge to adhere to the requirements outlined in the standard.

The Environmental, Health & Safety Manager, David Ivester, organises and communicates new elements of the standard each week.

Senior Aerospace Jet Products and Ketema have maintained a zero lost time incident rate for a considerable number of years. This exemplary safety record underscores the clear focus on safety behaviours, demonstrating its pivotal role in achieving and sustaining such outstanding safety performance. The commitment to reinforcing safety practices through continuous communication and engagement proves that a proactive approach helps maintain a secure working environment.





## Equality, diversity and inclusion



Jane Johnston | Group HR Director

“At Senior we are committed to providing equal opportunities for all and promoting an inclusive culture where individuals can thrive, and diversity is valued.”

### Our core Values underpin our culture

Senior’s leaders aim to create a working environment in which everyone can thrive, achieve their full potential, and contribute to the success of Senior, and where all decisions are based on skills and merit. We are committed to ensuring equal opportunities, fairness of treatment, work-life balance, and the elimination of all forms of discrimination in the workplace for employees and job applicants. We recognise the benefits of different perspectives and local cultures and encourage individuals to speak freely, as diverse contributions lead to better solutions and business outcomes. The Group’s Equality, Diversity and Inclusion Policy is contained within the Code of Conduct, and every employee receives a personal copy of the booklet. In 2023, we launched a Human Rights Policy clearly laying out our expectations. The policy was translated into our designated languages and we included a module on Protecting Human Rights in our annual Code of Conduct training.

Senior promotes a culture and working environment in which everyone can make the best use of their skills, free from discrimination or harassment. Our Values define how we treat people, and reinforce our commitment to be open and straightforward with colleagues, customers, suppliers and other stakeholders. We expect people to treat everyone they meet in the course of business with respect and dignity. As well as our Values, the right behaviours are reinforced in our people policies and processes; for example, talent acquisition, succession planning, promotions and learning and development opportunities.

The Executive Committee and business leaders continue to focus on providing a diverse and inclusive workplace. Gender diversity receives much attention in Senior, however we believe that there remains an opportunity for further improvement, particularly in our operating businesses general management. In 2023 we continued our global participation in Mission Gender Equity Mentoring. The programme supports and encourages the development of talented women. In 2024 we plan to launch a Women’s Network. We believe this will provide a forum to empower individuals as it will bring women across businesses together to discuss ideas and shared experiences in a supportive and productive environment, creating strong peer-to-peer support and confidence, as well as providing an impartial and open forum to encourage and inspire.

The table below shows the Group’s Board of Directors, Executive Committee and operational senior management in 2023 by gender.

	Male	Female
All employees	78%	22%
Senior managers who report directly to the Executive Committee	80%	20%
Executive Committee	62%	38%
Board	43%	57%

We strive to reflect the diversity of the communities we work in at all levels across our workforce. Senior is an equal opportunities employer. The Board seeks to ensure a diverse workforce that supports all employees, irrespective of age, disability, gender reassignment, marriage and civil partnership, race, religion or belief, gender or sexual orientation. We will not tolerate any form of unlawful discrimination against our colleagues, or any third parties be they potential employees, customers, subcontractors, suppliers or members of the public.

In accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, Senior publishes its Gender Pay Gap Report, as required on the Company’s website.



## People and culture

Guided by our Values, our operating business leaders are empowered and accountable, setting the tone for their operations. As business conditions continue to improve, we remain focused on recruiting and retaining talent in order to sustain business resource requirements and growth. In order to meet demand, we are continuing to focus on building strong relationships with local technical colleges, universities and education establishments, and partnering with recruitment firms. We are extending our use of job boards and other approaches to advertising and attracting applicants, and have now completed the roll-out of Recruit, our talent acquisition system, to all our UK and US businesses. We have also been working with organisations such as Glassdoor and Indeed as well as operating business utilising platforms, for example LinkedIn, to enhance our employer brand. Although we have seen a significant improvement in our employee voluntary turnover rates, the job market remains competitive for certain geographies and skills, and we have worked hard to secure the right talent.

We have continued to work with colleagues to enhance our employee proposition, making Senior an even more attractive place to work. Examples of the steps we have taken include, introducing flexible working, promoting our employee assistance programmes, and our US Benefits Advocate helpline, and in the UK, we have introduced a financial wellbeing service. This gives all UK employees access to a host of resources covering topics such as mortgage advice, planning for retirement and financial “health checks”. In January 2023 we increased the level of employer pension contributions available to the majority of our UK employees. This was very well received by employees, being seen as a generous and valuable benefit. We continue to be vigilant regarding rates of pay and the cost of living, ensuring we are paying people fairly for the work they do and benchmarking pay rates in local markets, making adjustments if appropriate.

Training and development was a priority in 2023 with more face-to-face training being provided. In our autonomous and collaborative operating model, business leaders work with their teams and HR to plan and design training to meet their business needs. This includes technical, on the job, and skills training. We continue to view the provision of development opportunities and training across the Group as vital to our success. We have seen more emphasis on supervisor, management, leadership and behavioural skills training, typically partnering with external providers to build our bench strength and support succession planning. Examples include programmes such as Achieving your Potential, Leading Growth through our Values, Coaching Skills and Motivation and Leadership for new managers and supervisors. We have also continued with other training activities such as Toolbox talks, “lunch and learns”, technical training, as well as sponsoring individuals undertaking external and more academically orientated courses and training, for example engineering degree courses.



We were pleased to restart our global leadership programme, Leading for Excellence, and have delivered the training to two cohorts in 2023. The programme runs over six months and is a mix of virtual and face-to-face sessions as well as one-to-one coaching. The programme culminates in the delegates presenting business projects they have worked on to hone their skills, embed their learning and return real business benefits through delivering a key project for their operating business.

In 2023 we enhanced our training content in Learn, our best in class eLearning platform. The catalogue covers areas such as IT skills, Leadership and Management, Project Management, Health & Wellbeing and Communication skills and provides the training in all our languages. Individuals can select courses and manage their own learning. Learn also enables us to deliver our Code of Conduct training and other compliance training such as Cybersecurity, Securing Unclassified Information and Anti-Harassment training. In 2023 we developed our own TCFD training modules and delivered it across the business to leaders, responsible for General Management/ Operations, Finance, and Health Safety & Sustainability via Learn.

As evidenced in the Global Employee Opinion Survey at the end of 2022, peer relationships remain a strength and colleagues help and support each other. We have an open and honest culture of respect and trust, and people value teamwork and the teams they work in and with. This has been particularly important during 2023 as our headcount grew and we welcomed new employees to our operations. Many of our businesses have been enhancing their onboarding processes to ensure that new team members feel welcome and well informed, enabling them to become valued team members. A significant proportion of learning is on the job and our culture of sharing knowledge and supporting colleagues remains central to developing technical competencies in our operations.

Learning and development needs are assessed during individual performance reviews, with “Perform”, our Performance and Development system, providing a framework for managers and team members to discuss feedback, performance, behaviours linked directly to our Values, set clear objectives, both business and personal development and create development plans. The output of these discussions feed into our succession planning process. The Executive Committee scrutinises the plans and talent pipeline, identifying successors or interim cover for key roles across the Group. The Executive Committee also focuses on functional capability, for example engineering, as well as operational leadership. Personal development plans are recorded and monitored in Perform to enable individuals to fulfil their potential. The Board reviews the succession plans for the Executive team and their direct reports on a regular basis, with a special emphasis on encouraging diversity and inclusion.

Our culture is to build on our success and say thank you, with our businesses holding regular employee recognition and team building events. We encourage open and honest feedback with potential issues or concerns being raised with local management. The feedback from our survey run at the end of 2022, was consistent with this and confirms that employees believe that people are treated fairly and that we do not tolerate misconduct. As outlined in our Values and Code of Conduct, we work together with mutual trust and respect and operate with integrity and in an ethical manner. On the rare occasion when things cannot be resolved by local management, employees are encouraged to raise their concerns through our third-party whistle-blowing service, Ethics Point. All concerns raised are investigated and learning points are actioned by local leadership teams as appropriate.





## Employee wellbeing

The health and wellbeing of our colleagues remains a priority. Following the Global Employee Opinion Survey, which was rolled out in the autumn of 2022, and included a specific Health & Wellbeing question set, our operating businesses have developed actions related to employees' health and wellbeing.

In common with many businesses, where possible, we are offering employees more flexibility with working patterns by offering hybrid working and altering or being more creative with shift patterns, thereby improving individual work life balance.

Our operating businesses provide wellbeing support and education to employees as appropriate to their local needs. Many have promoted specific health drives, for example, prostate cancer testing, menopause awareness, "Know your Numbers" health checks, Healthy Eating Week, flu vaccinations, and road safety education. We have a number of individuals specially trained to support colleagues with mental health issues and employee assistance programmes in many of our businesses. Other examples of how we support employees include offering subscriptions to wellbeing apps, creating quiet spaces for employees to relax, and start of shift exercise stretching classes.



Colleagues also enjoy participating in sports activities, team-building and sports events, supported by Senior, for example a team from Senior Aerospace Thailand came together to complete in the Pattaya Marathon. We also have wellbeing content on Learn such as Mindfulness

at Work and Positive Mental Health delivered in multiple languages. It goes without saying that we remain vigilant regarding occupational health, for example ergonomics, supported by our Health and Safety frameworks.



## Communities

Senior's businesses actively support communities in which they operate by undertaking a range of education focused and charitable activities. Here are some examples, to name but a few, of the activities our businesses and employees have undertaken to support their local communities:

Lymington Precision Engineering ("LPE") worked with an infant's school as part of the school's engineering week, launching a competition for students to design and create a model for how LPE could accomplish self-generation of energy. The winning team had their design 3D printed. Businesses have hosted local trade schools and technical colleges, providing an insight into working for an engineering company and giving students an opportunity to see engineering in action.

Our Senior Aerospace AMT and Damar businesses joined forces to raise money for a local foodbank and hosted an "Employee Giving Tree". Other operations also contributed to local foodbanks with Senior Flexonics Pathway donating turkeys to a local Women's Shelter. Senior Aerospace Jet and Ketema support local veterans and their families by participating in the Wounded Warrior Project's 5k run and Toys for Tots, which is sponsored by US Marines Reserve. The project gathers and distributes toys to less fortunate children at Christmas. Other locations held charity and fund raising events, with all our UK business demonstrated



their baking skills and raising money for the Macmillan Coffee morning. In 2023, Senior Metal Bellows was a Silver Sponsor of HESSCO's St. Patrick's 5K with 20 employees participating to successfully defend their 2022 1st place finish. HESSCO provides support and services for individuals living with a disability, and their caregivers.

Senior Flexonics India has continued their collaboration with local charities. For example, they sponsored midday meals for 120 children at a government primary school in Bati Village, Mathura, Uttar Pradesh. They also collaborated with an NGO, "Janta Rehabilitation center" to support 35 blind students by providing four desktops and one colour printer for their computer education. Similar to 2022, Senior Flexonics Crumlin created a Secret Garden for a local primary School.



# Governance

**Senior's Purpose – "We help engineer the transition to a sustainable world for the benefit of all our stakeholders" – articulates our commitment to long-term value creation for our stakeholders. We recognise that effective governance of sustainability-related matters is essential to ensure that decision-making is aligned with the Company's overarching Purpose. Senior's Executive Committee is responsible for the management of sustainability-related matters. The Board of Directors has oversight over such matters through regular updates provided during the scheduled Board meetings on the Group's sustainability performance and initiatives.**

## READ MORE ABOUT:

- Anti-bribery & Corruption on page 90
- Agents Policy on page 90
- Gifts and Hospitality Policy on page 90
- Whistle-blowing on page 90
- Human Rights and Modern Slavery on page 90
- Responsible Sourcing on page 90
- Cybersecurity and data protection on page 91
- International Trade Compliance on page 91

## Uphold high standards of ethical integrity

Senior's Code of Conduct (the Code), updated in 2021 and available on the Company's website, plays an important role in supporting the Value of Integrity within the Group. It contains work-related scenarios, together with a selection of questions and answers, to help employees to understand the Code and relate it to their individual roles and working environment. The Code provides a clear framework on which to base decisions when conducting day-to-day business. It does this by:

- clearly setting out the behaviour expected of all employees;
- providing guidelines which help employees to apply our Values; and
- enabling employees to raise a concern or ask a question if in doubt.

In July 2021, all employees were issued with a personal copy of the Group's updated Code of Conduct booklet and provided with training on the revised Code. All new joiners are issued with a copy of the booklet and provided with training on the Code. The Code of Conduct booklet is available in all languages applicable to the Group's employees. A compulsory 2023 Global Code of Conduct online training course was rolled out across the Group to all employees during the year. Further details of the training modules contained within the 2023 course can be found on page 96. All employees and Directors were required to achieve a Pass grade, as a minimum. In 2023, 95% of employees completed the annual Code of Conduct training allowing for new starters who have not completed their training immediately on joining.

In 2023, the Group Chief Executive Officer, the Group Finance Director and other members of the Executive Committee visited the Group's operating businesses as part of the Employee Roadshow. The Roadshow was an effective way of communicating directly with the Group's employees, providing them with updates on the Group's performance and strategy. The Executive Leadership team also used the Roadshow to reinforce the Code and the importance of maintaining an absolute commitment to the highest possible standards of ethics and a zero tolerance towards bribery and corruption.

The Company conducts annual Control Self Assessments, encompassing questions related to the Code, across all operating businesses. These are further supported by internal audits, which test, among other matters, compliance with sections of the Code and the prominent display of the Group's whistle-blowing procedures at all operating businesses. In addition, risk assessments considering areas of the Code, are conducted at operating business and Group levels. Through its assurance programme, the Board is able to ensure that employees receive mandatory training and that the Group's operating businesses uphold high standards of ethical integrity. All alleged violations or complaints are investigated, and any remedial actions are taken as necessary. Any fraud issues that have come to the attention of the Director of Risk and Assurance are discussed by the Audit Committee, noting the cause, the actions taken and any improvements to internal controls implemented as a result.

Operating with integrity and in an ethical manner builds trust and strengthens long-term relationships with customers and other stakeholders, underpinning the Board's strategic objectives and protecting the Group's reputation.

## Responsible Taxation

Senior's "Approach to Tax", which can be found on the Company's website, is aligned with the principles set out in the Code, which underpins the way we go about our day-to-day business across the Group and places integrity and ethical behaviour at the heart of what we do. Once a year, the Board of Directors approves the Group's tax strategy.

## Product safety

Product quality is absolutely core in all of Senior's operating businesses and activities. All of Senior's businesses have ISO 9001 accreditation for manufacturing. The operating businesses have additional aerospace and automotive accreditations, dependent upon their intended markets. Ultimate responsibility for product quality and safety lies with the senior manager of each business unit.

All products undergo service/safety risk assessments, as required in Senior's demanding markets. Employees receive regular training on product and service safety. All the Group's operating businesses have in place incident investigation and corrective action policies and procedures and quality testing programmes.

Product/service objectives or targets are set by the operating businesses to meet customer requirements and regular external product/service safety audits are conducted, where standards require.

## ADDITIONAL RESOURCES

[www.seniorplc.com/sustainability.aspx](http://www.seniorplc.com/sustainability.aspx)

# Investment case

## Improving returns creating value for our shareholders

### Our Purpose

We help engineer the transition to a sustainable world for the benefit of all our stakeholders

➤ Read more on [pages 70 to 73](#)

### Clear strategy to maximise shareholder value



Aerospace



Flexonics



**Differentiated Business Model**



**Focused strategic priorities**



**Trusted and collaborative high value-added engineering and manufacturing company**

**Delivering minimum 13.5% ROCE (return on capital employed) over the medium-term**

### Strong core end markets



#### Civil Aerospace

Increasing passenger demand to fly and higher air traffic drives the need for new and replacement aircraft. Environmental pressures to focus on clean technology is ideal for Senior's product and technology portfolio



#### Defence

Defence remains a priority for the US and has increased in importance for other countries given the current geopolitical situation. Senior has key positions on major funded aircraft programmes



#### Land Vehicle

Demand driven by tightening global emission control regulations for truck, off-highway and passenger vehicles



#### Power & Energy

Market leader of complex fluid systems and products used within industrial, oil & gas, petrochemical and power generation sectors

➤ Read more about our end markets on [page 13](#)



**David Squires** | Group Chief Executive Officer

“Our strategy and positioning in attractive and structurally resilient core markets; technical capabilities and sustainability credentials; underpins our commitment to continuing to deliver a strong performance, which in turn will deliver enhanced value for our shareholders.”

**We do this by:**

- Using technology expertise in fluid conveyance and thermal management to provide safe and innovative products for demanding applications in some of the most hostile environments
- Enabling our customers, who operate in some of the hardest-to-decarbonise sectors, to transition to low-carbon and clean energy solutions
- Staying at the forefront of climate disclosure and action by ensuring our own operations achieve our Net Zero commitments



**Leading position in attractive markets**



**Long-term growth and value creation**



**Focus on IP-rich fluid conveyance & thermal management technology and capabilities.**

These capabilities are supported by a strong body of design and manufacturing process intellectual property and know-how.

**Delivering sustainable growth**

**Our differentiators**

- Safety & ethics are always our highest priorities
- High performance operating system
- Intrinsically strong cash generation
- Autonomous and collaborative business model with a robust control framework
- Strong balance sheet
- Technology, product and process innovation supporting transition to clean energy
- Effective capital deployment
- Global footprint

➤ Read more about on [page 6](#)

**Sustainability leadership**

- The first company, worldwide in the A&D sector, to have greenhouse gas reduction targets verified and approved by the Science Based Targets initiative
- In September 2023 we were successful in having our Net Zero (2040) carbon reduction targets verified by the SBTi
- CDP leadership rating of A on climate change for 2022 and 2023
- A rating from CDP for our progress on supplier engagement for 2022
- Lost Time Injury Illness Rate improved by 68% and Total Recordable Injury Rate improved by 78% from 2015 to 2023
- Early adopters of FTSE Women Leaders and Parker Reviews on gender and ethnic diversity targets

➤ Read more about on [pages 16 to 37](#)

# Our strategic priorities

The following seven strategic priorities are key elements of our Business Model which drive the creation of stakeholder value.

Our progress since these priorities were established is shown and they continue to receive specific attention and focus.

Focus on growth	Considered and effective capital deployment	Talent and development
<p>Senior's end markets have structural long-term growth drivers. We believe it is possible to outgrow our end markets and we seek to do that both organically and through acquisition by:</p> <ul style="list-style-type: none"> <li>growing market share, particularly with key customers;</li> <li>focusing on technology and product innovation;</li> <li>geographical expansion; and</li> <li>seeking out and exploiting adjacent opportunities organically and through acquisition.</li> </ul> <p><b>What we did in 2023</b></p> <ul style="list-style-type: none"> <li>Outgrew a strong Heavy-Duty truck market in North America and Europe supported by new contract wins.</li> <li>Increased aerospace hydraulic fittings revenue strongly (Spencer acquisition) and secured first fittings orders in Europe. Advanced new technology in both divisions, including battery cooling, thermal management of inverters, hydrogen gas compression and fuel cells.</li> <li>Commenced series production of additive-manufacturing components for low-pressure ducting applications.</li> <li>Won contracts for prototype metal additive manufacturing components on single-aisle aircraft and helicopter platforms.</li> <li>Started manufacturing and achieved certification of metallic flanges to vertically integrate and support our customers' high rate production requirements.</li> </ul> <p><b>Our plans for 2024</b></p> <ul style="list-style-type: none"> <li>Continue to expand our capability for the design, qualification, manufacture and supply of hydraulic fittings in Europe through the expansion of Senior Aerospace Ermeto.</li> <li>Commence manufacturing and supply of fluid distribution systems for hydrogen powered fuel cells for marine and industrial applications.</li> </ul> <p><b>Governance</b></p> <p>Growth opportunities are regularly reviewed by the Executive Committee and Board. The Technology Council is in place under the chairmanship of the Group Director of Business Development &amp; Strategy and progress on strategic technology and product developments are regularly presented to, and discussed by, the Executive Committee and the Board. The long-term strategic growth plan is evaluated at the annual Board Strategy Review and monitored continuously.</p>	<p>Senior understands the importance of considered and effective capital deployment in the interest of maximising the creation of shareholder value. All significant investments undertaken by Senior are assessed using a rigorous investment appraisal process and are supported by a business case. The Group has a financial objective to maintain an overall return on capital employed in excess of the Group's cost of capital and to target a minimum pre-tax return on capital employed of 13.5% on a post IFRS 16 basis.</p> <p><b>What we did in 2023</b></p> <ul style="list-style-type: none"> <li>Increased ROCE by 240 bps through significantly improved profitability.</li> <li>Maintained our pricing and return on capital discipline when negotiating contracts and assessing investments.</li> <li>The integration of Spencer Aerospace is progressing well and we are pursuing collaborative opportunities to grow the business in line with the business plan.</li> <li>Continued to actively manage the portfolio by reviewing our operating businesses and evaluating them in terms of strategic fit within the Group.</li> <li>Grew the dividend in respect of the full year (total paid and proposed) by 77%.</li> </ul> <p><b>Our plans for 2024</b></p> <ul style="list-style-type: none"> <li>Continue to increase the Group's ROCE.</li> <li>Continue to explore strategic options for the Aerostructures business which includes the potential divestment of the business.</li> <li>Continue to drive working capital efficiencies at all operations.</li> </ul> <p><b>Governance</b></p> <p>The Board regularly reviews the Group's portfolio to ensure that long-term value is being generated for shareholders. Where appropriate, divestments will be considered. M&amp;A opportunities are evaluated and discussed at each Board meeting, as appropriate, and the M&amp;A and Prune To Grow strategies are reviewed at the Board Strategy Review.</p>	<p>Senior has a skilled workforce and highly experienced entrepreneurial business leaders. It aims to further develop and attract new talent, supporting employees with online tools to enable personal and skills development. The Group has a strong focus on diversity and inclusion across the business including on our Board and Executive team.</p> <p><b>What we did in 2023</b></p> <ul style="list-style-type: none"> <li>Focused on implementing the action plans from the 2022 Global Employee Opinion Survey feedback thereby enhancing the employee experience.</li> <li>Continued to provide internships and expand our work with universities and technical colleges to attract, develop and build a strong talent pipeline. Grew and developed our workforce through skills and technical training including increased apprenticeships.</li> <li>Finalised the implementation of Recruit, our online recruitment system in the UK, to help develop and build a strong talent pipeline.</li> <li>Continued to grow our skills and personal development eLearning library in Learn, our global learning management system.</li> <li>Continued to focus on diversity and inclusion across the business with a particular focus on gender.</li> <li>Delivered our Group Leadership Development Programme.</li> </ul> <p><b>Our plans for 2024</b></p> <ul style="list-style-type: none"> <li>To engage with employees with a Global Employee Opinion Survey in 2024.</li> <li>Continue to focus on diversity and inclusion across the business, with a particular focus on gender by launching a women's network.</li> <li>Focus on talent acquisition, retention plans, and future skills.</li> </ul> <p><b>Governance</b></p> <p>The Executive Committee conducts an extensive review of operating businesses' leadership succession plans. The review scrutinises our talent pipeline, identifying successors or interim cover for key roles across our businesses. Appropriate development plans are in place and recorded in "Perform", our performance management system, to enable individuals to fulfil their potential. The Board formally reviews the succession plans for the Executive team and their direct reports on a bi-annual basis.</p>



➤ Read more about Risks and Uncertainties on pages 58 to 69



<h2>Enhance Senior's autonomous and collaborative Business Model</h2>	<h2>Competitive cost country strategy</h2>	<h2>Maintain a high-performance operating system</h2>	<h2>Sustainability</h2>
<p>Senior's Business Model is one of empowering and holding accountable our operating businesses, operating within a clearly defined control framework. Business plans are developed in line with overall Group strategy. Increasing collaboration amongst operating businesses in the Group is a priority in order to address our customers' needs whilst maintaining an autonomous business structure. Business leaders throughout Senior are actively embracing collaboration activities.</p> <p><b>What we did in 2023</b></p> <ul style="list-style-type: none"> <li>Formed new Global Market Teams (GMT) for hydrogen, nuclear, and electronics cooling applications with both Flexonics and Aerospace participants.</li> <li>Successfully launched Senior's inaugural Group-wide Innovation Competition aimed at inspiring innovation and encouraging greater collaboration. Two Gold Awards for innovation were presented, including an award to Senior Aerospace Thailand for their innovative energy saving project (see page 26).</li> <li>The IT Council held quarterly conferences to share best practice and collaborate on initiatives that support our InfoSec Strategy with a particular focus on cybersecurity.</li> <li>Participated in R&amp;D projects with our customers, focusing on new technologies that will be employed on future programmes.</li> <li>Held a global leadership conference where Senior's senior leaders came together to strengthen relationships and collaborate.</li> </ul> <p><b>Our plans for 2024</b></p> <ul style="list-style-type: none"> <li>To build on the success of Senior Aerospace Spencer and Senior Aerospace Ermeto working together to qualify high pressure fitting parts for European customers.</li> <li>Continue to foster group-wide innovation and collaboration through the Senior Technology Council.</li> </ul> <p><b>Governance</b> The Executive Committee and the Board regularly review the organisational design of the Group to ensure it is aligned to our strategic plan.</p>	<p>We aim to enhance Senior's global footprint to ensure our operating businesses stay competitive at both a capability and cost level. Key investments have been made in Thailand, Malaysia, China, India, Mexico, South Africa, and the Czech Republic to help ensure we meet our customers' cost and price challenges whilst enhancing returns on investment. We have established increasingly sophisticated capabilities in these competitive cost countries and optimised production capacity to align with growing demand.</p> <p><b>What we did in 2023</b></p> <ul style="list-style-type: none"> <li>Continued to increase the production volume of Senior Aerospace Mexico by transferring Fluid Systems products from our US businesses.</li> <li>Invested in machining capacity in both Malaysia and Thailand to support contract wins and support the production ramp in commercial aerospace.</li> <li>Launched production of new land vehicle products in the Czech Republic.</li> <li>Launched production of flexible tube products for passenger car OEM customers at Senior Flexonics Mexico.</li> <li>Secured contracts to fill capacity in our cost competitive country locations.</li> </ul> <p><b>Our plans for 2024</b></p> <ul style="list-style-type: none"> <li>Continue to transfer cost sensitive product lines to competitive cost locations to support customer rate increase where appropriate.</li> <li>Continue to transfer fluid systems parts to our Saltillo facilities from US facilities.</li> <li>Complete industrial tube transfer from France to the Czech Republic.</li> <li>Ramp up production in Malaysia and Thailand for recently won Aerospace contracts.</li> </ul> <p><b>Governance</b> The Executive Committee conducts quarterly Business Reviews of all operations. The Group Chief Executive Officer and Group Finance Director report and discuss progress at each Board meeting. The overall progress of the competitive cost country strategy is reviewed at the Board Strategy Review on a regular basis.</p>	<p>Senior strives for excellence through a high-performance operating system, drawing on the many worldclass practices from across the Group. The key elements include:</p> <ul style="list-style-type: none"> <li>the Senior Operating System: an operational toolkit incorporating best practice processes such as lean and continuous improvement techniques, supplier management, new product introduction, 5/6S methodology, factory visual management systems, risk and financial management; and</li> <li>a comprehensive business review process utilising a balanced scorecard incorporating KPIs with a focus on performance, growth, operational excellence and talent development.</li> </ul> <p><b>What we did in 2023</b></p> <ul style="list-style-type: none"> <li>Our Aerospace Division Lean Council met monthly to collaborate and share best practices, while our Flexonics Division lean champions continued to leverage the Senior Operating System tools.</li> <li>Both divisions conducted multiple lean events with continuing focus on cycle time reduction and cost reduction, together with continued targeted inventory improvement workshops.</li> <li>Established a supplier council to focus on improving supplier on-time delivery, the risk of supply interruption, cost reduction and insourcing opportunities.</li> </ul> <p><b>Our plans for 2024</b></p> <ul style="list-style-type: none"> <li>Focus on inventory reduction through lean manufacturing and Kaizen events.</li> <li>Continue deployment of product lifecycle management (PLM).</li> <li>Recruit new Senior Vice President for Operational Excellence in Aerospace.</li> </ul> <p><b>Governance</b> Our Vice President of Operational Excellence chairs the Aerospace Lean Council on a monthly basis. The Executive Committee reviews operational performance and the Group CEO reports progress to the Board at every Board meeting.</p>	<p>Sustainability is a fundamental component of our strategic approach. Our ongoing commitment is to provide products in a way that is not only environmentally sustainable but also contributes to economic growth, fostering long-term value for shareholders through sustainable practices. Our engineering proficiency plays a crucial role in addressing the challenges of climate change and promoting clean air, particularly during the global shift towards a lower-carbon economy. This objective is realised by leveraging our expertise and advanced technology across a diverse range of applications in sectors that pose challenges for decarbonisation.</p> <p><b>What we did in 2023</b></p> <ul style="list-style-type: none"> <li>In September we were successful in having our Net Zero (2040) carbon reduction targets verified by the SBTi.</li> <li>In March 2023, Senior was awarded the highest leadership status in CDP's annual supplier engagement ratings.</li> <li>CO<sub>2</sub> emissions were reduced further in our operations, keeping us on track to deliver our Scope 1, 2 and 3 SBTi verified Near-Term (2025) Targets.</li> <li>48% of our electricity was sourced from renewable energy, an increase from 41% in 2022.</li> <li>We secured multiple development contracts for clean energy projects.</li> </ul> <p><b>Our plans for 2024</b></p> <ul style="list-style-type: none"> <li>Continue to deliver our Scope 1, 2 and 3 SBTi Near-Term Science Based Targets.</li> <li>Maintain our CDP leadership status.</li> <li>Extend our Supplier engagement plan by offering support to suppliers who have yet to set carbon reduction targets.</li> </ul> <p><b>Governance</b> The Executive Committee and the Board reviews progress against our sustainability targets at the regular Board meetings, through the CEO's monthly report and during the annual Strategy Review. The Board also receives presentations from key engineering and technology leaders explaining progress with product development aligned to our customers' decarbonisation goals.</p>

# Technology

## Fluid conveyance: Industrial & Land Vehicle

### Supporting our customers today...

#### Off-road heavy-duty vehicles

Off-road heavy-duty vehicles are considered hard-to-decarbonise. Consequently, OEMs have developed more efficient combustion engines that can operate with diesel, natural gas or hydrogen fuels. Senior offers fluid-conveyance solutions for such engines, including flexible exhaust hoses and coolant delivery modules.

Hydrogen Proton-Exchange Membrane (“PEM”) fuel-cell based powerplants are anticipated to be the most likely new mode of power for off-road heavy-duty vehicles in the future. Working with our OEM customers, Senior has developed fluid conveyance products, including hydrogen inlet tubes and exhaust manifolds for such fuel-cell based solutions.

#### Marine transportation

Operators of inland-marine transportation vessels are exploring fuel-cell based propulsion systems to address their GHG emissions. Using our expertise in precision bellows technology, Senior has developed a solution to improve the performance of a PEM fuel-cell propulsion system that is currently being field tested in the EU.





**IN THIS SECTION**

- 44 Our technology themes
- 46 Our enabling technology

**Martin Barnes** | Director of Business Development & Strategy

“We continue to work collaboratively across Senior to progress the key technology themes that future-proof our product portfolio and enable sustainable growth across our end markets.”

**...to develop their hydrogen fuel cell capabilities for tomorrow**





# Our technology themes

Senior's fluid conveyance and thermal management businesses have design IP (intellectual property) and our structures businesses have manufacturing process IP and know-how.

Both are underpinned by our extensive design and engineering expertise and continued investment in advanced manufacturing technology, and supported by ongoing collaboration through our Technology Council. Our core technology themes support deliverable growth opportunities in all our end markets.

## Fluid conveyance and thermal management



Senior has extensive background IP in fluid conveyance applications. For example, Senior maintains a market leading position in the design and manufacture of bleed-air systems on modern turbofan engines for commercial aerospace applications, and in low pressure ducting for cabin-air and environmental control systems on business jets and emerging applications, such as urban air mobility. In land vehicle and industrial markets, we have applied our extensive expertise in fluid conveyance systems to multiple applications, ranging from exhaust systems for diesel engines, to bespoke piping and ducting systems

for Proton-Exchange Membrane fuel cells used in heavy-duty trucks and marine transport.

On the thermal management side, our technology and IP is used to develop products that can prolong the life of the battery and increase charging speed. Senior has already developed custom solutions for both passenger car and heavy-duty Battery Electric Vehicles. We are also leveraging our expertise to develop PEM fuel-cell recuperators, cooling plates (for power electronics) and heat exchangers used on large-capacity electrolyser systems.

### Capability highlights

- World class design capability for complex fluid conveyance systems incorporating zero-leakage flexible joints and couplings to compensate for vibration and thermal displacement.
- Industry leader in the design and fabrication of highly engineered edge-welded and formed bellows from 3.2 millimetres to 5.1 metres diameter for various applications, including frictionless servo-pneumatic actuators.
- Component and system level simulation and analysis, including Finite Element Analysis ("FEA"), Computational Fluid Dynamics ("CFD") and vibration analysis, plus verification and qualification testing.
- Extensive expertise with thin-wall aluminium, copper and stainless steel structures for demanding thermal management solutions, for battery cooling, power electronics cooling, fuel cell and cryogenic applications.
- Additive Manufacturing ("AM") capabilities in both metal and polymer materials as an enabling technology for complex high-pressure and low-pressure fluid conveyance systems, components of thermal management systems and high-efficiency heat exchanger designs.

### Case study

#### BATTERY COOLING PLATE FOR HEAVY-DUTY COMMERCIAL VEHICLES

Senior's expertise in both fluid conveyance and thermal management neatly came together in a recent project to develop a battery cooling plate for a major commercial truck manufacturer. The customer came to us with a preliminary design, which was not efficient enough and caused a much higher pressure drop than expected. Using our experience and capability in modelling fluid dynamics, we were able to develop a design that was significantly more efficient in terms of heat transfer, and reduced the observed pressure drop by a factor of seven compared to the original design. Hot spots seen with the original design during battery recharging were also resolved via Computational Fluid Dynamics and thermal modelling, providing a uniform temperature across the entire battery pack area which enabled higher recharge current.

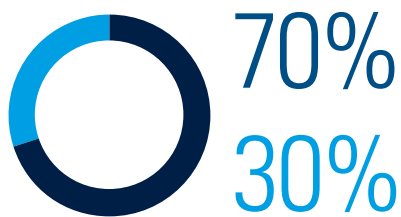
In addition, we were able to suggest a thinner material for the battery plate, reducing overall system weight while maintaining strength and reliability. This led to a smaller system pump specification and overall lower vehicle weight, resulting in increased vehicle range, improved battery life and reduced charging time.

This solution fulfilled our customer's high expectations and led to a significant number of prototypes on order.





Group revenue by technology theme



**Fluid Conveyance & Thermal Management**  
Product and System Design & Manufacturing IP

**Structures**  
Complex Machining and Manufacturing Know-How: Process IP

# Structures



Modern airframes and turbine engines require durable lightweight components manufactured to extremely tight tolerances that operate in extreme environments. Senior is a trusted partner for high value-added engineering and manufacturing of critical structural components for the leading OEMs in the civil and military aviation sectors.

Our capabilities and strong customer relationships have secured substantial content on the key aerospace platforms.

**Capability highlights**

- Extensive expertise in manufacturing, assembly and qualification of a wide range of complex airframe, aero-engine and power/energy components
- State-of-the-art capabilities in complex 5-axis machining and fabrication, including toolpath optimisation, robotics, on-machine probing and vibration dampening.
- Highly vertically integrated, with wide-ranging process qualifications (including Nadcap) across complex assembly, machining, Non-Destructive Testing ("NDT"), special processes, welding and forming.
- High level of collaboration between operations in North America, the UK and Southeast Asia including software model-based engineering capabilities.

**Case study**

**RAPID NEW PRODUCT INTRODUCTION CAPABILITY TO SUPPORT CUSTOMER PROGRAMMES**

A major OEM customer asked Senior Aerospace AMT (AMT) in Arlington, WA, to take on an urgent transfer of a complex package of airframe components for a widebody freighter programme. The programme consisted of 144 individual floor beam assemblies and the transfer had to be completed in a very short lead time to meet critical delivery dates to keep the production line running.

As AMT began working on the program, multiple challenges became apparent. AMT worked closely with the customer to identify and resolve the engineering issues, and to identify an alternative method of manufacture to replace a legacy chemical milling operation utilising a complex machining programme incorporating an adaptive milling process. This unique and innovative approach was highly praised by the customer.

To reliably deliver the various floor beam configurations at a high production rate, AMT held a number of Kaizen events and utilised lean tools and processes within the Senior Operating System, developing specific colour-coded point-of-use assembly tooling and ergonomic workstations. Throughout the program, AMT worked closely with the customer to resolve multiple challenges and completed the programme transfer on-time.

Optimised assembly tooling and workstations developed for high-rate production



# Our enabling technology

In support of our core technology themes, Senior continues to progress two key enabling technologies that underpin innovation throughout our product development and manufacturing lifecycle: Additive Manufacturing and Digitisation. Ongoing engagement through

our company-wide Technology Council ensures that these technologies are collaboratively promoted and developed to ensure that we continue to provide safe and innovative products for applications in some of the most hostile environments, in line with Our Purpose.

## Additive Manufacturing



Additive Manufacturing (“AM”) is a key enabling technology for Senior that underpins the development of novel product designs across our entire product portfolio. AM offers multiple possibilities to develop unique and innovative product designs. This enables the designs to be optimised for a multitude of different characteristics such as weight, performance parameters and physical envelope.

Senior has invested in developing internal AM capability since 2017, starting with the establishment of our metal Advanced Additive Manufacturing Centre at our Senior Aerospace SSP site in Burbank, CA. Our non-metal AM capability development is spearheaded by our Senior Aerospace BWT site in Macclesfield, UK. We have focused on developing a very high degree of vertical integration within the entire AM process, starting from design-for-AM all the way through build, post-processing and finishing. Our AM design expertise builds on our established pedigree in using advanced design simulation and analysis tools, as well as AM-specific design tools and build-process simulation software. Our highly skilled engineering teams and

on-site materials laboratory are integral to AM process development for different materials as well as extremely complex design features.

Our AM philosophy has always focused on ensuring production rate readiness, including building an extensive proprietary dataset on AM-specific materials properties and machine-material-process interactions. This allows our customers to have complete confidence in our ability to produce AM parts for serial production, in addition to prototyping. Our AM capability has also been recognised by industry-specific accreditation bodies, as evidenced by our renewed Nadcap certification for AM processes from the Performance Review Institute (“PRI”); a rare achievement, which only a handful of companies worldwide have achieved to date.

We are currently working with a number of Aerospace OEMs and Tier 1 suppliers on qualifying various AM components for production, ranging from fuel and oil flow components for high volume single-aisle aerospace applications, to critical structural components for next generation defence and helicopter platforms.

### Capability highlights

- AM capabilities in both metal and polymer materials as an enabling technology for complex high-pressure and low-pressure ducting systems and heat exchanger designs.
- Full vertical integration of the AM design and manufacturing process, including all post-processing and finishing steps.
- Significant experience integrating AM-derived subcomponents into complex assemblies.
- Nadcap certification renewed via annual audit for metal AM process capability – highlighting the robustness of our AM production system.
- AM-specific design software and tools allow us to generate complex geometries that would be impossible to manufacture via conventional methods. We have also invested in end-to-end digital platforms to manage the AM product design.
- AM process simulation and extensive process parameter datasets allow us to predict and optimise various designs for predictable build performance. Design simulation and analysis capabilities help us fully demonstrate AM benefits such as part consolidation, performance improvement and weight reduction in a variety of demanding applications.

### Case study

#### HIGH VOLUME PRODUCTION PROCESS WITH ADDITIVE MANUFACTURING

Senior Aerospace BWT (“BWT”) is advancing the AM capabilities of the Group through the adoption and development of non-metallic AM processes.

We have established a dedicated facility at BWT for non-metallic AM which includes the proven Fused Deposition Modelling (“FDM”) technology, supported by a leading OEM.

The FDM process is now in series production for a business jet platform with a leading aircraft manufacturer (>600 sub-assembly components per shipset, with a targeted production rate of four shipsets per month). During 2023 >18,000 AM components were manufactured and this is expected to increase to >30,000 components in 2024.

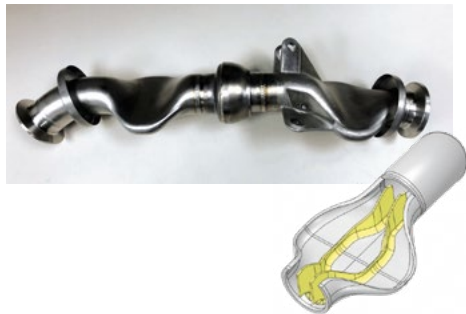
The FDM AM facility was subject to a full process validation and product qualification in close collaboration with the customer, including performance, functional and environmental testing/certification.

Now AS 9100 accredited and proven to be stable and controllable at a production scale, the AM process is seamlessly integrated into the manufacturing organisation with fully developed procedures, training and proven stable process parameters subject to ongoing process monitoring and audits.

We continue to enhance our non-metallic AM capabilities by further expanding the application of the FDM process and investing in other AM technologies such as Selective Laser Sintering (“SLS”) targeting potential weight and performance advantages across increasingly higher complexity components, delivering lower cost vs. traditional manufacturing methods.

**Additive Manufacturing**

Our internal expertise in Additive Manufacturing allows us to overcome constraints of traditional manufacturing processes in developing innovative, high-performance solutions for demanding applications.

**Digitisation**

We are actively pursuing Digitisation as an enabling technology across all our product and process technology development processes to improve efficiencies and promote collaboration at all levels.



# Digitisation



Digitisation, or the fourth industrial revolution, is a broad subject with multiple workstreams covering the adoption of digital technologies in manufacturing. Many of Senior's customers are already focusing on operational data collection for value generation throughout the entire product lifecycle. To this end, we have seen increasing requirements specified by OEMs for a minimum level of digital capabilities throughout their supply chains, and regular scorecards grading suppliers' capabilities in terms of digital readiness, automated data exchange and native product data formats.

We continue to improve our internal and external capabilities in this field through three specific focus areas:

1. Standardised design and engineering development toolsets related to product and process design and simulation/analysis cycles. These design and analysis tools are used within a number of Senior's operating businesses to accelerate product development lead-time and achieve manufacturing cost synergies. In addition, we are exploring the delivery of these tools via cloud services to enable maximum flexibility and scalability.
2. Project management and engineering data management, covering Product Lifecycle Management ("PLM") and Model Based Design ("MBD"). Adoption and implementation of PLM is essential to streamline our product development cycles by encouraging reuse of common engineering data, and eliminating inefficiencies and lost time due to design data change/version control issues. Our MBD efforts are focused on using data rich models with embedded manufacturing and quality control information and requirements, removing the need for additional documents and drawings.
3. Operations Technology toolkit: Various operating businesses are working on monitoring real-time process data with the use of Industrial Internet of Things ("IIOT") and machine monitoring to optimise resource usage and production planning. This machine/resource monitoring data can be directly connected to their ERP system, providing fresh insights to resource planning and operations scheduling.

**Capability highlights**

- PLM solutions in use across multiple operating businesses, especially in the build-to-spec environment
- Engineering project management via cloud based tools for New Product Introduction ("NPI") project portfolio management and reducing lead times for standard engineering workflows, such as change notices, approval cycles and data requests.

**Case study**

## AUGMENTED REALITY FOR MACHINE OPERATOR TRAINING

There are some interesting use cases we are now exploring in the Industry 4.0 space. For example, Senior Aerospace Thailand in collaboration with a local government agency has explored the use of Augmented Reality / Virtual Reality ("AR"/"VR") for training of new machine operators.

The traditional method of machine operator training requires the trainer to physically demonstrate the various steps required to perform a particular task on the machine. The AR technology tested allowed the expert to set up a headset with suitable graphics and visual aids within specific views to illustrate specific action sequences and modes of machine operation. As the trainees looked at the machine control panel, the AR interface recognised specific views and highlighted the specific buttons to press in the correct sequence according to the specific task.

The technology can be leveraged across many use cases, which are under development. Some examples include a digital workbench with assembly instructions that can also incorporate fail-safe and error-checking methodology if required.

Another potential use is for equipment maintenance and repair, with remote instructions and/or guidance on proper steps to be followed.

# Stakeholder engagement



Senior’s engagement with stakeholders is a continuous process with the full involvement of our Board and Executive Leadership team.

Our stakeholders are people, communities and organisations with an interest or concern in our Purpose, strategy, operations, and actions.

Senior engages with five key groups – our employees, customers, suppliers, shareholders, and communities. By engaging and collaborating with our stakeholders we can ensure our business delivers long-term sustainable value.

Our Business Model lists our stakeholders alongside the environment. We protect the environment through our sustainability framework as outlined in the sustainability section pages 16 to 37.

## Our stakeholders

 <p><b>senior</b> CONTINUOUS STAKEHOLDER ENGAGEMENT</p>	<p><b>Career development opportunities</b></p>	<p><b>Employees</b></p> <p>The calibre and capabilities of the people within the Group drive our success and we recognise the importance of attracting the best talent into the business and retaining and developing individuals to enable them to do their best work.</p> <p>➤ Read more on <a href="#">page 49</a></p>	
	<p><b>Skills, loyalty and value creation</b></p>	<p><b>Customers</b></p> <p>Our core Value of “Customer Focus” firmly establishes that we put our customer at the heart of everything we do.</p> <p>➤ Read more on <a href="#">page 50</a></p>	
	<p><b>Safe and high performance products and value creation</b></p>	<p><b>Suppliers</b></p> <p>Constructive engagement with suppliers sets fair expectations on safety, quality, ethical behaviour, commercial terms and delivery performance.</p> <p>➤ Read more on <a href="#">page 51</a></p>	
	<p><b>Trust and long-lasting relationships</b></p>	<p><b>Shareholders</b></p> <p>Senior engages regularly with our investors to ensure our priorities are aligned on strategy, capital deployment, sustainability goals and value creation.</p> <p>➤ Read more on <a href="#">page 52</a></p>	
	<p><b>Respectful relationships and supply chain stability</b></p>	<p><b>Communities</b></p> <p>We recognise our responsibility to the communities in which we operate.</p> <p>➤ Read more on <a href="#">page 53</a></p>	
	<p><b>Safe, high quality, ethical and cost-effective suppliers</b></p>		
	<p><b>Sustainable growth in operating profit, cash flow and shareholder value</b></p>		
	<p><b>Investment and valuable feedback</b></p>		
	<p><b>Local support and value creation</b></p>		
	<p><b>Talent for recruitment and sense of community</b></p>		





## Employees

### How we engage

Employee engagement remains an area of focus and in particular implementing the action plans developed by our operating businesses following the Global Employee Opinion Survey, completed in October 2022. Business leaders are now back into a regular cadence of holding face-to-face, all-hands briefings and team meetings, which we had not been able to do during the pandemic restrictions. In addition, we reinstated the global “Employee Roadshows”. The Roadshows provide an opportunity for members of the Executive Committee to present business updates to all employees following our 2022 year-end results, and answer questions posed by employees. The Roadshows cover Senior’s business strategy and business performance, health & safety, sustainability, cybersecurity and employee survey feedback. Operating business leaders also present information related to their individual business, for example their local business strategy, business performance metrics, product development and customer wins.

We continued to utilise other methodologies to engage with employees face-to-face such as smaller group meetings, question and answer sessions, skip level meetings and employee focus groups. We also used tried and tested methods like newsletters and meeting with employee representative bodies such as works councils and unions, and increased our use of technology, for example employee apps, TV information screens, and video messages.

While the Employee Opinion Survey is a valuable tool in assessing employee engagement, our operations recognise the importance of maintaining lines of communication and making sure employees have mechanisms for making suggestions and raising concerns, both formally and informally, and have appropriate mechanisms in place to facilitate this.

Mary Waldner, the non-executive Director who took on the Board responsibility for employee engagement in April 2023, and Jane Johnston, Group HR Director have continued their programme of face-to-face focus groups. In total there were 28 focus groups of which 20 were attended by Mary Waldner.

### Outcome of engagement

At the beginning of 2023 all our operating businesses communicated the outcome of the Employee Opinion Survey to their teams and developed action plans as a result of the feedback. Action plans were developed in a number of different ways, including consulting with employee representative bodies and unions, holding focus groups to better understand the feedback and setting up action planning sub committees.

We have received positive feedback on many of the actions taken so far by the operations as a result of the survey feedback and we remain focused on communicating the actions we have taken and the impact of those actions – “You said, we did”.

### Company actions responding to engagement outcome

#### Management-level actions

Operating business action plans were developed following the 2022 Global Employee Opinion Survey. Progress against the plans were monitored by the Executive Committee and updates provided by the operating businesses throughout the year via formal business reviews. “Mission”, which is linked to strategy and indicates whether people are inspired by the purpose of the business, was identified as an area for improvement. It was highlighted in the prior survey (2021) and although there was a small improvement, our business leaders will continue to focus on communicating their strategy and mission to their teams.

The next Global Employee Opinion Survey will be in May 2024.

Following every focus group, the Group HR Director provides feedback to operating business leaders and HR leads, linking it to the Employee Opinion Survey feedback and making recommendations for actions.

#### Board-level actions

As referenced above, Mary Waldner and Jane Johnston, Group HR Director have continued their programme of face-to-face focus groups. In addition, Mary attended a dinner and the final delegate presentations on our Leading for Excellence Group development programme and in June attended the global HR Monthly calls. Attending these events provided Mary with an opportunity to understand more about the culture of Senior, and in relation to the HR calls, to better understand the people priorities being worked on around the Group. The focus groups and other interactions, afford an opportunity to engage directly with a cross section of employees, allowing them to ask questions and provide feedback. As always, all the discussions were positive, enthusiastic and interactive.

The Board reviewed progress against the 2022 Global Employee Opinion Survey action plans and received regular updates on employee engagement from Jane Johnston, the Group HR Director and Mary Waldner, who has spent time reviewing the feedback and doing a deeper dive into the data.

### Case study

#### SENIOR LEADERSHIP CONFERENCE 2023

In September 2023, approximately 80 senior leaders from across Senior gathered in Toronto for our first Senior Leadership Conference since 2018. The focus of the conference was “How to Thrive and Grow Through the Transition to a More Sustainable World”. It is worth noting that we offset the environmental impact of the travel for the 80 delegates. During the event we heard about the fantastic progress we have made towards meeting our environmental targets and how we are developing technologies to support our customers on their transition to a sustainable world. We heard from key stakeholders, gained a customer perspective, shareholder perspective, a view from the Board and were privileged to hear from Paul Dickinson, Founder and Chair of CDP via a



prerecorded video. One of the highlights of the conference was hearing from the winners of Senior’s inaugural Group-wide Innovation Competition. Throughout the Conference there was plenty of active discussion and debate, sharing of knowledge, collaboration and networking. Delegates enjoyed the opportunity to discuss key business issues in

smaller groups during the breakout sessions. The feedback from the event was excellent, and all who attended valued the opportunity to meet face-to-face, to strengthen the connections with existing colleagues and meet and welcome new colleagues to Senior. Delegates left with a renewed focus on sustainability.

# Customers

## How we engage

We maintain an ongoing dialogue with our customers across Senior, including at an operating business, Division, Group and senior management level. Division-level Customer Relationship Managers and Global Marketing Teams are in place in Europe, the UK, and the USA to interact with and support all levels of our largest customers, ensuring that we monitor and understand as much as possible the fundamental dynamics impacting their businesses and the potential knock-on effects on their end-markets. This regular and cross-functional insight gives us the ability to respond appropriately when issues arise and to quickly capitalise on opportunities across the whole Group. These interactions also provide the information necessary for Senior to develop strategies that link up with our customers' forward-focused efforts, such as their sustainability goals, including the transition to a low-carbon economy, their new competitive offerings to the marketplace, and mutual investments in research and technology.

We actively seek feedback from our customers via frequent interactions between our operating business's customer account and business development managers, with monthly reporting of activities and monitoring of customer performance scorecards across Senior's operating businesses. Whilst Senior regularly receives customer awards for operational excellence, in those cases where our performance falls short of expectations, we actively engage with the customer to agree improvement targets, implementation schedules, resource dedication, and executive involvement.

Furthermore, we continued to conduct regular senior management meetings, including at CEO level, with our major customers in 2023 as well as frequent interactions regarding any supply chain and labour issues, operational metrics, communications, growth strategies, and market dynamics. These executive-level meetings, as well as forming a vital part of our ongoing relationship management, helped to clarify and focus our mutual activities towards driving success for both Senior and its customers. Remaining close to our Aerospace customers helped us to support them through a challenging supply chain and operational environment, which has helped to position Senior as a valued and trusted supply partner.

## Outcome of engagement

The close partnerships we have nurtured with our customers has allowed us to respond to the growth in our core markets and to mitigate operational challenges, which stemmed from industry-wide supply chain and labour shortages. Together, we have worked to solve these challenges, supporting our customers production and development programmes to the maximum extent possible.

We continue to have strong engagement with customers particularly in relation to clean energy solutions and technology development.

## Company actions responding to engagement outcome

**Management-level actions**  
Listening to and understanding our customers, their programme/market issues and opportunities provides valuable insight to Senior, which helps to inform our future technology, product development, and innovation investments and activities towards ensuring Senior remains a healthy, vibrant, and reliable supplier in all the industries we operate in.



**Mike Sheppard**  
Flexonics Division Chief Executive

“Actively seeking feedback from our customers and working collaboratively to develop new solutions enabled us to win market share and outperform the end-markets.”

## Board-level actions

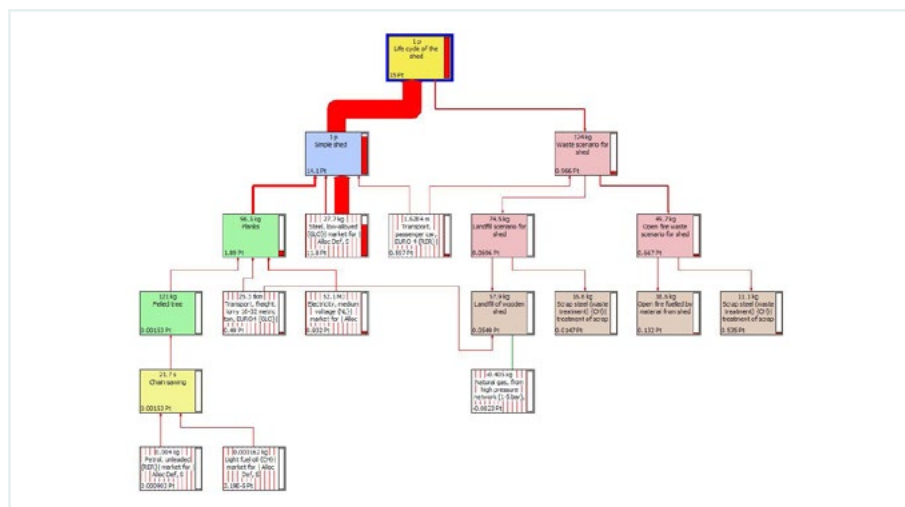
Our Board receives detailed monthly updates relating to customer activities, both current programmes and new work we are bidding on. During Board site visits detailed discussions take place with operating business management regarding the performance for our customers.

## Case study

### EXTENDING OUR SUSTAINABILITY SKILL BASE TO HELP SENIOR'S CUSTOMERS ON THEIR PATH TO NET ZERO

Life Cycle Analysis (“LCA”) is becoming increasingly important as part of the design and development process, and we have had an increasing number of customers requesting that we adopt this. In 2023, we trained some of our key engineering personnel in LCA; this means we can offer detailed information on environmental impact of our products.

LCA assesses the environmental footprint of a product from its inception, encompassing resource utilisation during creation, its utilisation by the end user, up to its ultimate end-of-life disposition. LCA meticulously gauges the environmental implications associated with every specific phase of product development and usage, including



factors such as energy consumption in production, fuel expenditure in transportation, and ecological costs at the end of its life cycle. This comprehensive evaluation allows for meaningful comparisons between

products, materials and methodologies, furnishing valuable insights that guide informed decision-making for both us and our customers on the path towards achieving Net Zero.





## Suppliers

### How we engage

We engage with our suppliers in a variety of ways, including during tender and bid processes, scheduled status updates and on-site visits and audits where appropriate. As constraints in certain segments of our supply chain persisted through 2023, the Group continued to foster bilateral, collaborative communication with its supplier base to help mitigate the impacts of material shortages, labour disruption and inflationary pressures across our operating businesses. Our efforts included close co-ordination with suppliers regarding lead times, demand changes, transportation options and other sources of volatility. The Executive Committee continues to closely monitor the health and performance of critical Group suppliers and supports the operating businesses in their engagement with suppliers where necessary.

In line with our Contract Review Policy, which is mandatory for all operating businesses, we continue to communicate the requirements of the Group's Responsible Sourcing Policy to key suppliers and provide feedback to our suppliers on their performance and, where necessary, will agree improvement action plans.

The Group also completes bi-annual reporting pursuant to The Reporting on Payment Practices and Performance Regulations (2017), demonstrating our commitment to remain a strong financial partner with our suppliers. The Board reviews the bi-annual reports for our UK subsidiaries to monitor compliance with negotiated vendor payment terms.

For Scope 3 Greenhouse Gas emissions, Senior has a commitment that 82% of its suppliers by spend, covering purchased goods and services and capital goods, will have Science Based Targets by 2025. We continue to engage with our suppliers to support them in setting Science Based Targets by 2025.

### Outcome of engagement

During 2023, our collaboration with suppliers enabled the operating businesses to mitigate ongoing supply chain volatility through lead time management, order flexibility and other cooperative solutions.

As part of CDP's supply chain engagement programme, we identified and engaged with over 300 suppliers. We increased the number of companies responding from 160 in 2022 to 182 in 2023. The insights from the engagement programme are being used to set strategy and prepare for the 2024 supplier climate programme.

CDP once again awarded Senior the highest leadership status in its annual engagement ratings based on our 2022 Supplier Engagement Rating ("SER"). This put us in the top 8% of companies on this metric.



### Company actions responding to engagement outcome

#### Management-level actions

Supply chain challenges and inflation remained principal risks to the Group in 2023. The Aerospace supply chain started to improve with the volume of parts shortages and specific supply chain challenges reducing considerably. However, there are still some challenges on certain material and component categories that require ongoing attention. These supply chain challenges, and actions to address them, continued to be focal points during operating business reviews and Executive Committee meetings throughout the year. One of our key suppliers in Thailand had a serious fire in their factory which caused operations there to cease. We worked proactively with their parent company and our customers to mitigate the impact while the factory is being rebuilt.

We continued to engage with our largest suppliers on our Scope 3 greenhouse gas emission targets and regular updates are provided to the Board on progress.

#### Board-level actions

The Group Director of HSE & Sustainability attended two Board meetings in 2023 and provided an in-depth review on the progress in engaging with suppliers in respect of the Group's Scope 3 targets. When necessary, the Group CEO has actively intervened at executive level with critical under-performing suppliers.

- Read more in the Risk & Uncertainties Section on [page 58](#)
- Read more in the Sustainability Section on [page 16](#)

Engaged with over

# 300

suppliers through CDP's supply chain programme

#### Launie Fleming

Aerospace Division Chief Executive

"Close interaction with suppliers enabled us to mitigate ongoing supply chain issues and support our customers."



## Shareholders

### How we engage

In 2023, the Group continued its engagement with shareholders, both by the Executive Leadership team and the Group Chair.

The Group's Chair attended the full-year and interim results announcements in February and August 2023, respectively. Additionally, the Chair undertook a series of solo meetings with the largest shareholders to receive feedback on strategy, capital allocation and management.

Through its Investor Relations programme, the Group engaged with shareholders throughout the year using a diverse and tailored range of channels:

- twice during the year following the announcement of the full-year and interim results, the Group Chief Executive Officer, Group Finance Director and Director of Investor Relations & Corporate Communications undertook a series of face-to-face and virtual meetings (by video conference or telephone conference call) with our major shareholders. These meetings centred around the detailed performance of the business, the Group's strategic objectives and how Senior's fluid conveyance and thermal management capabilities are key enablers as we transition to a low-carbon economy. We used these meetings to understand our shareholders' views and address any concerns they may have about the Group;
- in addition, we issued three market updates, on each occasion offering major shareholders the opportunity of a follow-up call with the Executive Leadership team;
- the Group undertook a roadshow, to the US in April (New York). The Group Finance Director and Director of Investor Relations & Corporate Communication met with current shareholders as well as potential shareholders to update on Senior's investment case, performance and strategy;
- the Group organised one investor site visit during the year. This involved visiting two of our UK sites: Senior Aerospace Bird Bellows and Senior Aerospace BWT. The management teams of these operating businesses hosted institutional shareholders and sell-side analysts. The visit showcased the fluid conveyance and thermal management capabilities of the Group and the practical applications of our products and services;
- management used the opportunity presented by the Paris Air Show to meet with members of the investment community. Executives, including the Director of Strategy & Business Development and the Aerospace Division Chief Executive hosted members of the investment community, including shareholders and analysts at the Group's stand at the Air Show;

- Senior hosted its first Technology Teach-In. Experts from the Group's operating businesses provided an overview of the Group's technological capabilities, focusing on fluid conveyance and thermal management. A number of presentations illustrated the Group's differentiated technology. Investors were able to gain a better understanding of the opportunities presented by new products being developed by the Group, which will help customers operating in sectors that are hard to de-carbonise as they transition to a low-carbon economy; and
- the Group has also leveraged digital platforms to keep our investors up-to-date. Tools such as our newly upgraded website homepage and more widespread use of LinkedIn provided investors with updates on the Group. A range of topics (from contract wins to sustainability, community case studies and our technological capabilities) were covered.

Throughout the year we responded to requests from investors and analysts for further information and addressed any questions or concerns.

The Group typically makes constructive use of the Annual General Meeting ("AGM") to communicate with its private shareholders, whose engagement we value. Held in April 2023, this forum provides private shareholders with the opportunity to hear directly from the Group Chief Executive Officer about the performance of the business. Private shareholders had the opportunity to submit questions to the Directors and listen to their responses.

Barbara Jeremiah, non-executive Director and Chair of the Remuneration Committee, had a number of conversations with major shareholders on remuneration matters, including in respect of the renewal of the Directors' Remuneration Policy.

Regular investor updates were provided to the Board as part of the reporting cycle, which included feedback on investor perceptions and the financial-market environment. The feedback was provided either directly from shareholders, from the Group's Investor Relations function or from our corporate broker. Updates from Group-level engagement with shareholders are also provided to the Board as appropriate.

### Outcome of engagement

- Positive engagement via the Investor Relations function and management with current and potential shareholders.
- Shareholders were kept fully informed of the market dynamics, strategy and progress of the Group through various channels including in-person meetings, investor site visits, a Technology Teach-In and via social platforms (i.e. website/LinkedIn).
- Maintained open channel of communications with our shareholders on key topics such as remuneration and targets.



Ian King | Chair

"In 2023, the Board and Executive team continued extensive engagement with shareholders."

- Focused engagement with selected ESG ratings providers to ensure shareholders viewing this information have accurate and up-to-date insight.
- Provided reassurance that the Group continues to be in a strong position and remains a good investment opportunity.
- Received better understanding of shareholder expectations in respect of strategic decisions and sustainability, including climate change risks and opportunities.

### Company actions responding to engagement outcome

#### Management-level actions

Engagement with shareholders during 2023 emphasised how focused they are on the Group's performance, strategy, end-market recovery, and fluid conveyance and thermal management capabilities. In response, we continued with our normal Investor Relations engagement programme which included management presentations, in-person meetings, investor site visits, virtual presentations and the use of social platforms. Investors were able to gain an appreciation for the wider Senior leadership team and a practical understanding of the Group's markets and new technological developments in fluid conveyance and thermal management applications.

#### Board-level actions

Feedback received from engagement with our shareholders has been taken into consideration when making decisions on Executive remuneration.





## Communities

### How we engage

In addition to providing employment opportunities, our Group's operations support their local communities and nurture good relationships with their stakeholders, finding ways to contribute to local society. Examples of our community engagement programmes include:

- Senior Aerospace Thailand ("SAT") supports a number of education focused initiatives including Eastern Economic Corridor Human Resource Development ("EEC HDC"). This is a new education model that supports the 21st century and will play an important role in Thailand's future economic development, by developing talent in the Eastern Economic Corridor ("EEC"). In addition SAT has collaborated with the University of Technology North Bangkok and Burapha to provide hands-on factory experiences, and was invited to speak to 132 female students from local colleges about work readiness and STEM subjects.
- Senior Aerospace AMT & Damar, along with other local manufacturers, participated in an event hosted by a community college's Advance Manufacturing Training and Education centre. The event attracted 500 middle school and senior school students.
- Each year Senior Flexonics India identifies a number of community projects and charities they are going to support during the year. In 2023 they provided support to the People Animal Trust, an organisation that rescues a large number of stray animals, continued their support for a local school for the blind, sponsored a midday meal partnering with the Akshay Patra Foundations and increased the capacity of safe drinking water at a government school.
- Senior Aerospace Weston partnered with the Barry Kilbride Prostate Cancer Appeal to host a Testing Day for employees and men in the local community.
- Our Senior Flexonics Cape Town operation supported two charities, one for homeless women, by donating toiletries and non-perishable food, and Lawrence House, a home for orphaned boys and girls.

### Outcome of engagement

- Senior Aerospace Thailand was honoured by the EEC HDC with an award recognising their support for education, and they have supported manufacturing careers in Thailand by providing University students with the opportunity to experience a manufacturing environment first hand. SAT has also supported female students in local colleges to inspire them to choose a career in manufacturing, by role modelling the opportunities available and encouraging women to take up careers in engineering and manufacturing.
- By participating in the Community College event Senior AMT & Damar provided students with valuable experiences and helped inspire students to pursue careers in the field of manufacturing.



Cape Town operation supporting women's homeless charity.

Jane Johnston | Group HR Director

"It is always inspiring to hear how our operating businesses engage with their local communities to make a positive impact."

- Through their charitable endeavours, Senior Flexonics India improved the provision of safe drinking water to 1200 students, and a midday meal for 120 socio-economically disadvantaged children.
- 135 men attended the Prostate Cancer testing session hosted at Senior Aerospace Weston. 70 of the men who attended were Weston employees and 65 from the local community. Nine men had raised PSA levels thereby potentially providing early detection of prostate cancer. The event also helped to raise awareness of the importance of men's health issues.
- The charitable support for the women's homeless centre provided much needed essential goods. Senior Flexonics Cape Town's support of Lawrence House has helped support a centre that creates an environment of safety and care for abandoned and orphaned refugee children, and unaccompanied foreign minors.

### Company actions responding to engagement outcome

#### Management-level actions

Our operating businesses continue to make a positive contribution to the communities in which they operate by participating and supporting local education establishments, contributing to charities serving causes local to them, including fund raising, supporting food banks, children's homes, education programmes, providing support for employees' families such as flu vaccinations, cancer foundations and charities supporting positive mental health and the elderly.



Orphaned boys and girls are welcomed to Lawrence House.

#### Board-level actions

The Board is cognisant of its responsibility to the communities in which we operate and the need to have a positive impact and strong employer brand. The Board receives updates in the Group HR Director's monthly Board reports.

➔ Read more in the Social Section on [page 32](#)

# Section 172 statement

This section describes how the Directors have had regard to the matters set out in section 172 (1)(a) to (f) when performing their duties under section 172 of the Companies Act 2006.

## Section 172 disclosures

<b>(a) the likely consequences of any decision in the long-term</b>	
Our Purpose	Pages 4 and 5
Our Business Model	Pages 6 and 7
Senior's Strategic Sustainability	Pages 18 to 21
Our strategic priorities	Pages 40 to 41
Dividends	76
Viability Statement	Page 78
Annual Board Strategy Review	Page 89
<b>(b) the interests of the Company's employees</b>	
Sustainability – Equality, Diversity and Inclusion	Page 34
Sustainability – People and Culture	Page 35
Sustainability – Employee Wellbeing	Page 36
Stakeholder Engagement – Employees	Page 49
<b>(c) the need to foster the Company's business relationships with suppliers, customers and others</b>	
Our Technology and Product Development on the Road to Net Zero	Pages 20 and 21
Stakeholder Engagement – Customers and Suppliers	Pages 50 and 51
Modern Slavery	www.seniorplc.com
Anti-bribery and corruption	Page 90
<b>(d) the impact of the Company's operations on the community and the environment;</b>	
Sustainability – Environment	Pages 22 to 24
TCFD	Pages 25 to 31
Sustainability – Communities	Page 36
Stakeholder Engagement – Communities	Page 53
<b>(e) the desirability of the Company maintaining a reputation for high standards of business conduct</b>	
Sustainability – Governance	Page 37
Culture and Values	Pages 6 and 7
Whistle-blowing	Page 90
Human Rights	Page 90
<b>(f) the need to act fairly between members of the Company</b>	
Progressive Dividend Policy	Page 76
Stakeholder Engagement – Shareholders	Page 52
Investment Case	Pages 38 and 39
AGM	Page 99

Section 172 of the Companies Act 2006 requires a director of a company to act in the way that he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, section 172 requires directors to have regard to, amongst other matters):

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company.

We recognise that effective integration of considerations outlined in section 172 into the Board decision-making ensures a broader stakeholder-oriented approach and long-term sustainability of the Company. Senior takes the following steps to incorporate section 172 into the decision-making process by the Directors:

- **Board training:** all Board Directors receive training on their legal duties, including those under section 172.
- **Terms of Reference:** section 172 considerations are integrated into the schedule of Matters Reserved for the Board and the Terms of Reference of all Board Committees.
- **Board Meeting Papers:** all Board meeting packs start with a cover letter explicitly stating directors' obligations under section 172.
- **Stakeholder Engagement:** regular engagement initiatives with Senior's stakeholders, as outlined on pages 48 to 53, provide the Directors with valuable insights into their expectations and concerns. These insights help the Directors to better understand the likely impact that certain decisions or strategic options are likely to have on various stakeholders.

### Examples of s.172 considerations in practice

This section provides some examples of the decisions taken or implemented by the Board in 2023. The Directors acknowledge that every decision they make will not always result in a positive outcome for all of Senior's stakeholders. However, by considering the Company's Purpose, Vision and Values, together with our strategic priorities and having a process in place for decision-making, we aim to ensure that our decisions are considered, proportionate and balanced.

#### Integration of Senior Aerospace Spencer

**Following the acquisition of Senior Aerospace Spencer (Spencer) in November 2022, the Board oversaw integration of Spencer into the Group's operations. The Board was provided with regular updates from the Group Chief Executive Officer on the progress of the integration process during every scheduled Board meeting.**

##### S.172 Considerations

(b) interests of Company's employees	The Board recognised that strengthening Spencer's approach to health and safety would be one of the first focus areas; as a result a member of Senior's sustainability team visited Spencer and helped strengthen its EHS practices.
(c) fostering relationships with the Company's suppliers, customers and others	The Board considered strategic requirements of Spencer's customers and the opportunities these presented for other Group operations.
(e) maintaining a reputation for high standards of business conduct	All employees of Spencer have been provided with a copy of Senior's Code of Conduct booklet and enrolled into the Group's training programme.
(f) need to act fairly between members	The Board was cognisant that the integration of Spencer was important in creating long-term value for shareholders.

**Outcome:** The Board promoted cooperation between Spencer and Senior Aerospace Ermeto in developing the European fittings strategy.

#### Setting of Ethnic Minority Percentage Target for the Group Senior Management Team

**The Board supported the recommendations of the Parker Review to set ethnic diversity targets for senior management.**

##### S.172 Considerations

(a) the likely consequences of any decision in the long-term	The implementation of the initiatives to promote ethnic inclusivity at all levels of Senior can bring numerous benefits in the long-term, such as better-informed decision-making, innovative problem-solving approaches, enhanced understanding of the market needs resulting in more agile strategic response.
(c) fostering relationships with the Company's suppliers, customers and others	
(b) interests of Company's employees	The Board was supportive of the recommendations of the Parker Review. Creating a workplace where diversity is actively promoted is likely to create a positive organisational culture and engaged workforce.
(e) maintaining a reputation for high standards of business conduct	Setting the diversity target for the Group's senior management creates accountability, encouraging Senior to implement and foster an inclusive work environment. It shows commitment to act fairly and equitably, upholding high standards of integrity.

**Outcome:** The Board approved the target of 30%, to be achieved by December 2027, in respect of the Group's senior management positions that will be occupied by ethnic minority executives.

#### Approval of Contracts and Capital Expenditure Requests

**During the course of the year, the Board considered requests for contract extensions and capital expenditure from our operating businesses.**

##### S.172 Considerations

(a) the likely consequences of any decision in the long-term	As part of its decision-making, the Board assessed such factors as the impact on the Group's budget and financial planning, the returns on investment, environmental impact, opportunities to leverage the existing skills of the employees and the alignment with the Group's long-term strategy.
(b) interests of Company's employees	The Board reviewed the proposal for Senior Aerospace Ketema to sign the contract with an engine OEM, as well as the capital expenditure request by Senior Flexonics New Delhi in respect of the funding to manufacture products for its existing customer. Both requests represented significant future opportunities to accelerate the profitability of the two operating businesses; they also played to the technical expertise of the workers employed by them.
(c) fostering relationships with the Company's suppliers, customers and others	
(f) need to act fairly between members	In both decisions, the Board has given due regard to make the best use of the Company's financial resources.

**Outcome:** The Board approved the contract extension and capital expenditure requests for the operating businesses.

# Key performance indicators

The Group highlights five financial and two non-financial metrics to measure progress in implementing its strategy.

## Non-financial metrics

The Group's non-financial objectives are as follows:

- to reduce the Lost Time Injury Illness Rate (per 100 employees) to 0.3 by 2025; and
- to reduce the absolute Scope 1 and 2 Greenhouse Gas ("GHG") emissions by 30% by 2025 (compared to 2018 base year).

The key performance indicators ("KPIs") are determined as follows:

- CO<sub>2</sub> emissions is an estimate of the Group's carbon dioxide emissions in tonnes equivalent; and
- lost time injury illness frequency rate is the number of OSHA (or equivalent) recordable injury and illness cases involving days away from work per 100 employees.

The Group's approach to calculating and reporting our GHG emissions follows the GHG Protocol.

2023's reporting has incorporated Scope 2 greenhouse gas emissions (associated with electricity consumption) calculated using both the Location and Market Based methods.

The Scope 1 and 2 emissions Location Based and Market Based (FY23) are independently verified in accordance with the International Standard on Assurance Engagements ISAE 3410 (limited assurance).

In calculating GHG emissions, the Group has used the financial control approach under which a company accounts for 100% of the GHG emissions from operations over which it has control. This covers all wholly owned operations and subsidiaries of the Group for financial reporting purposes.

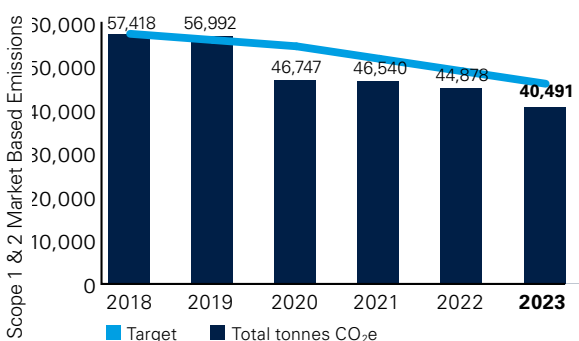
Senior is on track to meet our 2025 targets for Scope 1 and 2 GHG emissions and lost time injury illness rate. Further details of the Group's performance, including its long-term performance trends, are shown on pages 20 to 24. More detail on the Methodology can be found on page 23.

⬆️ Increased
⬇️ Decreased
➡️ Unchanged

### Carbon dioxide emissions Scope 1 and 2 (Market Based) (Total tonnes CO<sub>2</sub>e)



**29.5%** from 2018 base year

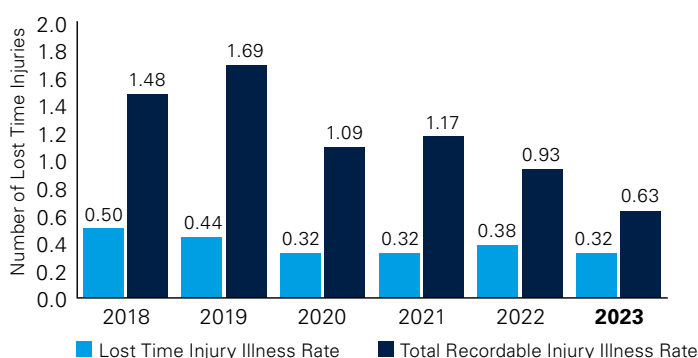


In 2023, our absolute Scope 1 and 2 Greenhouse Gas ("GHG") emissions reduced from 57,418 tCO<sub>2</sub>e (2018) to 40,491 tCO<sub>2</sub>e. We are on track to meet our SBTi 2025 target with a 29.5% reduction against our 2018 base year.

### Lost Time Injury Illness Rate (incidents per 100 employees p.a.)



**16%**



We experienced a decrease in the Lost Time Injury and Illness Rate from 0.38 in 2022 to 0.32 in 2023. The total number of injuries has fallen as indicated by the Total Recordable Injury and Illness Rate reduction from 0.93 in 2022 to 0.63 in 2023, a reduction of around 32%.



## Financial metrics

The Group's financial objectives are as follows:

- to achieve revenue growth (at constant exchange rates) in excess of the rate of inflation;
- to increase the Group's return on revenue margin each year;
- to increase adjusted earnings per share on an annual basis;
- to generate sufficient cash to enable the Group to fund future growth and to follow a progressive dividend policy; and
- to maintain an overall return on capital employed in excess of the Group's cost of capital and to target a pre-tax return in excess of 13.5% on a post IFRS 16 basis.

The KPIs are determined as follows:

- revenue growth is the rate of growth of Group revenue, at constant exchange rates;
- return on revenue margin is the Group's adjusted operating profit divided by revenue;
- adjusted operating profit is defined in Note 9;
- adjusted earnings per share is defined in Note 12;
- net cash from operating activities is available from the Consolidated Cash Flow Statement; and
- return on capital employed is the Group's adjusted operating profit divided by the average of the capital employed at the start and end of the period, capital employed being total equity plus net debt (defined in Note 32c).

↑ Increased    ↓ Decreased    → Unchanged

### Revenue growth (£m)



# +13.7%



As discussed in the Group Chief Executive Officer's Statement, the year-on-year increase reflected the strong growth in our core markets and our positioning on key growth platforms across both Aerospace and Flexonics. The impact on the Divisions is set out in the Divisional Reviews, on pages 70 to 73. The overall increase in Group revenue was a result of higher revenues in both Aerospace and Flexonics year-on-year.

### Net cash from operating activities (£m)



# -28.2%



The Group generated net cash from operating activities of £41.4m, which funded gross capital expenditure of £35.9m in 2023. The year-on-year decrease was mainly driven by working capital requirements, as trading increased, to meet customer demand and mitigate ongoing supply chain issues in Aerospace.

### Return on revenue margin (%)



# +140bps



The Group's adjusted operating margin increased by 140 basis points, to 4.8% for the full year. This improvement in profitability principally reflected volume related operating leverage across our businesses, whilst absorbing the impact of disruption caused by supply chain issues. Inflationary pressures were successfully mitigated by increasing prices and surcharges.

### Return on capital employed (%)



# +240bps



Return on capital employed ("ROCE") increased to 7.1%. The increase in ROCE was mainly a result of the significant increase in adjusted operating profit compared to prior year.

### Adjusted earnings per share (pence)

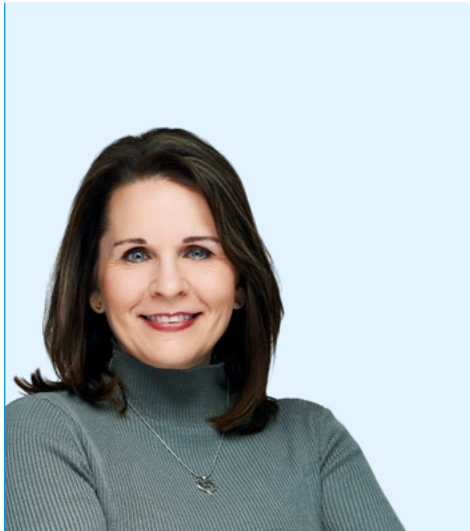


# +135.8%



The year-on-year improvement arose from improved profitability and includes benefit of 2.54 pence from the release of the provision for uncertain tax positions in the second half of 2023, that will not repeat in 2024 (see Note 10 for further details).

# Risks and uncertainties



**Amy Legenza** | Group Director of Risk and Assurance

“The Group’s robust risk management framework continues to serve as an adaptable and insightful strategic management tool in an industrial landscape that presents both challenges and opportunities.”

## Our approach to risk management

Identifying and effectively managing risks is essential to the achievement of the Group’s strategic priorities and supporting the Group’s Purpose and sustainability initiatives.

The Group’s Business Model is described on pages 6 and 7, our strategic priorities are on pages 40 and 41, our Purpose is described on pages 4 and 5 and Sustainability starts on page 16.

The Board is responsible for the Group’s integrated risk and assurance framework, ensuring that the Group’s risk process and systems of internal control are robust, continuously monitored and evolve to address changing business conditions and threats. The Board also provides direction and sets the tone on the importance of risk management. Responsibility for the monitoring and review of the effectiveness of the Group’s risk and assurance framework has been delegated by the Board to the Audit Committee. The risk process is reviewed and agreed annually with the Audit Committee. The Director of Risk and Assurance delivers a comprehensive report on risk, assurance and compliance activities at each Audit Committee meeting and presents to the Board twice a year.

The Group embeds risk management within its existing business processes across all levels within the Group. Risk tolerance is reflected throughout our control framework by way of the Group’s Delegation of Authority, Code of Conduct and internal controls system. The Group’s principal risk register is derived from a catalogue of approximately 50 identified risks encompassing strategic, financial, operational, environmental and other external risks. This catalogue of identified risks serves as the foundation for comprehensive risk assessments completed by every operating business and by the Executive Committee as part of the annual strategic planning process. The risk assessments also consider emerging risks as detected through internal workshops and external sources. Emerging risks are risks which may develop but have a greater uncertainty attached to them in terms of likelihood, timing and velocity. Emerging risks are monitored and formally added to our identified risk catalogue when the risk solidifies within the Group’s strategic planning horizon.

The Group also conducts functional risk assessments, targeting areas such as fraud, tax evasion facilitation and climate change. The risk assessment specific to climate change follows the Group’s standard risk assessment process but considers multiple time horizons, with some elements contemplated over a 20+ year time frame, and applies Scenario Analysis to the most material transition and physical risks. Climate-related risks are also considered as part of the overall Group risk assessment completed during the annual strategic planning process and rank as one of the Group’s principal risks.

During the risk assessment process, all risks in the identified risk catalogue are evaluated against our Purpose, strategy and Values to understand their likelihood and impact of occurrence, with those risks deemed as significant forming our register of principal risks. Once the principal risks have been identified, mitigating controls and relevant policies are documented and additional mitigating actions are developed where appropriate. An owner and due date are assigned to each action and progress towards completion is closely monitored. The operating business risk registers are refreshed regularly and reviewed by Divisional Management and the Executive Committee. The Executive Committee conducts its risk assessment twice a year and principal risks are discussed at each Executive Committee meeting. Every principal risk is assessed for our financial viability scenarios to see if they could have a material financial impact individually or if they materialised together.

The Board performs robust, semi-annual assessments of the principal and emerging risks facing the Group. In addition, the Board regularly assesses outputs from the integrated risk and assurance framework and takes comfort from the “three lines of defence” risk assurance model. The first line represents operational management who own and manage risk on a day-to-day basis through effective internal controls. The Group Executive Committee and Divisional Management monitor and oversee these activities, representing governance and compliance as the second line.

The third line is the independent assurance over these activities provided by internal and other external assurance. The internal assurance programme includes a combination of broad scope internal audits, evaluating financial, information technology and security, human resources, governance and other controls, plus limited scope thematic reviews designed to provide assurance over targeted risk areas. Internal audits are conducted either in person or virtually, with all Group businesses audited on a multi-year rotational schedule based on a variety of factors, including site specific risks, prior audit results and changes within local management. Thematic reviews are deployed across the entirety or a cross section of the Group dependent on the risk being targeted. In addition, all Group businesses must complete a comprehensive annual Controls Self-Assessment, allowing the Group to identify and address gaps in compliance with the Group’s governance policies and internal control standards. Divisional Management, the Executive Committee and the Audit Committee monitor the completion progress of improvement actions resulting from internal audits, thematic reviews and the Controls Self-Assessment.

The key elements of the Senior risk management process are shown on the following page.

## Risk and assurance highlights

Conducted four thematic assurance reviews addressing key risk areas for the Group, including ongoing supply chain constraints, trade compliance, information security patching and vulnerability management and payment fraud controls

Piloted the Group’s climate change related risks and opportunities assessment process at one of our largest operating businesses with additional sites planned for an expanded roll-out in 2024

Completed 22 internal assurance audits and assessments, including nine broad scope internal controls audits, 10 information security assessments and three trade compliance “deep dive” assessments; the 2024 plan includes an additional 20 internal audits and assessments across the Group

Evaluated the Group’s risk and assurance systems in light of the UK Government’s audit and corporate governance reform framework to inform and drive our response activities into 2024

Refreshed critical policies within our Corporate Framework, including the Group’s Whistle-blowing, Contract Review and Agents policies with updates to our Code of Conduct and Sustainable Sourcing policies planned for 2024

## Key responsibilities within the risk management strategy

### The Board

- Has overall responsibility for ensuring the Group's risk management process and systems of internal controls are robust and continually monitored
- Establishes the Group's Purpose, Values and strategy and defines the Group's risk tolerance and culture
- Monitors the nature, extent and management of risk exposure for the Group's principal and emerging risks
- Provides direction and sets the tone on the importance of risk management and internal controls



### Audit Committee

- Supports the Board in monitoring risk exposure in line with its Terms of Reference
- Reviews the effectiveness of the Group's risk management and internal control systems and reports to the Board for consideration



### Executive Committee and Divisional Management

- Development and implementation of strategy, operational plans, policies, procedures and budgets
- Monitoring of operating and financial performance including prioritisation and allocation of resources
- Assessment, control and mitigation of risk – including emerging risks



### Group Corporate Functions

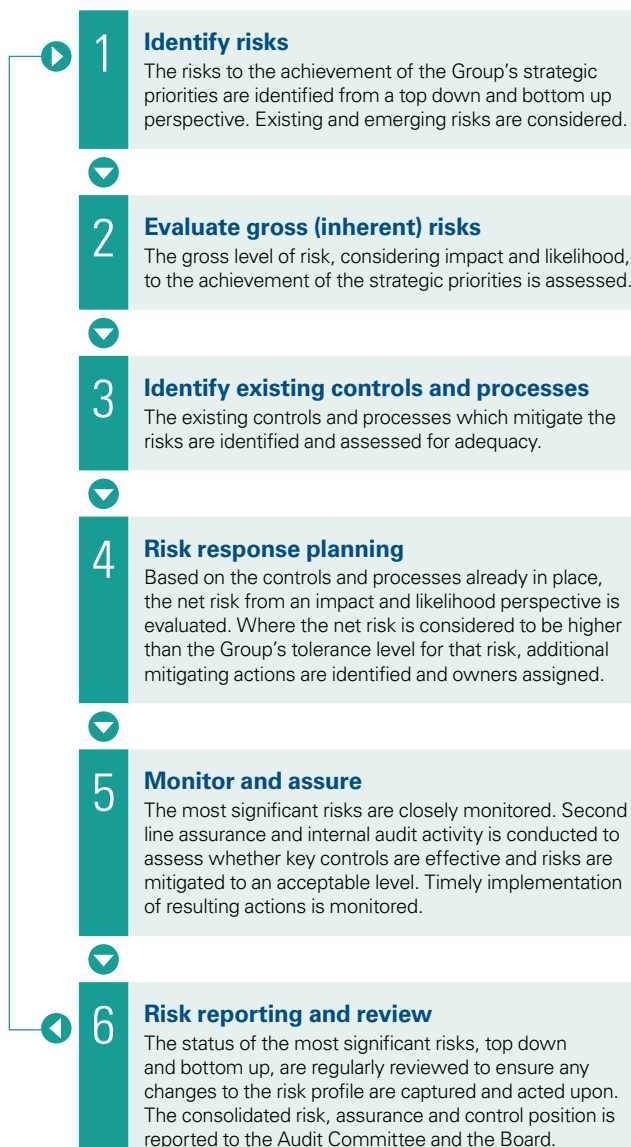
- Lead and co-ordinate the Group's risk and control related processes
- Assesses and supports the Group in mitigating the Group's risks through policies and procedures, control self-assessments, specialist support, business reviews and other activities



### Operating Businesses

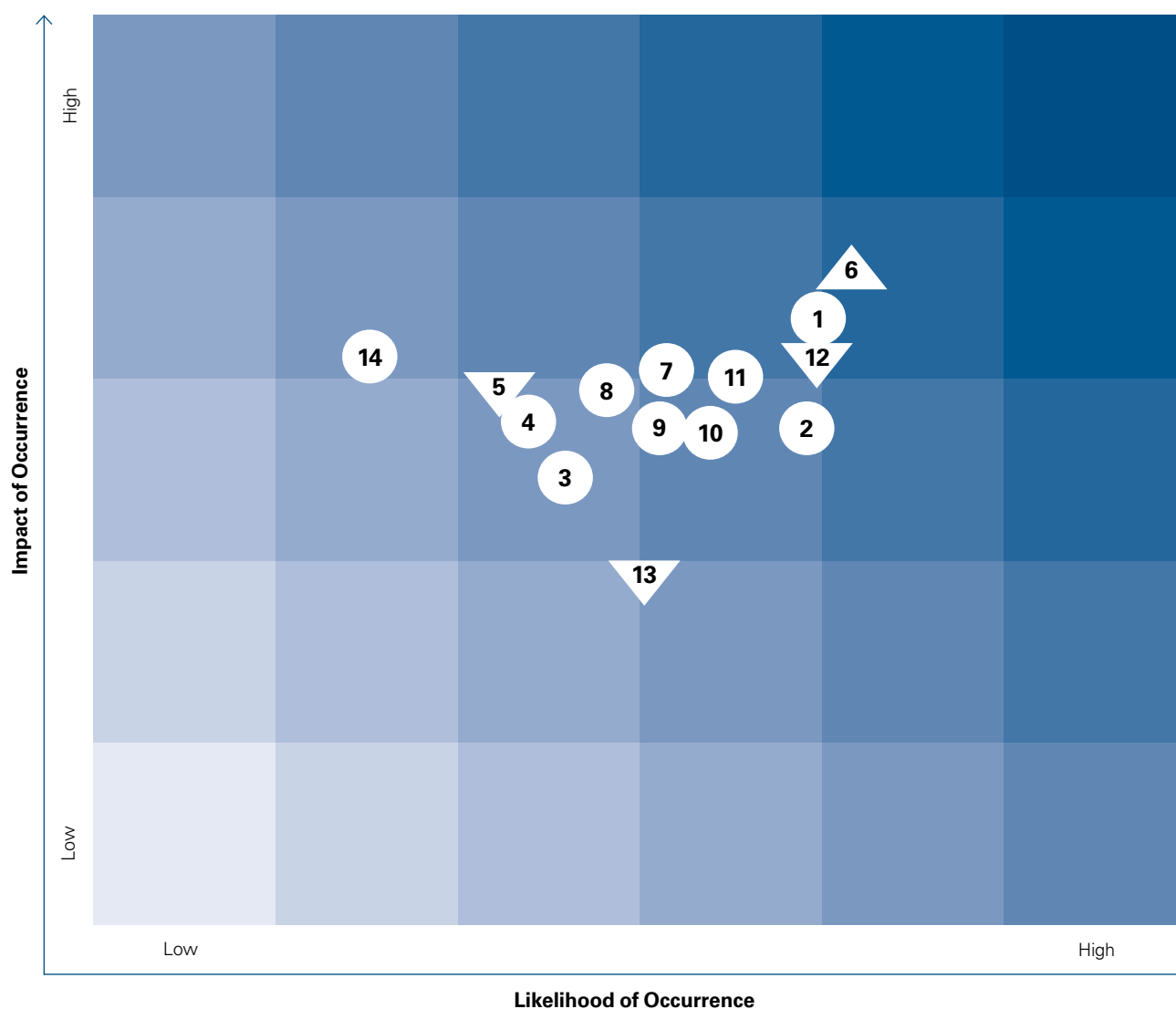
- Operating businesses identify, assess and mitigate their key risks
- Risk assessments are reviewed and discussed by Divisional Management and the Executive Committee

## Senior's risk management process





### Risk heat map (Residual risk after mitigations)



▲ Increased Residual Risk    ▼ Decreased Residual Risk    ● Residual Risk Unchanged

#### RISK DEFINITIONS

##### Strategic

- 1 Economic and Geopolitical Impact
- 2 Climate Change
- 3 Innovation and Technological Change
- 4 Implementation of Strategy
- 5 Pandemic

##### Operational

- 6 Cyber/Information Security
- 7 Supply Chain Challenges
- 8 Customer Disruption
- 9 Programme Management
- 10 Price-down Pressures

##### People and Culture

- 11 Talent and Skills

##### Financial

- 12 Inflation
- 13 Financing and Liquidity




##### Compliance

- 14 Corporate Governance Breach

## Principal Group risks

During 2023, the Group carried out assessments of the principal risks and uncertainties that could threaten the Group's Business Model or achievement of its strategic priorities. The risk assessments included consideration of emerging risks (as defined on page 58) which for 2023 included the potential risks to the Group from the introduction of artificial intelligence capabilities into our systems, processes and markets and the escalating compliance and resource pressures resulting from rapidly expanding sustainability and governance reporting requirements. Based on the results of the risk assessments, the Group's principal risks remain unchanged since our 2022 Annual Report and Accounts.

### The principal potential risks and uncertainties, together with actions that are being taken to mitigate each risk, are:

-  Increased residual risk
-  Decreased residual risk
-  Residual risk unchanged

### Areas of strategic priorities

- 1 Enhance Business Model
- 2 Focus on growth
- 3 High performance operating system
- 4 Competitive cost countries
- 5 Capital deployment
- 6 Talent and development
- 7 Sustainability

### Key Performance Indicators

- A Organic Revenue Growth
- B Return on Revenue Margin
- C Adjusted Earnings per Share
- D Net Cash from Operating Activities
- E Return on Capital Employed
- F Carbon Dioxide Emissions
- G Lost Time Injury Illness Rate

All of the Group's principal risks are factored into the severe but plausible downside scenario applied in the Group's viability assessment as described on page 78.

## Strategic

### Economic and geopolitical impact



#### Principal Risk

There is a risk that there will be a global economic downturn impacting some or all of the sectors within which the Group operates.

Changes in critical trade relations factors, such as tariffs, sanctions and exchange rates, resulting from geopolitical events have created uncertainty over the future impacts on international trade, including export revenues, material availability and cost and the ability to employ foreign nationals. Shifts in political regimes and government spending programmes can lead to higher taxation and have an impact on earnings.

These events may result in supply chain disruptions, rising energy prices and labour shortages which can escalate inflationary pressure on earnings. Additional detail regarding our inflation risk and responses can be found on page 68.

#### How we manage it

Divisional Management and the Executive Committee closely monitor economic and geopolitical trends that may impact the operating businesses through regular business reviews. Contingency planning is undertaken to minimise operational disruption where necessary.

The Group employs tax, treasury and trade compliance specialists who maintain the Group's trade-related compliance programmes and continually monitor the impacts of evolving trade relations from regulatory, supply chain, people and financial perspectives.

The Board ensures that it is kept informed of significant trade developments in order to assess the impact on the Group and take action as appropriate.

The Group's Treasury Committee closely monitors potential changes to international tax and treasury regulations and tariff programmes to understand the likely impacts on the Group.

#### Focus in 2023

Persistent supply chain constraints and inflationary pressures extended economic uncertainty through 2023. As a result, the Group remained focused on sustaining the benefits of prior restructuring projects and carefully managing growth in working capital and headcount as customer demand continues to recover from the effects of the COVID-19 pandemic, labour disruptions and other recent industry disturbances.

In response to continued trade tensions resulting from the ongoing crisis in Ukraine and the evolving Israel-Gaza crisis, the Group conducted a targeted assurance review across the operating businesses to confirm that our relevant trade compliance controls continue to operate effectively.

## Strategic

### Climate change



#### Principal Risk

There is a risk that climate change and/or the measures taken to address it may have an adverse impact on the Group. Climate change may result in extreme weather events that may impact our ability, or that of a supplier, to meet our customers' requirements.

Our customers' products may evolve to require new technology, such as electrification. This also presents an opportunity for the Group to be involved in replacement technologies.

Increasing legislation aimed at accelerating decarbonisation may increase our operating costs. It may also change consumer behaviours impacting on our end markets. For example, consumers may fly less often.

#### How we manage it

To mitigate the impact of catastrophic events, such as an extreme weather event, each site has a scenario-based Business Continuity Plan which is tested on an annual basis. The Group also has insurance which helps to protect profits in such situations.

The Group continues to invest in and develop solutions relevant to changing end markets. Examples include battery cooling, waste heat recovery, heat sink in hybrid cars technologies and additive manufacturing solutions for aerospace.

A comprehensive climate change risk and opportunity assessment exercise is conducted annually by a multi-disciplinary team to evaluate transitional and physical risks, as well as resource efficiency opportunities. The assessment considers multiple time horizons, with some elements contemplated over a 20+ year time frame. The exercise also applies Scenario Analysis to the most material transition and physical risks as per TCFD. The Group's SBTi approved emissions reductions targets covering GHG emissions from the Group's operating businesses are consistent with reductions required to limiting climate warming to 1.5°C and are aligned with Net Zero as Near-Term Targets. SBTi has approved the following targets:

- **Overall Net Zero Target** – The Group commits to reach Net Zero GHG emissions across its value chain by 2040 from a 2018 base year;
- **Near-Term Targets** – We commit to reduce our absolute Scope 1 and 2 GHG emissions by 30% by 2025 compared to a 2018 base year and for Scope 3 GHG emissions, the Group also commits that 82% of its suppliers by spend, covering purchased goods and services and capital goods, will have Science Based Targets by 2025; and
- **Long-Term Targets** – The Group commits to reduce absolute Scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2018 base year.

#### Focus in 2023

In 2023, the Group was awarded the highest possible "leadership" rating of A from the globally recognised CDP for our climate change disclosures.

In support of our Science Based Targets, the Group has achieved a 29.5% reduction in combined Scope 1 and 2 carbon emissions through 2023 compared with the 2018 base year, on track to meet our 2025 Near-Term SBTi Target.

During 2023, the Group engaged with over 300 of its leading suppliers regarding climate change. 182 of these suppliers provided a full disclosure on their climate change programmes, representing a 14% increase from the level of response in 2022. CDP awarded the Group with the status of Supplier Engagement Leader in recognition of our efforts in 2022 to raise the level of climate action across our supply chain.

The Group's 2040 Net Zero targets were successfully validated by SBTi in September 2023.

In 2023, the Group's climate change risk and opportunity assessment programme was expanded through a pilot assessment process conducted at one of the Group's largest operating businesses.

For further details on TCFD and Sustainability, including how the Group is leveraging our technology and product development to drive progress towards Net Zero, please see pages 16 to 31.

## Strategic

### Innovation and technological change



#### Principal Risk

The Group must innovate in order to continue to win new business and achieve profitable growth. There is a risk that the Group does not continue to innovate and implement technological change, resulting in its technology and/or products becoming uncompetitive, less desirable or obsolete.

New technologies may have an impact on the Group's markets, for example electric vehicles and hydrogen aircraft.

#### How we manage it

The Group develops products to support the move to low-carbon technologies and sustainability in the land vehicle, industrial and aerospace markets.

The Group has identified specific technology themes and focus areas that inform the product life cycle and technology development roadmaps across both the Aerospace and Flexonics divisions. The Group also has a Technology Collaboration forum which meets regularly to discuss innovation and technological changes across our various businesses and markets.

The Group invests in two enabling technologies which underpin our product development activity across all market sectors: Additive Manufacturing ("AM") and Digitisation. Our Advanced Additive Manufacturing Centre ("AAMC") continues to maintain and add various industry-leading AM process certifications. The AAMC team continues to improve its design capability to re-engineer existing product designs via AM to deliver significant weight savings and performance enhancements.

Global Marketing Teams for each technology focus area co-ordinate development activities across various operating businesses to ensure that customer requirements and industry trends are addressed.

The Group invests in machining and fabrication technology enhancements to improve process efficiency and reduce cost.

The Senior Operating System delivers best practice tools for innovation and product development across the Group.

The Technology section, starting on page 42, details the Group's technology themes and product development case studies.

#### Focus in 2023

In 2023, the Group focused on five specific Technology Focus areas – Hydrogen, Electrification, Aerospace Heat Exchanger development, Additive Manufacturing and Digitisation. We continue to invest in new product development and emerging technologies within these focus areas, with significant progress being made on a number of key projects, including:

- introduction of several innovative products for battery, power electronics and fuel cell cooling, including ultra-thin patented designs for very demanding environments;
- development of innovative heat exchanger designs for aerospace applications;
- design and manufacture of complete inlet and exhaust piping and ducting system for a polymer exchange membrane fuel cell designed for use in marine applications;
- continued development of an extensive process parameter dataset for complex metallic AM component design and manufacture in multiple high-performance materials, including full vertical integration of the complete AM process chain; and
- entered series production with non-metallic (polymer) AM for low-pressure ducting applications on a business jet platform, successfully completing a full process validation and product qualification in close collaboration with the customer, including performance, functional and environmental testing/certification.

In 2023, we hosted the first Group Innovation Competition which invited our operating businesses to submit innovation projects focused on process technology, new products or environmental cost savings for judging and recognition. More information regarding the Innovation Competition can be found on page 26.

The Group remains focused on sustainability as a driver for new product development and market expansion through leveraging existing capabilities, expertise and products in thermal management and fluid conveyance into new adjacent markets such as space, marine, advanced nuclear and hydrogen. Additional detail can be found on pages 20 and 21.



## Strategic

### Implementation of strategy



#### Principal Risk

An inability to implement the Group's strategy and/or effectively manage the Group's portfolio could have a significant impact on the Group's ability to generate long-term value for shareholders.

Ambiguity surrounding the Group's strategy and strategic priorities may result in investors failing to recognise the value of the Group's investment case.

#### How we manage it

The Group regularly reviews its strategy and portfolio to ensure that long-term value is maximised for shareholders. Where appropriate, divestments will be considered.

M&A opportunities continue to be evaluated and discussed at the Board's strategic review. Processes are in place to ensure that the Group is aware of emerging acquisition opportunities.

The Group has a well-established M&A framework that includes proven valuation, due diligence and integration processes designed to be efficiently executed by an experienced cross-functional team.

A comprehensive process for efficiently completing strategic divestments is in place and has been successfully deployed with past divestments.

Post-acquisition/divestment reviews are conducted as appropriate.

The Group has incorporated the experiences gained from navigating strategic challenges, such as the COVID-19 pandemic, into an adaptable response framework to ensure sufficient focus remains on the Group's core strategic priorities while responding to critical operational, strategic and financial challenges.

#### Focus in 2023

The Executive Committee and Board carried out annual assessments of our strategic objectives, end markets, capabilities and technologies and determined that the Group is well positioned to deliver its strategy and continue the transition through the evolving Net Zero world.

The Group continues to focus on:

- investment in new technology and product development in our core markets with an emphasis on Fluid Conveyance, Thermal Management and expansion of our Additive Manufacturing capabilities;
- expanding our presence in markets with attractive structural growth potential, such as space, low-carbon propulsion systems and advanced nuclear technologies such as small modular reactors, through leveraging the expertise we have developed in our traditional core markets; and
- liquidity, effective cash management and a healthy balance sheet.

The Group completed the integration of Senior Aerospace Spencer, a leading manufacturer of highly engineered, high-pressure hydraulic fluid fittings for commercial and military aerospace applications. Senior Aerospace Spencer was acquired in 2022 to expand the Group's fluid conveyance capabilities.

## Strategic

### Pandemic



#### Principal Risk

A pandemic, such as the recent COVID-19 pandemic, could have a significant impact on business operations affecting our employees, our supply chain and ultimately our ability to meet customer requirements. There is also the potential for a pandemic to create a global slowdown in demand impacting our end markets.

An adverse indirect consequence may result from our customers having to reduce production rates even where our supply chain and production remains intact.

#### How we manage it

The Group has a proven Incident Response Plan in place to manage the Group's response to a pandemic.

Emerging threats are monitored and advice provided to employees as appropriate. This may include travel restrictions, temporary site closures and additional safety measures when at work.

Where a pandemic threat does emerge, we liaise with our suppliers and customers to manage the situation to the greatest extent possible.

#### Focus in 2023

The COVID-19 pandemic began to transition into an endemic stage in 2023 as the US and other countries ended their official public health emergency declarations and lifted remaining disruptive COVID-19 restrictions. Despite the welcomed improvement in the pandemic's status during 2023, the Group remains vigilant to the potential impacts of a resurgence of the COVID-19 pandemic or a manifestation of a completely new regional or global pandemic.

The response measures enacted in response to the COVID-19 pandemic remain in effect and form the basis for the Group's pandemic response playbook. These measures include effective business continuity and incident response planning and testing, deployment of an oversight committee, fluid communication with customers and suppliers to manage demand fluctuations, flexible work arrangements for employees and strong relationships with Group investors and other stakeholders.

## Operational

### Cyber/information security



#### Principal Risk

The risk that the Group is subjected to external threats from malware, hackers or other malicious actors, potentially causing critical or sensitive data to be lost, corrupted, made inaccessible, or accessed by unauthorised users, resulting in the potential for business disruption and financial and/or reputational loss.

The cyber threat landscape is continually evolving, with threat actors developing and implementing new methods to identify and exploit gaps in Information Security ("IS") defences. In addition, alternate work arrangements, such as remote working or hybrid schedules, are now common in today's office environment and can increase IS risks.

#### How we manage it

The Group has a strategic roadmap to continually improve IS with focus on people, process and technology.

The Group has dedicated IS capability in place with a wide range of proactive and reactive security controls, including up-to-date antivirus capability across our operating businesses and network and system monitoring to identify vulnerabilities and potential threats.

A multi-year rotational IS assurance review programme is in place to assess and enhance compliance with established IS controls, policies and procedures.

Vulnerability metrics have been developed and are actively reviewed by Divisional Management and the Executive Committee.

The Group has a risk management framework specific to Information Technology ("IT")/IS.

With our decentralised Business Model, each operating business deploys a suite of protection and monitoring services, including endpoint detection and response, vulnerability management and cyber threat intelligence. These are fully monitored by our centralised Group IS team to ensure consistency, continuity and rapid remediation.

Technology-led security controls are further supported by a clear and documented series of policies, standards and playbooks.

Employees receive annual awareness training on cyber-related issues and the Group maintains a cyber-awareness campaign to alert employees to cyber threats.

A near miss and incident reporting process is deployed across the Group to alert IT/IS teams of immediate cyber threats.

#### Focus in 2023

The Group remains committed to full compliance to our IT/IS policies and diligent monitoring of the IS environment. 2023 actions included:

- continued deployment of our three-year IS strategy and roadmap to account for the dynamic nature of the cyber threat landscape, including development of our layered security defence model consisting of preventative, detective and responsive technical controls;
- commissioned an independent review and baseline of our cyber security maturity against leading industry frameworks, with the output incorporated into our IS strategy;
- enhanced the collaboration between our various IT, IS and external partner teams, including establishment of a Group-wide IT/IS council that meets regularly to discuss technology advancements and security matters;
- continued to seek independent accreditation against external security frameworks, including taking the Group's UK-based operating businesses through the National Cyber Security Centre (NCSC) accredited Cyber Essentials scheme;
- refreshed annual user training and awareness programme to ensure training materials and content remain relevant and aligned to current security threats; and
- conducted a thematic assurance review designed to assess and improve the effectiveness of critical patching and vulnerability management controls.

## Operational

### Supply chain challenges



#### Principal Risk

Suppliers may be unable or unwilling to respond to increases or decreases in demand, impacting our ability to supply our customers, our ability to operate efficiently and/or optimise inventory held.

Critical materials or components may become temporarily or permanently unavailable, leading to an inability to meet production commitments.

Supply chain disruption can lead to higher volatility in delivery schedules as customers adjust demand to protect their production capabilities. This may challenge the Group's ability to meet customer schedule, quality and cost requirements, resulting in potential delays, penalties and cost overruns.

In extreme cases some suppliers may face financial difficulties and go out of business.

#### How we manage it

The resilience of the supply chain is monitored and, where possible, over-reliance on individual suppliers is reduced.

The Group closely monitors the resources required to deliver customer demand.

The Group has deployed the Senior Operating System to provide operating businesses with a toolkit to optimise the use of lean and continuous improvement techniques, supplier management and other operational best practice processes.

Operating businesses are required to maintain strong internal controls over supplier management from new supplier selection to performance monitoring and management of existing suppliers.

Our core Values (see page 6) emphasise operating with integrity and respect, which allows the Group to cultivate strong, long-term relationships with critical suppliers.

#### Focus in 2023

While supply chain constraints have begun to show signs of improvement across several industries and markets, residual pockets of disruption persisted through 2023, as delivery lead times remain protracted, incidents of labour disruption increased and some suppliers faced financial difficulties and operational disruption. The ongoing crisis in Ukraine continues to impact availability of certain materials although alternate sourcing has been secured wherever possible. The Group has maintained the initiatives previously deployed to mitigate the impacts of supply chain challenges, including:

- spotlighting ongoing supply chain challenges in operating business reviews and Executive Committee meetings to ensure the challenges are being effectively addressed;
- maintaining close and frequent communication with customers regarding delivery schedules, the need to qualify additional supply sources, options for alternate materials or components and potential incremental costs to mitigate supply chain disruptions;
- working with suppliers to manage lead times and maximise the benefits from long-term supply agreements, where applicable;
- holding appropriate levels of safety stock, where necessary, to ensure a consistent flow of materials and/or components for production;
- leveraging supplier relationships across the Group to identify alternate supply sources and opportunities to streamline or consolidate supply requirements; and
- applying the Senior Operating System and our engineering expertise to generate innovative solutions to supply chain challenges.

During 2023, a follow-up assessment to a 2022 supply chain assurance review was conducted to gauge improvement in supply chain conditions, identify ongoing constraints and measure the effectiveness of actions implemented to reduce the frequency and/or severity of supply chain disruptions.

## Operational

### Customer disruption



#### Principal Risk

Supply chain constraints, labour shortages and other operational disruptions may leave customers unable to meet current sales commitments and/or respond to increases in market demands. As a result, there is a risk that customers do not honour firm order schedules, delay programme ramp-up and/or postpone new programmes.

#### How we manage it

The Group has fostered long-lasting and cooperative relationships across its customer base.

In furtherance to its strategic priorities, the Group actively seeks to grow the business through diversification of its customer base and new product innovation.

The Group closely monitors market trends and developments through in-house market research analysis.

There is a Group Contract Review policy which is mandatory for all operating businesses and requires comprehensive financial modelling and sensitivity analysis of contractual terms and assumptions.

#### Focus in 2023

The Group benefitted from continued strengthening in trading performance across both divisions in 2023 but the pace of volume growth in certain markets remained dampened by persistent supply chain and labour issues preventing some customers from increasing production to rates necessary to meet market demand.

In 2023, the Group continued to focus on:

- collaborating with our customers to understand their demand variability, potential schedule changes and identify acceptable solutions to mitigate supply chain constraints;
- diligently managing supply chain challenges to meet our product delivery objectives in support of customer operations; and
- adapting staffing levels in response to programme fluctuations while maintaining a focus on planning for anticipated long-term labour and skills requirements and continuing to identify overhead reductions through efficiency improvements where possible.

## Operational

### Programme management



#### Principal Risk

The ability to introduce new products in line with customer requirements and to respond appropriately to increases or decreases in demand thereafter is key to achieving the Group's strategic objectives.

There is a risk that the Group is unable to respond quickly enough to changes in demand, potentially resulting in excess inventory and/or an inability to meet schedule and cost requirements resulting in delays, penalties, cost overruns or asset write-downs.

Changes across a variety of production requirements, such as fluctuations in material supplies, volatility in customer ordering and employee retention and training, may challenge the Group's ability to maintain programme quality specifications, leading to the potential for higher costs of quality or greater risk of product defects.

#### How we manage it

The Group is experienced in bidding and launching new products. Formal New Product Introduction ("NPI") processes, such as Advanced Product Quality Planning ("APQP") are in use across our operating businesses.

There is a Group Contract Review policy which is mandatory for all operating businesses and requires comprehensive financial modelling and sensitivity analysis of contractual terms and assumptions.

The Senior Operating System maintains a strong focus on lean manufacturing and operational efficiency.

NPI programmes are subject to regular review by Divisional and Group management to ensure that schedule, cost or quality issues are identified and dealt with promptly.

The Group monitors market and customer data so that we can be prepared to respond to changing market dynamics.

A variety of tools are deployed throughout the Group to prevent, detect and manage quality issues, including supplier audits, comprehensive quality management systems, internal quality audits, Gemba walks and documented root cause analysis.

#### Focus in 2023

Persistent supply chain constraints and labour availability issues combined with demand fluctuations stemming from customer disruption continued to sustain programme management challenges during 2023. In response, the Group maintained its focus on:

- spotlighting programme management issues in operating business reviews and Executive Committee meetings to ensure issues receive adequate resourcing and action;
- continuing to work with our customers to ensure that, wherever possible, orders within firm windows can be delivered;
- working with our suppliers and managing inventory to balance inventory levels where there are delays in firm orders and/or ensure adequate supply to meet production demands;
- qualifying additional supply sources, options for alternate materials or components at potential incremental costs to mitigate supply chain disruptions;
- maintaining flexible labour resource plans to adapt to variations in demand and production schedules; and
- responding to the ongoing, elevated level of new requests for quotation.



## Operational

### Price-down pressures



#### Principal Risk

Customer pricing pressure is an ongoing challenge within our industries, driven by the expectations of airlines, land vehicle operators and governments seeking to purchase more competitively priced products in the future. This may put some pressure on the Group's future operating margins.

#### How we manage it

The Group works closely with its customers to find innovative ways to produce products at a lower cost, thus helping customers meet pricing challenges.

The Group is able to consider bundles of products that in total help meet customer pricing challenges.

Where appropriate, the Group will actively pass work to some of its cost competitive facilities such as Mexico, Thailand, the Czech Republic, South Africa, India, China and Malaysia with a view to helping satisfy customer challenges.

There is a Group Contract Review policy which is mandatory for all operating businesses and requires comprehensive financial modelling and sensitivity analysis of contractual terms and assumptions.

#### Focus in 2023

While inflation rates have eased in most regions around the world, the incremental costs necessary to mitigate persistent supply chain disruption and labour challenges continue to impact margins in certain industries. As a result, customers remain focused on containing supplier price escalations with some resuming price-down discussions with their supply base. In 2023, the Group continued to focus on:

- following our pragmatic and adaptable pricing response framework across the Group;
- working in partnership with customers to support their priorities within the contractual terms of existing agreements;
- balancing supplier capabilities and customer demand to manage material costs, including approval of alternate supply sources where appropriate; and
- driving labour and overhead cost reductions through efficiency improvements where possible.

## People and culture

### Talent and skills



#### Principal Risk

There is a risk that the Group, particularly in the US and UK, is unable to attract sufficient skills and talent and/or is unable to retain the skills and talent it has in order to meet demand. Margins may be impacted by higher wage rates necessary to retain current employees and/or attract new employees.

As demand increases there may be a disproportionate increase in the number of indirect heads, reversing some of the cost savings that the Group has achieved through its restructuring programme.

A notable portion of the Group's workforce may reach retirement age at the same time, creating a gap in skills and labour availability.

The Group may have insufficient talent to respond to all strategic priorities.

#### How we manage it

Employee retention and recruitment challenges are regularly discussed within the operating businesses, Divisional Management and the Executive Committee.

The Group HR Director hosts focus groups across a cross section of the operating businesses to solicit constructive feedback from employees and foster open communication.

Operating businesses partner with technical colleges and apprenticeship schemes to create talent pipeline programmes.

A Group-wide succession planning exercise is conducted annually to identify successors and interim cover for key roles and ensure appropriate development plans are in place to support employees in meeting their career goals.

The Nominations Committee reviews management development and succession plans twice a year, making recommendations to the Board regarding size, structure and composition where applicable.

The Perform performance and development system is utilised across the Group to facilitate objective setting, development planning and performance and behaviour assessment.

The Group HR Director regularly provides people and culture feedback to the Board.

#### Focus in 2023

Labour availability improved in 2023 across most of the Group's operating businesses but retention and recruitment difficulties persist within particular roles and geographic locations. We continue to closely monitor and manage staffing levels, recruitment and retention challenges and employment trends across the Group. Actions in 2023 included:

- ongoing reassessment of compensation levels against industry and regional benchmarks, with off-cycle wage increases or lump sum payments offered where necessary to mitigate the impact of ongoing inflationary pressures on employees and to ensure the Group's compensation offerings are competitive;
- enhanced sign-on and candidate referral incentive opportunities for new and existing employees;
- resumed the Group's internal leadership development programme with two sessions offered in 2023;
- expanded employee benefit offerings in certain locations to broaden healthcare coverage and other wellbeing programme options;
- developed and implemented localised action plans to respond to employee feedback received through the Global Employee Opinion Survey conducted in 2022, such as employee activities, newsletters, employee suggestion/feedback channels and management meetings. More information on employee engagement can be found on page 49;
- hosted a global leadership conference to foster unity and collaboration across the Group;
- launched an optimisation project to elevate the Group's employer profile and brand across critical web-based employment platforms; and
- issued a new Group Human Rights policy to reaffirm our commitment to respecting and promoting the rights and dignity of all people within the Group and its suppliers and customers.

## Financial

### Inflation



#### Principal Risk

Inflationary pressures stemming from a confluence of labour constraints, supply chain disruption and shifting customer demand could result in a reduction of earnings from existing programmes if the Group is unable to secure mitigating price adjustments from customers.

Higher production costs resulting from material, energy and labour cost inflation can reduce our ability to remain cost competitive and win new business.

Inflationary pressures may result in higher interest rates, which could impact the Group's earnings.

#### How we manage it

The Group's Treasury Committee actively monitors the economic forces impacting the Group and consider a variety of viable containment strategies where necessary.

There is a Group Contract Review policy which is mandatory for all operating businesses and requires comprehensive financial modelling and sensitivity analysis of contractual terms and assumptions.

A significant portion of the Group's external debt is at fixed rates of interest, which mitigates the effect of higher benchmark interest rates that can result from inflationary pressures.

The Group utilises the Senior Operating System to deploy lean and continuous improvement techniques with a focus on improving labour efficiencies and cost reduction initiatives.

#### Focus in 2023

Inflationary pressures eased somewhat across most major world economies in 2023 despite continued strength in consumer spending, as wage growth slowed in response to a tightening labour market, energy prices began to stabilise and supply chain issues eased in many industries. Despite the favourable movement in this critical economic indicator during the year, the Group remained diligent in its efforts to manage inflation impacts in 2023 by:

- retaining a focus on inflationary trends and impacts and the effectiveness of mitigating actions in operating business reviews and Executive Committee meetings;
- continuing to engage with customers to secure price increases, delay contractual price decreases and/or pass through higher production costs to mitigate the impact on Group margins where inflationary pressures persist; and
- expanding our supplier networks, where appropriate, to obtain lower pricing and drive higher operational efficiencies from better delivery performance.

## Financial

### Financing and liquidity



#### Principal Risk

The Group could have insufficient financial resources to fund its growth strategy or meet its financial obligations as they fall due or insufficient liquidity to meet financing covenants.

Foreign exchange movements could have a material impact on the Group's financial performance, both on the balance sheet (translation risk) and income statement (transaction risk).

#### How we manage it

The Group's overall treasury risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group enters forward foreign exchange contracts to hedge the transactional exchange risk arising on operations' trading activities in foreign currencies; however, it does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group does not hedge translation risk, but aims to match the foreign currency of its net debt in similar proportions to its generation of foreign currency EBITDA, where practical and economic in order to provide a natural hedge against the Group's principle lending covenant.

The Group monitors liquidity risks monthly and ensures sufficient headroom in its committed borrowing facilities to meet financial obligations across the Group as they fall due.

The Group's Treasury policy is updated and approved by the Board regularly.

Compliance with financial policies, exposure limits and headroom/liquidity limits are reviewed by the Group's Treasury Committee on a regular basis.

A global notional cash pooling solution is utilised to manage working capital funding in the operations and minimise central borrowings.

The Group's viability assessment process considers a base case and risk case scenario, which considers the principal risks and uncertainties.

#### Focus in 2023

Financing and liquidity initiatives remain vital to mitigating the ongoing impacts of the supply chain challenges, inflation and customer disruption. Actions taken in 2023 included:

- extending the main committed revolving credit facility in the UK to a 2027 tenor;
- responsibly managing growth in inventory requirements where customer demand is increasing and/or supply chain disruptions are continuing to occur;
- continued compliance with transactional foreign exchange hedging policy to mitigate income statement volatility from currency movements; and
- the Group's Treasury Policy was updated and approved by the Board in September 2023.

# Compliance

## Corporate governance breach



### Principal Risk

Corporate governance legislation (such as the UK Bribery Act and the US Foreign Corrupt Practices Act), regulations and guidance (such as the UK Corporate Governance Code and global health and safety regulations) and corporate reporting requirements are increasingly complex and onerous. A serious breach of these rules and regulations could have a significant impact on the Group's reputation, lead to a loss of confidence on the part of investors, customers or other stakeholders, result in financial penalties or fines and ultimately have a material adverse impact on the Group's enterprise value.

### How we manage it

The Group has a well-established set of governance policies and procedures covering all key areas, including a Group Code of Conduct, anti-bribery procedures, a Health & Safety Charter, an Agents Policy and various policies and procedures over the review and reporting of risk management and internal control activities.

Governance and regulatory compliance updates are provided to the Board and the Executive Committee at appropriate intervals, and to key Division and operational management.

All employees are required to complete annual Code of Conduct training.

All EU sites have received training on the General Data Protection Regulations and employees in other locations have received training as appropriate to their roles.

### Focus in 2023

Employees received annual refresher training on our Code of Conduct during 2023. The completion rates typically hover around 94%, allowing for new starters who have not yet completed their training immediately on joining. The course included content related to trade compliance, human rights, health and safety and cyber security.

Additional training was conducted for appropriate employee groups on other topics including prevention of payment fraud, information security, climate change and anti-money laundering.

Updates have been issued to various Group policies including our Agents policy, Delegation of Authority and Whistle-blowing policy.

A formal Human Rights policy was issued by the Group.

The Group's 2023 internal audit programme and Controls Self-Assessment were completed as planned, providing a level of assurance that the Group's Code of Conduct, controls, policies and procedures are being followed.



# Aerospace Division

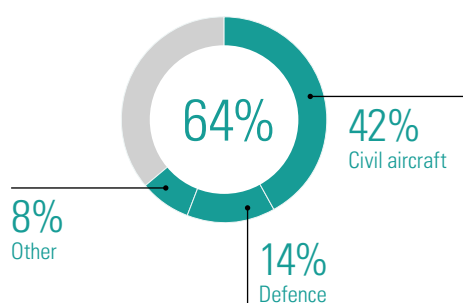


**Launie Fleming** | Aerospace Division Chief Executive

“The civil aerospace sector had strong growth during the year as aircraft production rates increased.”



## Aerospace sales across the Group



**Revenue**  
**+11.5%**

**£616.5m**

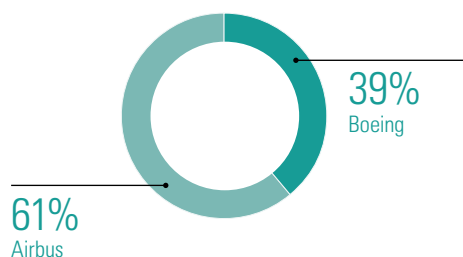
(2022 – £553.0m)

**Adjusted operating profit**  
**+33%**

**£27.0m**

(2022 – £20.3m)

## Revenue by large commercial platforms (on a derived basis)



**Adjusted operating margin**  
**+70 bps**

**4.4%**

(2022 – 3.7%)

The Aerospace Division represents 64% (2022 – 65%) of Group revenue and consists of 14 operations. These are located in North America (six), the United Kingdom (four), France (two), Thailand and Malaysia. This Divisional review is on a constant currency basis, whereby 2022 results have been translated using 2023 average exchange rates and on an adjusted basis to exclude amortisation of intangible assets from acquisitions and net restructuring costs/income. The Division’s operating results on a constant currency basis are summarised below:

	2023 £m	2022 <sup>(1)</sup> £m	Change
Revenue	<b>616.5</b>	553.0	+11.5%
Adjusted operating profit	<b>27.0</b>	20.3	+33.0%
Adjusted operating margin	<b>4.4%</b>	3.7%	+70bps

(1) 2022 results translated using 2023 average exchange rates – constant currency.

Divisional revenue increased by £63.5m (11.5%) to £616.5m (2022 – £553.0m) whilst adjusted operating profit increased by £6.7m (33.0%) to £27.0m (2022 – £20.3m). See Note 4 for a reconciliation of adjusted and reported operating profit.

Revenue Reconciliation	£m
2022 revenue	553.0
Civil aerospace	72.0
Defence	10.4
Other adjacent markets	(18.9)
<b>2023 revenue</b>	<b>616.5</b>

Revenue in the Aerospace Division increased by 11.5% year-on-year on a constant currency basis. The year-on-year increase reflected the ramp up in civil aircraft production rates and growth in the defence market. As anticipated, sales to semiconductor equipment customers (which are included in our “Other Aerospace” (Adjacent Markets) segment within Aerospace Division) reduced due to lower cyclical market demand.

The civil aerospace sector had the strongest growth during the year with Senior’s sales increasing by 21.3%. Aircraft production rates were higher in 2023 compared to 2022, with key platforms, both single aisle and widebody aircraft, contributing to the growth. 22% of civil aerospace sales were from widebody aircraft in 2023, with the other 78% of sales being from single aisle, regional and business jets.

Total revenue from the defence sector increased by £10.4m (8.5%) primarily from increased demand for legacy platforms and higher aftermarket.

Revenue in our Aerospace Division derived from adjacent markets such as space, power & energy, medical and semiconductor equipment, where the Group manufactures products using very similar technology to that used for certain aerospace products, decreased by £18.9m (20.5%). This is primarily as a result of the decrease in demand from the semiconductor equipment market.



“In 2023, global air traffic almost returned to 2019 levels.”

Sales in civil aerospace increased by

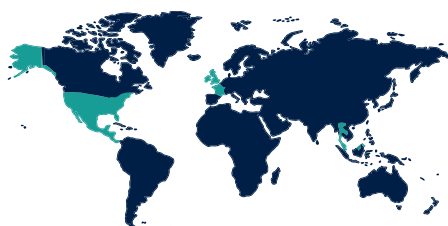
21%

(2022 – 32% increase)



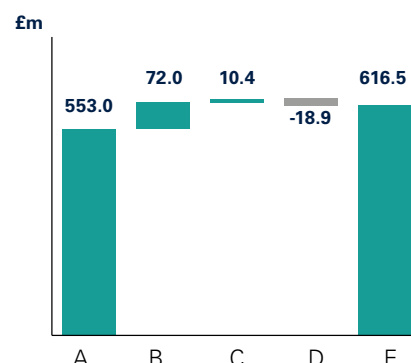
## 14 Global Aerospace operations

North America	6
United Kingdom	4
Continental Europe	2
Thailand	1
Malaysia	1



## Revenue reconciliation (£m)

- A 2022 revenue
- B Civil aerospace
- C Defence
- D Other adjacent markets
- E 2023 revenue



During the period, adjusted operating profit increased by 33.0% to £27.0m (2022 – £20.3m) and the adjusted operating margin increased by 70 basis points to 4.4% (2022 – 3.7%). Price increases secured during the period more than offset the impact of continued inflationary cost increases, including of raw materials. As expected, inefficiencies largely caused by certain supply chain challenges are temporarily dampening volume related drop through benefits. Overall trading performance has been in line with expectations whilst absorbing the significant impact of the Thailand supplier fire and other supply chain issues in 2023.

As anticipated, the Aerospace supply chain has started to improve and we expect further progress throughout 2024. The volume of parts shortages and specific supply chain challenges has reduced considerably, however, there are still some issues with certain material and component categories that are affecting some of our operating businesses in common with the whole industry.

One of the most significant supply chain challenges in 2023 that we have previously highlighted was the fire at one of our key suppliers in Thailand. Our team in Thailand proactively managed the consequences of the fire to help customers, and the supplier in question, to the very best of their ability. Nonetheless the fire had a significant effect on planned growth and performance in our Thailand business and it was to the credit of our other Aerospace businesses that they stepped up to ensure we met our expectations for the Division as a whole. Progress with the factory rebuild at our supplier is continuing apace and should be near completion by the end of Q1 although, as previously advised, it will be well into the second half of 2024 before requalification of their parts from the new factory will allow return to normal operations. Thereafter we are confident that Thailand will see rapid growth as they have a compelling value proposition that our customers are keen to take advantage of.

Momentum is building in our Aerospace Division. We have achieved a diversified position across key civil and defence aircraft platforms and are benefiting from increasing aircraft build rates which we expect will lead to higher sales in 2024 and beyond. Supply chain issues are improving as anticipated and we expect further improvement as 2024 progresses. Beyond this, we can expect Aerospace performance to continue to improve in 2025 as production rates increase, supply chain continues to improve, and additional contractually agreed price rises take effect.

Both Airbus and Boeing are planning increases in build rates in 2024 and beyond. In terms of end markets:

- demand for large commercial aircraft continued to recover strongly with order levels for single-aisle aircraft reaching a new peak in 2023. Airbus received 1,675 net orders for A320 family aircraft during the year. They confirmed at their FY2023 results that the A320 Family programme continues to progress to a build rate of 75 in 2026 as they attempt to meet this strong demand;
- Boeing achieved strong growth in its single-aisle order book, which increased by 883 in 2023. Whilst Boeing is having to limit the production of its B737-MAX model to 38 per month, it has asked suppliers to maintain production of parts at previously agreed levels. Any further increase in production needs approval from the FAA. Boeing had previously stated that, following achieving a production rate of 38 aircraft per month, it was aiming to increase production of B737-MAX aircraft to 50 per month by the 2025/2026 timeframe;
- the recovery in the long-haul air-passenger market continued during 2023. International passenger traffic is now at 89% of 2019 levels according to IATA. Orders for wide-body aircraft rose significantly as airlines responded to this recovery by seeking to

grow and modernise their fleets. Both Airbus and Boeing are aiming to meet this demand by raising production rates of wide-body aircraft;

- Airbus has confirmed production rates of its A330 wide-body aircraft at four per month and is targeting an increase in the production rate of A350 aircraft from nine per month currently to 10 per month in 2026; and
- Boeing, meanwhile, have announced the resumption of production of the B777X, with a goal of producing 4 per month in 2025/2026, and an increase in the production of the B787 from 5 per month currently, to 10 per month in 2025/2026.

In the defence market, Senior has a presence on multiple military aircraft programmes including the F-35, C-130J and A400M. Lockheed Martin has confirmed that they anticipate production of 156 F-35 aircraft per annum for the foreseeable future. Senior is also well positioned on the T-7A fighter-jet training aircraft with Low-Rate Initial Production due to begin in 2024.

In other adjacent markets, demand in the semiconductor equipment market is anticipated to remain flat during H1 2024 before beginning to recover in the second half. In the longer term the proliferation of low-earth-orbit satellites and semiconductor markets provides growth opportunities.



# Flexonics Division

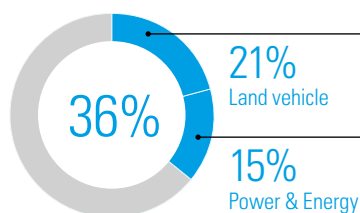


**Mike Sheppard** | Flexonics Division Chief Executive

“Continued strong customer demand in land vehicle and good momentum in power & energy markets drove an increase in sales of 18.0% in 2023.”



### Flexonics sales across the Group



**Revenue**  
+18%

**£348.0m**

(2022 – £294.9m)

**Adjusted operating profit**  
+48%

**£37.5m**

(2022 – £25.3m)

**Adjusted operating margin**  
+220 bps

**10.8%**

(2022 – 8.6%)

The Flexonics Division represents 36% (2022 – 35%) of Group revenue and consists of 12 operations which are located in North America (four), continental Europe (two), the United Kingdom (two), South Africa, India, and China (two including the Group’s 49% equity stake in a land vehicle product joint venture). This Divisional review, presented before the share of the joint venture results, is on a constant currency basis, whereby 2022 results have been translated using 2023 average exchange rates and on an adjusted basis to exclude net restructuring costs and site relocation costs. The Division’s operating results on a constant currency basis are summarised below:

	2023 £m	2023 <sup>(1)</sup> £m	Change
Revenue	<b>348.0</b>	294.9	+18.0%
Adjusted operating profit	<b>37.5</b>	25.3	+48.2%
Adjusted operating margin	<b>10.8%</b>	8.6%	+220bps

(1) 2022 results translated using 2023 average exchange rates – constant currency.

Divisional revenue increased by £53.1m (18.0%) to £348.0m (2022 – £294.9m) and adjusted operating profit increased by £12.2m (48.2%) to £37.5m (2022 – £25.3m). See Note 4 for a reconciliation of adjusted and reported operating profit.

Revenue Reconciliation	£m
2022 revenue	294.9
Land vehicle	37.9
Power & energy	15.2
<b>2023 revenue</b>	<b>348.0</b>

In Flexonics, strong customer demand and market share gains in land vehicle as well as good momentum in power & energy markets increased sales in 2023 by 18.0% compared to the prior year, with double-digit growth in all core markets.

Group sales to land vehicle markets increased by 23.1% driven by increased market and customer demand and market share gains for both commercial and passenger vehicles. Senior’s sales to the truck and off-highway market increased by £10.4m (11.4%) in North America and by £12.4m (39.6%) in Europe, whilst also growing in India. Our strong sales in truck markets were aided by production increases on recently won contracts. Group sales to passenger vehicle markets increased by £14.7m (43.1%) in the year, benefiting from the launch and ramp up of new programmes in North America and Europe.

### 2023 was an excellent year for heavy-duty truck production in North America



### Sales to land vehicle markets increased by

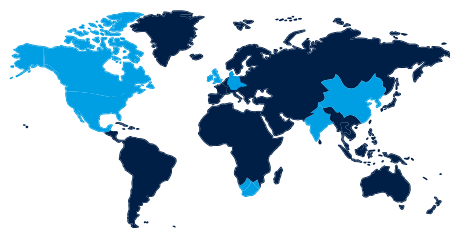
# 23%

(2022 – 29% increase)



### 12 Global Flexonics operations

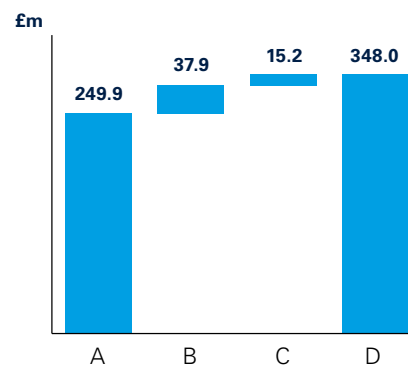
North America	4
Continental Europe	2
United Kingdom	2
India	1
South Africa	1
China <sup>(1)</sup>	2



(1) Including joint venture.

### Revenue reconciliation (£m)

- A 2022 revenue
- B Land vehicle
- C Power & energy
- D 2023 revenue



In the Group's power & energy markets good momentum continued as sales increased by £15.2m (11.6%) in the year. Sales to oil & gas customers increased by £13.0m (31.8%), as a result of higher demand mainly from upstream activity as well as growth in downstream maintenance and overhaul activity. Sales to power generation and nuclear markets decreased by £3.2m (7.3%) as growth in nuclear was offset by the non-repeat of prior year catch up maintenance activity in powerplants. Sales to other industrial markets increased by £5.4m reflecting growth in sales to aerospace, medical and steel industry customers.

Adjusted operating profit increased by £12.2m compared to prior year and the divisional adjusted operating margin increased by 220 basis points to 10.8% (2022 – 8.6%). This significant improvement in profitability reflected the volume related operating leverage across our operating business and the benefits from recurring price increases and one-off cost recoveries which offset inflationary cost increases.

After a strong performance in 2023, Senior's overall sales to land vehicle markets in 2024 are expected to reflect the market outlook for more normalised levels of production. In terms of the end markets:

- ACT Research is forecasting a 16% decline in North American heavy-duty truck production in 2024. Following the strength in the market during 2023, demand is anticipated to normalise in 2024 before returning to growth in 2025;
- North American medium-duty truck production is forecast to decline by 11% in 2024 due to the need for high inventory levels to correct, before growing again in 2025;

- S&P forecasts that European truck and bus production will fall by 11% in 2024 due to macro headwinds including inflation and higher financing costs. Subsequently growth will be driven by replacement demand and the need to comply with new environmental regulations. In 2025, growth of 4% is expected by S&P; and
- Light-vehicle production is forecast to fall by 3% in Europe and grow by 3% in India in 2024.

In power & energy markets we anticipate a rebalancing of inventory by our upstream oil & gas customers in 2024, however, activity levels in the more important downstream and nuclear sectors are likely to remain strong. In terms of end markets:

- activity in upstream oil & gas markets is anticipated to remain positive in 2024 as investment to increase production continues. Global demand for oil is forecast to increase by ~1% in 2024, and grow at this rate each year until 2028, according to the IEA;
- oil refining capacity is forecast to expand by 1% per annum. Growth in Asia will be offset by rationalisation of refining capacity in OECD countries where the peak in demand for oil is anticipated to occur first; and
- global demand for petrochemicals is forecast to increase by ~2% per annum until 2030 according to the IEA. Growth in production capacity will be concentrated in certain markets; India, the Middle East and the US.

We will monitor end market conditions carefully across the various regions in which we operate and seek to maximise growth opportunities.

# Financial review

## Good financial progress



**Adjusted Operating Profit**  
+61%

**£45.8m**

(2022 – £28.5m)

**Free Cash Flow**  
-44%

**£15.5m**

(2022 – £27.7m)

**ROCE**  
+240 bps

**7.1%**

(2022 – 4.7%)

**Bindi Foyle** | Group Finance Director

“Senior delivered strong trading performance in 2023, maintaining a healthy balance sheet and enabling investment in future growth.”

### Financial Summary

A summary of the Group's operating results (at reported currency) is set out in the table below. Further detail on the performance of each Division is set out in the Divisional Review.

	Revenue		Adjusted operating profit <sup>(1)</sup>		Margin	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 %	2022 %
Aerospace	616.5	553.6	27.0	20.3	4.4	3.7
Flexonics <sup>(2)</sup>	348.0	295.6	37.5	25.4	10.8	8.6
Share of results of joint venture	–	–	1.0	0.4	–	–
Inter-segment sales	(1.0)	(0.8)	–	–	–	–
Central costs	–	–	(19.7)	(17.6)	–	–
<b>Group total</b>	<b>963.5</b>	<b>848.4</b>	<b>45.8</b>	<b>28.5</b>	<b>4.8</b>	<b>3.4</b>

(1) See table below for reconciliation of adjusted operating profit to reported operating profit.

(2) Flexonics results are presented before share of results of joint venture.

Adjusted operating profit may be reconciled to the operating profit that is shown in the Consolidated Income Statement as follows:

	2023 £m	2022 £m
Adjusted operating profit	45.8	28.5
Amortisation of intangible assets from acquisitions	(2.2)	(0.2)
Net restructuring (cost)/income	(5.6)	4.2
Site relocation costs	(0.1)	–
<b>Operating profit</b>	<b>37.9</b>	<b>32.5</b>

### Financial detail

#### Group revenue

Group revenue was £963.5m (2022 – £848.4m). Excluding the adverse exchange rate impact of £1.3m, Group revenue increased by £116.4m (13.7%) with growth across both Aerospace and Flexonics year-on-year. In 2023, 59% of revenue originated from North America, 17% from the UK, 13% from the Rest of Europe and 11% from the Rest of the World.

#### Operating profit

Adjusted operating profit increased by £17.3m (60.7%) to £45.8m (2022 – £28.5m). Excluding the adverse exchange rate impact of £0.1m, adjusted operating profit increased by £17.4m (61.3%) on a constant currency basis. After accounting for £2.2m amortisation of intangible assets from acquisitions (2022 – £0.2m), £5.6m net restructuring cost (2022 – £4.2m net income) and £0.1m site relocation costs (2022 – £nil), reported operating profit was £37.9m (2022 – £32.5m).

The Group's adjusted operating margin increased by 140 basis points, to 4.8% for the full year. This improved profitability principally reflected volume related operating leverage across our businesses, whilst absorbing the impact of disruption caused by supply chain issues. Inflationary pressures were successfully more than offset by increasing prices and surcharges.



As set out in Note 9, adjusted operating profit and adjusted profit before tax are stated before £2.2m amortisation of intangible assets from acquisitions (2022 – £0.2m), £5.6m net restructuring cost (2022 – £4.2m net income) and £0.1m site relocation costs (2022 – £nil). Adjusted profit before tax is also stated before costs associated with corporate undertakings of £7.6m (2022 – £1.7m).

### Restructuring

In 2020 the Group had focused on taking actions to conserve cash to manage through the pandemic, including curtailing capital expenditure, tightly managing working capital and implementing further cost cutting actions. In 2023, some residual restructuring activity took place in response to further specific end market conditions affecting some of the businesses.

The Group has continued to review inventory and asset exposures on programmes that have been reduced, cancelled or where the Group will no longer participate. As part of the restructuring focus, we have assessed critically any inventory or asset exposures on these programmes and written down the carrying values on excess holdings and assets where there is no alternate use.

The restructuring resulted in net cost of £5.6m (2022 – net income £4.2m; of which £4.0m related to an aerospace manufacturing grant). Of this, £2.4m related to consultancy and other costs (2022 – £1.2m net charge). For certain specific programmes, and in conjunction with the continued focus on restructuring, management also identified further inventory impairment of £2.0m where customer demand decreased (2022 – £2.7m reversal reflected separate and specific demand increase), and impairment provisions on property, plant and equipment of £1.2m (2022 – £1.3m) to cover the risk where there are no alternative uses. Net cash outflow related to restructuring activities was £2.1m (2022 – £2.1m net cash inflow).

At 31 December 2023, a restructuring provision of £0.5m (31 December 2022 – £0.2m) was recognised and is expected to be utilised in 2024.

### Finance costs and income

Finance costs, net of finance income and before interest unwind of deferred and contingent consideration decreased to £7.5m (2022 – £8.4m) and comprise IFRS 16 interest charge on lease liabilities of £2.9m (2022 – £2.5m), net finance income on retirement benefits of £2.1m (2022 – £1.2m), net interest charge of £10.2m (2022 – £7.1m) and interest unwind on uncertain tax positions of £3.5m (2022 – £nil), which will not repeat in 2024 and is described further below in the tax section. The £3.1m increase in net interest charge was mainly driven by higher underlying interest rates on variable rate debt and higher levels of indebtedness in 2023 versus the prior year.

Gross finance costs, including interest unwind of deferred and contingent consideration were £20.5m (2022 – £10.6m) and finance income was £10.1m (2022 – £1.9m), which includes the benefit of interest unwind on uncertain tax positions of £3.5m (2022 – £nil).

### Corporate undertakings

Costs associated with corporate undertakings were £7.6m (2022 – £1.7m), of which £1.5m acquisition costs (2022 – £1.2m) and £2.9m interest unwind of deferred and contingent consideration (2022 – £0.3m) relate to the acquisition of Spencer Aerospace in November 2022 and £3.2m costs are associated with potential disposal and other corporate activities (2022 – £0.2m). See Note 31 to the Financial Statements for further details.

In 2023, net cash outflow related to corporate undertakings was £25.8m, comprising £23.9m net deferred consideration for the acquisition of Spencer Aerospace and £1.9m of acquisition related costs and potential disposal activities. In 2022, net cash outflow related to corporate undertakings was £26.7m, comprising £25.3m for the acquisition of Spencer Aerospace and £1.4m of acquisition related costs and other corporate activities.

### Profit before tax

Adjusted profit before tax increased by 90.5% in 2023 to £38.3m (2022 – £20.1m). This includes £3.5m benefit (2022 – £nil) from interest unwind on uncertain tax positions that will not repeat in 2024, and is described further below in the tax section. Reported profit before tax was £22.8m (2022 – £22.4m). The reconciling items between adjusted profit and reported profit before tax are shown in Note 9 to the Financial Statements.

### Tax credit/charge

The adjusted tax rate for the year was 11.0% credit (2022 – 10.0% charge), being a tax credit of £4.2m (2022 – £2.0m charge) on adjusted profit before tax of £38.3m (2022 – £20.1m). The adjusted tax rate benefitted from a release of £7.0m of provision for uncertain tax positions in the second half of 2023 as described below. The adjusted tax rate also benefitted from enhanced R&D deductions in the US, the UK Super-deduction for capital expenditure and the geographical mix of taxable profits.

Towards the end of 2023, the Group implemented a series of steps to simplify the legal ownership of its Americas legal entity holding structure. As part of the exercise, provisions held for estimated uncertain tax positions around the historical establishment of the Americas legal structure were reassessed. As a result, in accordance with IAS 12 and IFRIC 23 (Uncertainty over Income Tax Treatments), provisions for the uncertain tax positions of £7.0m and associated interest of £3.5m have been released to the consolidated income statement during the year.

The reported tax rate was 36.4% credit, being a tax credit of £8.3m on reported profit before tax of £22.8m. This included £7.0m credit related to the release of provision for uncertain tax positions as described above and £4.1m net tax credit against items excluded from adjusted profit before tax, of which £0.6m credit related to amortisation of intangible assets from acquisitions, £1.5m credit related to net restructuring costs, £0.1m credit related to site relocation costs and £1.9m credit related to corporate undertakings in the year. The 2022 reported tax rate was 9.8% charge, being a tax charge of £2.2m on reported profit before tax of £22.4m. This included £0.2m net tax charge against items excluded from adjusted profit before tax, of which £0.7m charge related to net restructuring income and a £0.5m credit related to corporate undertakings in the year.

Cash tax paid was £5.6m (2022 – £3.5m) and is stated net of refunds received of £2.8m (2022 – £1.1m) of tax paid in prior periods, arising from the offset of tax losses against taxable profits of prior periods.

#### Revenue (£m)

+14%



#### Adjusted operating profit (£m)

+61%



#### Free cash flow (£m)

-44%



**Tax policy**

The Group acts with integrity in all tax matters, in accordance with the Group's ethics and business conduct programme. It is the Group's obligation to pay the amount of tax legally due and to observe all applicable rules and regulations in the jurisdictions in which it operates. While meeting this obligation, the Group also has a responsibility to manage and control the costs of our business, including the taxes we pay for the benefit of all our stakeholders. The Group seeks to achieve this by conducting business affairs in a way that is efficient from a tax perspective, including maintaining appropriate levels of debt in the countries we operate in and claiming available tax reliefs and incentives. The Group is committed to building and maintaining constructive working relationships with the tax authorities of the countries in which it operates. Further details on our approach to tax may be found on Senior's website at [www.seniorplc.com](http://www.seniorplc.com).

**Earnings per share**

The weighted average number of shares, for the purposes of calculating undiluted earnings per share, decreased to 413.3 million (2022 – 415.3 million). The decrease arose principally due to the purchase of shares held by the employee benefit trust partly offset by shares released from the trust to satisfy the vesting of certain share-based payments during 2023. The adjusted earnings per share was 10.28 pence (2022 – 4.36 pence), which includes benefit of 2.54 pence from the release of the provision for uncertain tax positions as described above, that will not repeat in 2024. Basic earnings per share was 7.52 pence (2022 – 4.86 pence). See Note 12 for details of the basis of these calculations.

**Return on capital employed ("ROCE")**

ROCE, a key performance indicator for the Group as defined on page 57, increased by 240 basis points to 7.1% (2022 – 4.7%). The increase in ROCE was mainly a result of the significant increase in adjusted operating profit compared to prior year.

**Research and design**

The Group's expenditure on research and design was £20.0m during 2023 (2022 – £19.8m). Expenditure was incurred mainly on funded and unfunded work, which primarily relates to designing and engineering products in accordance with individual customer specifications and investigating specific manufacturing processes for their production. The Group also incurs costs on general manufacturing improvement processes which are similarly expensed. Unfunded costs in the year have been expensed, consistent with the prior year, as they did not meet the strict criteria required for capitalisation.

**Exchange rates**

A proportion of the Group's operating profit in 2023 was generated outside the UK and consequently, foreign exchange rates, principally the US Dollar against Sterling, can affect the Group's results.

The 2023 average exchange rate for the US Dollar applied in the translation of income statement and cash flow items was \$1.24 (2022 – \$1.24). The exchange rate for the US Dollar applied to the translation of Balance Sheet items at 31 December 2023 was \$1.27 (31 December 2022 – \$1.21).

Using 2023 average exchange rates would have decreased 2022 revenue by £1.3m and decreased 2022 adjusted operating profit by £0.1m. A 10 cents movement in the £:\$ exchange rate is estimated to affect forecast full-year revenue on average by £46m, adjusted operating profit by £3m and net debt by £12m.

**Cash flow**

The Group generated free cash flow of £15.5m in 2023 (2022 – £27.7m) as set out in the table below:

	2023 £m	2022 £m
Operating profit	<b>37.9</b>	32.5
Amortisation of intangible assets from acquisitions	<b>2.2</b>	0.2
Net restructuring cost/(income)	<b>5.6</b>	(4.2)
Site relocation costs	<b>0.1</b>	–
<b>Adjusted operating profit</b>	<b>45.8</b>	28.5
Depreciation (including amortisation of software)	<b>49.5</b>	49.6
Working capital and provisions movement, net of restructuring items	<b>(27.6)</b>	(12.1)
Pension contributions	<b>(1.4)</b>	(2.9)
Pension service and running costs	<b>1.3</b>	1.5
Other items <sup>(1)</sup>	<b>1.6</b>	5.6
Interest paid, net	<b>(12.9)</b>	(9.0)
Income tax paid, net	<b>(5.6)</b>	(3.5)
Capital expenditure	<b>(35.9)</b>	(30.5)
Sale of property, plant and equipment	<b>0.7</b>	0.5
<b>Free cash flow</b>	<b>15.5</b>	27.7
Corporate undertakings	<b>(25.8)</b>	(26.7)
Net restructuring (cash paid)/proceeds	<b>(2.1)</b>	2.1
US pension settlement	<b>(0.9)</b>	–
Dividends paid	<b>(6.6)</b>	(1.2)
Purchase of shares held by employee benefit trust	<b>(5.6)</b>	(4.5)
<b>Net cash flow</b>	<b>(25.5)</b>	(2.6)
Effect of foreign exchange rate changes	<b>8.5</b>	(14.2)
IFRS 16 non-cash additions and modifications including acquisition	<b>(7.9)</b>	(9.0)
Change in net debt	<b>(24.9)</b>	(25.8)
Opening net debt	<b>(178.9)</b>	(153.1)
<b>Closing net debt</b>	<b>(203.8)</b>	(178.9)

(1) Other items comprises £4.1m share-based payment charges (2022 – £4.3m), £(1.0m) profit on share of joint venture (2022 – £(0.4m)), £(1.3m) working capital and provision currency movements (2022 – £1.8m) and £(0.2m) profit on sale of fixed assets (2022 – £(0.1m)).

**Capital expenditure**

Gross capital expenditure of £35.9m (2022 – £30.5m) was 0.9 times depreciation excluding the impact of IFRS 16 (2022 – 0.8 times). The disposal of property, plant and equipment raised £0.7m (2022 – £0.5m). 2024 capital investment is expected to be slightly above depreciation (excluding the impact of IFRS 16). We are prioritising new investment on growth projects where contracts have been secured, important replacement equipment for current production and sustainability related items.

**Working capital**

Working capital increased by £29.6m in 2023 to £160.9m as at 31 December 2023 (31 December 2022 – £131.3m), of which £6.6m decrease related to foreign currency movements. The underlying increase reflects increased trading in the period. Receivables were higher as a result of revenue growth and inventory was higher with planned investment to enable us to meet the strong increase in demand from our customers, as well as to mitigate ongoing supply chain issues in Aerospace. In 2023, working capital increased as a percentage of sales by 120 basis points to 16.7% (2022 – 15.5%). We are likely to see an increase in working capital over the coming year to support the growth anticipated in Aerospace. Our medium-term target remains for working capital as a percentage of sales to reduce towards the 15% level.

The Group participates in some non-recourse reverse factoring schemes which are arranged by our customers as a way of reducing credit risk. The trade receivables reverse factored under such non-recourse schemes at 31 December 2023 were £29.1m (31 December 2022 – £24.9m). The net impact of reverse factoring on 2023 was a cash inflow in working capital of £5.5m (2022 – £6.2m inflow) and the discount interest presented within other finance costs is a charge of £0.8m in 2023 (2022 – £0.6m). These arrangements follow standard market terms and conditions and, as noted above, are 100% non-recourse to the Group, thereby transfer all credit risk to the financial institutions who provide the factoring schemes.

**Dividend**

The Board is proposing a final dividend of 1.70 pence per share (2022 – 1.00 pence). If approved, it would be paid on 31 May 2024 to shareholders on the register at the close of business on 3 May 2024 and payment would total £7.0m. This would deliver total dividends paid and proposed in respect of 2023 of 2.30 pence per share (2022 – 1.30 pence). At the level recommended, the full year dividend would be covered 4.5 times by adjusted earnings per share, which benefitted from the release of the provision for uncertain tax positions as described above. The cash outflow incurred during 2023 in respect of dividends was £6.6m (2022 – £1.2m) relating to the final dividend for 2022 and the interim dividend for 2023.

We will continue to follow a progressive dividend policy reflecting earnings per share, free cash flow generation, market conditions and dividend cover over the medium-term.

**Net debt/EBITDA**

22	1.47x
23	1.6x

**Funding headroom (£m)**

22	179
23	142

**Return on capital employed (%)**

22	4.7
23	7.1

**Goodwill**

The decrease in goodwill from £199.7m at 31 December 2022 to £193.3m at 31 December 2023 reflects foreign exchange differences of £6.4m.

**Retirement benefit schemes**

The retirement benefit surplus in respect of the Group's UK defined benefit pension plan ("the UK Plan") decreased by £3.3m to £48.5m (31 December 2022 – £51.8m) due to £5.0m net actuarial losses and £0.8m running costs partly offset by £2.5m net interest income. Retirement benefit deficits in respect of the US and other territories decreased by £4.1m to £8.0m (31 December 2022 – £12.1m). During 2023, one of the US defined benefit plans was settled following a combination of lump sum payments and annuity purchase. A net expense of £nil and cash outflow of £0.9m (see Note 32b) was recorded in 2023 in relation to this settlement.

The latest triennial actuarial valuation of the UK Plan as at 5 April 2022 showed a surplus of £24.5m (5 April 2019 – deficit of £10.2m).

The Group's deficit reduction cash contributions, including administration costs, to the UK Plan ceased on 30 June 2022.

The estimated cash contributions expected to be paid during 2024 in the US funded plans is £0.9m (£0.9m was paid in 2023, excluding the contribution related to the US pension settlement).

**Net debt**

Net debt which includes IFRS 16 lease liabilities increased by £24.9m to £203.8m at 31 December 2023 (31 December 2022 – £178.9m). As noted in the cash flow above, the Group generated net cash outflow of £25.5m (as defined in Note 32c), after £8.5m favourable foreign currency movements and £7.9m non-cash changes in lease liabilities due to additions and modifications.

Net debt excluding IFRS 16 lease liabilities of £71.8m (31 December 2022 – £78.4m) increased by £31.5m to £132.0m at 31 December 2023 (31 December 2022 – £100.5m), due to free cash inflow of £15.5m and £4.2m favourable foreign currency movements being more than offset by £25.8m cash outflow in respect of corporate undertakings, £10.2m capital repayment of leases and £15.2m net cash outflows for dividends, purchase of shares, restructuring and US pension settlement.

**Funding and Liquidity**

As at 31 December 2023, the Group's gross borrowings excluding leases and transaction costs directly attributable to borrowings were £181.0m (31 December 2022 – £145.3m), with 61% of the Group's gross borrowings denominated in US Dollars (31 December 2022 – 64%). Cash and bank balances were £47.6m (31 December 2022 – £43.2m).

The maturity of these borrowings, together with the maturity of the Group's committed facilities, can be analysed as follows:

	Gross borrowings <sup>(2)</sup> £m	Committed facilities £m
Within one year	1.8	–
In the second year	78.1	111.5
In years three to five	101.1	162.9
After five years	–	–
	181.0	274.4

(2) Gross borrowings include other loans and committed facilities, but exclude leases of £71.8m and transaction costs directly attributable to borrowings of £(1.4)m.

At the year-end, the Group had committed facilities of £274.4m comprising private placement debt of £122.2m and revolving credit facilities of £152.2m. The Group is in a strong funding position, with headroom at 31 December 2023 of £142.4m in cash and undrawn facilities.

During the second half of 2023, the Group extended the maturity of the sustainability linked UK revolving credit facility to November 2027 with a continued commitment of £115m. New private placement loan notes of \$50m (£39.4m) were issued and drawn down in February 2024. These notes carry an interest rate of 6.26% and are due for repayment in February 2030.

The weighted average maturity of the Group's committed facilities at 31 December 2023 was 2.9 years. The current weighted average maturity of the Group's facilities, updated for the February 2024 loan notes of \$50m, is 3.2 years.

The Group has £1.8m (2022 – £0.5m) of uncommitted borrowings which are repayable on demand.

The Group has two covenants for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines on page 1) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 31 December 2023, the Group's net debt to EBITDA was 1.6x and interest cover was 12.6x, both comfortably within covenant limits.

**Bindi Foyle**

Group Finance Director



# Viability statement

Following a robust assessment, the Directors have concluded that the Group and Parent Company have sufficient funds to operate for the foreseeable future (evaluated to 31 December 2026), even in a severe but plausible downside scenario.

The Board has considered a three-year period, as this reflects the normal mid-term planning cycle of its business operations while adequately covering customer lead times for both new and expansion investment. In addition, this period provides sufficient clarity to consider the business prospects and continued recovery from the pandemic under a base case, while also assessing impacts under a severe but plausible downside scenario.

Overall, the Board anticipates good growth for the Group in 2024 in line with its expectations. Momentum is building in our Aerospace Division. We have achieved a diversified position across key civil and defence aircraft platforms and are benefiting from increasing aircraft build rates which we expect will lead to higher sales in 2024 and beyond. Supply chain issues are improving as anticipated and we expect further improvement as 2024 progresses. Beyond this, we can expect Aerospace performance to continue to improve in 2025 as production rates increase, supply chain continues to improve, and additional contractually agreed price rises take effect. Our Flexonics Division performed well in 2023 with double-digit margins and strong growth in both land vehicles and power & energy. In 2024 we expect to maintain good performance with land vehicle market demand normalising to more typical levels and continuing robust demand in our downstream oil & gas business.

The base case projections of the viability assessment are based on the Group's Budget for 2024, the latest forecast for 2025 collected at the same time as the budget and the Group's Strategy for 2026. Air-passenger traffic volumes continued to recover strongly during 2023. Revenue Passenger-Kilometres (RPKs) increased by 37% and have now reached 94% of 2019 (pre-pandemic) levels. Domestic passenger traffic surpassed 2019 RPKs during the year, reaching 104% of 2019 levels, while international passenger traffic has reached 89% of pre-pandemic levels. Air traffic will continue to grow driven by demand in Asia-Pacific. The lower operating cost and better sustainability of new aircraft, on which Senior has significant content, will continue to be a necessity for the airline industry. In the Group's other key markets, defence sees the Group well placed with good content on the F-35 Joint Strike Fighter, mature programmes such as the C-130J and A400M transport aircraft, Eurofighter and the newer T-7A Red Hawk trainer programme. In Flexonics, ACT expects the North American heavy-duty truck market to decline by 16% in 2024 reflecting a return to more normal levels of production before returning to growth in 2025. As stated by S&P, European truck and bus

market production grew by 14% in 2023 and is forecast to decline by 11% in 2024, with growth resuming in 2025. The global commercial vehicle market is expected to grow at low single-digit compound annual growth rate through the cycle. According to S&P, European passenger vehicle production grew by 12% in 2023 and it is forecast to decline by 3% in 2024.

In power and energy markets, demand for oil in 2024 is anticipated by the IEA to increase by 1%, in line with the growth in supply. Refining capacity is anticipated to increase by 1% per annum over the next five years. Wood McKenzie forecast that oil consumption will peak in 2028 as improvements in the efficiency of the global-vehicle fleet and the adoption of EVs lead to lower demand, while renewables and nuclear represent a greater share of energy supply.

In determining a severe but plausible downside scenario, the base case projections are flexed to reflect the weighted probability and cumulative estimated effects of all the Group's principal risks and uncertainties, as disclosed on pages 62 to 69. This scenario reflects the combined probabilistic effect of all principal risks, rather than individual scenarios for each risk, according to impact and likelihood of occurrence and include mitigations where appropriate to maintain liquidity. These effects drive key metrics in revenue growth, operating profit margin and borrowing rates. The top 5 principal risks with the highest estimated effect on key metrics include Economic and Geopolitical impact, Cyber/Information Security, Inflation, Climate Change and Price-Down Pressures. The remaining risks, such as Pandemic, Supply Chain Challenges and Customer Disruption, have relatively equal weighting in the scenario, with Corporate Governance Breach and Implementation of Strategy having the lowest estimated effect.

To address the impacts under the severe but plausible downside, the Board has considered the mitigating actions within the Group's direct control. These include a continued focus on conserving cash through vigilant management of capital expenditure and working capital together with further restructuring actions and limiting non-critical discretionary spend.

## Committed facilities and debt covenants

At 31 December 2023, the Group held committed borrowing facilities of £274.4m with liquidity headroom of £142.4m. New private placement loan notes of \$50m (£39.4m) were issued and drawn down in February 2024. These notes carry an interest rate of 6.26% and are due for repayment in February 2030. The weighted average maturity of the Group's

committed facilities at the end of December 2023 was 2.9 years. The current weighted average maturity of the Group's facilities, updated for the February 2024 loan notes of \$50m, is 3.2 years. Net debt (defined in Note 32c) was £203.8m, including £71.8m of capitalised leases which do not form part of the definition of debt under the committed facilities and do not impact the Group's lending covenants.

The Group has two covenants for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines on page 1) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 31 December 2023, the Group's net debt to EBITDA was 1.6x and interest cover was 12.6x, both comfortably within covenant limits.

## Board's conclusion

Modelling the base case and severe but plausible downside scenario and mitigations indicate that the Group is in compliance with all debt covenants at all measurement dates out to 31 December 2026. The scenarios also highlight sufficient liquidity headroom throughout the period in light of the committed facilities available. Accordingly, following a robust assessment the Directors have concluded that the Group and Parent Company have sufficient funds to operate for the foreseeable future, even in a severe but plausible downside scenario. For the going concern assessment, the foreseeable future covers a minimum period of 12 months from the date of approval of these Financial Statements, and with the viability period evaluated out to 31 December 2026.

## Going concern

As a consequence of the work undertaken to support the viability statement above, the Directors have, at the time of approving these Financial Statements, a reasonable expectation that the Group and Parent Company have adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these Financial Statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing these Financial Statements, having undertaken a rigorous assessment of the financial forecasts.

## Approval

The Strategic Report from pages 1 to 79 was approved by the Board of Directors on 1 March 2024 and signed on its behalf by

## David Squires

Group Chief Executive Officer



## Non-Financial and Sustainability Information Statement

In compliance with the Non-Financial Reporting requirement set out in sections 414CA and 414CB of the Companies Act 2006, the table below illustrates where our stakeholders can find information in respect of non-financial matters.

Non-financial information		Section of the report	Pages
Business Model		Our Business Model	6
Principal Risks		Risks and Uncertainties	58
Non-Financial KPIs		Key Performance Indicators	56
Climate-Related Financial Disclosures		Task Force on Climate-Related Financial Disclosures (TCFD)	25

Non-financial information	Policies	Related principal risk	Due diligence and outcomes	Pages
Environmental Matters	<b>Sustainability Framework</b> – reflects Senior’s commitment to creating long-term value for the environment, employees, communities and business partners.	Climate change	• Sustainability – Environment	22
	<b>Health, Safety and Environmental Policy</b> – sets out Senior’s commitment to creating a safe and healthy work environment free of occupational injuries, ill-health and environmental incidents.		• Streamlined Energy and Carbon Reporting	23
Employees	<b>Health, Safety and Environmental Policy</b> – sets out Senior’s commitment to creating a safe and healthy work environment free of occupational injuries, ill-health and environmental incidents.	Corporate Governance Breach	• Climate-Related Financial Disclosures	25
	<b>Code of Conduct</b> – provides a clear framework outlining the expected behaviour and ethical standards for Senior’s employees.		• Sustainability – Governance	37
	<b>Whistle-blowing Policy</b> – encourages employees to report suspected or observed wrongdoing, unethical behaviour within the workplace and provides contact details of an independent, third-party whistle-blowing service.	• Internal Controls and Risk Management	89	
	<b>Perform</b> – Senior’s performance and development system is designed to manage and enhance the performance of its employees.	Talent and Skills	• Sustainability – People and Culture	35
	<b>Learn</b> – Senior’s global learning management platform is designed to deliver and track training courses, promoting continuous learning and development among employees.		• Sustainability – Health & Safety	32
	<b>Environmental Health &amp; Safety Management Framework</b> comprising: <ul style="list-style-type: none"> <li>• <b>Senior’s Safety Standards</b> – define the minimum health and safety requirements for all Group operating businesses.</li> <li>• <b>Senior’s Health &amp; Safety Essential Behaviours</b> – the behaviour model helping its employees understand the behaviours they “should” and “should not” display to strengthen the Company’s health and safety culture.</li> <li>• <b>Senior’s Golden Rules</b> – safety principles and guidelines designed to prevent accidents and protect wellbeing of employees, contractors, suppliers and visitors whilst on Senior’s premises.</li> </ul>			
Respect for Human Rights	<b>Human Rights Policy</b> – sets out standards Senior expects from its employees, customers and suppliers regarding human rights. <b>Modern Slavery Act Statement</b> – outlines the Company’s actions to assess potential modern slavery risks and processes to minimise any risk of slavery or human trafficking.	Corporate Governance Breach	• Internal Controls and Risk Management	89
Anti-corruption and anti-bribery	<b>Agents Policy</b> – applies to business dealings with agents contracted to represent and act on behalf of Senior in any sales capacity. <b>Gifts and Hospitality Policy</b> – restricts the receiving and giving of gifts and hospitality from, and to, third parties. <b>Whistle-blowing Policy</b>	Corporate Governance Breach	• Internal Controls and Risk Management	89
Social matters	<b>Diversity and Inclusion Executive Commitment</b> – dedication and involvement of Senior’s leaders in promoting diversity and inclusion, creating the environment where individuals from diverse background feel valued, respected and have equal opportunities for success.	Talent and Skills	• Sustainability – Equality, Diversity and Inclusion	34
	<b>Sustainability Framework</b>		• Sustainability – Communities	36

➤ For more information please visit: [www.seniorplc.com](http://www.seniorplc.com)

# Governance

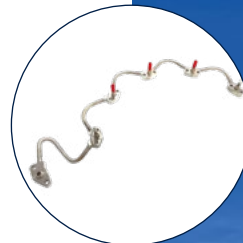
## Developing fluid conveyance solutions for production today...

### Fluid conveyance solutions for aerospace applications

Senior is a leading provider of high performance fluid conveyance solutions for the most demanding aerospace applications. We design and manufacture complex components and assemblies that enable the safe and efficient performance of air, fuel and hydraulic systems in challenging civil, defence and space applications.

### Modular connector for technology demonstrator platform

Managing the myriad fluid connections between the fuselage and wing-mounted gas turbine engine is a complex and challenging task. Senior developed an innovative, modular assembly that groups together all the major fluid system inputs and outputs, providing major advantages in assembly time and build quality for a technology demonstrator platform for a large aerospace OEM.



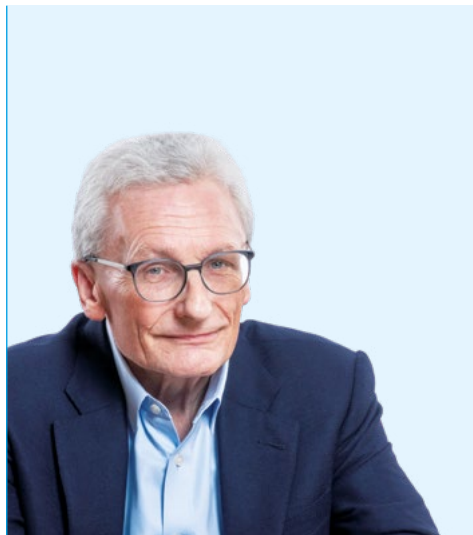
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**...helping our customers deliver their innovative technologies to the marketplace tomorrow**



# Chair's governance letter



**Ian King** | Chair

**“The decisions made and the direction taken by the Board were guided by the long-term interests of our stakeholders.”**

## Statement of compliance with the Corporate Governance Code

As a Premium Listed company, Senior plc is subject to the UK Corporate Governance Code 2018 (the Code). The code is published by the Financial Reporting Council and available at [www.frc.org.uk](http://www.frc.org.uk). The Company has been compliant with the Code throughout the financial year under review.

Further information on how the Company has applied the Principles and complied with the Provisions of the Code can be found on the following pages:

Board Leadership and Company Purpose	88 to 91
Division of Responsibilities	92 to 93
Composition, Succession and Evaluation	94 to 97
Audit, Risk and Internal Control	100 to 105
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## Dear Shareholder,

On behalf of the Board, I am pleased to present the Senior plc Corporate Governance Report for the year ended 31 December 2023.

Over the past 12 months, the Company maintained a strong performance despite challenging business and geopolitical circumstances. I would like to thank my fellow Directors for their continued stewardship, dedication and commitment. The decisions made and the direction taken by the Board were guided by the long-term interests of our stakeholders.

In 2023, the Board continued with in-person Board meetings and made site visits to two of the Group's operating businesses – Senior Aerospace Metal Bellows and Senior Flexonics Bartlett, both located in the USA. These visits offered an opportunity for the Directors to engage directly with local management teams and employees, and to learn more about the challenges and opportunities faced by the operating businesses.

This year, Celia Baxter and Giles Kerr retired from the Board following the conclusion of the Company's AGM in April 2023 after nine years of service. Their expertise, leadership and dedication were invaluable to the Board's discussions and decision-making during their tenures, and we wish them all the best in their future endeavours. Barbara Jeremiah and Mary Waldner, the two Directors who have taken over as Chairs of the Remuneration and Audit Committee respectively, have settled into their roles exceptionally well, bringing fresh perspectives and insights into our discussions. With Barbara stepping into the role of the Senior Independent non-executive Director following the conclusion of the 2023 AGM, the Company continued its commitment to upholding high governance standards. At the same time, Mary Waldner, who has taken over from Celia Baxter as the non-executive Director designated to engage with the Group's employees, maintained focus on employee engagement initiatives. She proactively participated in site visits and employee focus groups, bringing valuable insights from the Group's employees to Board discussions.

Acting on the outcomes of our 2022 Board performance review, the Board took the opportunity to further enhance the breadth of its skills and expertise. With effect from 1 January 2024, Joe Vorih was appointed to the Board as a non-executive Director. I am very pleased to welcome Joe to the team, and the Board is confident that Joe's leadership and engineering background, coupled with his broad international experience in Senior's industrial sectors, will complement the current Board and prove invaluable to Senior's continued development.

Maintaining focus on the Board's diversity has remained a priority. We believe that a diverse Board composition is critical to good governance and decision-making. I am pleased to confirm that as at 31 December 2023, the Company met the objectives of the Board Diversity Policy with 57% of the Board comprising female Directors, and two Board Directors being from a minority ethnic background. In addition, following the publication of an update report from the Parker Review in March 2023, the Board decided to set the target of 30%, to be achieved by December 2027, in respect of the Group's senior management positions that will be occupied by ethnic minority executives.

Recognising the importance of understanding the needs and expectations of our stakeholders, the Board continued its engagement activities in 2023. More information on these activities can be found on pages 48 to 53 of the Strategic Report.

Senior's Purpose reinforces our commitment to sustainability; this was further evidenced by the approval of our Net Zero targets by the Science Based Targets initiative, putting us firmly on course to significantly reduce our carbon emissions. As we move into next year, the Company will continue to drive progress on innovative solutions to support its customers in transition to low-carbon and clean energy options and to achieve its own environmental objectives. The Board will continue to provide guidance and constructive challenge.

This year's AGM will take place on 26 April 2024 as a physical meeting, and we look forward to seeing you on the day.

In conclusion, the Board and I would like to thank you for your ongoing support. We remain committed to upholding the highest standards of governance.

## Ian King

Chairman  
1 March 2024



# Board at a glance

The Board is responsible for Group decisions affecting governance, strategy and the approval of annual operating budgets and Financial Statements.

## Board and Committee membership as at 31 December 2023 and meeting attendance in 2023

The membership and attendance record of the full Board Meetings and its full Committee Meetings during 2023 are shown in the table below:

	Main Board	Audit Committee	Nominations Committee	Remuneration Committee
<b>Chair</b>	<b>Ian King</b>	<b>Mary Waldner</b>	<b>Ian King</b>	<b>Barbara Jeremiah</b>
Ian King	11/11	–	6/6	7/7
Celia Baxter <sup>(1)</sup>	3/3	1/1	2/2	2/2
Susan Brennan	11/11	5/5	6/6	6/7
Bindi Foyle	11/11	–	–	–
Barbara Jeremiah	11/11	5/5	6/6	7/7
Giles Kerr <sup>(2)</sup>	3/3	1/1	2/2	2/2
Rajiv Sharma	11/11	5/5	6/6	7/7
David Squires	11/11	–	–	–
Mary Waldner	11/11	5/5	6/6	7/7
<b>Total number of meetings</b>	<b>11</b>	<b>5</b>	<b>6</b>	<b>7</b>

(1) Celia Baxter stepped down from the Board on 21 April 2023.

(2) Giles Kerr stepped down from the Board on 21 April 2023.

## Board and Executive Committee gender and ethnicity metrics as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Group CEO, Group FD, SID, Chair)	Number in Executive Committee	% of Executive Committee
<b>Gender representation</b>					
Men	3	43%	2	5	62%
Women	4	57%	2	3	38%
Not specified	–	–	–	–	–
<b>Ethnicity</b>					
White British or other White (including minority-white groups)	5	71%	3	7	87%
Mixed/Multiple Ethnic groups	–	–	–	–	–
Asian/Asian British	2	29%	1	1	13%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified	–	–	–	–	–

Celia Baxter and Giles Kerr were excluded from the tables relating to the Board gender and ethnicity representation. Joe Vorih was appointed to the Board on 1 January 2024 and has not been included in the tables above.

# Board of Directors

## Ian King

**Company Chair and Chair of the Nominations Committee**



**Committee membership:**

Nominations and Remuneration.

**Independence**

Ian met the UK Corporate Governance Code's independence criteria on his appointment as Company Chair.

**Qualifications**

Fellow of the Chartered Institute of Management Accountants.

**Skills and experience**

Ian King joined the Board in November 2017 as a non-executive Director and became Chair in April 2018. For more than 40 years Ian has held many senior management and directorship roles, including finance, executive management, customer support and strategic planning. Ian joined Marconi in 1976 and held a number of roles with them. He was Chief Executive of Alenia Marconi when Marconi and British Aerospace merged in 1999 to form BAE Systems plc. He then became Group Strategy and Planning Director of BAE Systems; Ian was its Chief Executive from 2008 until his retirement in June 2017. He was also the senior independent director of Rotork plc until June 2014.

**External appointments**

Ian is the Senior Independent Director of Schroders plc, having been appointed to its Board on 1 January 2017, the lead non-executive director of the Department for Transport, a non-executive director of High Speed Two (HS2) Limited, and is a senior adviser at Gleacher Shacklock LLP.

**Specific contribution to the Company's long-term success**

Ian leads the Board in defining the strategy of the Group and driving the Company's Vision to produce sustainable growth in operating profit, cash flow and shareholder value. Ian has relevant direct experience in Aerospace, a key element of Senior's strategy.

## Barbara Jeremiah

**Senior Independent Non-Executive Director, Chair of the Remuneration Committee**



**Committee membership:**

Audit, Nominations and Remuneration.

Upon the retirement of Celia Baxter following the conclusion of the 2023 AGM, Barbara was appointed the Chair of the Remuneration Committee and the Senior Independent non-executive Director.

**Qualifications**

BA in Political Science and a qualified lawyer.

**Skills and experience**

Barbara Jeremiah was appointed to the Board on 1 January 2022. Barbara is a US citizen and has over 30 years' experience with Alcoa Inc, in a number of positions, including Executive Vice President, Corporate Development and Chairman's Counsel. She was formerly Chairwoman of Boart Longyear Limited and a non-executive director of Premier Oil plc and Russel Metals Inc. Barbara was most recently a non-executive director and Remuneration Committee Chair of Aggreko plc from March 2017 to August 2021.

**External appointments**

Barbara was appointed a non-executive Director of Johnson Matthey Plc with effect from 1 July 2023. She was also appointed Senior Independent Director of Johnson Matthey Plc following the conclusion of their AGM on 20 July 2023. Barbara has been the Chair of The Weir Group plc since April 2022, having been appointed a non-executive director of that company in August 2017.

**Specific contribution to the Company's long-term success**

Barbara's extensive experience in a number of Senior's key markets as an executive and a non-executive director complements those of the existing members of the Board.

## Susan Brennan

**Independent Non-Executive Director**



**Committee membership:**

Audit, Nominations and Remuneration.

**Qualifications**

BSc in Microbiology and MBA.

**Skills and experience**

Susan Brennan joined the Board in January 2016. Susan has more than 30 years of manufacturing experience, including commercial vehicle electric battery, fuel cell, automotive vehicle, powertrain, and component assembly. Susan has dedicated her career to improving American manufacturing. In her time as a manufacturing practitioner, she has always been a strong proponent of sustainability.

From August 2021 to October 2022, Susan was the President and Chief Executive Officer of Romeo Power, Inc. In the past, she served as Chief Operations Officer of Bloom Energy and in a variety of leadership roles for major automakers, including Nissan and Ford.

Susan is the founder and a board member of the Southern Automotive Women's Forum and is an adviser to many other women's empowerment groups.

**External appointments**

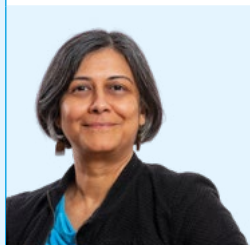
Susan is currently the Chief Executive Officer and a board member of 5E Advanced Materials, Inc., a company positioned to become a vertically integrated global leader in BORON + advanced materials with a focus on enabling decarbonisation as well as critical, high value applications within electric transportation, clean energy, food and domestic security. Susan was appointed to this role with effect from 24 April 2023.

**Specific contribution to the Company's long-term success**

Susan brings valuable manufacturing experience to the Board, especially in areas of key technological advances. Her operational and executive experience, particularly in automotive and component assembly, means she is well placed to understand issues at both operational and strategic levels.

## Bindi Foyle

Group Finance Director



### Committee membership:

Group's Executive Committee and the Treasury Committee, which is not formally appointed as a Committee of the Board.

### Qualifications

BSc (Hons) in Economics & Accounting and a Chartered Accountant.

### Skills and experience

Bindi Foyle joined the Board as an executive Director in May 2017 and became Group Finance Director in July 2017. Bindi joined Senior as Group Financial Controller in January 2006, a role she held until July 2014 when she became responsible for the Group's Investor Relations activities. Prior to her appointment as an executive Director, Bindi was Director of Investor Relations and Corporate Communications for the Group. Prior to joining Senior, Bindi held senior finance roles at Amersham plc and GE, having previously worked with BDO Stoy Hayward.

### External appointments

Bindi is a non-executive director of Avon Protection plc and is the Chair of its Audit Committee.

### Specific contribution to the Company's long-term success

Bindi's experience of financial control and investor relations and communications means that she is ideally placed to implement the strategy and policies approved by the Board. Since joining the Group in 2006, she has gained extensive knowledge of the running of all the Group's operations and is instrumental in managing the Group's finances and assisting the Group Chief Executive Officer in the management of the Executive team.

## Rajiv Sharma

Independent Non-Executive Director



### Committee membership:

Audit, Nominations and Remuneration.

### Qualifications

BTech in Mechanical Engineering and MBA, Marketing & Strategy.

### Skills and experience

Rajiv Sharma was appointed to the Board in January 2019. Rajiv has nearly 30 years' experience which includes commercial, operations, M&A, strategy, digital and general management. Rajiv joined Coats Group plc in November 2010 as Global CEO Industrial and was responsible for developing and executing a growth strategy. He has lived and worked in the US, Europe and Asia and has multi-industry global experience. He has managed complex businesses with blue-chip companies. The majority of his career has been dedicated to growing or turning around businesses and he has been on the board of joint ventures. During his career, Rajiv has held senior roles in various companies, including Honeywell, GE and Shell.

### External appointments

Rajiv has been the Group Chief Executive of Coats Group plc since January 2017, having served as an executive director since March 2015.

### Specific contribution to the Company's long-term success

Rajiv has had a long career running and growing multinational companies across the world, particularly in Southeast Asia. His background in mechanical engineering means that he brings operational and technical understanding to the Board's discussions. His experience of developing and executing growth strategy makes his contribution to delivering the Company's long-term success an important one.

## David Squires

Group Chief Executive Officer



### Committee membership:

David chairs the Group's Executive Committee. He is also the Chair of the Health, Safety & Environment Committee, which meets formally three times a year to formulate the Group's HSE strategy and objectives for approval by the Board.

### Qualifications

BA in Business Management Studies, a Fellow of the Chartered Institute of Purchasing and Supply and Fellow of the Royal Aeronautical Society.

### Skills and experience

David Squires was appointed to the Board in May 2015 and became Group Chief Executive Officer in June 2015. A graduate in business management, a Fellow of the Chartered Institute of Purchasing and Supply and Fellow of the Royal Aeronautical Society. David has held senior posts in operations and procurement, business development, programme management and general management. David started his career in the oil industry working for Shell; however, most of his working life has been spent in the aerospace industry, initially with Hughes Aircraft Company (now Raytheon), then GEC-Marconi/BAE Systems and Eaton Corporation. Prior to joining Senior plc in May 2015, David was Chief Operating Officer of Cobham plc.

### External appointments

David holds no other directorships.

### Specific contribution to the Company's long-term success

David has a long-established career in manufacturing, for the most part having specialised in the aerospace sector. He brings extensive knowledge of the aerospace industry and broad international experience, as well as understanding of supply chain and business development to the Board. David has been the guiding force in driving the Group's Vision and operating in a safe and ethical manner.

## Joe Vorih

Independent Non-Executive Director



### Committee membership:

Audit, Nominations and Remuneration.

### Qualifications

BS and MS in Mechanical Engineering and MBA

### Skills and experience

Joe Vorih joined the Board on 1 January 2024. Joe was previously the President of HBK, a division of and key platform business within Spectris plc. Prior to that, he worked for Clarcor Corporation, a NYSE listed business delivering filtration solutions; Stanadyne Corporation, a private-equity owned global fuel injection maker; and Danaher Corporation, also a US listed global business in industrial, test and medical equipment. Joe was also a Board Director of Muth Mirror Systems, a specialised automotive supplier.

### External appointments

Joe is the Group Chief Executive Officer of Genuit plc, a leading provider of sustainable water, climate and ventilation products and systems. He is also a partner in Rocky Neck Partners, LLC.

### Specific contribution to the Company's long-term success

Joe brings broad international engineering expertise in the automotive, aerospace and industrial sectors where Senior operates. His experience in integrating businesses and managing businesses through transition and lean transformation – in both public and private equity environments – will enable him to make valuable contributions to the Board.

## Mary Waldner

Independent Non-Executive Director, Chair of the Audit Committee and Director designated to engage with the Group's employees



### Committee membership:

Audit, Nominations and Remuneration.

Upon the retirement of Giles Kerr and Celia Baxter following the conclusion of the 2023 AGM, Mary was appointed the Chair of the Audit Committee and the Director designated to engage with the Group's employees.

### Qualifications

MA (Hons) in Physics and a Fellow of the Chartered Institute of Management Accountants.

### Skills and experience

Mary Waldner joined the Board in December 2021. Mary held a number of senior roles within the aerospace and automotive sectors at British Airways and General Motors. At Ultra Electronics, Mary gained experience of working within the defence, security and energy markets. She was previously the Group Finance Director of Ultra Electronics Holdings plc, the Director of Group Finance at QinetiQ Group plc and Group Financial Controller of 3i Group plc.

### External appointments

Mary is Chief Financial Officer of Lloyd's Register, the global professional services company specialising in engineering and technology for the maritime industry. She is also a non-executive director and Chair of the Audit and Risk Committee of Oxford Instruments plc, a provider of high technology products and services to the world's leading industrial manufacturers and scientific research institutes.

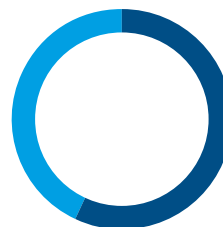
### Specific contribution to the Company's long-term success

Mary's background and experience in finance and in the engineering sector complements the current Board membership and is invaluable in Senior's continued development.

## Our Board as at 31 December 2023

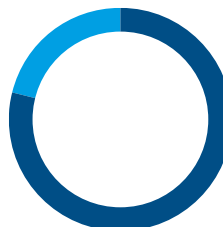
### Gender diversity

■ 57% Female  
■ 43% Male



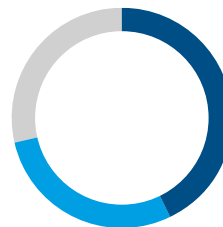
### Ethnic diversity

■ 71% White British or other White (including minority-white groups)  
■ 29% Asian/Asian British



### Tenure

■ 3 Over six years  
■ 2 Over three and up to six years  
■ 2 Up to three years



## Andrew Bodenham

Group Company Secretary



Andrew was appointed Group Company Secretary in 2002. He acts as Secretary to the Senior plc Board and its Committees; he is also a member of the Group's Executive Committee and of the Treasury Committee. Prior to joining Senior, Andrew had gained experience working for businesses in technology/software, manufacturing, insurance and aviation services sectors.



# Executive Committee

The Executive Committee oversees the running of all Senior Group Operations.

**David Squires**



**Martin Barnes**



**Andrew Bodenham**



**Launie Fleming**



**Bindi Foyle**



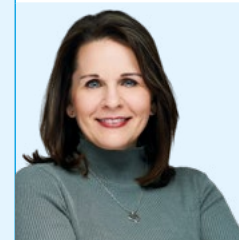
**Jane Johnston**



**Mike Sheppard**



**Amy Legenza**



**Executive Committee membership and meeting attendance**

The Executive Committee, led by the Group Chief Executive Officer, is responsible for the implementation of the decisions made by the Board and for the day-to-day conduct of the Group's operations. Its Terms of Reference can be found on the Company's website. The Executive Committee met nine times during 2023.

**David Squires**

See biography on page 85.

**Bindi Foyle**

See biography on page 85

**Martin Barnes**

Martin became the Director of Business Development & Strategy in October 2021 and was appointed to the Executive Committee on that date. Prior to this appointment, Martin was the CEO of Senior Flexonics Lymington and of Senior Flexonics Upeca. Martin joined the Senior Group in April 2016.

**Jane Johnston**

Jane joined Senior as Group HR Director in May 2016. A Fellow of the Chartered Institute of Personnel and Development, Jane has considerable experience heading up HR functions across a range of global geographies. She has worked in a number of different sectors, including technology, drug development, construction, professional services and, prior to joining Senior, was Group HR Director at Pace plc.

**Andrew Bodenham**

See biography on page 86

**Mike Sheppard**

A US citizen, Mike has worked for the Group for over 30 years and is the Chief Executive of the Flexonics Division. A qualified engineer, Mike's previous positions within the Group included operational roles at the two largest Flexonics businesses, Pathway and Bartlett.

**Launie Fleming**

A US citizen, Launie has worked for the Group for over 20 years. Launie joined the Executive Committee upon his appointment as Chief Executive of Aerospace Fluid Systems in September 2008. In October 2020, Launie was appointed Chief Executive of the Aerospace Division, formed by the consolidation of the Aerospace Fluid Systems division and Aerospace Structures division. Prior to these divisional roles, Launie was the Chief Executive of Senior Aerospace SSP.

**Amy Legenza**

A US citizen, Amy became the Director of Risk and Assurance on 1 January 2023 and was appointed to the Executive Committee on that date, having previously served as the Group's Head of Risk & Compliance. A Certified Public Accountant, Amy joined the Group in 2008 and has broad experience in senior finance and accounting roles.

# Board leadership and Company Purpose

## Role of the Board

The role of Senior's Board is to promote long-term, sustainable success of the Company, generating value for shareholders and creating positive outcomes for all stakeholders. It is responsible for the Group's strategic planning, establishing and upholding the governance framework and the approval of annual operating budgets and Financial Statements. Directors have a fiduciary duty to act within powers, promote the success of the Company, exercise independent judgment, exercise reasonable care, skill and diligence, and avoid conflict of interests. The Matters Reserved for the Senior Board, describing the responsibilities of the Board, are available on the Company's website. The Board met regularly during 2023 and effectively considered and addressed opportunities and risks to the future success of the Company. This was done through regular reviews of the Group's risk management and internal controls framework, holding a dedicated Board strategy session and maintaining oversight over the Group's sustainability progress. Throughout the year, governance supported the effective delivery of the Company's strategic priorities, as set out on pages 40 and 41.

The Board plays an important role in ensuring that the necessary resources are in place for the Company to meet its objectives. As part of the annual cycle of Strategic Review and Budget meetings, the Board identifies, reviews and approves the Company's financial, technological, human and capital resources required to meet its objectives. The Board monitors the Company's financial performance through a number of financial and non-financial KPIs, details of which can be found on pages 56 and 57 to measure progress in implementing the strategy. The Group's remuneration framework is reviewed annually to ensure it remains market competitive to attract and retain high quality executives. Succession plans for key leadership roles are also assessed bi-annually to ensure continuity of critical expertise.

## Key Board activities during the year

	Activities
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Revisiting the Company's Purpose.</li> <li>Updates on the Group's markets and technologies, divisional strategies, divestments and acquisitions, including the integration of Senior Aerospace Spencer.</li> <li>Feedback from the Executive Strategy session.</li> <li>Board Strategy session.</li> </ul>
<b>Financial, contractual and operational matters</b>	<ul style="list-style-type: none"> <li>Approval of the Group's full year 2022 and half year 2023 results.</li> <li>Approval of the 2022 final and 2023 interim dividends.</li> <li>Approval of various contracts and capital expenditure requests.</li> <li>Approval of the Group's insurance renewal terms.</li> <li>Business updates from senior management.</li> <li>Approval of the 2024 Group Budget.</li> <li>Updates on tax and treasury matters.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>Participating in, and reviewing the recommendations of the annual Board effectiveness review. agreeing the actions for implementation.</li> <li>Review and approval of the Modern Slavery Statement. Review of the Gender Pay Gap Report.</li> <li>Review of the Directors' Conflicts of Interests Register.</li> <li>AGM.</li> <li>Review and approval of the Board Diversity and Inclusion Policy.</li> <li>Review and approval of the Human Rights Policy.</li> <li>Review and approval of the Delegated Authority Matrix.</li> <li>Approval of Joe Vorih's appointment.</li> <li>Updates on legal, regulatory and corporate governance developments.</li> </ul>
<b>Risk and compliance</b>	<ul style="list-style-type: none"> <li>Review of the material financial and non-financial risks facing the Group.</li> <li>Update on trade compliance.</li> <li>Updates on information security.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Update from the Group HR Director and the Director designated to engage with the Group's employees.</li> </ul>
<b>Stakeholder Engagement</b>	<ul style="list-style-type: none"> <li>Updates from financial advisers and feedback from the investor roadshows.</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Updates on the Group's sustainability matters.</li> <li>Review of the Group's 2023 Group's climate risk assessment.</li> </ul>

To enable the members of the Board and its Committees to discharge their duties effectively, the Chair ensures that relevant and reliable information is provided to all Directors in a timely manner in advance of meetings. The Group Company Secretary supports the Board to ensure that it has in place appropriate policies, processes, time and resources to enable it to operate efficiently and effectively.

There is a procedure by which all Directors can obtain independent professional advice at the Company's expense in furtherance of their duties, if required, and they have been made aware of this.

## Case study

### BOARD STRATEGY MEETING

#### Background

Dedicated Board Strategy meetings are typically held at one of the Group's large operating business sites on an annual basis as a full day event. The purpose of these meetings is to provide space for focused discussions around the Company's long-term goals and priorities, allowing the Board to review and, if necessary, adapt the strategy in response to the changing market conditions. In 2023, the Board Strategy meeting was held at Senior Flexonics Bartlett, USA.

#### Strategy Meeting Agenda and Outcomes

1. Markets and technology updates: Having received a detailed presentation on current market trends and customer requirements, the Board was able to better understand new business opportunities opening up to Senior as part of the transition to a low-carbon economy. This information is critical when deciding on resource allocation and capital expenditure.
2. Divisional updates: The Board reviewed performance of the Aerospace and the Flexonics Divisions, including financial results, technology investments and competitive landscape. This analysis is useful in understanding how the Divisions are performing, the degree of their alignment with the overall Company strategy and their contribution to the Company's long-term goals.
3. Risk review and people planning: The Board considered the key risks that had the potential to impact the Company's strategy. This helped in understanding the emerging risks and ensuring that they are integrated into broader strategic planning and decision-making. Strategic Board discussions on HR-related matters recognised the need to develop programmes to upskill employees, enhance employee satisfaction and continue to develop strategies to improve diversity, in particular developing talented women.
4. Portfolio review: The Group's portfolio related to potential divestments and value enhancing acquisitions is reviewed in detail with the Board. These reviews are critical in ensuring the delivery of the Group's long-term strategy as well as enhancing the Group's long-term value and return on its investments.

#### Company Purpose, Values and culture

The Board is responsible for agreeing and defining the Company's Purpose. In 2023, we revisited our Purpose to align it with our strategic focus on fluid conveyance and thermal management, to better support our customers in transitioning to a low-carbon economy and to emphasise our environmental responsibility and Net Zero commitments. Our Purpose and Values can be found on pages 4 and 5.

We recognise the importance of aligning our Purpose, Values and strategy. In September 2023, we held a Leadership Conference "How to Thrive and Grow Through the Transition to a Low-Carbon World". Attended by the Group's leadership teams and employees involved in the strategic planning process, the event reiterated the alignment of the revised Purpose and the Group's strategic direction by providing insight into our customers' changing perspectives and showcasing how Senior's evolving technologies and products contributed to the revised Purpose. Further details can be found on page 49.

In Senior, we foster a culture that encourages and celebrates innovation. Within the framework of Senior's Technology Collaboration Forum, we launched our first Group-wide Innovation Competition. As a result of the 2023 Innovation Competition – "Innovation on the Road to Net Zero" – we were able to foster innovation at the operating business level, to engage our junior engineering, design and manufacturing talent across the businesses, providing an opportunity for personal and professional development; and to encourage our engineering talent to be bold and creative, challenge the status quo and take a pioneering approach. Further information can be found on page 26.

The Board recognises its role in assessing and monitoring the culture of the Group. In the first instance, the desired culture and Values are communicated to all employees through our Code of Conduct. This is further supported by Group-wide policies and practices. The Group ensures that its workforce policies and practices align with the Company's Values and support its long-term sustainable success. Our disclosures on pages 37, 79 and 90 and 91 illustrate how the design of policies and procedures across the Group is aligned with our Values.

The Board deploys various initiatives to monitor culture, including:

- engaging with the local workforce during regular off-site Board meetings, and the presentations made by the operating businesses to the Board during such meetings;
- initiatives on workforce engagement, carried out by Mary Waldner with the support of the Group HR Director, Jane Johnston;
- reviewing quantitative reporting metrics and health and safety, training completion percentage;
- reviewing qualitative reporting, such as results of employee engagement surveys, whistleblowing notifications and succession plans; and
- monitoring findings from the Group's internal and external audits by the Audit Committee.

Further information can be found on pages 35.

#### Internal controls and risk management

The Board has ultimate accountability for the Group's risk management process.

The Board determines the nature and extent of the significant actions necessary to achieve its strategic objectives and maintains a sound system of internal controls. The Company's Audit Committee reports to and, for certain matters, advises the Board of Directors. The Audit Committee Report on pages 100 to 105 describes the role and activities of the Audit Committee, together with the significant risks and judgments that it considered in relation to the 2023 Financial Statements and its relationship with the internal and external auditors. Details of the Group's approach to risk management and its Risk and Assurance Framework can be found on pages 58 to 69.

**Anti-bribery & Corruption**

Risks related to corruption are identified, assessed and managed using Senior's risk management process as shown on page 60. Senior has a zero tolerance policy for bribery and corruption, which means we do not offer, pay, solicit or accept bribes, kickbacks, facilitation payments, or other advantage in any form, either directly or indirectly. We will not participate in any kind of corrupt activity directly or through third parties. In particular, subcontracts, purchase orders or agency or consultancy agreements must not be used as a means of channelling payments to any third party. Senior's Code of Conduct clearly states that Senior will follow all applicable bribery and corruption laws that apply in the countries where we do business, including the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act. This principle is embedded in our Code and supported by three policies: Agents Policy, Gifts and Hospitality Policy and Whistle-blowing Policy.

**Agents Policy:** The Group recognises that the use of third-party intermediaries can increase potential bribery and corruption risks within the markets in which we operate. The Company conducts appropriate due diligence and ongoing monitoring of third parties with which it works, including regular screening, risk assessments, and compliance health checks. The Company also subscribes to third-party rating organisations to support its due diligence process, particularly when appointing agents and distributors. The Group's operating businesses are required to report on the agents and advisers appointed by them, on a biannual basis, to the Group Company Secretary. In addition, the Group Company Secretary must be notified when new agents are appointed. Biannual reporting is reviewed by the Audit Committee.

Employees are provided with training to raise awareness of the risks and potential consequences of corruption.

**Gifts and Hospitality Policy:** The Board recognises that gifts and hospitality have the potential to create a conflict of interest, or the perception of a conflict of interest. As a result, there is a Group policy restricting the receiving and giving of gifts and hospitality from, and to, third parties. This policy requires that all gifts and hospitality must be recorded annually through a self-declaration process. Employees must declare any gift or hospitality provided or received with the individual or annual aggregate value in excess of £200 (or lower amount) as specified in the Group Gifts and Hospitality Policy. The internal audits assess adherence to the Group's Gifts and Hospitality Policy during the on-site or remote audits conducted throughout the year.

**Whistle-blowing**

As part of our commitment to operate ethically, the Company has a Whistle-blowing Policy that is communicated throughout the Group. This Policy provides employees with the opportunity to report suspected unethical or illegal corporate conduct confidentially and anonymously.

Senior is committed to maintaining high ethical standards across the Group. Employees and representatives of Senior have an obligation to act honestly, with integrity and to comply with applicable laws. Consequently, employees are encouraged to report any suspected unethical or illegal corporate conduct in accordance with this Policy.

Senior will not tolerate the harassment or victimisation (including the application of informal pressure) of a person reporting corporate conduct in good faith. In addition to the legal protection provided to such employees, Senior will treat retaliatory conduct in violation of this Policy as a serious disciplinary offence.

The Group encourages its employees to discuss any ethical concerns that they may have with local management, or at Group level if more appropriate. Where an employee feels unable to approach local or Group management, or is dissatisfied with the response, they can contact Senior's third-party free whistle-blowing service provider by telephone, a web reporting tool or, in some languages, an app. The provider will pass on information to an investigating employee within Senior, maintaining anonymity of the individual, if requested. This service is available in all languages appropriate to our global locations.

All reports of suspected unethical or illegal corporate conduct are independently investigated and tracked from inception to resolution and, where necessary, actions are taken to rectify any weakness in systems that may have been identified. These actions, and the overall integrity of the reporting system, are subject to regular scrutiny by the Audit Committee. This process is also available to third parties, such as suppliers and customers. Subject to confidentiality considerations, the outcome of each investigation is provided, insofar as it is possible, to the individual who reported the concern. All reported whistle-blowing incidents are reviewed by the Board of Directors, which the Company believes to be the most appropriate forum.

The Group Company Secretary provides information on any reported whistle-blowing cases in regular secretarial reports to the Board of Directors. This is a standing agenda item at every Board meeting. In addition, the Group HR Director summarises the total cases and assesses if any patterns or trends are emerging. This is included in every Group Chief Executive Officer's report to the Board. The Director of Risk and Assurance provides whistle-blowing case information in her report to the Audit Committee.

**Human Rights and Modern Slavery**

During its September 2023 meeting, the Board approved the Group's Human Rights Policy. The Policy, along with the Code of Conduct and Modern Slavery Statement, sets out the standards we expect from our employees, customers and suppliers regarding human rights. The Policy can be found on the Company's website.

At Senior, we strive to do business in a responsible way, respecting the human rights of our workers and everyone we come into contact with. We also expect our suppliers to respect and adhere to the Policy. We believe, no matter where in the world we do business, we should do so responsibly, respecting the rights of our workforce and the communities in which we operate. We make choices all the time that affect people. The Group recognises the importance of the Universal Declaration of Human Rights and adheres to the core principles and values defined within it. The majority of countries in which Senior operates have their own laws banning child labour and promoting human rights. Senior monitors the ages of its workforce across the world to ensure compliance and identify any potential issues.

Senior is committed to preventing slavery and human trafficking in its corporate activities and throughout its supply chain. Senior does not restrict any of its employees in any of the countries in which it operates from joining a trade union if they wish to do so. Senior also works closely with its suppliers to ensure that they at least meet internationally recognised minimum requirements for workers' welfare and conditions of employment. Senior publishes the Modern Slavery Act Statement, which is kept under review and updated as necessary. The current statement, signed by the Group Chief Executive Officer and published in February 2023, can be found on the Company's website.

**Responsible Sourcing**

The Group has in place a Responsible Sourcing Policy which establishes the minimum sustainability standards expected of our supply chain. The Policy sets out Senior's Responsible Sourcing Principles, in support of the internationally recognised standards, including the UN Guiding Principles on Business and Human Rights and the Universal Declaration of Human Rights. Suppliers are expected to adhere to these principles at all times.



## Cyber security and data protection

Recognising critical importance of cyber security to the Group's sustainability, we maintained strong focus over this area.

### The Group's Information Security Strategy:

The purpose of the Group's Information Security Strategy is to provide assurance that there is sufficient focus on reducing risks of significant cyber attacks. In order to help us measure and understand the cyber security capabilities across the Group, we have scheduled independent cyber security maturity assessments for 2023 and 2025 using the NIST Cyber Security Framework, which is widely regarded by regulators and peers.

The executive responsibility for both Information Technology ("IT") and Information Security has been brought under one person with clear lines of accountability from operational IT leads to the Group Director of Information Security & Information Technology.

**Security awareness and training:** In 2023, all Group employees received training on Global Cyber Security Basics, which covered such topics as proper password management, understanding cyber security risks and dangers of email attacks. Employees also received regular guidance on how to identify and respond appropriately to potential cyber security threats, both in their personal lives as well as when at work.

**Risk management:** Information security risk assessments are routinely conducted across the Group, an example of which includes assessing third-party suppliers to ensure systems are secure by design. Risks identified by subject matter experts are reviewed with applicable risk owners and steps agreed to mitigate.

**Board oversight:** In 2023, the Group Director of Information Security & Information Technology presented to the Board on two occasions, providing updates on progress against the Group's Information Security Strategy, identifying specific focus areas for 2023, security issues identified during the year, the improvements to security made and the plans for the future.

**Certification:** The Group's Information Security Policy is based upon a number of recognised, international standards, including ISO 27001, NIST Cyber Security Framework and the CIS top 20 controls, which all Group operating businesses are required to follow.

### Procedures for outsourced data processing:

Where third-party data processing is utilised, the Group follows its internal data protection policies and risk assessment procedures, including reviewing contractual provisions for both existing and new providers.

**Compliance:** The Group has established mechanisms to ensure compliance with specific regulatory requirements. An Acceptable Use Policy is in place to provide guidelines for the acceptable and appropriate use of the Group's information technology and operational technology assets by all Group employees. The Policy sets out the controls that are in place to help reduce the risk associated with the inappropriate use of the Group's information technology and operational technology assets, which could lead to data loss, manufacturing disruption, virus or malware infection or other issues that could have a negative financial or reputational impact on the Group. In compliance with the Data Protection (Charges and Information) Regulations 2018, the Company is registered with the Information Commissioner's Office.

To ensure compliance with the General Data Protection Regulations ("GDPR"), both in the EU and the UK, the Company and all relevant Group operations have in place a GDPR policy and breach incident procedure which have been communicated to their employees. As the Company is not a public authority, its core activities do not require regular and systematic monitoring of individuals on a large scale and it does not process special categories of personal data, criminal convictions or offences data on a large scale, it is not required to appoint a data protection officer. However, the Company and relevant Group operations each have a Data Protection Champion, whom employees can approach for guidance if they have any queries or concerns relating to data protection. Compliance with data protection regulations will continue to be monitored on an ongoing basis.

**Plans for 2024:** As part of our ongoing assessments of our security and technical capabilities, we will continue to invest in and implement continual controls testing at both technical and operational levels, to ensure we remain resilient against the ever-changing cyber risks.

We will also be implementing additional regulatory assessments to evidence and demonstrate our alignment and adherence to the additional and newly updated regulations that will be introduced across our industry sectors in 2024.

## International Trade Compliance

The Code of Conduct includes a section dedicated to Complying with International Sanctions and Trade Compliance Requirements. It states "Senior will conduct its business in full compliance with all global trade laws and regulations and all relevant sanctions for the import and export of goods and services in the countries within which it operates."

- Read more about communicating the Senior Code of Conduct and operating with integrity on page 37.
- Read more about conflicts of interest procedure on page 98.

## Engagement with Stakeholders

The Board engages with a broad range of stakeholders through multiple channels. A summary of the Group's engagement with its key stakeholders can be found on pages 48 to 53 of the Strategic Report, and page 109 of the Remuneration Report.

The statement of compliance with section 172 can be found on pages 54 and 55.

Mary Waldner is the Director designated to engage with the Group's employees. The Board believes that Mary is well-suited to lead on the initiatives around employee engagement. Mary's excellent communication skills and empathy with diverse employee perspectives have helped establish trust and form strong connections with the workforce. In addition, Mary's background in the engineering sector has enabled her to resonate with employees and their challenges. Further details of the employee engagement initiatives can be found on page 49.

The Board considers various factors when assessing the effectiveness of its engagement mechanisms with the Group's stakeholders. Participation rates in employee engagement activities, employee satisfaction rates, nature of feedback received from shareholders, nature and frequency of whistle-blowing reports are some examples that the Board uses to measure the effectiveness. The Board remained confident in the effectiveness of the Group's engagement mechanisms and will continue its commitment to sustaining and adapting, where necessary, its approach.

# Division of responsibilities

## Board roles and responsibilities

Role	Director	Key responsibilities
<b>Company Chair and Chair of the Nominations Committee</b>	Ian King	(a) Leadership of the Board, setting the Board's agenda, the style and tone of Board discussions and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues; (b) supporting the Group Chief Executive Officer in the development of strategy and, more broadly, to offer guidance to the Group Chief Executive Officer; (c) promoting a culture of openness and debate by facilitating the effective contribution of non-executive Directors, and ensuring constructive relations between non-executive Directors and executive management; (d) ensuring that the Directors receive relevant, reliable, timely and clear information; (e) ensuring, in conjunction with the Group Chief Executive Officer, effective communication with shareholders; and (f) ensuring that the performance of the Board, its main committees and individual Directors are formally evaluated on an annual basis.
<b>Group Chief Executive Officer</b>	David Squires	Leadership of the Company, managing the Group's business, developing and implementing the strategy and policies approved by the Board.
<b>Group Finance Director</b>	Bindi Foyle	To manage the Group's financial affairs and to contribute to the management of the Group's business, and the implementation of the strategy and policies approved by the Board.
<b>Senior Independent Non-Executive Director, Chair of the Remuneration Committee</b>	Barbara Jeremiah	To support the Chair and to act as an intermediary for other non-executive Directors, if necessary. To chair the Remuneration Committee.
<b>Independent Non-Executive Director, Chair of the Audit Committee and Director designated to engage with the Group's employees</b>	Mary Waldner	To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board. To chair the Audit Committee and focus its agenda on its key matters: quality of financial reporting and controls, financial accounting, corporate reporting and effective internal controls. Mary is also a Director designated to engage with the Group's employees.
<b>Independent Non-Executive Directors</b>	Susan Brennan, Rajiv Sharma and Joe Vorih <sup>(1)</sup>	To challenge the executive Directors and monitor the delivery of the strategy within the risk and control framework set by the Board.
<b>Group Company Secretary</b>	Andrew Bodenham	To provide advice to the Directors on all corporate governance matters and ensure the Company complies with legal and regulatory matters and good practice. Andrew acts as Secretary to the Senior plc Board and its committees.

(1) Joe Vorih was appointed to the Board with effect from 1 January 2024

### Board Leadership

Senior's Board is led by Ian King, the non-executive Chair, who was independent upon appointment as Chair of the Company in 2018. As at 31 December 2023, the Board comprises the Chair, four independent non-executive Directors and two executive Directors. The Board approved the appointment of Joe Vorih as a non-executive Director with effect from 1 January 2024.

All Directors were selected for appointment because of their wide industrial and commercial experience. The Board considers all non-executive Directors of the Company continue to be independent, having taken into account a list of relationships and circumstances that may appear relevant in determining independence. Details of the members of the Board and of the Executive Committee can be found on pages 84 to 87.

### Division of Responsibilities

The Directors are confident that an effective Board is in place, with a clear division of responsibilities between the running of the Board and the running of the Group's operating businesses.

During 2023, the Chair met with the non-executive Directors to discuss matters in confidence, without the executive Directors being present; this is in line with good practice. Likewise, the Senior Independent non-executive Director met with the non-executive Directors to appraise the Chair's performance in 2023.

**Our governance structure**



**Time commitments**

The time commitments of the Directors is kept under review, and the potential for over-boarding monitored and discouraged. During the recruitment process, the Company clearly defines the expected time commitments to the potential Board Directors. At the same time, existing commitments of all Board candidates are assessed to ensure they have sufficient capacity and time to fulfil their directors' duties effectively. In 2023, the Board approved the appointment of Joe Vorih as a non-executive Director. During the short-listing process, the Board noted that Joe Vorih held a Chief Executive Officer role at Genuit Group plc and no other appointments that would conflict his role at Senior plc. Directors are required to disclose their significant external directorships, together with any conflicts that such directorships may pose, as part of the Conflict of Interests Register. In 2023, the Board reviewed the Register several times throughout the year and remained satisfied that the existing commitments of the Board Directors did not compromise the time commitment required. The Board undertakes its annual performance review which, among other matters, considers the performance of Board Directors, including their participation in and contribution to Board meetings.

**Governance structure**

The Board delegates a certain number of its responsibilities to the Audit, Remuneration and Nominations Committees.

There are procedures in place to ensure that all Directors are properly briefed, so that decisions taken by the Board are based on the fullest, up-to-date, available information.

Other committees are appointed by the Board to deal with treasury matters, disclosure matters and specific matters such as acquisitions and disposals.

**HSE Committee**

The HSE Committee is appointed by the Executive Committee; it oversees all health, safety and environmental matters across the Group. Its Terms of Reference can be found on the Company's website. The Committee met three times during the year, and there was full attendance at every meeting. In 2023, the minutes arising from all Board and HSE Committee meetings were made available to the Board. The Committee membership is shown in the table below:

	Role
David Squires (Chair)	Group Chief Executive Officer
Launie Fleming	Chief Executive of the Aerospace Division
Mike Sheppard	Chief Executive of the Flexonics Division
Andrew Bodenham	Group Company Secretary
Mark Roden	Group HSE & Sustainability Director

# Composition, succession and evaluation



**Ian King** | Chair

“Our commitment to diversity has continued to be of paramount importance.”

## Committee membership and meeting attendance in 2023

The Committee met six times during the year under review. Details on meeting attendance can be found on page 83.

Member	Role
Ian King	Chair of the Nominations Committee
Barbara Jeremiah	Senior Independent non-executive Director
Susan Brennan	Independent non-executive Director
Rajiv Sharma	Independent non-executive Director
Mary Waldner	Independent non-executive Director

Joe Vorih will become a member of the Committee with effect from 1 January 2024. The Group Company Secretary acts as Secretary to the Committee. Senior members of management and advisers are invited to attend meetings, as appropriate. Two members constitute a quorum for the Nominations Committee.

## Dear Shareholder,

On behalf of the Board, I am pleased to present the Nominations Committee Report for the year ended 31 December 2023 and provide you with an overview of the Committee’s work in key focus areas for 2023, such as Board appointments, succession planning, Board performance review and diversity.

One of the Committee’s focus areas was the recruitment process of the new non-executive Director, in line with the recommendations of the 2022 Board performance review. On 9 November 2023, we announced the appointment of Joe Vorih who assumed the position of a non-executive Director with effect from 1 January 2024. Further details of the recruitment process we followed can be found on page 95.

Succession planning remains a priority for Senior, and the Committee supported the Company in overseeing its succession plans, both for Board-level and key leadership positions. For executive succession planning, this work includes ensuring that potential future leaders are identified, supported and nurtured, enabling them to transition to leadership positions more seamlessly. More information on these activities can be found on page 96.

Our commitment to diversity has continued to be of paramount importance. The recruitment process for the new non-executive Director was designed to ensure that Senior’s Board representation in terms of experience, perspectives and backgrounds contributed to the depth and richness of its discussions. The Board’s progress in meeting the objectives of its Diversity Policy can be found on page 96. We recognise the importance of diversity at all levels of leadership. In 2023, the Committee reviewed and discussed the recommendations of the Parker Review that FTSE 350 companies should set their own targets for the percentage of their senior management who self-identify as being an ethnic minority. The Committee approved the target of 30%, to be achieved by December 2027, in respect of the Group’s senior management positions that will be occupied by ethnic minority executives. The decision to support the Parker Review with setting our internal target demonstrates our commitment to embedding diversity initiatives at all levels of the organisation, therefore developing a more diverse succession pipeline.

Recognising the importance of continued improvement, we conducted the annual performance review of the Board and its Committees. Overall, the review concluded that the Board had exercised strong governance and was operating effectively. Further information can be found on page 97.

In 2024, we shall continue our focus on succession planning and other initiatives to strengthen Board effectiveness.

This report was reviewed and approved by the Nominations Committee and signed on its behalf by:

**Ian King**

Chair of the Nominations Committee  
1 March 2024



# Nominations Committee Report

## Responsibilities

The Company's Nominations Committee leads the process for Board appointments and supervises leadership development and succession planning. It also makes recommendations to the Board on all new Board appointments and re-appointments. Primary responsibilities of the Committee include:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, and making recommendations to the Board with regard to any changes;
- ensuring plans are in place for orderly succession to Board and senior management positions, and overseeing the development of a diverse pipeline for succession;
- keeping under review the leadership needs of the organisation (both executive and non-executive) with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- leading the process of Board appointments;
- reviewing the time required from non-executive Directors; and
- reviewing the results of the Board performance evaluation process that relate to the composition of the Board and succession planning.

The Nominations Committee's Terms of Reference can be found on the Company's website. These are reviewed annually; any changes required as a result of the review are recommended to the Board.

## Committee activities during the year Membership of Board Committees, Independence and re-election

The Committee reviewed the composition of the Board Committees and confirmed that it remained appropriate. The Committee noted that, following Celia Baxter's and Giles Kerr's retirement from the Board following the conclusion of the 2023 AGM, the Board would consist of the Chair, four independent non-executive Directors and two executive Directors. Cognisant of the need to ensure that the mix of skills and experience of the Board and its Committees aligned with the Company's strategic objectives, the Committee decided that the recruitment of an additional non-executive Director, would commence later in the year.

Following the annual evaluation of the performance of each Director based on such factors as commitment to the role, contribution to Board discussions and attendance, the Committee recommended to the Board that all continuing Directors in office at the time of the

meeting stand for re-election at the 2023 AGM. Having reached their nine-year anniversary with Senior in 2022, Celia Baxter and Giles Kerr retired from the Board following the conclusion of the 2023 AGM.

Following the 2023 year end, having considered the composition of the Board and its Committees, the Nominations Committee made recommendations to the Board concerning the election and re-election of Directors at the 2024 AGM.

The Nominations Committee and the Board consider all of the non-executive Directors to be fully independent and free from conflicting interests which could cause difficulties whilst performing their duties. Senior considers its non-executive Directors to be proactive in contributing their respective experiences and skills gained from a range of sectors. Conflicts of interest are fully disclosed by Directors upon appointment and are reviewed on a regular basis throughout each year.

Details of the Directors' external statutory appointments can be found in their biographies on pages 84 to 86. The Board believes that the Directors' experience of working with other companies adds value to their contribution to the Company's Board and Committee meetings.

The Board confirms that in 2023 all Directors in office at the time worked assiduously and diligently. Each Board member made a very positive contribution to the running of the Company and the Board confirms that they will all continue to work to ensure its long-term success.

In compliance with the Corporate Governance Code, all Directors will offer themselves for re-election at the 2024 AGM. Joe Vorih was appointed to the Board in January 2024; he will stand for election at the AGM to be held in April 2024. Annual election and re-election of Directors' promotes accountability to shareholders and demonstrates good governance practice.

The resolutions to be put to shareholders at the 2024 AGM can be found in the Notice of Annual General Meeting, which is available on the Company's website.

## Appointments to the Board

The Company follows a rigorous, formal and transparent procedure for its Board appointments, which is conducted in accordance with the Board Diversity and Inclusion Policy. New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board, with diverse and inclusive Board and Committee composition. The Committee only engages with executive recruitment firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.

In 2023, we engaged Sam Allen Associates Ltd, an executive search consultancy firm, to assist with the recruitment of a new non-executive Director, as part of the Board's succession planning process. Sam Allen Associates is a member of the Standard Voluntary Code of Conduct for Executive Search Firms. The firm has no connection to the Company or any individual Directors.

As part of this recruitment process the Committee reviewed the list of potential candidates and discussed their suitability for the role. The Chair provided feedback to the Committee on each candidate he had interviewed; short-listed candidates were further interviewed by other members of the Board. In addition, they went through a strict referencing process during this stage. Following the conclusion of the interviews, Joe Vorih was identified as the most suitable candidate for the role of a non-executive Director. His appointment was announced on 9 November 2023.

The decision to proceed with the recruitment process demonstrates the Committee's focus on identifying and addressing the areas where Board composition could be improved as the Group's strategy evolves.

## Board induction and development

All Directors receive induction upon joining the Board and are encouraged to update their knowledge and skills on a frequent basis. The induction process typically includes the following key elements:

- introduction to the Company's business;
- governance structure;
- legal compliance and Group policies;
- information on Group strategy;
- financial information;
- meetings with the Chair and non-executive Directors;
- meetings with the executive Directors and members of the Executive Committee; and
- site visits.

Directors receive training throughout the year, and the Group Company Secretary provides the Board with statutory and regulatory updates at every Board meeting and notifies them of any pressing points

that are relevant between meetings. We recognise the importance of providing regular training to the Board Directors – this ensures they are well-equipped with the skills and competencies to fulfil their role effectively as the business and operating landscapes evolve. In 2023, the Directors completed the following training modules:

Taskforce on Climate-Related Financial Disclosures	<ul style="list-style-type: none"> <li>• Climate Change &amp; Financial Stability</li> <li>• Introduction to TCFD</li> <li>• Scope 1, 2 and 3 Emissions and SBTi</li> </ul>
Global Cybersecurity Basics	
2023 Code of Conduct	<ul style="list-style-type: none"> <li>• Cybersecurity</li> <li>• Promoting Safety and Security at Work</li> <li>• Protecting Human Rights</li> <li>• International Trade Compliance</li> </ul>
Anti-Money Laundering	

In addition, the Board received an update on various regulatory developments from the Company’s legal advisers.

The Directors believe that the Board and its Committees have the appropriate combination of skills, experience and knowledge to enable them to perform their duties effectively. Membership of the Board and its Committees is kept under regular review and refreshed when appropriate, taking into account the Directors’ lengths of service and their ability to devote sufficient time to Company matters. The Nominations Committee reviews the composition of the Board at least annually.

**Succession planning**

We recognise that orderly succession planning is necessary to ensure continuity in leadership, strategic oversight and decision-making. The Committee regularly considers succession planning for Board-level and the Group’s senior management roles.

In 2023, the Group Chief Executive Officer and Group HR Director provided two scheduled updates on the organisation’s succession plans to the Committee. The Committee was able to examine succession plans for the Executive Committee and their direct reports as well as the succession plans for key Divisional and Group roles. In addition, the Committee reviewed talent profiles for various individuals on the succession maps using the nine-box matrix, which evaluated employees based on two key dimensions – performance and potential. The matrix was used as a starting point for discussions around development needs and workforce strategies that may be considered for the individuals shown on the matrix. When reviewing succession plans, the Committee recognised the benefits of a diverse workforce, diversity of thought and employing individuals from diverse backgrounds and experience across the organisation, including Board members and senior managers.

In 2023, as part of the succession planning process, the Company continued with its leadership development programme – “Leading for Excellence” – with a specific focus on people management skills. In addition, a number of individuals included in the succession maps undertook The High Potential Trait Indicator assessment, which helped identify individuals’ leadership strengths and specific areas for improvement. Both initiatives support the Company’s focus on developing and nurturing those individuals who are capable of taking on leadership roles.

As part of its continued focus on improving gender balance in operational roles, the Nominations Committee considered various opportunities that could be used to support better gender balance, such as the use of different recruitment consultants, encouraging women to aspire to taking the next step in their careers as well as supporting the development of a women’s network. During 2023, Senior continued to participate in the “Mission Gender Equality”, a cross-Company mentoring programme.

The Committee remained satisfied with the evolution and progression of the succession planning process and was supportive of the initiatives to prepare high potential employees for future leadership roles.

**Board diversity and inclusion**

During its May 2023 meeting, the Committee reviewed and approved minor amendments to its Board Diversity and Inclusion Policy (The Policy). The Policy provides an effective framework for the Nominations Committee and the Board to follow in assessing the composition of the Board and its Committees and recommending the appointment of new Directors. The Company is committed to maintaining and promoting all aspects of diversity among the members of its Board and its Committees, including, amongst other qualities, diversity of age, gender, socio-economic, ethnical, professional or educational backgrounds, sexual orientation, disability, as well as cognitive and personal strengths.

The Policy is linked to the Company strategy in a number of ways. A diverse Board brings a broader range of perspectives, which enhance strategic discussions and decision-making. Furthermore, extending the pool of applicants to individuals from diverse backgrounds improves the Company’s strategic agility, as it allows it to draw on a wide spectrum of candidates.

The objectives of the Policy in force for the year-end 31 December 2023 include:

- maintaining no less than 40% of female representation on the Board, including having at least one female director in the senior Board position (Chair, CEO, Senior Independent Director or Chief Financial Officer);
- maintaining no less than one director from a minority ethnic background on the Board;
- embedding diversity and inclusion principles into the recruitment process for Board appointments and succession planning by only engaging with executive recruitment firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms; and
- working with executive recruitment partners to widen the pool of candidates by considering candidates from diverse backgrounds.

As at 31 December 2023, the Board has met all of the objectives set by the Policy.

In addition, we confirm that the Company has met the targets stipulated in the Listing Rule 9.8.6R(9) as at 31 December 2023. The numerical data on the ethnic background and the gender identity of the individuals on the Board of the Company and in its Executive Committee as at 31 December 2023 is set out on page 83. On 1 January 2024, Joe Vorih was appointed to the Board. Data used for the purpose of making the disclosures was collected through the Company’s diversity monitoring forms completed by the individuals on the Board of the Company and in its Executive Committee.

The information on the gender balance of those in senior management and their direct reports can be found on page 34.

## Board Performance Review

### 2022 Board performance review findings and the progress made in 2023

To recruit a non-executive Director with relevant industrial and business experience, ideally with a background in the fluid control/conveyance and thermal management sector.	Joe Vorih was appointed as a non-executive Director with effect from 1 January 2024. The Board felt that Joe's leadership and engineering background coupled with his broad international experience in Senior's industrial sectors would complement the current Board and prove invaluable to Senior's continued development.
To review the structure of the Nominations Committee meetings to give more time to discussions on Board composition and management succession planning, including development plans for individuals.	In addition to regular Nominations Committee meetings, we now hold stand-alone Committee sessions dedicated solely to succession planning. This approach has ensured that sufficient time is allocated for such in-depth discussions.
To review the structure of the Board meeting agenda to ensure more time is given to debate and engagement.	We have enhanced the design of our Board agendas by showing whether an agenda item is for decision, discussion or information. This has enabled more informed and focused discussions.
To optimise the Board meeting packs to ensure they are focused and relevant.	We have made improvements to the Board meeting packs by prioritising the most important information. To ensure the packs were not overloaded, background and supplementary information was included in the appendices or a separate section of the digital platform used for the meeting packs.

### How the 2023 Board performance review has been conducted

In 2023, the Board selected Clare Chalmers Ltd to undertake its annual performance review. This was the second year of the Board's engagement with Clare Chalmers Ltd, which has no other connection with the Company or its Directors, or any persons leading its appointment process. The performance review was carried out using a questionnaire-based approach, tailored in consultation with the Chair and the Company Secretary. The questionnaire covered the activities of the Board, such as Board Composition and Culture, Board Oversight, Stakeholders and Board Efficiency. In addition, it also assessed the effectiveness of the Board Committees (Audit, Remuneration and Nominations Committees). All Board Directors and members of the Executive Committee completed the questionnaire and provided their responses to the external reviewer. The responses were consolidated into a report and presented to the Board meeting in January 2024.

### The outcomes and actions taken

Overall, the Board performance review concluded that the Board had exercised strong governance and was operating effectively. The recruitment of Joe Vorih had complemented the Board skills, and the Board was looking forward to his contribution.

Board sessions had a good level of challenge and discussion, with appropriate and constructive input from non-executive Directors. There was a clear alignment between the Company's Purpose, strategy, Values and the overall culture within Senior. The Company had a strong and structured approach to risk management. The Board's approach to workforce engagement was effective in providing a direct channel to understand a broad range of views from the Group's employees.

The Chair was committed and fully engaged in the discussions taking place both within and beyond Board meetings. Barbara Jeremiah and Mary Waldner made a strong start in their respective committee Chair roles following the retirement from the Board of Celia Baxter and Giles Kerr. Barbara was effective in her role as the Senior Independent non-executive Director, supporting the Chair and making strong contributions on remuneration and governance matters. Mary Waldner – the new chair of the Audit Committee – was strong, experienced and knowledgeable. She was fully dedicated to her role of the designated non-executive Director for employee engagement.

The Board agreed the following focus areas for 2024:

- continue the focus on Board skills and succession; strengthen the induction process for new Board members with emphasis on Senior's strategy, products and technology awareness, including site visits;
- adopt a more formalised structured agenda and broader role for the Nominations Committee, to enhance its oversight of succession planning, approach to training, development and talent;
- continue to streamline Board processes by making the Board meeting packs more concise; and
- provide further opportunities for the Group employees to engage with and meet the members of the Board.

# Report of the Directors

The Directors present their Report and supplementary reports, together with the audited Financial Statements for the year ended 31 December 2023.

## Disclosures located elsewhere in the Annual Report & Accounts 2023

The Strategic Report on pages 1 to 79 includes details of Senior's Business Model, strategic priorities, financial and non-financial key performance indicators, risks and uncertainties, market overview, key growth drivers and a summary of the Group's 2023 performance.

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## Activities and business review

Senior plc is a holding company. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 79. Its Group undertakings are shown on pages 193 and 194. Six of the Company's operating businesses are located in the UK and 20 in the Rest of the World.

## Dividends

An interim dividend of 0.60 pence per share (2022 – 0.30 pence) has already been paid and the Directors recommend a 2023 final dividend of 1.70 pence per share (2022 – 1.00 pence). The final dividend, if approved, will be payable on 31 May 2024 to shareholders on the Register of Members at the close of business on 3 May 2024. This would bring the total dividend for the year to 2.30 pence per share (2022 – 1.30 pence).

## Policy on employee disability

Senior provides support, training and development opportunities to all our employees irrespective of any disabilities they may have. We give full and fair consideration to disabled applicants, and where an existing employee becomes disabled during their employment, we will make every effort to ensure they are able to continue working for Senior in their original or an alternative role.

## Employee share plans

Details of employee share plans are set out in Note 33.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital, and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code 2018, the Companies Act 2006 and related legislation.

The Articles may be amended by special resolution of the shareholders. The powers of Directors are described in the Matters Reserved for the Senior plc Board, which may be found on the Company's website. Each year, shareholder approval is sought to renew the Board's authority to allot relevant securities.

There are also a number of other agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements, and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

## Conflicts of Interest

The Board has a procedure for identifying and managing Directors' potential conflicts of interest. The Group Company Secretary maintains the Register of Directors' Potential Conflicts of Interest. Directors are required to declare their own potential conflicts, together with those of their close family members, their partners, any trust to which they are a beneficiary, a corporate body in which they have a 20% interest or above, or a firm in which they are a partner. The Directors review and confirm their Register entries at least annually. At every Board meeting, the Directors are required to declare if they have any potential conflicts of interest in the business to be discussed at the meeting. In 2023, the Directors confirmed there were no potential or actual conflicts of interest.

## Directors' indemnities

Qualifying third-party indemnity provisions for the benefit of the Directors were renewed by the Company during the year and remain in force at the date of this Report.

## Research and Design

In 2023, the Group incurred £20.0m (2022 – £19.8m) on research and design. Product development and improving manufacturing processes represent the primary focus of the Group's research and design activities.

## Political donations

No political donations were made by the Company or any of the Group's operations during the year.



## Major shareholdings

The Company has been notified that the following shareholders were interested in 3% or more of the issued share capital of the Company:

	% at 13 February 2024
Alantra Asset Management	14.15
Franklin Templeton	9.29
Aberforth Partners	6.24
Heronbridge Investment Management	5.67
Vanguard Group	4.78
Fidelity International	4.45
Columbia Threadneedle Investments	4.08
BlackRock	4.07
Janus Henderson Investors	3.47

So far as is known, no other shareholder had a notifiable interest amounting to 3% or more of the issued share capital of the Company, and the Directors believe that the close company provisions of the Income and Corporation Taxes Act 1988 (as amended) do not apply to the Company.

## Annual General Meeting

The Notice of Annual General Meeting describes the business to be considered at the AGM to be held at 11.30 am on Friday 26 April 2024 at Senior plc, 59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH. Please see the Notice of Annual General Meeting 2024 for the details of the AGM; a copy of the Notice can be found on the Company's website.

## Authority to purchase the Company's own shares

The Company purchased no ordinary shares of 10 pence each in the capital of the Company; 3,234,988 shares in the Company (2022–2,992,477 shares) were purchased by the Senior plc Employee Benefit Trust in the year to satisfy the future vesting of executive share awards and employee share plans. At the end of the year, the Directors had authority, under a shareholders' resolution dated 21 April 2023, to make market purchases of the Company's shares up to an aggregate nominal amount of £42m (2022 – £42m), which represented approximately 10% of the issued share capital of the Company. A resolution to renew this authority will be proposed at the forthcoming AGM.

## Auditor

Each of the persons who is a Director of the Company at the date of approval of this Annual Report & Accounts confirms that so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and the Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In 2016, the Group undertook a formal tender process for its external audit function, which resulted in KPMG LLP being appointed the Group's External Auditor for the financial year commencing 1 January 2017. KPMG's re-appointment was last approved by the Company's shareholders at the 2023 AGM. In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as Auditor of the Company is to be proposed at the forthcoming AGM.

By Order of the Board

## Andrew Bodenham

Group Company Secretary  
1 March 2024

# Audit Committee Report



**Mary Waldner** | Chair of the Audit Committee

“In 2023, during my first year as Chair, I was pleased to note the Group further strengthened its risk management processes”

## Dear Shareholder,

I am pleased to present my first Audit Committee Report to you since taking over as Chair of the Audit Committee on 21 April 2023, upon Giles Kerr’s retirement from the Board. Giles was a member of the Board and chaired the Audit Committee for nearly ten years and I would like to express the appreciation of the Board for Giles’s significant contribution. I joined the Company in December 2021; this was planned to ensure there was appropriate time for the handover process of the Audit Committee Chair to run smoothly. Giles brought much knowledge and experience to the role and I am continuing his approach to maintaining the integrity of the Company’s financial reporting and risk management and internal control procedures; my biography can be found on page 86.

The Audit Committee has been established by the Board and consists entirely of independent non-executive Directors. The primary role of the Audit Committee is to maintain the integrity of the financial reporting of the Group and to ensure appropriate risk management and internal control procedures. To enable the Audit Committee to fulfil this role, its main responsibilities include:

- conducting the process for selecting the External Auditor and making recommendations to the Board, and ultimately shareholders for approval, of the appointment of the External Auditor, the audit fee, initiating tender processes in accordance with regulatory requirements, and the resignation or dismissal of the External Auditor;
- if an External Auditor resigns, investigating the issues leading to this and deciding whether or not any action is required;
- monitoring and assessing annually the independence and objectivity of the External Auditor, its compliance with regulatory requirements, the effectiveness of the external audit process and authorising the provision, if any, of non-audit services and the impact this may have on independence;
- monitoring the integrity of the Company’s financial reporting, including its annual and the half-yearly reports, preliminary announcements and related formal statements. Reviewing and reporting to the Board on significant financial reporting issues and judgments which those statements contain, having regard to matters communicated to it by the Auditor.

Reviewing any other statements requiring Board approval which contain financial information where practicable and consistent with any prompt reporting requirements. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board;

- reviewing the Company’s statement on the Annual Report & Accounts prior to endorsement by the Board, that taken as a whole the Annual Report & Accounts is fair, balanced and understandable and provides the information necessary to assess the Group’s position and performance, Business Model and strategy;
- discussing with the External Auditor issues and reservations, if any, arising from the year-end audit and the half-year review, and any other matters the External Auditor may raise;
- reviewing and approving the terms of the External Auditor’s engagement, including the management representation letter addressed to the External Auditor at the start of each audit;
- reviewing the longer-term viability and the going concern basis of accounting in preparation of the Financial Statements of the Group;
- approving the appointment or termination of appointment of the Director of Risk and Assurance;
- reviewing the effectiveness of the internal audit function (currently headed by the Director of Risk and Assurance); considering the major findings of internal audit activities and management’s response; ensuring co-ordination between the internal audit function and the External Auditor; reviewing and approving the role and mandate of the internal audit function. Annually approving the Internal Audit Charter, ensuring it is appropriate for the Group’s current needs, that the function is adequately resourced and has appropriate standing within the Group;
- ensuring the internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensuring there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensuring that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;

- ensuring the internal Auditor has direct access to the Board Chair and to the Audit Committee Chair, providing independence from the Executive and accountability to the Audit Committee;
- carrying out an annual assessment of the effectiveness of the internal audit function;
- reviewing the effectiveness of the Group's internal control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- developing and recommending to the Board the Group's Policy for the Provision of Non-Audit Services by the External Auditor, including specifying permitted non-audit services and their approval requirements;
- ensuring the External Auditor's remuneration fee level is appropriate to enable an effective and high quality audit;
- monitoring the External Auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard;
- agreeing with the Board a Policy on the Employment of Former Employees of the Group's External Auditor, taking into account the Ethical Standard and legal requirements, and monitoring the application of this Policy;
- understanding the strategy at both Group and operational levels to ensure that business risks and other relevant issues are effectively identified and communicated to the Board;
- assessing the Audit Committee's capabilities in relation to diversity, risk experience and the financial expertise of its members;
- understanding the implications of changes to accounting standards;
- ensuring the Company's corporate ethics, anti-bribery and compliance procedures are up to date in terms of addressing the potential risks of fraud and misconduct;
- reviewing the Group's Whistle-blowing Policy, to ensure that appropriate procedures are in place for employees, contractors and external parties to raise, in confidence, any concerns that they may have relating to suspected malpractice, illegal acts, omissions or other unethical corporate conduct, regarding financial or other matters; and ensuring that arrangements are in place for investigation of such matters and follow-up action;
- giving due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules;
- after each Audit Committee meeting, the Audit Committee Chair formally reports to the Board on its proceedings and how the Committee has discharged its duties;
- working and liaising with all other Board Committees, ensuring interaction between the Committees and the Board is reviewed regularly; and
- considering any other topics specifically delegated to the Audit Committee by the Board from time to time.

Member	Appointment date	Retirement date
Mary Waldner (Committee Chair)	1 December 2021	–
Susan Brennan	1 January 2016	–
Barbara Jeremiah	1 January 2022	–
Rajiv Sharma	1 January 2019	–
Joe Vorih*	1 January 2024	–
Giles Kerr	2 September 2013	21 April 2023
Celia Baxter	2 September 2013	21 April 2023

\*Joe Vorih was appointed to the Board on 1 January 2024 and became a member of the Audit Committee on that date.

The Audit Committee is required to report its findings to the Board, identifying any matters where it considers that action or improvement is needed, and to make recommendations as to the steps taken.

### Composition of the Audit Committee

The Terms of Reference for the Audit Committee state that the Audit Committee shall be appointed by the Board from amongst the independent non-executive Directors of the Company, excluding the Company Chair, at least one of whom shall have recent and relevant financial experience. The Audit Committee shall consist of not less than three members, of which all shall be independent of any business connection with the Group. Appointments to the Audit Committee shall be for a period of up to three years, which may be extended by a maximum of two additional three-year periods, subject to the members remaining independent.

One member of the Audit Committee, Barbara Jeremiah, Senior Independent Non-Executive Director and Chair of the Remuneration Committee was appointed a non-executive director of Johnson Matthey Plc with effect from 1 July 2023. Johnson Matthey Plc, a related party of the Group, has been renting excess car parking space from one of the Group's operating businesses on a rolling monthly basis. The lease contract was in place prior to the acquisition of Thermal Engineering in 2013 by the Group and Barbara has had no involvement in the contract; further details can be found on page 191.

The Audit Committee is composed entirely of independent non-executive Directors, as shown in the table above.

Two members constitute a quorum for the Audit Committee. The Group Company Secretary acts as Secretary to the Audit Committee.

There was full attendance at every Audit Committee Meeting held during 2023.

Collectively, the members of the Audit Committee have significant commercial and financial experience at a senior management level. I have the recent and relevant financial experience required by the UK Corporate Governance Code to chair the Audit Committee. I succeeded Giles Kerr as Chair of the Audit Committee on 21 April 2023, when he retired from the Board as planned.

For details of the qualifications of members of the Audit Committee, please refer to the Board of Directors' biographies shown on pages 84 to 86.

No member of the Audit Committee has any connection with the company's External Auditor, KPMG LLP.

### Audit Committee's Terms of Reference

Periodically, the Audit Committee's Terms of Reference are reviewed to take into account current views on good practice and recent updates to the UK Corporate Governance Code. The UK Corporate Governance Code 2018 was adopted by the Audit Committee from the accounting period beginning on 1 January 2019. The Audit Committee's Terms of Reference were updated in December 2023, reflecting adoption of the FRC's Audit Committees and External Audit: Minimum Standard.

The Board expects the Audit Committee to have an understanding of:

- the principles, contents and developments in financial reporting, including the applicable accounting standards and statements of recommended practice;
- the key aspects of the Group's operations, including corporate policies, its products and services, Group financing, and systems of internal control;
- the matters that could influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the roles of internal and external auditing and risk management; and
- the regulatory framework for the Group's operating businesses.

The full Terms of Reference of the Audit Committee may be found on the Company's website.

**Activities of the Audit Committee**

The Audit Committee met on 21 February 2023 to consider the 2022 year-end report and during the subsequent 12 months conducted the following business on the four standard scheduled meeting dates, as indicated below:

**24 May 2023**

- Discussed and approved the external audit plan and strategy proposed by KPMG LLP for the 2023 audit, including materiality, scope, significant risks and other areas of audit focus, the audit cycle and auditor reporting.
- Reviewed KPMG LLP's 2023 Audit Fee Estimate.
- Reviewed and approved the terms of the proposed letter of engagement addressed to the External Auditor.
- Reviewed KPMG LLP's confirmation of its objectivity and independence, including identification of a permissible non-audit service that was carried out in 2022 from two residual components which was not communicated to the Group Auditors prior to commencement of the service. The Audit Committee was satisfied with the conclusions and actions taken by the Auditor.

**25 July 2023**

- Received and considered reports presented by the Director of Risk and Assurance including internal audit and risk management activities and an update on Audit and Corporate Governance Reform.
- Received an update from the Group's Internal Audit Manager.
- Received and reviewed KPMG LLP's assessment on its objectivity and independence.
- Reviewed the accounting presentation and judgmental issues, and the funding and liquidity reports for the half-year ended 30 June 2023.
- Reviewed, challenged and agreed the basis for going concern to be adopted for the 2023 Interim Results.
- Reviewed the Tax Memorandum for the half-year ended 30 June 2023.
- Reviewed and accepted KPMG LLP's Report to the Audit Committee on the half-year review for the six months ended 30 June 2023.
- Reviewed and approved the terms of the management representation letter addressed to the External Auditor.
- Discussed the Group's draft Announcement of the 2023 Interim Results together with the draft slides for the analysts' presentation.
- Approved KPMG LLP's proposed fees for the 2023 Audit.
- Noted the FRC's Audit Quality Review of KPMG LLP's audit work in 2022/23.

**27 September 2023**

- Reviewed the effectiveness of the external audit process.
- Assessed the significant risks that are considered by the Audit Committee, agreeing they would be broadly unchanged from 2022, apart from the removal of acquisition accounting as a significant risk, subject to review at the next meeting.
- Addressed governance agency recommendations on the Company's Annual Report & Accounts 2022, agreeing areas that could be better signposted in the Annual Report & Accounts 2023.
- Received and considered a report presented by the Director of Risk and Assurance which included internal audit activities.
- Reviewed the results of the bi-annual agents and advisors' status report.
- Reviewed the effectiveness and quality of the 2022 external audit.
- Approved the existing Policy for the Provision of Non-Audit Services by the External Auditor and the Policy on the Employment of Former Employees of the Company's External Auditor, with no changes required.
- Approved the draft updated Whistle-blowing Policy, to clarify practice.
- Approved the draft updated Terms of Reference of the Audit Committee, to bring it line with good practice.

**28 February 2024**

- Reviewed the accounting presentation and judgmental issues, and the viability assessment report for the year ended 31 December 2023, which included consideration of compliance with all debt covenants at all measurement dates out to 31 December 2025.
- Reviewed and approved the statements included in the Annual Report & Accounts 2023 concerning internal control, risk management, including the assessment of principal risks and emerging risks, TCFD and the Viability Statement.
- Reviewed, challenged and agreed the going concern basis to be adopted for the 2023 Accounts.
- Reviewed the Tax Memorandum for the year ended 31 December 2023.
- Reviewed and accepted KPMG LLP's Report to the Audit Committee on the audit of the Financial Statements for the year ended 31 December 2023.
- Reviewed KPMG LLP's confirmation of its independence and objectivity.
- Reviewed and approved the terms of the management representation letter addressed to the External Auditor.
- Approved the Audit Committee Report for 2023.
- Reviewed the effectiveness of the Group's risk management and internal control systems and disclosures made in the Annual Report & Accounts 2023.
- Reviewed an assessment of potential fraud during the year and were satisfied that risk of fraud and misconduct was addressed appropriately.
- Reviewed the draft Annual Report & Accounts 2023 and reviewed the Company's statement on the draft Annual Report & Accounts prior to endorsement by the Board, that, taken as a whole, the draft Annual Report & Accounts is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, Business Model and strategy.
- Discussed the Group's draft Announcement of the 2023 Final Results together with the draft slides for the analysts' presentation.
- Reviewed the Notice of Meeting for the 2024 AGM and the Proxy Form for the 2024 AGM.
- Received and considered a report presented by the Director of Risk and Assurance, which included the proposed 2024 internal audit plan.
- Reviewed and approved the Internal Audit Charter.
- Assessed the effectiveness of the internal audit function.



The Audit Committee held a private meeting with the External Auditor and a private meeting with the Group's Director of Risk and Assurance on 25 July 2023 and 28 February 2024, without Executive management being present.

In addition to the four scheduled meetings summarised above, two Audit Committee meetings were held in November 2023, to discuss the Audit and Corporate Governance Reform proposals and to approve the draft Trading Update for the 10-month period ended October 2023; the latter being subject to final confirmation by the Disclosure Committee.

During the year, the Audit Committee held discussions on the Audit and Corporate Governance Reform proposals and considered how best to address the possible changes; it agreed to monitor the situation and take appropriate action once the reforms have been clarified and the implementation date announced.

### Audit Committee Attendance and Separate Discussions

The Audit Committee typically invites the non-executive Chair, Group Chief Executive Officer, Group Finance Director, Group Financial Controller, the Group's Director of Tax & Strategic Finance, the Group's Director of Risk and Assurance and senior representatives of the external audit firm to attend its meetings, although it reserves the right to request any of these individuals to withdraw from any meeting.

During 2023, the Audit Committee also held separate discussions with the External Auditor and the Group's Director of Risk and Assurance, without Executive management being present. In addition, the Chair of the Audit Committee held separate meetings with each of these during the course of the year.

### Significant risks considered by the Audit Committee

The table below summarises the significant risks considered by the Audit Committee, including significant judgments and estimates:

Significant risks considered by the Audit Committee	How the risk was addressed by the Audit Committee
<p><b>Other provisions</b></p> <p>Provisions are held where management considers there is an obligation, payment is probable and the amount payable can be reliably estimated.</p> <p>Provisions held by the Group include but are not limited to:</p> <ul style="list-style-type: none"> <li>those held against legal claims and contractual matters, product warranties; and</li> <li>tax provisions for uncertain risk exposures.</li> </ul> <p>There is a risk that other provisions overstate or understate the associated liability.</p>	<p>The Audit Committee considered the basis upon which management had made its accounting judgments to determine the level of other provisions. The Audit Committee receives a separate report from the Group Head of Tax &amp; Strategic Finance that sets out the various uncertain risk exposures and any related provisions that are based on the best estimate of the amounts likely to be payable. The Audit Committee carefully considers the assumptions applied and provides appropriate challenge including an assessment of the related sensitivities (See Note 21). These were further discussed with the External Auditor.</p> <p>The Audit Committee believes there are no further reportable issues arising from these significant areas.</p>

Acquisition accounting, which was a significant risk in the Annual Report & Accounts 2022, is no longer considered a significant risk due to the acquisition being in the prior year.

### Other judgments and estimates

The Audit Committee considered other areas of focus where judgments and estimates have a significant effect on the amounts recognised in the 2023 Financial Statements. These areas of focus and how they were addressed by the Audit Committee are described below:

Other focus area considered by the Audit Committee	How these were addressed by the Audit Committee
<p><b>Other key judgments and estimates</b></p> <p>These include, but are not limited to, judgments and estimates in areas not covered by significant risks such as inventory net realisable value, going concern and viability, goodwill impairment assessment, retirement benefits, leases and tax (excluding provisions for uncertain tax which is a significant risk).</p>	<p>The Audit Committee reviewed the accounting presentation and judgmental issues paper, including a funding and liquidity report, for the related reporting period from the Group Financial Controller. In addition, the Audit Committee received a tax memorandum paper for the related reporting period from the Group's Head of Tax &amp; Strategic Finance.</p> <p>In its review of these presentation papers, the Audit Committee challenged management on the critical accounting judgments, and the key sources of estimation and uncertainty that were taken in the preparation of the Financial Statements, and concluded that they were appropriate.</p> <p>The Audit Committee believes there are no further reportable issues arising from these other key judgments and estimates.</p>

### Presentation of results

The Board has a policy, which has been clarified in 2023, to separately disclose items it considers are outside the normal course of management oversight and control on a day-to-day basis and are not reflective of in-year trading performance. Indicative criteria such as period to which the item relates and external driven factors that are outside of the control of the Group in combination with the magnitude and consistency of application are also considered. The Audit Committee assessed the presentation to ensure a fair and balanced treatment of what is and is not included as an adjusting item.

The Audit Committee considered the accounting policy applied to exclude adjusted items by reference to guidance issued by the FRC and the European Securities and Markets Authority ("ESMA"), and the need to ensure any alternative performance measures are presented with equal prominence to reported figures and on a consistent basis year-on-year.

The Audit Committee discussed the presentation of adjusted items with the External Auditor, and concurs with management's view that the presentation of items excluded from and include in adjusted results, combined with wider disclosures throughout the Annual Report, provides useful information to aid the understanding of the performance of the Group.

### External audit

#### Independence of the External Auditor and policy on the provision of non-audit services

To fulfil its responsibility regarding the independence of the External Auditor, the Audit Committee reviewed:

- a report from the External Auditor describing the arrangements that had been made to identify, report and manage any conflicts of interest and to maintain its independence; and
- the FRC's Audit Inspection Unit public report on KPMG LLP.

The Audit Committee's policy in respect of services provided by the External Auditor and its Policy on the Provision of Non-Audit Services by the External Auditor are as follows:

- The External Auditor is invited to provide services which, in its position as auditor, it must or is best placed to undertake. This includes formalities relating to borrowings, shareholder and other circulars, various other regulatory reports and certain work in respect of larger acquisitions and disposals;

- The Company has a Policy on the Provision of Non-Audit Services by the External Auditor, which is in line with the recommendations set out in the Financial Reporting Council's ("FRC") Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2019) (the "Ethical Standard"). In line with these recommendations and requirements, the external audit firm is only appointed to perform a service when doing so would be consistent with both the requirements and the overarching principles of the Ethical Standard, and when its skills and experience make it the most suitable supplier. In addition, the Ethical Standard requires an assessment of whether it is probable that an objective, reasonable and informed third party would conclude independence is not compromised. The approval of the Audit Committee must be obtained before the External Auditor is engaged to provide any non-audit services and these services are limited to activities which feature on the approved Permitted Non-Audit Services list. The total fees for non-audit services shall be limited to no more than 70% of the average of the statutory audit fee for the Company, of its controlled undertakings and of the consolidated Financial Statements paid to the External Auditor in the last three consecutive financial years;
- Other services may not be provided where precluded by law, regulation, or Ethical Standards or where the Audit Committee believes that it would compromise audit independence and objectivity; and
- All proposed contracts for permitted services to be provided by the External Auditor require the Audit Committee's approval. Approval for permitted services below £0.050m has been delegated by the Audit Committee to its Chair and below £0.025m to the Group Finance Director.

In 2023, the level of permitted services undertaken by KPMG LLP was broadly unchanged, as set out in the table below. The Audit Committee considered that it was beneficial for the Company to retain KPMG LLP for a small amount of permitted non-audit work and audit related services, because of the firm's knowledge of the Group and our requirements that the Interim audit to be performed by the External Auditor. The Audit Committee continues to closely monitor the nature and level of such permitted non-audit work.

Fees	2023	2022
Interim review	<b>£0.06m</b>	£0.06m
Permissible tax audit required in India, assessment of tax incentives in Thailand and certification of expenses in UK and France (2022 – assessment of tax incentives in Thailand and certification of expenses in India)	<b>£0.01m</b>	£0.01m
<b>Total audit-related services:</b>	<b>£0.07m</b>	£0.07m
<b>Non-audit related services:</b>	<b>£nil</b>	£nil

KPMG have not performed any non-audit services during the year ended 31 December 2023 or subsequently which are prohibited by the FRC Ethical Standard.

#### Policy on tendering

In order to maintain auditor independence and comply with FRC, EU guidance and the provisions of the CMA Order 2014 on audit tendering, the Group undertook a formal tender of its external audit during the first half of 2016, led by the Audit Committee. The appointment of KPMG LLP as the Group External Auditor for the financial year commencing 1 January 2017 received approval by shareholders at the Annual General Meeting held in April 2017. The Audit Committee reviews annually whether it is appropriate to put the external audit out to tender and concluded in 2023 that it was not appropriate to do so. The Audit Committee fully evaluates auditor performance and independence annually but does not favour mandatory five-year rotation.

### Assessment of external audit quality and effectiveness

The Audit Committee reviewed the effectiveness of the External Auditor and the external audit process, including an assessment of the quality of the audit, at its September 2023 meeting.

In 2023, the effectiveness of the external audit process was again performed by assessing a range of key areas through a formal questionnaire that was individually distributed to all the members of the Audit Committee and all other Executive and non-executive Directors. This framework required consideration of performance areas which needed future focus by the External Auditor, the areas where the External Auditor was meeting expectations and those where it was considered to have a strength.

Senior management received answers and comments from all questionnaires and consolidated them into a report. The Audit Committee used this report to facilitate a debate at its September 2023 meeting and to assist in assessing the level of external audit effectiveness. The Audit Committee discussed: the calibre of the external audit firm, the robustness of the external audit process and degree of challenge to matters of significant audit risk and areas of management subjectivity, the degree of professional scepticism applied by the External Auditor, the quality of delivery of the audit and the service provided by the External Auditor, the Audit Partner, the audit approach and planning, the role of management, the communication by the Auditor to the Audit Committee, the provisions of support for the work of the Audit Committee by the Auditor, the sharing of insights and adding value by the Auditor, the audit fee, the Auditor's independence and objectivity, and the quality of formal reporting by the Auditor to the Audit Committee. Examples of the Auditor's professional scepticism and challenge of management's assumptions, as noted by the Committee, include reviewing the range of outcomes to assess the levels of provision for uncertain tax positions, performing benchmarking of management's assumptions for the valuation of defined benefit obligations by comparing assumptions using their independent expectations and challenging assumptions on recognition and measurement basis of customer claims provisions. Feedback about the effectiveness of the external audit process from the local management teams was also considered by the Audit Committee. The Audit Committee concluded that the External Auditor had challenged the thinking of the Company and of the Audit Committee on a number of significant issues and had maintained its independence, notwithstanding the provision of an insignificant non-audit service to a residual component of the Group as discussed in the previous section.

In July 2023, the Financial Reporting Council (FRC) published its 2022/2023 Audit Quality Inspection Reports (AQIR) for each of the largest audit firms, including KPMG; at its July 2023 meeting, the Audit Committee noted the key findings of this report with respect to KPMG, together with areas of good practice that had been identified. Following completion of the assessment process outlined above, the Audit Committee concluded that it was satisfied with the effectiveness of the External Auditor; as a consequence, the Audit Committee has recommended to the Board that KPMG LLP be re-appointed as Auditor for 2024.

### Specific areas referred to the External Auditor

In 2023, the Audit Committee has not asked the Auditor to explicitly review any specific areas because the significant risks and other focus areas considered by the Auditor where aligned with the significant risks considered by the Audit Committee. The Audit Committee was satisfied with the results of the Auditor's results and findings.

### Internal audit

The Audit Committee is required to assist the Board in fulfilling its responsibilities relating to the effectiveness, resourcing and the plans of the Group internal audit function, which were headed by the Director of Risk and Assurance throughout 2023. The Internal Audit Manager reports to the Director of Risk and Assurance.

In 2023, as set out on pages 58 to 60, the Group further strengthened its risk management procedures and these have been reviewed by the Audit Committee. Risk has been assessed on a top down and bottom up basis, and including the consideration of emerging risks. A risk-based programme of internal audit has been conducted in the year. In 2023, the internal audit programme was delivered through a combination of face-to-face and remote working methods.

The Chair and non-executive Directors are actively encouraged to visit the Group's operating businesses unaccompanied by executive Directors. Such visits enable the Directors to meet the local management teams and employees and also undertake site tours to review matters including production methods, health and safety and the status of internal audit findings. These visits are viewed by the Audit Committee as making a positive contribution to the internal control framework.

### Conclusion

As a result of its work during the year, the Audit Committee has concluded that it has acted fully in accordance with its Terms of Reference. At its meeting held on 28 February 2024, the Audit Committee considered each section of the draft Annual Report & Accounts 2023, and the document as a whole, as proposed by the Company; it reached a conclusion and advised the Board that it considered the draft Annual Report & Accounts 2023 to be fair, balanced and understandable and that it provided the information necessary for shareholders to assess the Group's position and performance, Business Model and strategy. As the Chair of the Audit Committee, I will continue, where appropriate, to be available to engage with shareholders on the scope of the external audit and other significant matters related to the Audit Committee's areas of responsibility and I will be available at the 2024 AGM to answer any shareholders' questions about the work of the Audit Committee.

### Approval

This Report was reviewed and approved by the Audit Committee and signed on its behalf by:

### Mary Waldner

Chair of the Audit Committee  
1 March 2024

# Remuneration Committee Report

## Chair's Annual Statement



**Barbara Jeremiah** | Chair of the Remuneration Committee

"We are extending the scope of our remuneration targets to acknowledge the importance of outstanding performance in managing our impact on the environment and inspiring our people."

### Dear Shareholder,

Following my appointment as Chair of the Remuneration Committee in April 2023, I am delighted to introduce the Report of the Committee for the financial year ended 31 December 2023. I would like to acknowledge my predecessor Celia Baxter and her expert chairing of the Committee over the previous nine years. This statement sets out the work of the Committee during the year and provides the context for the decisions taken.

During the year, the Committee undertook a full review of the Directors' Remuneration Policy in advance of proposing a new Policy for shareholder approval at the AGM in April 2024. We are not making fundamental changes to the structure of the Policy or to our overall approach to incentives, but we have taken the opportunity to update the Policy in recognition of Senior's continuing progress and the growth observed during 2023. Full details are set out below.

### The link between strategy and remuneration

Senior's Vision remains unchanged: we aim to be a trusted and collaborative high value-added engineering and manufacturing company producing sustainable growth in operating profit, cash flow and shareholder value. This Vision is supported by a number of key strategic priorities, explained in detail in the Strategic Report.

The Remuneration Policy and its implementation aligns with the Vision and the strategy. In particular, the incentive structures – the annual bonus plan and the Long-Term Incentive Plan ("LTIP") – reward participants for meeting stretching targets tied closely to our core financial goals and the focus on shareholder returns. Over time we have evolved our approach to performance measures to reflect changes in strategic focus and the views of shareholders. This year is no different, as we have decided to introduce non-financial measures to a portion of the annual bonus for 2024, linking incentives closely with Senior's sector-leading approach to sustainability and wider ESG matters. Our rationale is explained further below.

### Senior's performance during 2023

Committee decisions on remuneration outcomes for 2023 and the Remuneration Policy approach for 2024 take into account the good level of performance reported for the year under review. As explained in the Chair's Statement and the Group Chief Executive Officer's Statement, Senior has continued to make strategic, operational and financial progress, with good order intake across the Group. Key headlines include:

- the Group's revenue increased by 14% (on a constant currency basis);
- adjusted operating profit increased by 61% (on a constant currency basis);
- the Group's adjusted operating margin increased by 140 basis points, to 4.8% for the full year;
- adjusted Earnings per Share ("EPS") increased by 136%, to 10.28 pence; and
- the Group generated free cash flow of £15.5m.

2023 was another strong year for our sustainability strategy as we achieved validation of our Net Zero emission reduction targets by the Science Based Targets Initiative ("SBTi").

### Executive Directors' remuneration for 2023

In January 2023, the basic salaries of the Group Chief Executive Officer and the Group Finance Director were increased by 5.4% and 5.5% respectively. In setting these salaries, the Committee was cognisant of the increases applied to the wider UK workforce, which were typically 6% or higher, depending on skills and geographic location. The Committee also undertook a comprehensive benchmarking exercise of the Executive Committee roles and of other key executives.



Both executive Directors were eligible for an annual bonus of up to 125% of basic salary, payable subject to the achievement of targets linked to adjusted EPS (60% weighting) and free cash flow (40% weighting). The Committee considered the 2022 outcome before setting specific targets for the 2023 annual bonus and these targets are disclosed in the Annual Report on Remuneration on page 121. Given the strong level of performance for the year, bonuses were achieved at a level of 85.4% of the maximum, leading to payments of 106.8% of basic salary for both Directors. In reviewing this outcome, the Remuneration Committee considered the wider performance of the business during the year and the contributions of the management team to the successful implementation of the strategy for the year. In line with the Remuneration Policy, bonuses will be paid two-thirds in cash and one-third in Senior shares, deferred for three years.

Shortly after the 2023 year-end, the Committee considered the level of performance achieved against the targets set for the LTIP award granted in 2021. This was the first award in which we added Return on Capital Employed ("ROCE") as a measure to complement adjusted EPS and relative Total Shareholder Return ("TSR"), each metric having a one-third weighting. Senior's progress and recovery over the full three-year performance period was illustrated by the extent to which the targets were met; the adjusted EPS and relative TSR performances were above the respective maximum thresholds, whereas the ROCE performance was below the relevant minimum threshold. Taking into account these achievements, the Committee determined that the 2021 award will vest at a level of 66.7%. The Committee did not exercise any discretion to adjust the LTIP outcome. The awards will vest in March 2024 and will be subject to a two-year post-vesting holding period.

A further LTIP award was granted in March 2023 to the executive Directors and around 50 senior leaders within the Group. As explained in last year's report, the grant size for this award was increased to drive material outperformance during the next stage of Senior's business recovery. For the executive Directors, this meant that the award was granted at a level of 200% of basic salary, an increase above the normal level of 150%. In recognition of the higher grant size, additional stretch was built in to performance targets such that full vesting will require a level of performance in excess of what would have been required for a grant at a level of 150%. We retained a mix of ROCE, adjusted EPS and relative TSR for the award, these continue to be measures which align well with our strategy and with the priorities of many of Senior's major shareholders.

The Committee was delighted with the level of support received from investors, noting in particular the 99% vote in favour of the Directors' Remuneration Report resolution at last year's AGM.

### A new Directors' Remuneration Policy

The Directors' Remuneration Policy was last approved by shareholders at the AGM in 2021 and, in accordance with the UK regulations, is due for renewal at the AGM to be held in April 2024. During 2023, the Committee reviewed the Policy and considered whether any changes are required in light of the evolution of Group strategy, wider market trends, regulatory changes and evolution in investor expectations. We concluded that the Policy remains consistent with Senior's focus on recovery, as aerospace customers gradually return to pre-COVID production levels along with our strategy and positioning in attractive and structurally resilient core markets. The Policy is also fully compliant with the UK Corporate Governance Code. As a result, no fundamental changes to the overall shape and structure of the Policy are proposed. We have decided to retain the same mix of fixed and variable remuneration, with incentives provided through the annual bonus plan and the LTIP. The modifications set out below – including in respect of the proposed implementation of the Policy for 2024 – are designed to ensure that the Policy remains appropriate for the next three-year period.

1. **Annual bonus plan.** The maximum bonus opportunity will increase from 125% to 150% of basic salary for both executive Directors. The Committee believes that this enhanced incentive is appropriate given the executive Directors have proved themselves to be highly capable leaders of a company that has made a strong recovery over the post-pandemic period. A maximum bonus of 150% is more closely aligned with standard market practice at relevant UK comparators and is suitably competitive. We recognise that a higher bonus multiple should be accompanied by targets which are appropriately stretching, and we have adopted this approach for the plan design for 2024. As explained below, we have also introduced new non-financial metrics into the plan, extending the strategic linkage for incentives. The deferral mechanism in the bonus plan – requiring one-third of any bonus to be paid in deferred shares – remains unchanged.

2. **LTIP.** The approach of granting equity awards which vest after three years, subject to the satisfaction of challenging performance targets, works well and aligns with Senior's focus on long-term, sustainable performance. Each year, we will continue to set stretching targets which are consistent with the strategic priorities of the business, and vested awards will continue to be subject to a two-year holding period. The one change we are making is that the maximum grant level will be 200% of basic salary, an increase from the 150% limit in the current Policy. This higher level provides an appropriate level of upside reward potential for the current stage of the recovery and growth of the business and for the outstanding levels of performance which are required to hit maximum vesting levels under the LTIP. As evidenced by the targets agreed for the 2024 award, we deliberately set stretching goals which, if achieved, would represent an outstanding level of performance which we believe should be rewarded accordingly.

3. **Post-employment shareholding requirements.** We introduced these requirements at the time of the last Policy renewal in 2021, and we are now making one minor modification. At present, the requirement applies for two years following cessation at the lower of (1) 80% of the in-employment shareholding guideline in place prior to cessation, and (2) the actual shareholding held at the time of cessation. We are changing this so that the first part relates to 100% of the in-employment guideline, which is consistent with the general preference of investors. We are also clarifying that this post-employment requirement excludes shares purchased by the executive Directors from their own resources or shares retained at vesting rather than being sold to cover tax liabilities (i.e. where the executive Director elects to pay the tax themselves).

The Committee believes that these changes will provide a Policy framework which will work well for the next three-year period as Senior embarks on the next stage of its growth trajectory. The full Policy can be found on pages 111 to 117. Alongside the Policy, the Committee has also agreed a new set of formal LTIP rules, as the current plan reaches the end of its 10-year life in 2024. The rules are fully aligned with the new Policy, and shareholders will be asked to vote on both the new Policy and the new rules at the forthcoming AGM.

#### Implementation of the Policy for 2024

As part of the Policy review, the Committee also considered carefully how executive remuneration should operate for the year ahead. Basic salaries will increase by 4.8% and 5.0% for the Group Chief Executive Officer and the Group Finance Director respectively, with effect from 1 January 2024. This compares with an average increase of 6% for employees across our UK operations. Pension contributions for the Directors will remain at 15% of basic salary, aligned with the contribution rate available to the majority of the UK workforce.

Subject to shareholder approval of the new Policy, the executive Directors will have the opportunity to earn up to 150% of basic salary as an annual bonus for 2024. A total of 80% of the bonus will remain subject to the achievement of challenging financial targets linked to adjusted EPS and free cash flow. The weightings between the two measures are unchanged (60%/40%).

For the final 20% of the bonus, we have decided to introduce two new quantitative non-financial measures. The first measure (representing 10% of the total bonus) rewards absolute reductions in Scope 1 and Scope 2 emissions in 2024 consistent with our SBTi-validated target of a 30% reduction in these emissions by 2025 (from a 2018 baseline). The second measure (representing the final 10% of the total bonus) mandates improvements to Senior's employee engagement survey score in 2024 compared to the survey results from 2022, highlighting the importance of a highly engaged workforce to achieving outstanding results. The introduction of these new measures extends the scope of performance assessment to areas which are of strategic importance to Senior and recognises the enthusiasm of our employees and shareholders for ESG-focused incentives. Reducing greenhouse gas emissions is a key priority in line with our Purpose of helping engineer the transition to a sustainable world for the benefit of all our stakeholders. Improving employee engagement is aligned to our strategic focus on talent and development across the multiple businesses within Senior as we seek to continually improve the employee experience, retain and reward our talented employees, and make Senior a preferred place to work, wherever we operate around the world.

The specific targets for each element of the 2024 bonus plan are considered commercially confidential but will be published in full in the 2024 Directors' Remuneration Report. Any bonus payment will be subject to the usual deferral arrangements and the standard malus and clawback provisions.

The LTIP award to be granted in 2024 will be at a level of 200% of basic salary, in line with the new Directors' Remuneration Policy. The headline performance metrics will be unchanged, with the retention of the existing mix of ROCE, relative TSR and adjusted EPS, each with a one-third weighting. These metrics provide for a combined focus on absolute financial performance, returns to shareholders and efficient use of capital, all of which are critically important to the business and to investors. After consultation with our major shareholders about the possible addition of a

non-financial metric, consistent with our discussion around Bonus metrics, we decided to keep the focus of the LTIP entirely on financial measures.

The specific targets for the 2024 LTIP award are considered suitably challenging over the performance period, which runs to the end of the 2026 financial year. This approach recognises our long-standing belief that maximum vesting should require material outperformance. The threshold vesting level for each element will be 25%.

For the ROCE measure, we will assess the ROCE forecasted to be achieved in 2026. We are targeting a level of 13.5% for threshold vesting, rising on a sliding scale to 17.0% for full vesting.

The relative TSR element will again involve measuring Senior's TSR against a general group of FTSE 350 companies, excluding those in certain sectors. Threshold vesting will depend on the achievement of median performance against the peer group, rising to upper quintile performance for full vesting.

For the final performance condition, we will measure the level of adjusted EPS achieved in 2026. Threshold vesting will begin for adjusted EPS of 12.00p, rising on a sliding scale to 19.00p for maximum vesting. This is a challenging target in the context of the 10.28p adjusted EPS outcome achieved for 2023 which included 2.54p benefit following a legal entity simplification as noted in the Strategic Report.

Any awards which vest will be subject to the usual Committee assessment of overall performance over the LTIP period as well as a two-year post-vesting holding period. Malus and clawback provisions will apply.

## Consultation with stakeholders during the year

### Consultation with shareholders

Since taking over as Chair of the Remuneration Committee I have had a number of conversations with major shareholders on remuneration matters, including in respect of the renewal of the Directors' Remuneration Policy and our proposals for implementing the Policy in 2024. I am pleased to report that most shareholders were supportive of the Committee's approach, including the intention to increase the reward opportunities under the incentive schemes. There is widespread recognition among the investor base of the leadership that has been shown by the executive Directors over the last few years in getting the Group through a very challenging period and putting in place the foundations for a solid recovery. I firmly believe in the importance of genuine two-way dialogue and, as noted above, we elected to retain our current metrics in the LTIP for 2024 after shareholder consultation.

Further shareholder engagement on remuneration matters will take place as appropriate over the coming year.

### Consultation with employees regarding executive remuneration

Direct engagement between the Board and with employees is rightly given a high priority at Senior. Following Celia Baxter's retirement from the Board in 2023, I continued her practice of reviewing executive remuneration with employee representatives from the UK operating businesses. In addition, Mary Waldner, as the designated non-executive Director with responsibility for employee engagement, met with employees across the wider Group and discussed a variety of subjects, including remuneration.

## Wider workforce remuneration

The Committee continues to pay close attention to remuneration policies and practices across the wider workforce, and takes these into account when agreeing the shape and level of executive Directors' remuneration. During the year, this included consideration of how employees were impacted by levels of inflation which, although declining, remain high by recent historical standards.

Participation in the LTIP extends to around 50 senior executives within the business, all of whom are subject to the same performance conditions as the executive Directors. The new ESG performance measures introduced into the Directors' annual bonus plan for 2024 have been rolled out to all those senior executives who have an element of Group performance in their bonus assessment.

Equity awards in the form of restricted shares are granted to select individuals who are considered to have significant potential or who are key contributors. All-employee share plan arrangements are offered to employees in the UK, US and continental Europe in the interests of encouraging wider levels of share ownership across the business.

## AGM

At the AGM on 26 April 2024, shareholders will be asked to vote on the following resolutions:

1. A binding resolution to approve the new Directors' Remuneration Policy, incorporating the changes as explained above;
2. An advisory resolution to approve the Directors' Remuneration Report (excluding the new Policy); and
3. A separate resolution to approve new LTIP rules.

I trust that the Committee will have your support for all three resolutions. If you have any questions on this Report or on remuneration matters more generally, I can be contacted via the Group Company Secretary.

### Barbara Jeremiah

Chair of the Remuneration Committee  
1 March 2024

# 2023 Remuneration Report at a glance

## Overview of our remuneration framework for 2023

Element of remuneration	Key features
Salary and employment benefits	Market competitive to attract and retain high quality executives (including fully expensed car or car allowance, private medical insurance, life insurance, income protection, and defined contribution retirement benefits or allowances)
Annual bonus: Adjusted EPS 60% Free Cash Flow 40%	Rewards achievement against annual performance objectives: <ul style="list-style-type: none"> <li>• Maximum bonus is 125% of salary</li> <li>• 1/3 of any award is paid in shares, deferred for three years</li> <li>• Group Chief Executive Officer and Group Finance Director target: 62.5% of salary</li> </ul>
Long-Term Incentive Plan: Adjusted EPS (33.3%) TSR (33.3%) Return on Capital Employed (33.3%)	Supports the Company's longer-term strategic aims to create sustainable growth in shareholder value and to incentivise, motivate and retain senior talent: <ul style="list-style-type: none"> <li>• Maximum award is 200% of salary and normal awards are 150% of salary</li> <li>• 25% vesting at "threshold"</li> </ul>
Shareholding requirements	Equivalent to 200% of executive Directors' salary  Post-employment shareholding requirement applies for a period of two years following cessation, as set out on page 114
Clawback and malus provisions	Cash Bonus Awards subject to clawback  Share awards (LTIP and unvested deferred shares) subject to clawback, malus and post-employment shareholding requirement

## Performance highlights and incentive outcomes

Annual bonus	Target	Actual	Bonus achieved (% of maximum)
<b>Performance condition</b>			
Free Cash Flow	£14.5m	£15.5m	63.6%
Adjusted EPS <sup>(1)</sup>	6.14p	10.72p	100%
Bonus award to Group Chief Executive Officer and Group Finance Director: 85.44% of maximum			

(1) Adjusted EPS is measured on a constant currency basis to reduce the impact of exchange rate movements on bonus outcomes. For information, the maximum performance threshold for the adjusted EPS element of the annual bonus was met without including the benefit arising from the legal entity simplification.

Long-Term Incentive Plan (2021 award)	Targets (threshold – maximum)	Actual	Achieved (% of maximum)
<b>Adjusted EPS (33.3%)</b>	5.67p (minimum threshold) to 7.56p (maximum threshold) for the final Financial Year of the three-year performance period	10.28p <sup>(1)</sup>	<b>100%</b>
<b>Return on Capital Employed (33.3%)</b>	9.8% (minimum threshold) to 11.0% (maximum threshold) for the final Financial Year of the three-year performance period	7.1%	<b>0%</b>
<b>Total Shareholder Return (33.3%)</b>	TSR ranking: 50th percentile (minimum threshold) to 75th percentile (maximum threshold)	98th percentile	<b>100%</b>
66.7% of the LTIP 2021 award of the Group Chief Executive Officer and Group Finance Director shall vest in March 2024.			

(1) For information, adjusted EPS excluding the 2.54p benefit following a legal entity simplification would be 7.74p.

## Changes made in 2023

There were no changes to the Remuneration Policy in 2023. The details of the full Remuneration Policy are for ease of reference laid out on pages 111 to 117.

## About this Report

The rest of this Remuneration Report includes the new Directors' Remuneration Policy pages 111 to 117 and the Annual Report on Remuneration pages 118 to 127. These have been prepared in accordance with the Directors' Remuneration Reporting Regulations and the relevant provisions of the Listing Rules of the Financial Conduct Authority. Parts of the Annual Report on Remuneration are subject to audit, as indicated within this Report.



# 2023 Remuneration Report: Policy

This part of the Report sets out the proposed Remuneration Policy to be put to a binding vote of the shareholders at the AGM to be held on 26 April 2024. This policy applies for a maximum of three years from the date of approval. In developing the updated policy, which builds on the policy approved by shareholders at our 2021 AGM, the limited number of proposed modifications are intended to ensure that the policy remains appropriate in the context of Senior's strategic priorities, wider market developments and evolution of the views of investors.

When developing policies and practices, the Remuneration Committee regularly considers the approach to remuneration and makes decisions to ensure it is aligned to the business strategy. We do this by developing an overall package that reflects the skills and experience of the individuals and incorporating appropriate short- and long-term incentive plans. The key performance metrics for both the bonus plan and the long-term incentive plan are directly linked to the delivery of the strategy and the creation of shareholder value.

**Bonus – One Policy change:** we are increasing the maximum annual bonus opportunity for the executive Directors from 125% to 150% of basic salary. This is appropriate given the introduction of the new, non-financial, performance measures which will apply for 2024 and the intended stretch in the target range. Further, it more closely aligns with standard market practice at relevant UK comparators, thus ensuring that our reward offering is suitably competitive. As salary structure for the executive Directors remains market competitive, the real benefit to the CEO and CFO of this Policy change will result from improvements in business performance over the year.

**LTIP – Our approach to the LTIP remains broadly unchanged:** the LTIP continues to operate effectively as a multi-year incentive tied to long-term performance goals. For 2024, we intend to retain the existing mix of ROCE, relative TSR, and Adjusted EPS as the core performance measures for the LTIP.

After further consideration and based on last year's discussions of raising the maximum LTIP grant size to 200%, we are making the change permanent. We believe having additional upside LTIP reward available for outstanding performance, particularly in the financial metrics, is an appropriate adjustment at this stage of recovery in our markets.

The current LTIP rules were approved by shareholders at the AGM in 2014 and, as a result, will be subject to renewal in 2024. The new rules will effectively replicate the existing rules, updated as required to fully align with the Directors' Remuneration Policy and to reflect current market practice.

**Post-employment shareholding requirements –** As outlined on page 114, these requirements were introduced in the 2021 Policy renewal. We are making one change: at present, the post-employment requirement applies for two years following cessation at the lower of (1) 80% of the in-employment shareholding guideline in place prior to cessation, and (2) the actual shareholding held at the time of cessation. We are changing this so that the first part relates to 100% of the in-employment guideline. This post-employment requirement excludes shares purchased by the executive Directors in their own right or shares retained at vesting rather than being sold to cover tax liabilities (i.e. where the executive Director elects to pay the tax from their own resources).

## Factors considered in reviewing the Policy

The Committee is comfortable that the Policy and its implementation are fully consistent with the factors set out in Provision 40 of the 2018 UK Corporate Governance Code (set out below):

- **Clarity** – The Policy and the way it is implemented is clearly disclosed in this policy section of the Directors' Remuneration Report, with full transparency of all elements of Directors' remuneration.
- **Simplicity** – The Policy is simple and straightforward, based on a mix of fixed and variable pay. The annual bonus and LTIP include performance conditions which are aligned with Senior's business strategy.
- **Risk** – The Committee believes that the performance targets in place for the incentive schemes provide appropriate rewards for stretching levels of performance without driving behaviour which is inconsistent with the Company's risk profile and Values. Potential reward is aligned with market levels of peer companies and the reputational risk from a perception of "excessive" pay-outs is limited by the maximum award levels set out in the Policy and the Committee's discretion to adjust formulaic remuneration outcomes.
- **Predictability** – The Policy includes full details of the individual limits in place for the incentive schemes as well as "scenario charts" on page 115 which set out potential pay-outs in the event of different levels of performance, based on a number of reasonable assumptions. Any discretion exercised by the Committee in implementing the Policy will be fully disclosed.
- **Proportionality** – The link between the delivery of strategy, long-term performance, shareholder return and the remuneration of the executive Directors is set out in the Remuneration Report.
- **Alignment to culture** – The approach to Directors' remuneration is consistent with the Group's culture and Values.

## Summary of decision-making Process for Policy changes

In determining and implementing the Policy, the Committee follows a robust process which includes discussions on the content of the Policy at Remuneration Committee meetings. To support this process, the Committee receives advice from independent advisers. It also considers representations from other key stakeholders, including shareholders, executive management and employees (whilst ensuring potential conflicts of interest are suitably managed), in the context of the evolving corporate governance landscape. The Committee monitors changes in corporate governance guidance and regulations to ensure the Policy remains compliant. The implementation of the Policy takes account of the remuneration of the wider workforce and is aligned with the Group's strategy by appropriately incentivising the executive Directors to deliver the strategic objectives.

## Policy for executive Directors

The overall shape of the Policy remains consistent with our focus on recovery from the challenges faced by our aerospace customers as they recover to pre-COVID production levels along with our strategy and positioning in attractive and structurally resilient core markets. The Committee does not intend to make fundamental changes with the implementation of the proposed updated Policy. We will retain the same mix of fixed and variable remuneration, with incentives provided through the annual bonus scheme and the LTIP. The modifications set out below are intended to ensure that the Policy remains appropriate in the context of Senior's strategic priorities, wider market developments and evolution of the views of investors.

The proposed changes in the 2024 Policy have been highlighted in **bold** in the table below. Other proposed changes to the Policy are of a housekeeping nature or changes which are intended to provide some degree of future-proofing as we set down the Policy for the next three years.

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
Salary	<ul style="list-style-type: none"> <li>Reflects the performance of the executive Director, his or her skills and experience over time and the responsibilities of the role</li> <li>Provides an appropriate level of basic fixed pay avoiding excessive risk arising from over-reliance on variable income</li> </ul>	<ul style="list-style-type: none"> <li>Will normally be reviewed annually with effect from 1 January</li> <li>Benchmarked periodically against companies with similar characteristics and sector companies</li> <li>Normally positioned within a range around the mid-market level taking into account the experience and performance in the role of the individual, complexity of the role, market competitiveness and the impact of salary increases on total remuneration</li> </ul>	<ul style="list-style-type: none"> <li>Other than to reflect change in the size and complexity of the role/Company, the Committee will have regard to the basic salary percentage increases taking place across the Company more generally when determining salary increases for the executive Directors</li> <li>No maximum salary cap</li> </ul>	<ul style="list-style-type: none"> <li>Individual performance in the role and Group performance are among the factors taken into consideration when awarding increases</li> </ul>
Bonus	<ul style="list-style-type: none"> <li>Incentivises annual delivery of corporate financial and non-financial goals</li> <li>Delivery of a proportion of bonus in deferred shares provides alignment with shareholders and assists with retention</li> </ul>	<ul style="list-style-type: none"> <li><b>Up to 100% of salary paid in cash with up to a further 50% of salary paid as a conditional award of deferred shares</b></li> <li>Maximum bonus only payable for achieving demanding targets</li> <li>Deferred shares are released three years after award but are subject to forfeiture by a "bad leaver"</li> <li>Executives are entitled to receive the value of dividend payments that would have otherwise been paid in respect of vested deferred shares</li> <li>All bonus payments are at the discretion of the Committee</li> <li>Different performance conditions may be set when recruiting an executive Director</li> <li>The Committee may review the performance conditions from time to time</li> <li>The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for executive Directors</li> <li>The Committee has the discretion to adjust bonus targets or outcomes if deemed appropriate, where the bonus outcome feels perverse. In practice, this will only be used in exceptional circumstances for executive Directors</li> </ul>	<ul style="list-style-type: none"> <li><b>Overall maximum of 150% of salary</b></li> </ul>	<ul style="list-style-type: none"> <li>The Committee determines appropriate performance targets and weightings at the start of each year</li> <li>Details of the performance targets will normally be disclosed in the following Annual Report on Remuneration for reasons of commercial sensitivity</li> <li>The Committee may include non-financial metrics up to 25% of the overall award</li> <li>Performance below threshold results in zero payment. Payment rises from 0% to 100% of the maximum opportunity for levels of performance between the threshold and maximum targets</li> <li>For financial targets, typically, threshold is around 90% of target, and on-target performance delivers approximately 50% of the maximum opportunity</li> <li>Subject to clawback at the Committee's discretion over cash bonus outcomes and unvested deferred shares in the event of situations such as material misstatement, gross misconduct, serious reputational damage or corporate failure and, if required, over any unvested LTIP awards</li> </ul>

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
<b>Long-Term Incentive Plan (LTIP)</b>	<ul style="list-style-type: none"> <li>• Incentivises sustained performance over the longer term</li> <li>• The use of longer-term performance targets and delivery of awards in shares rewards the achievement of the Company's strategic goals and increases in shareholder value</li> </ul>	<ul style="list-style-type: none"> <li>• Annual grants of performance shares which vest subject to performance (normally measured over three years) and continued service</li> <li>• Executives are entitled to receive the value of dividend payments that would have otherwise accrued during the three-year vesting period in respect of vested LTIP awards</li> <li>• All awards are subject to the discretions contained in the plan rules</li> <li>• The Committee may review the performance conditions from time to time</li> <li>• The Committee has the discretion in certain circumstances to grant and/or settle an award in cash. In practice, this will only be used in exceptional circumstances for executive Directors</li> <li>• A two-year post-vesting holding period applies to LTIP awards (excluding those shares required to be sold to pay tax on vesting), creating a five-year period between the grant of the awards and their final release</li> </ul>	<ul style="list-style-type: none"> <li>• <b>200% of salary</b></li> </ul>	<ul style="list-style-type: none"> <li>• The Committee determines performance conditions and weightings at the start of each year depending on the strategic priorities of the business at that time</li> <li>• In respect of each performance element, performance below the threshold target results in zero vesting. Vesting of each performance element starts at the 25% threshold and rises to 100% for maximum level of performance</li> <li>• Subject to malus during the the period prior to vesting and to clawback during the period of three years following the date of vesting, at the Committee's discretion, in circumstances such as material misstatement, gross misconduct, fraud, dishonesty, serious reputational damage or corporate failure</li> </ul>
<b>All-Employee Share Schemes</b>	<ul style="list-style-type: none"> <li>• Employees, including executive Directors, are encouraged to become shareholders through the operation of the Sharesave Plan, the HMRC-approved all-employee share plan</li> </ul>	<ul style="list-style-type: none"> <li>• The Sharesave Plan has standard terms under which participants can normally enter a savings contract in return for which they are granted options to acquire shares at the market value of the shares at the start of the performance period</li> <li>• The rules for this plan were first approved by shareholders at the 2006 AGM and the updated rules were approved at the 2016 AGM</li> </ul>	<ul style="list-style-type: none"> <li>• Employees can normally elect for a three-year savings contract under standard terms and within HMRC limits</li> <li>• The option price for Sharesave awards can be set at a discount of up to 20% of the market value of the shares at the start of the savings contract, although to date no awards granted under the Sharesave Plan have been set at a discount</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>Pension</b>	<ul style="list-style-type: none"> <li>• Provides competitive retirement benefits for the Group's employees</li> </ul>	<ul style="list-style-type: none"> <li>• The executive Directors may participate in the Senior plc Group Flexible Retirement Plan ("Senior GFRP"), a contract-based, money purchase pension plan and/or receive cash allowances</li> <li>• Bonuses are not included in calculating retirement benefits</li> <li>• Executive directors receive a pension contribution in line with that available to the majority of employees in the relevant jurisdiction</li> <li>• The pension contributions or pension allowance for executive Directors were aligned with the majority of the UK workforce by the end of 2022</li> </ul>	<ul style="list-style-type: none"> <li>• The pension contributions or allowances for executive Directors of 15% of salary aligns with the pension contribution available to the majority of the UK workforce</li> </ul>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>Provides a competitive package of benefits that assists with recruitment and retention</li> </ul>	<ul style="list-style-type: none"> <li>Benefits include provision of a fully expensed car or car allowance, private medical insurance, life insurance and income protection, tax equalisation and relocation benefits</li> <li>Any reasonable business-related expenses (including tax thereon) can be reimbursed</li> </ul>	<ul style="list-style-type: none"> <li>The value of benefits is based on the cost to the Company and is not predetermined</li> <li>There is no monetary cap on other benefits</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Shareholding guidelines</b>	<ul style="list-style-type: none"> <li>Aligns executive Directors' interests with those of other shareholders in the Company</li> </ul>	<ul style="list-style-type: none"> <li>Executive Directors to retain at least 50% of the shares that vest under the LTIP and Deferred Bonus Award, after allowing for tax liabilities, until a shareholding equivalent in value to 200% of base salary is built up</li> <li>Post-employment shareholding requirements apply, for all LTIP awards granted from 2021 onwards and any shares that vest from deferred bonus from the 2021 bonus scheme onwards, for a period of two years following cessation of employment at the lower of <b>(1) 100% of the in-employment shareholding guideline in place prior to cessation and (2) the actual shareholding held at the time of cessation.</b></li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

### Recruitment of executive Directors

Salaries for newly appointed executive Directors will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role.

Where it is appropriate to offer a below median salary initially, the Committee will have the discretion to allow phased salary increases over time for newly appointed directors, even though this may involve increases in excess of the rate for the wider workforce and inflation.

Benefits will be provided in line with those offered to other employees, with national or international relocation expenses/arrangements (e.g. schooling, tax equalisation) provided for if necessary.

The aggregate incentive offered to new recruits will be no higher than that outlined in the Policy on pages 111 to 117. Different performance measures may be set initially for the annual bonus and LTIP, taking into account the responsibilities of the individual, and the point in the financial year that they joined.

Current entitlements (including benefits, bonus, share schemes) may be bought out on terms that are no more favourable than as calculated on a like-for-like basis (with a comparable time horizon, fair value and subject to performance conditions). Existing incentive arrangements will be used to the fullest extent possible, subject to performance conditions (where relevant), although awards may also be granted outside these schemes if necessary and as permitted under the Listing Rules. In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the Board appointment).

### Rationale behind performance metrics and targets

The performance-related elements take into account the Company's risk policies and systems and are designed to align the Directors' interests with those of shareholders. Variable pay elements aim to reward executive Directors for performance at the highest levels and, as such, the Committee aims to set targets that are both stretching and achievable. The Committee reviews the annual bonus measures set for all the Company's senior executives (not only the executive Directors) every year in order to ensure that they are aligned with the Company's strategy and annual goals and to ensure that bonus arrangements amongst the Company's senior Executive team are consistent.

The annual bonus may include a mix of financial and non-financial measures reflecting the key annual priorities of the Group. The financial

metrics currently include two of the Company's KPIs: Free Cash Flow, which is a key measure of the business's ability to fund future acquisitions; and Adjusted EPS, which will reflect the Group's ability to expand into new regions and product markets and increase the profitability of the existing operations. Adjusted EPS is measured on a constant currency basis to reduce the impact of exchange rate movements on bonus outcomes. Where non-financial measures are selected, these may include reference to the Group's sustainability, safety, people and organisational goals.

For 2024, the annual bonus will be based 80% on financial measures and 20% on non-financial measures. For the financial element, the weighting of 60% Adjusted EPS and 40% Free Cash Flow used in previous years has been retained. For the non-financial element, two new measures have been introduced, weighted equally: reduction in Scope 1 and Scope 2 carbon emissions, and improvements to Senior's employee engagement survey score.

The performance measures used in the LTIP awards currently consist of Adjusted EPS, TSR and ROCE. In line with the Policy, the Committee retains the ability to amend performance measures to reflect changes in market conditions and business strategy. For 2024, the existing equally weighted mix of Adjusted EPS, relative TSR and ROCE will remain the core performance measures for the LTIP.

The use of a climate measure for the annual bonus recognises the importance of this issue to the business and introduces additional incentive to outperform our already aggressive reduction targets.

The targets will be reviewed prior to each grant by taking account of internal and external expectations. The targets for awards granted under this Remuneration Policy are set out in more detail in the Annual Report on Remuneration.

### Relationship between executive Director and employee pay

The Remuneration Policy for the executive Directors is designed taking into account the policy for employees across the Group as a whole. There are some differences in the structure of the Remuneration Policy for the executive Directors and other senior employees, which the Remuneration Committee believes are necessary to reflect the different levels of responsibility of employees across the Company and reflect different market norms for different roles. The key differences in remuneration policy between the executive Directors and employees across the Group are the increased emphasis on performance-related pay and the inclusion of a share-based long-term incentive plan for executive Directors.



The majority of senior managers are eligible to participate in annual bonus arrangements with challenging targets tied to the performance of their operating business, Division and, for the most senior executives, the Group's performance.

Long-term incentives are provided to the most senior executives and those anticipated as having the greatest potential to influence performance levels within the Company. A lower aggregate incentive quantum operates below the senior executive level, with levels driven by the impact of the role and market comparatives.

Awards under the Restricted Share Award Plan, a deferred share award plan without performance conditions, are a retention tool and are made to selected individuals who do not typically benefit from other long-term incentives but are considered to have significant potential or are key contributors.

In order to encourage wider employee share ownership, the Company operates a Sharesave Plan in which employees in the UK, North America and continental Europe, including executive Directors, may participate.

### How employees' pay is taken into account when setting executive Director remuneration

The Committee also reviews the salaries of senior corporate, divisional and operational managers and therefore is fully cognisant of pay levels in the Group when determining the pay of the executive Directors.

In addition, the Committee's policy is that salary increases for the executive Directors and senior executives should not normally be greater than the general level of increases awarded to other senior managers in Europe and North America, other than when an executive changes role or when it is necessary in order to ensure levels of remuneration remain market competitive.

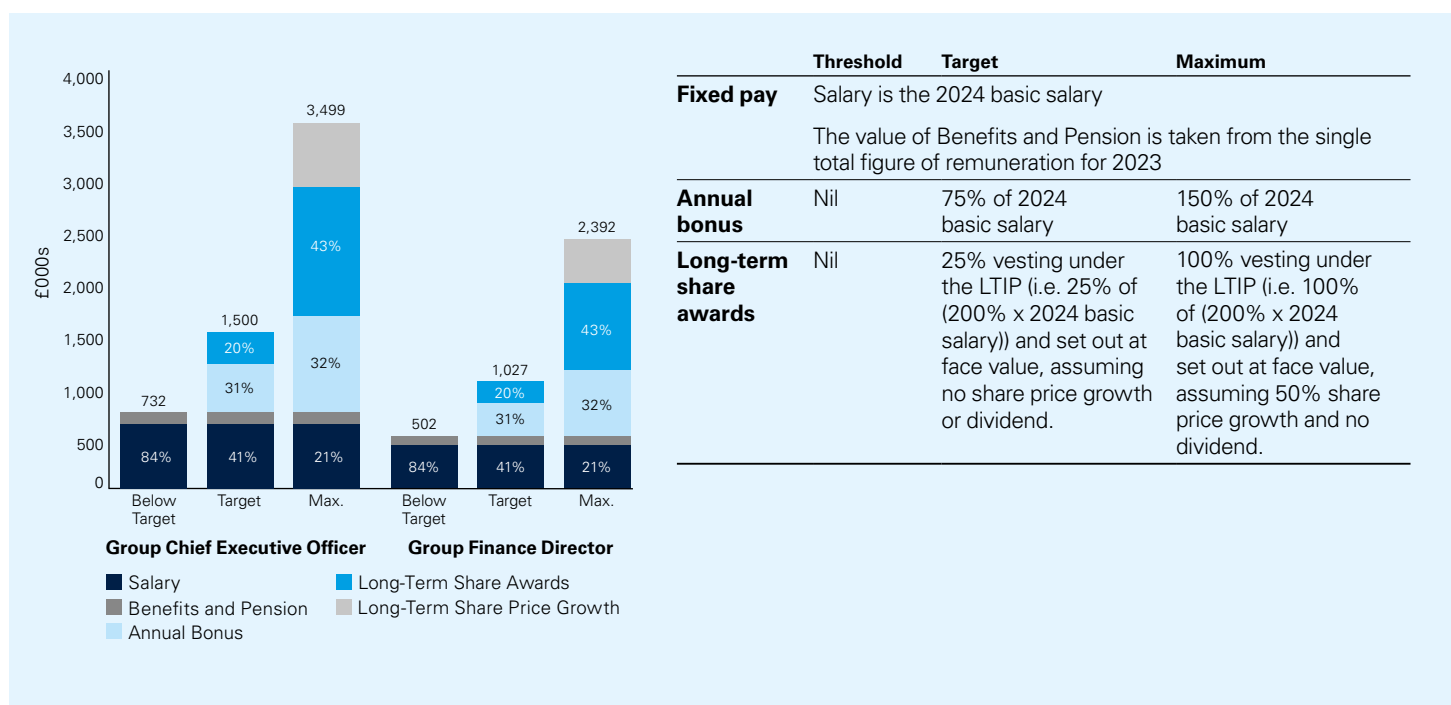
Recognising the impact of higher rates of inflation in recent years, Senior has taken steps to help the broader workforce including salary settlements that reflect regional costs of living pressures. The impact of higher inflation has been particularly felt by our more junior employees and therefore, although approaches varied between businesses, these employees had been targeted for higher salary increases.

As previously reported, the pension contributions of the executive Directors were reduced from 1 January 2023 to 15% which aligns with the pension contribution available to the majority of the UK workforce.

### Application of Remuneration Policy

The chart below shows how the composition of each of the executive Directors' packages varies at different levels of performance under the Remuneration Policy. The assumptions noted for "target" performance in the graph below are provided for illustration purposes only.

This chart is based on the following assumptions:



As laid out in the Remuneration Committee Chair's Annual Statement, the Company consulted with UK employee representatives in 2023 regarding executive Director remuneration.

### Policy on outside appointments

The Remuneration Committee believes that it is beneficial both for the individual and the Company for an executive Director to take up one external non-executive appointment. Fees paid for the appointment may be retained by the executive.

### Executive Directors' service agreements and loss of office payments

The table below summarises the key provisions of each executive Director's contract:

Provision	Detailed terms
<b>Employment contract dates</b>	David Squires – 5 January 2015 Bindi Foyle – 3 May 2017
<b>Notice period</b>	12 months from both the Company and the executive Director
<b>Termination payment</b>	Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period, and the value of pension contributions and other benefits such as use of company car, life cover, income protection and private healthcare  There are no provisions in the agreements, or otherwise, for additional termination payments  Payments may be made in monthly instalments and, in these circumstances, there is a requirement for the Director to mitigate loss
<b>Change of control</b>	There are no enhanced provisions in relation to a change of control

Copies of the executive Directors' service contracts are available from the Group Company Secretary at the Company's Registered Office during normal business hours. The Committee's policy in the event of early termination of employment is set out on page 116.

	Threshold	Target	Maximum
<b>Fixed pay</b>	Salary is the 2024 basic salary  The value of Benefits and Pension is taken from the single total figure of remuneration for 2023		
<b>Annual bonus</b>	Nil	75% of 2024 basic salary	150% of 2024 basic salary
<b>Long-term share awards</b>	Nil	25% vesting under the LTIP (i.e. 25% of (200% x 2024 basic salary)) and set out at face value, assuming no share price growth or dividend.	100% vesting under the LTIP (i.e. 100% of (200% x 2024 basic salary)) and set out at face value, assuming 50% share price growth and no dividend.

**Policy on payment for departure from office**

On termination of an executive Director's service contract, the Committee will take into account the departing executive Director's duty to mitigate his or her loss when determining the amount of compensation. The Committee's policy in respect of the treatment of executive Directors leaving the Group is described below and is designed to support a smooth transition from the Company, taking into account the interests of shareholders:

Component of pay	Voluntary resignation or termination for cause	Death, ill health, disability, redundancy, retirement	Departure on agreed terms
<b>Base salary, pension and benefits</b>	Paid for the proportion of the notice period worked	Paid up to the date of death or leaving, including any untaken holidays prorated to such date. In the case of ill health, a payment in lieu of notice may be made and, according to circumstances, may be subject to mitigation. In such circumstances, some benefits such as company car or medical insurance may be retained until the end of the notice period	Any agreed terms will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and the terms of any termination agreement
<b>Annual bonus cash</b>	Cessation of employment during a bonus year will normally result in no cash bonus being paid	Cessation of employment during a bonus year or after the year-end but prior to the normal bonus payment date will result in cash and deferred bonus being paid and prorated for the relevant portion of the financial year worked and performance achieved	
<b>Annual bonus deferred shares</b>	Unvested deferred share awards will lapse	In the case of the death of an executive Director, all deferred shares will be transferred to the estate as soon as possible after death. In all other cases, subject to the discretion of the Committee, unvested deferred shares will be transferred to the individual on a date determined by the Committee	
<b>LTIP share awards</b>	Unvested LTIP share awards will lapse	Subject to the discretion of the Committee, unvested LTIP share awards will remain subject to the relevant performance conditions and normally be measured and vest at the original vesting date. The awards will normally be prorated for the relevant proportion of the performance period worked. However, in the case of the death of an executive Director, the Committee will determine the extent of vesting within 12 months of the date of death	
<b>Options under Sharesave</b>	As per HMRC regulations	As per HMRC regulations	
<b>Other</b>	None	Statutory payments and disbursements such as any legal costs and outplacement fees	

**Notes**

- a) The Committee will have the authority to settle any legal claims against the Company e.g. for unfair dismissal etc. that might arise on termination.
- b) There are no enhanced provisions in relation to a change of control. The treatment of outstanding LTIP awards in such circumstances is subject to the provisions of the LTIP rules. These provide for awards to vest subject to an assessment of performance and, unless the Committee determines otherwise, for a pro-rata reduction to reflect the proportion of the performance period which has elapsed as at the date of the change of control.

**How shareholder views are taken into account**

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. As with previous renewals of the Remuneration Policy, major shareholders were consulted on the updating of the Remuneration Policy and its implementation for the 2024 financial year. Consultation with shareholders has always been constructive.

During 2023, discussions regarding the Policy and executive remuneration were undertaken and these will continue with individual shareholders as per their request. Major shareholders and the key governance agencies were consulted with regard to the implementation of the 2024 Long-Term Incentive Plan and annual bonus which is detailed in the Remuneration Chair's Annual Statement. The Committee listened to the views of shareholders and made changes to proposals to take account of their feedback.

**Discretions of the Remuneration Committee**

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants for the annual bonus plan and LTIP awards;
- determining the timing of grants and/or payments;
- determining the quantum of grants and/or payments (within the limits set out in the Policy table commencing on page 112;

- determining the extent of LTIP vesting based on the assessment of performance, including the discretion to allow the override of formulaic outcomes;
- determining "good leaver" status and the extent of vesting in the case of the LTIP and deferred shares;
- determining the extent of vesting in the case of the LTIP in the event of a change of control;
- making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends);
- varying the performance conditions to apply to LTIP awards if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question;
- undertaking the annual review of weighting of performance measures, and setting targets for the annual bonus plan and LTIP from year to year;
- adjusting bonus and LTIP targets or outcomes if deemed appropriate, for example to take account of material M&A activity or other exceptional circumstances when they arise; and
- adjusting bonus targets or outcomes if deemed appropriate, where the bonus outcome feels perverse.

## Policy for non-executive Directors

Element	Purpose and link to strategy	Operation	Maximum	Performance assessment
<b>Non-executive Directors and Chair of the Board fees</b>	<ul style="list-style-type: none"> <li>Takes account of recognised practice and set at a level that is sufficient to attract and retain high calibre non-executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>The Chair of the Board is paid a single fee for all their responsibilities as determined by the Remuneration Committee. The non-executive Directors are paid a basic fee. The Senior Independent Director, the Chairs of the Audit and Remuneration Committees, and the Director with responsibility for employee engagement receive additional fees to reflect their extra responsibilities</li> <li>When reviewing fee levels, account is taken of market movements in non-executive Director fees, Board Committee responsibilities, ongoing time commitments and the general economic environment</li> <li>Fee increases, if applicable, are normally effective from 1 January</li> <li>The Chair of the Board and non-executive Directors do not participate in any pension, bonus, share incentive or other share option plans</li> <li>The remuneration of the non-executive Directors is determined by the Board of Directors. The non-executive Directors do not participate in any discussion or decisions relating to their own remuneration</li> <li>Any reasonable business-related expenses (including tax thereon) can be reimbursed</li> </ul>	<ul style="list-style-type: none"> <li>Other than when a non-executive Director changes role or where benchmarking indicates fees require realignment, fee increases will not normally exceed the general level of increases for the Group's employees</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

### Non-executive Directors' letters of appointment

The Chair of the Board and non-executive Directors do not have service agreements but the terms of their appointment, including the time commitment expected, are recorded in letters of appointment. The Chair's appointment may be terminated on providing 12 months' notice by either party. The appointments of the other non-executive Directors may be terminated by the Company or non-executive Director on providing one month's notice. Copies of the Chair's and non-executive Directors' letters of appointment are available from the Group Company Secretary at the Company's Registered Office during normal business hours.

### Non-executive Directors' terms of appointment

In September 2022, Celia Baxter and Giles Kerr reached the ninth anniversary of their respective appointments to the Board. Both Directors retired from the Board at the conclusion of the AGM in April 2023; at which time Barbara Jeremiah became Senior Independent Director and Chair of the Remuneration Committee, and Mary Waldner became Chair of the Audit Committee and the Director designated to engage with Group's employees.

On 9 November 2023, it was announced that Joe Vorih had been appointed a non-executive Director with effect from 1 January 2024.

Name	Date original term commenced	Date current term commenced	Expected expiry date of current term
Ian King	Joined the Board November 2017 and became Chair of Board in April 2018	–	–
Susan Brennan	January 2016	January 2022	December 2024
Barbara Jeremiah	January 2022	January 2022	December 2027
Rajiv Sharma	January 2019	January 2022	December 2027
Mary Waldner	December 2021	December 2021	November 2027

# 2023 Remuneration Report: Annual Report on Remuneration

## Summary of the Committee's Terms of Reference

The Terms of Reference of the Remuneration Committee, available in full on the Company's website, are summarised below:

- determine and agree with the Board the framework or broad policy for the remuneration of the Chair of the Board, the executive Directors and other members of the executive management as it is designated to consider;
- within the terms of the agreed Policy and in consultation with the Chair of the Remuneration Committee and/or Group Chief Executive Officer, as appropriate, determine the total individual remuneration package of the Chair of the Board, each executive Director, and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- approve the design of, and determine targets for, any performance-related pay plans operated by the Company and approve the total annual payments made under such plans;
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive Directors, and other designated senior executives and the performance targets to be used; and
- oversee any major changes in employee benefits structures throughout the Group.

## Members

The Remuneration Committee consists entirely of non-executive Directors.

Member	Number of meetings during term <sup>(1)</sup>	Number of meetings attended
Barbara Jeremiah – Chair	7	7
Celia Baxter <sup>(2)</sup>	2	2
Susan Brennan	7	6
Giles Kerr <sup>(2)</sup>	2	2
Ian King	7	7
Rajiv Sharma	7	7
Mary Waldner	7	7

(1) The full Committee met seven times in 2023. In addition, authority was delegated to two members of the Committee, Celia Baxter and Ian King, to hold one additional meeting to confirm the granting and vesting of share awards.

(2) Celia Baxter and Giles Kerr retired from the Board at the conclusion of the AGM in April 2023.

## Other attendees at Remuneration Committee meetings

The Group Chief Executive Officer and Group HR Director attend meetings by invitation and the Group Company Secretary acts as secretary to the Committee but no executive Director or other employee is present during discussions relating to his or her own remuneration.

## Advisers

Before recommending proposals for Board approval, the Remuneration Committee may seek advice from external remuneration consultants to ensure that it is fully aware of comparative external remuneration practice as well as shareholder, legislative and regulatory developments. The Committee also considers publicly available sources of information relating to executive remuneration.

All advisers to the Remuneration Committee are appointed and instructed by the Committee. During the year, the Committee was advised by Korn Ferry in relation to remuneration advice and benchmarking, LTIP performance monitoring and the provision of LTIP advice, and by FIT Remuneration Consultants in relation to the provision of LTIP advice. During 2023, the Company incurred fees of £45,344 from Korn Ferry and of £1,434 from FIT Remuneration Consultants, and these costs were based on a combination of hourly rates and fixed fees for specific items of work.

The Committee does not have a formal policy of subjecting its remuneration consultants to a regular fixed-term rotation, although the Committee remains cognisant of the need to seek objective advice and good value whilst also benefiting from the consultants' knowledge of the Company. Other than described above, neither remuneration consultants have other connections with the Company or its Directors. The Committee is satisfied that the advice it has received during 2023 has been objective and independent.



### Principal activities and matters addressed during 2023

The Committee has a calendar of standard items within its remit and in addition it held in-depth discussions on specific topics during the year. The Committee typically meets four times each year. In addition, authority was delegated to two members of the Committee, Celia Baxter and Ian King, to hold one additional meeting to confirm the grant and vesting of share awards. The table below shows the items considered at each meeting, leading up to the meetings in February and March where the key decisions regarding performance, outcomes and grants for the coming year are determined.

	Standard agenda items	Ad hoc items
January	Preliminary review of performance and outcomes under the Annual Bonus and Deferred Bonus Award. Preliminary Review of performance and vesting under long-term incentives. Discuss incentive structure and targets for the 2023 financial year.	Discuss and approve launch of the 2023 Sharesave.
February	Review of performance and outcomes under the Annual Bonus and Deferred Bonus Award. Review of performance and vesting under long-term incentives. Determine incentive structure for the 2023 financial year including finalisation of targets. Review and approve draft Remuneration Report.	Review gender pay gap reporting and CEO Pay Ratio.
March	Confirmation of grants of LTIP, Deferred Bonus Awards and Restricted Share Awards. Confirmation of vestings of Deferred Bonus Awards and Restricted Share Awards.	
May		Review of the Group's Remuneration Policy and consideration of the potential changes. Review of LTIP in preparation for renewal at the 2024 AGM. Consideration of non-financial performance measures for LTIP awards.
September		Review of executive Directors remuneration benchmarking exercise. Review of the Group's Remuneration Policy and potential changes. Review of potential changes to the LTIP rules.
November		Consideration of non-financial KPIs in executive remuneration Review Shareholder Consultation letter for proposed Policy amendments.
December (two meetings)	Review and approval of Directors' and senior managers' salary and total remuneration packages for the following financial year taking into consideration available salary market data. Performance update on outstanding incentive and bonus awards. Discussion on 2024 LTIP and bonus targets; and associated shareholder consultation. Determine remuneration of the Chair of the Board. Review of Committee's Terms of Reference.	Review feedback from UK employee consultation.

### Statement of voting at General Meeting

At the AGM held on 21 April 2023, shareholder votes on the Directors' Remuneration Report were cast as follows:

	Voting	For	Against	Total	Withheld <sup>(1)</sup>	Reason for vote against, (if known)	Action taken by Committee
Remuneration Report	Votes	335,966,487	3,695,341	339,661,828	25,205	N/A	N/A
	%	98.91%	1.09%	100%	N/A		

(1) A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "For" and "Against" a resolution.

The Committee consulted extensively with major shareholders prior to the 2023 AGM concerning executive remuneration. Strong support for the Remuneration Report was received from shareholders.

**Single total figure of remuneration (Audited information)**

The following table shows a single total figure of remuneration in respect of qualifying service for the 2023 financial year for each Director, together with comparative figures for 2022. Aggregate Directors' emoluments are shown at the end of the Single Total Figure of Remuneration section.

	Salaries and fees £000s		Taxable benefits and allowances <sup>(1)</sup> £000s		Bonus <sup>(2)</sup> £000s		Long-term incentives <sup>(3)</sup> £000s		Pension benefits including cash in lieu of pension £000s		Total fixed remuneration £000s	Total variable remuneration £000s	Total <sup>(4)</sup> £000s	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2023	2023	2022
<b>Executives</b>														
David Squires	587	557	29	24	627	696	805	0	88	111	704	1,432	2,136	1,388
Bindi Foyle	400	379	22	12	427	474	538	0	60	76	482	965	1,447	941
<b>Total remuneration</b>	<b>987</b>	<b>936</b>	<b>51</b>	<b>36</b>	<b>1,054</b>	<b>1,170</b>	<b>1,343</b>	<b>0</b>	<b>148</b>	<b>187</b>	<b>1,186</b>	<b>2,397</b>	<b>3,583</b>	<b>2,329</b>
<b>Non-executives</b>														
Ian King	208	197	2	2	–	–	–	–	–	–	210	–	210	199
Celia Baxter <sup>(5)</sup>	26	73	–	–	–	–	–	–	–	–	26	–	26	73
Susan Brennan	58	55	1	–	–	–	–	–	–	–	59	–	59	55
Barbara Jeremiah <sup>(5)</sup>	71	55	–	–	–	–	–	–	–	–	71	–	71	55
Giles Kerr <sup>(5)</sup>	21	64	–	–	–	–	–	–	–	–	21	–	21	64
Rajiv Sharma	58	55	–	–	–	–	–	–	–	–	58	–	58	55
Mary Waldner <sup>(5)</sup>	68	55	–	–	–	–	–	–	–	–	68	–	68	55
<b>Total remuneration</b>	<b>510</b>	<b>554</b>	<b>3</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>513</b>	<b>–</b>	<b>513</b>	<b>556</b>

- (1) Taxable benefits for executive Directors include the provision of a fully expensed company car or car allowance and private medical insurance. Taxable benefits for non-executive Directors are travel expenses.
- (2) Awards for the deferred share element of the Bonus in respect of 2023 performance will be granted following the announcement of the 2023 results. The deferred bonus element that is to be granted in the form of shares to David Squires and Bindi Foyle following the announcement of the 2023 results, is included in the Bonus figure and will be equivalent in value to one-third of the Bonus figure, namely £208,972 and £142,400 respectively.
- (3) Part of the performance conditions attached to David Squires' and Bindi Foyle's 2021 LTIP Awards were achieved, and therefore 66.7% of this award will vest in March 2024. Further details on the performance conditions can be found on page 110. The estimated value of shares to vest in the next period includes an amount for the dividend equivalent shares and was calculated using the average of daily closing market value of the shares over the last three months of 2023 of 166.2p.
- (4) The aggregate amount of remuneration paid to or receivable by Directors in respect of qualifying services as per paragraph 9 of SI 2008/40 Schedule 5 was £2,604,745.
- (5) Celia Baxter and Giles Kerr retired from the Board at the conclusion of the AGM held on 21 April 2023 and their 2023 fees are the amounts paid to that date. From 22 April 2023, Barbara Jeremiah became Chair of the Remuneration Committee and the Senior Independent Director, and Mary Waldner became Chair of the Audit Committee and the Director with responsibility for employee engagement; and their respective fees were adjusted accordingly.

**Fees received for outside appointments**

The Board supports executive Directors taking up appointments outside the Company to broaden their knowledge and experience. Each executive Director is permitted to accept one non-executive appointment from which they may retain any fee. Any external appointment must not conflict with a Director's commitments to Senior plc.

David Squires does not hold any outside appointments for which he is remunerated. Bindi Foyle was appointed to the Board of Avon Protection plc as a non-executive director with effect from 1 May 2020 and retained fees of £60,675 for the year ending 31 December 2023 (£60,000 for the year ended 31 December 2022). Prior to her taking up this appointment, the Nominations Committee considered the time commitment required for this new role and was supportive of her taking up that appointment.

**Annual fees of non-executive Directors**

The non-executive Directors do not participate in any pension, bonus, share incentive or other share option plans. Their remuneration reflects both the time given and the contribution made by them to the Company's affairs during the year, including membership or chairing of the Board or its Committees. The remuneration of the non-executive Directors is determined by the Board of Directors. The non-executive Directors do not participate in any discussion or decisions relating to their own remuneration.

Having considered Senior's financial performance, the then current market conditions experienced by the Group and its 2023 outlook, the Board agreed that the salaries and fees paid to the Directors would increase in 2023 as follows:

Fees <sup>(1)</sup>	2023 £	2022 £	Percentage change
Chair of Board	208,000	197,000	5.58%
Non-executive Director	57,500	54,500	5.50%
Chair of Audit Committee	10,000	9,000	11.11%
Chair of Remuneration Committee	10,000	9,000	11.11%
Senior Independent Director	10,000	9,000	11.11%
Director with responsibility for employee engagement <sup>(2)</sup>	6,000	–	N/A

(1) No additional fees are payable for Committee membership.

(2) The Committee considered the significant time commitment required of the non-executive Director with designated responsibility for employee engagement and determined that it would be appropriate for a fee of £6,000 p.a. be paid for this role with effect from 1 January 2023.

## Senior managers' emoluments

In addition to setting the remuneration of the executive Directors, the Remuneration Committee oversees the remuneration of other senior managers.

The table below shows the cumulative benefits of the two Divisional CEOs, the two Divisional CFOs and the most senior corporate managers.

	2023 Total £000s	2022 Total £000s
Short-term employee benefits	3,231	3,325
Post-employment benefits	70	55
Share-based payments	1,156	1,356
<b>Total</b>	<b>4,457</b>	<b>4,736</b>

## Performance against performance targets for annual bonus (audited information)

Bonuses are earned by reference to the financial year and paid in March following the end of the financial year. Consistent with recent years, the bonuses accruing to the executive Directors in respect of 2023 have been determined by Adjusted EPS and Free Cash Flow performance as set out in the table below.

A summary of the measures, weightings and performance achieved is provided in the table below:

	2023							2022		
	Threshold	Target	Maximum	Actual achieved	Maximum bonus achievable	Percentage of maximum achieved	Bonus payable (% of 2023 salary) <sup>(1)</sup>	Maximum bonus achievable	Percentage of maximum achieved	Bonus payable (% of 2022 salary) <sup>(1)</sup>
Free Cash Flow targets	<b>£12.0m</b>	<b>£14.5m</b>	<b>£20.0m</b>	<b>£15.5m</b>	<b>50.00%</b>	<b>63.6%</b>	<b>31.8%</b>	50.00%	100.00%	50%
Adjusted EPS targets <sup>(2)</sup>	<b>5.54p</b>	<b>6.14p</b>	<b>7.06p</b>	<b>10.72p</b>	<b>75.00%</b>	<b>100%</b>	<b>75.0%</b>	75.00%	100.00%	75%
<b>Totals</b>					<b>125.00%</b>	<b>85.44%</b>	<b>106.8%</b>	125.00%	100.00%	125%

(1) When bonus is payable, this is paid two-thirds in cash and one-third in deferred shares. The deferred share element of the 2022 bonus was awarded on 14 March 2023 based on a share price of £1.57 and shall ordinarily vest on the third anniversary of the award on 14 March 2025. The deferred element of any 2023 bonus shall be awarded following the announcement of the 2023 annual results in 2024 and the details disclosed in the 2024 Remuneration Report.

(2) The adjusted EPS target is calculated on a constant currency basis. For information, the maximum performance threshold for the adjusted EPS element of the annual bonus was met without including the benefit arising from the legal entity simplification.

## Total pension entitlements (audited information)

The 2023 single figure remuneration for pension benefits for David Squires and Bindi Foyle consisted of a cash allowance of £88,050 (2022 – £111,400) and £60,000 (2022 – £75,800) respectively, this being 15% of the respective base salaries.

Further detail may be found on page 113 of the Remuneration Report: Policy section.

**Payments for loss of office (audited information)**

There were no payments made in the year for loss of office.

**Performance against performance conditions for LTIP vesting**

The performance conditions are set out below.

**By reference to performance in the financial year (audited information)**

Set out below are the performance conditions attached to the 2021 LTIP award. The performance conditions were partially achieved and therefore 66.7% of the 2021 LTIP awards are to vest as shown in the table below.

Performance condition	Target (25% vesting)	Maximum (100% vesting)	Actual	Percentage of total award achieved
Total shareholder return percentile ranking (33.3% of Award)	50th	75th	98th	33.33%
Adjusted earnings per share for the final Financial Year of the Performance Period (33.3% of Award)	5.67p	7.56p	10.28p <sup>(1)</sup>	33.33%
Return on Capital Employed for the final Financial Year of the Performance Period (33.3% of Award)	9.8%	11.0%	7.1%	0%

(1) For information, adjusted EPS excluding the 2.54p benefit following a legal entity simplification would be 7.74p.

**Scheme interests awarded during the financial year (audited information)**

Directors	Scheme	Basis of award	Face value £000s	Percentage vesting at threshold performance	Number of shares	Performance period end date
David Squires <sup>(1)</sup>	LTIP	Annual award	1,174	25%	747,770	31 December 2025
Bindi Foyle <sup>(1)</sup>	LTIP	Annual award	800	25%	509,554	31 December 2025

(1) The face value of the awards represented 200% of the executive Directors' respective 2023 base salaries.

**Current position on outstanding LTIP awards (non-audited information)**

The following table shows the current position against performance targets for LTIP awards outstanding from 2022 and 2023.

Performance condition	Conditional share awards granted in 2023			Conditional share awards granted in 2022		
	Threshold (25% vesting)	Maximum (100% vesting)	Actual to date	Threshold (25% vesting)	Maximum (100% vesting)	Actual to date
Total shareholder return ranking	<b>50th percentile</b>	<b>80th percentile</b>	<b>85th percentile</b>	50th percentile	75th percentile	86th percentile
Adjusted EPS performance for the final Financial Year of the performance period	<b>11.77p</b>	<b>18.50p</b>	<b>10.28p<sup>(2)</sup></b>	10.05p	12.35p	<b>10.28p<sup>(1)</sup></b>
Return on Capital Employed	<b>12.5%</b>	<b>17.0%</b>	<b>7.1%<sup>(4)</sup></b>	10.0%	13.5%	<b>7.1%<sup>(3)</sup></b>

(1) Actual to date figure of 10.28p represents the Adjusted EPS for the second year of the three-year performance period for the 2022 LTIP award.

(2) Actual to date figure of 10.28p represents the Adjusted EPS for the first year of the three-year performance period for the 2023 LTIP award.

(3) Actual to date figure of 7.1% represents the Return on Capital Employed during the first two years of the three-year performance period for the 2022 LTIP award.

(4) Actual to date figure of 7.1% represents the Return on Capital Employed during the first year of the three-year performance period for the 2023 LTIP award.

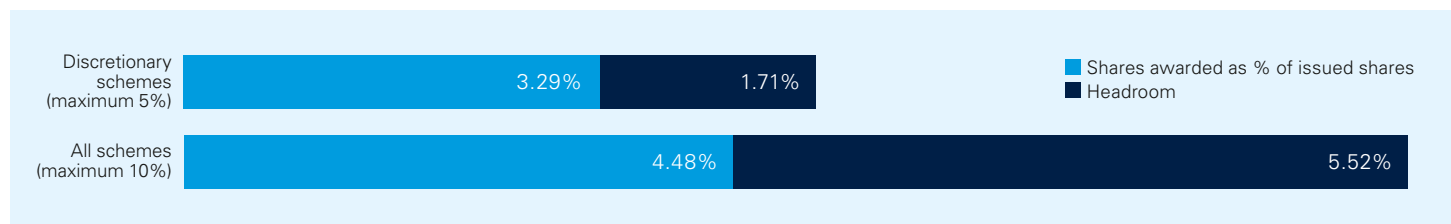
To ensure a suitably broad peer group, the TSR comparator group applicable to LTIP awards is the FTSE 350 index, excluding sectors with limited direct relevance to Senior and those exhibiting high volatility. TSR is averaged over three months prior to the start and end of the performance period.

The acquisition of Spencer Aerospace completed on 25 November 2022; the Committee reviewed the potential impact of the acquisition on the three performance targets for the outstanding LTIP awards: Total Shareholder Return; Earnings per Share; Return on Capital Employed, and agreed that the original targets for the outstanding LTIP awards should remain unaltered.



## Shareholder dilution

Percentage of issued shares



The Company complies with the dilution guidelines contained within The Investment Association Principles of Executive Remuneration.

At 31 December 2023, awards outstanding and shares issued in the previous 10 years under the Senior plc 2005 Long-Term Incentive Plan (the 2005 LTIP), the Senior plc 2014 Long-Term Incentive Plan (the 2014 LTIP), and the 2006 Savings-Related Share Option Plan (the Sharesave Plan)) amounted to 3.29% of the issued ordinary share capital of the Company. At 31 December 2023, awards outstanding and shares issued in the previous 10 years under executive (discretionary) plans (the 2005 LTIP and 2014 LTIP) amounted to 4.48% of the issued ordinary share capital of the Company.

During 2023, all share awards were satisfied using market-purchased shares. The Remuneration Committee monitors the flow rates of the Company's share plans, in particular before new share awards are made, to ensure the flow rates remain within the Investment Association dilution guidelines.

### Statement of Directors' shareholding and share interests (audited information)

The Remuneration Committee encourages Directors to own shares in the Company and, in support of this policy, it expects executive Directors to retain at least 50% of the shares that vest under the LTIP awards and the deferred share element of the Bonus, after allowing for tax liabilities, until a shareholding equivalent in value to 200% of base salary is built up. Included within the Directors' holdings are 325,000 shares and 38,788 shares that David Squires and Bindi Foyle purchased respectively.

The table below shows how each Director complies with this requirement. Shares are valued using the Company's closing share price on 31 December 2023 of 177.6p (31 December 2022 – 125.2p). No options under the Sharesave Plan were exercised by the executive Directors during the year.

Executive Directors	Number of shares required to be held (equivalent to 200% of basic salary at 31 December 2023)	Number of shares held (including unvested deferred shares net of tax) at 31 December 2023	Share ownership requirements met	Unvested awards, subject to performance conditions		Unvested awards, not subject to performance conditions	
				LTIP award <sup>(1)</sup>	Sharesave	Total deferred share award	
David Squires	661,036	909,541	No – 137.6%	2,156,350	10,066	413,560	
Bindi Foyle	450,450	408,173	No – 90.6%	1,459,441	10,066	278,233	

(1) The maximum threshold was exceeded for two of the three performance conditions attached to David Squires' and Bindi Foyle's 2021 LTIP awards over 718,085 shares, and 480,053 shares respectively (included within their respective LTIP award figures above) and therefore 478,723 shares and 320,035 shares respectively of these awards shall vest in March 2024.

The interests of Directors have remained unchanged between the date of the review and the date of the signing of the Annual Report & Accounts 2023.

	Number of shares owned outright (including connected persons) at 1 January 2023	Shares vested during 2023 <sup>(1)</sup>	Shares retained from 2023 vested shares	Shares purchased during 2023	Number of shares owned outright (including connected persons) at 31 December 2023
<b>Executive Directors</b>					
David Squires	620,355	90,427	70,000	0	690,355
Bindi Foyle	228,817	60,284	31,893	0	260,710
<b>Non-executive Directors</b>					
Ian King	814,297	–	–	–	814,297
Susan Brennan	5,900	–	–	–	5,900
Barbara Jeremiah	25,000	–	–	–	25,000
Rajiv Sharma	–	–	–	15,000	15,000
Mary Waldner	10,000	–	–	–	10,000

(1) In 2023, the following gains were made by David Squires and Bindi Foyle: £152,288 and £101,524 respectively upon the vesting of the deferred share element of the Bonus and dividend equivalent shares. The gains were calculated by multiplying the number of shares that vested by the average share price secured by all recipients that sold vested shares on the vesting day of 9 March 2023 of 168.41p.

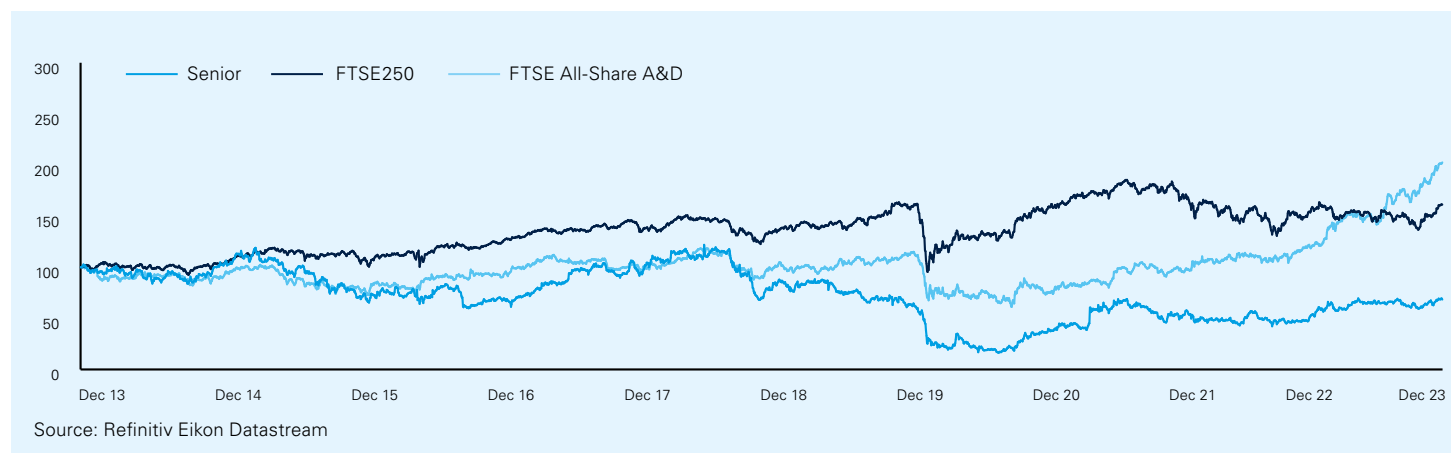
## Performance graph

### Share price performance

The closing middle market price of the shares at 31 December 2023 was 177.6p (2022 – 125.2p). During 2023, the shares traded in the range of 123.4p to 181.2p.

### Senior plc total shareholder return

The following TSR graph compares the total shareholder return of the Company's shares against the FTSE All-Share, Aerospace & Defence index, and the FTSE 250 Index over a 10-year period (where dividends are included gross of tax). This graph allows a comparison to be made against organisations facing broadly similar economic and market conditions as the Company.



## Remuneration of Group Chief Executive Officer

	2014	2015 <sup>(1)</sup>	2016	2017	2018 <sup>(2)</sup>	2019	2020	2021	2022	2023
CEO single figure of total remuneration (£000s)	1,316	1,020	790	1,009	1,107	1,203	917	1,350	1,388	<b>2,136</b>
Annual variable element award rates against maximum opportunity (%)	54	14	31	79	75	58	40	100	100	<b>85.4</b>
Long-term incentive vesting rates against maximum opportunity (%)	91.8	21	0	0	0	28	0	0	0	<b>66.7</b>

(1) During 2015, Mark Rollins retired from the Board on 31 May 2015 and David Squires was appointed a Director on 1 May 2015. The CEO single figure of total remuneration includes the combined 2015 values for Mark Rollins and David Squires.

(2) The annual variable maximum bonus opportunity increased from 105% to 125% in 2018.

## Percentage change in remuneration of Directors

The table below shows how the percentage changes in Directors' salary, benefits and bonus between 2020 and 2021, 2021 and 2022, and between 2022 and 2023 compare with the percentage change in the average of each of those components of pay for Senior plc employees. Employees who joined or left in either year have been excluded to prevent distortion.

	2022 vs 2023			2021 vs 2022			2020 vs 2021		
	Salary	Taxable benefits and allowances	Bonus	Salary	Taxable benefits and allowances	Bonus	Salary	Taxable benefits and allowances	Bonus
	Percentage change <sup>(1)</sup>	Percentage change <sup>(2)</sup>	Percentage change	Percentage change <sup>(1)</sup>	Percentage change	Percentage change	Percentage change <sup>(1)</sup>	Percentage change	Percentage change
<b>Executive Directors</b>									
David Squires	5.39%	19.81%	-9.96%	3.2%	-12.3%	3.2%	0%	3.4%	150.0%
Bindi Foyle	5.54%	81.91%	-9.83%	5.0%	-44.3%	5.0%	0%	4.8%	150.0%
<b>Non-executive Directors</b>									
Ian King	5.58%	-	-	3.1%	-	-	3.1%	-	-
Susan Brennan	5.50%	-	-	2.8%	-	-	2.8%	-	-
Barbara Jeremiah <sup>(3)</sup>	30.68%	-	-	N/A	-	-	N/A	-	-
Rajiv Sharma	5.50%	-	-	2.8%	-	-	0%	-	-
Mary Waldner <sup>(3)</sup>	25.64%	-	-	N/A	-	-	N/A	-	-
Celia Baxter <sup>(3)</sup>	N/A	-	-	2.1%	-	-	0%	-	-
Giles Kerr <sup>(3)</sup>	N/A	-	-	2.4%	-	-	0%	-	-
<b>Senior plc Employees, excluding Directors</b>	<b>7.31%</b>	<b>-0.23%</b>	<b>-10.7%</b>	<b>6.7%</b>	<b>7.0%</b>	<b>6.7%</b>	<b>3.3%</b>	<b>2.0%</b>	<b>158.6%</b>

(1) The Salary Percentage change figure also includes any merit increases awarded to Directors and employees. The percentage change of Salary Percentage change figures for the 2021 and 2020 comparison are calculated using the 2020 salaries before the voluntary reduction in salaries and fees for the Directors and some Senior plc employees during the pandemic.

(2) David Squires' percentage change in Taxable benefits and allowances reflects the increase in 2023 of the annual premium of his private health insurance which amounted to £587. Bindi Foyle's percentage change in Taxable benefits and allowances in 2023 mainly reflects the transition from having a car allowance to having a company car during 2022.

(3) Upon the retirement from the Board of Celia Baxter and Giles Kerr at the conclusion of the AGM held on 21 April 2023, Barbara Jeremiah was appointed the Senior Independent Director and the Chair of the Remuneration Committee and Mary Waldner was appointed the Chair of the Audit Committee and the Director with responsibility for employee engagement, and their respective fees were adjusted accordingly at that time.

### CEO Pay Ratio narrative

The CEO Pay Ratio is calculated using Option B, by taking the gender pay gap data (based on Senior's largest UK employer, Senior UK Limited) and adding the data for Senior's two additional UK employing entities. For the purpose of making a valid comparison, leavers were excluded. Using the same principles as the gender pay data, the best equivalents were identified, namely: the 25th, 50th and 75th percentile. The full-time equivalents pay and benefits figures for the year ending December 2023 were calculated, and then reviewed to ensure that the selected best equivalents were reasonably representative. The overall increase in the CEO pay ratio is driven by the vesting of the 2021 LTIP. The underlying salary, bonus and benefits showed a reduction in the CEO pay ratio from 2022. We believe the reduction compared to prior years was mainly due to the increase in allowances, bonuses and employer pension contributions for employees compared to a reduction in bonus and pension contributions for the CEO during 2023.

Year	Pay ratio			
	Method <sup>(1)</sup>	25th percentile	50th percentile	75th percentile
<b>2023</b>	<b>B</b>	<b>78 : 1</b>	<b>57 : 1</b>	<b>45 : 1</b>
2022	B	51 : 1	44 : 1	36 : 1
2021	B	53 : 1	49 : 1	33 : 1
2020 <sup>(2)</sup>	B	25 : 1	20 : 1	16 : 1
2019	B	53 : 1	39 : 1	32 : 1

(1) Method B was selected as the most appropriate basis for selecting the 25th percentile, median and 75th percentile pay ratios because the Gender Pay Gap data was more readily available.

(2) The pay ratios in 2020 had been impacted by the pandemic leading to significant numbers of employees being on furlough and/or made redundant, as well as reduced total remuneration for the CEO.

Year 2023	25th percentile	50th percentile	75th percentile
Base salary	£20,919	£24,798	£26,973
Total	£27,299	£37,659	£47,434

**Relative importance of spend on pay**

The following table sets out the percentage change in profit, dividends and overall spend on pay in the financial year ended 31 December 2023 compared with the financial year ended 31 December 2022.

	<b>2023</b> £m	2022 £m	Percentage change
Employee remuneration costs (excluding social security) <sup>(1)</sup>	<b>261.3</b>	234.7	11.3%
Adjusted profit before tax	<b>38.3</b>	20.1	90.5%
Dividends paid	<b>6.6</b>	1.2	450.0%

(1) The Employee Remuneration costs include those incurred by Senior Aerospace Spencer from the completion of its acquisition in November 2022.

**2024 Remuneration (non-audited information)****Salaries and fees for 2024**

Recognising the impact of inflation throughout the year, Senior has continued to take steps to help the broader workforce, including salary settlements that reflected regional costs of living pressures. The impact of this has been particularly felt by our more junior employees and therefore although approaches vary between businesses, these employees have been targeted for higher salary increases or other initiatives. When determining the 2024 basic salaries of the Group Chief Executive Officer and Group Finance Director, which were increased by 4.8% and 5.0% respectively, the Committee was cognisant of the increases applied to the wider UK workforce, which were typically 6% or higher, depending upon skills and geographic location.

Although determined by the Board, rather than the Remuneration Committee, the 2024 base fee for the non-executive Directors was increased by 4.4% and had been determined after considering the increasing time commitment of the non-executive Directors, and the increases applied to the wider UK workforce, and to those for the executive Directors.

	2024 £	<b>2023</b> £	Percentage change
<b>Executive Directors</b>			
David Squires	615,000	<b>587,000</b>	4.77%
Bindi Foyle	420,000	<b>400,000</b>	5.00%
<b>Non-executive Directors<sup>(1)</sup></b>			
Chair of Board	218,000	<b>208,000</b>	4.81%
Non-executive Directors	60,000	<b>57,500</b>	4.35%
Chair of Audit Committee	11,000	<b>10,000</b>	10.00%
Chair of Remuneration Committee	11,000	<b>10,000</b>	10.00%
Senior Independent Director	11,000	<b>10,000</b>	10.00%
Director with responsibility for employee engagement	6,500	<b>6,000</b>	8.33%

(1) No additional fees are payable for Committee membership.



### Annual bonus for 2024

The maximum bonus opportunity has been increased for the 2024 annual bonus and is 150% of basic salary, with two-thirds payable in cash and one-third in deferred shares. In addition to the Free Cash Flow and Adjusted EPS targets, two new non-financial KPIs have been introduced. The first non-financial KPI (representing 10% of the total bonus) will reward absolute reductions in Scope 1 and Scope 2 emissions in 2024 consistent with our SBTi-validated target of a 30% reduction in these emissions by 2025 (from a 2018 baseline). The second non-financial KPI (representing the final 10% of the total bonus) will involve improvements to Senior's employee engagement survey score in 2024 compared to the survey results from 2022, highlighting the importance of a highly engaged workforce to achieving outstanding results. The individual weightings of the KPIs for the executive Directors for the annual bonus are set out below.

	2024		2023	
	Maximum possible cash award	Maximum share award	Maximum possible cash award	Maximum share award
Free Cash Flow target – full year	32.00%	16.0%	<b>33.33%</b>	<b>16.67%</b>
Adjusted EPS target – full year internal target	48.00%	24.00%	<b>50.00%</b>	<b>25.00%</b>
Reductions in Scope 1 and Scope 2 emissions	10.00%	5.00%		
Improvements to Senior's employee engagement survey score in 2024	10.00%	5.00%		
<b>Totals</b>	<b>100.00%</b>	<b>50.00%</b>	<b>83.33%</b>	<b>41.67%</b>

The actual targets are currently considered commercially sensitive because of the information that this provides to the Company's competitors. Full disclosure of the 2024 targets will be in the 2024 Annual Report.

### LTIP Awards for 2024

The Remuneration Committee sets stretching targets which are consistent with the strategic priorities of the business, and vested awards will continue to be subject to a two-year holding period. The new proposed Policy includes a change to the maximum grant level which will be 200% of basic salary, an increase from the 150% limit in the current Policy. This higher level provides an appropriate level of upside reward potential for the current stage of the recovery of the business and for the outstanding levels of performance which are required to hit maximum vesting levels under the LTIP. As evidenced by the targets for the 2024 award set out in the table below, stretching goals have been set which, if achieved, would represent an outstanding level of performance which the Committee believes should be rewarded accordingly.

Adjusted EPS, TSR and ROCE metrics will be retained as the performance measures in the LTIP and have equal weighting of 33.3%: 33.3%: 33.3%. The Adjusted EPS target has been set to be stretching and challenging. The target is expressed as an absolute value achieved in 2026. TSR performance will continue to be measured against the FTSE 350 (excluding companies in the following sectors: Banks; Financial Services (other than Closed End Investments); Life and Non-life Insurance; Oil, Gas & Coal; Precious Metals & Mining; Industrial Support Services; and Real Estate Investment Services and Trusts). The excluded sectors remain the same to those used in previous years. The Company has consistently stated that its medium-term ROCE target is a minimum of 13.5% pre-tax, post IFRS 16 and this has not changed. The targets are set at a stretching level that takes account of market conditions and the minimum stated target.

The Thresholds and Maximum for 2023 and 2024 are set out in the table below:

	2024			2023		
	Weighting (%)	Threshold (25% vesting)	Maximum (100% vesting)	Weighting (%)	Threshold (25% vesting)	Maximum (100% vesting)
Return on Capital Employed	33.33%	13.5%	17.0%	<b>33.33%</b>	<b>12.5%</b>	<b>17.0%</b>
Total Shareholder Return ranking	33.33%	Median or higher	Upper quintile or higher	<b>33.33%</b>	<b>Median or higher</b>	<b>Upper quintile or higher</b>
Adjusted earnings per share	33.33%	12.0%	19.0%	<b>33.33%</b>	<b>11.77p</b>	<b>18.5p</b>

### Approval of the Directors' Remuneration Report

The Directors' Remuneration Report was approved by the Board on 1 March 2024.

Signed on behalf of the Board

### Barbara Jeremiah

Chair of the Remuneration Committee  
1 March 2024

# Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the 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 Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

## Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

### David Squires

Group Chief Executive Officer  
1 March 2024

### Bindi Foyle

Group Finance Director  
1 March 2024

# Independent auditor's report

## to the members of Senior plc

### 1. Our opinion is unmodified

We have audited the financial statements of Senior plc ("the Company") for the year ended 31 December 2023 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, Company balance sheet and Company statement of changes in equity and the related notes, including the accounting policies in note 2.

#### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 21 April 2017. The period of total uninterrupted engagement is for the seven financial years ended 31 December 2023.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

<b>Materiality:</b>	£3.2m (2022: £3.2m)
Group financial statements as a whole	0.3% (2022: 0.4%) of Group Revenue

#### Coverage

- 76% (2022: 75%) of Group revenue
- 87% (2022: 80%) of Group profit before tax
- 83% (2022: 84%) of Group total assets

#### Key audit matters vs 2022

<b>Recurring risks</b>	<ul style="list-style-type: none"> <li>• Provision for uncertain tax positions ▼</li> <li>• New: completeness and accuracy of warranty provisions ▲</li> <li>• Recoverability of the Parent Company's investment in its subsidiary ◀▶</li> </ul>
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## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters, in decreasing order of

audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	<b>The risk</b>	<b>Our response</b>
<p><b>Provision for uncertain tax positions</b></p> <p>The Group released a provision for an uncertain tax position totalling £7.0m current tax and £3.5m interest for the year ended 31 December 2023.</p> <p>Refer to the Audit Committee Report in the Governance section on page 103, Note 2 (significant accounting policies), Note 7 (finance income), Note 10 and Note 21 (taxation).</p>	<p><b>Accounting treatment</b></p> <p>The Group operates in a number of different tax jurisdictions and judgement is required to determine tax provisions across the Group, principally in the US.</p> <p>Determination of provisions for tax uncertainties is subject to judgement in assessing the probable outflow of taxes that will be borne by the Group relating to matters where the relevant tax authority's final assessment of the tax treatment is uncertain.</p> <p>During the year the Group undertook a review of the provision recognised for the Americas legal structure, in response to a simplification of the legal ownership. As a result, the Directors determined that the uncertain tax provision of £7.0m and related interest of £3.5m was no longer required in accordance with IAS 12 and IFRC 23 and was released during 2023. The release of this provision and its presentation in the Group financial statements, due to its materiality, is considered to be one of the areas that had the greatest effect on our overall Group audit.</p> <p>The remaining tax risk provisions held in connection with transfer pricing, including inter-company royalty charges, are not considered to have a high degree of estimation uncertainty. We therefore do not consider these as one of the most significant risks in our current year audit.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Our tax expertise:</b> We have used our own tax specialists to challenge the Directors on the assumptions used to determine the release of the uncertain tax provision for the Americas legal structure. This is based on our knowledge and experiences of the application of the tax legislation, and our understanding of the steps taken to simplify the associated legal structure.</li> <li>• <b>Assessing application:</b> We have challenged the Directors over the inclusion of the uncertain tax provision release in underlying trading performance against the Group's policy.</li> <li>• <b>Assessing transparency:</b> We assessed the adequacy of the Group's disclosures in respect of the release of the Americas provision.</li> </ul> <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the presentation of the uncertain tax provision release to be acceptable.</li> </ul>



## 2. Key audit matters: our assessment of risks of material misstatement *continued*

	The risk	Our response
<p><b>Completeness and accuracy of warranty provisions</b> (£11.0m included within warranty provisions of £17.9m)</p> <p>Refer to page 148 (accounting policy) and note 24 (financial disclosures).</p>	<p><b>Subjective estimate</b> There are significant judgements and estimates involved in the assumptions underlying the warranty provision in relation to a disputed commercial position.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the provision in respect of this warranty claim have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p> <p>The financial statements (note 24) disclose the sensitivity estimated by the Group.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Assessing methodology:</b> Evaluating the methodology applied by management to the estimation to assess its reasonableness.</li> <li>• <b>Our sector experience:</b> Evaluating the assumptions using our sector knowledge and inspecting commercial agreements.</li> <li>• <b>Tests of detail:</b> We assessed the accuracy of the cost of replacement through testing a sample of cost lines to relevant source data.</li> <li>• <b>Personnel interviews:</b> Corroborating judgements through discussions with commercial and production level staff.</li> <li>• <b>Assessing transparency:</b> Assessing whether the disclosures of the effect of reasonably possible changes in key judgements and assumptions reflects the risks inherent in the provisions' estimation.</li> </ul> <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the level of provision in respect of this disputed commercial position to be acceptable.</li> </ul>
<p><b>Recoverability of the Parent Company's investment in its subsidiary</b> The parent Company recorded an investment carrying value of £259.9m as at 31 December 2023 (2022: £259.9m).</p> <p>Refer to pages 143 to 148 (accounting policy) and Note 38 (financial disclosures).</p>	<p><b>Low risk, high value:</b> The carrying amount of the Parent Company's investment in its subsidiary represents 52% of its total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgment. However, due to its materiality in the context of the Parent Company Financial Statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Tests of detail:</b> We compared the carrying amount of the investment with the relevant subsidiary's draft statutory balance sheet to identify whether its net assets, being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessed whether the subsidiary has historically been profit-making.</li> </ul> <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our results:</b></p> <ul style="list-style-type: none"> <li>• We found the company's conclusion that there is no impairment of its investment in its subsidiary to be acceptable. (2022 result –acceptable.)</li> </ul>

Last year, in response to a material acquisition in the period, we reported the valuation of Spencer Aerospace intangible assets and contingent consideration as a key audit matter. As there are no material business acquisitions in the period, we have not identified this as a recurring risk of significant importance.

### 3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £3.2 million (2022: £3.2 million), determined with reference to a benchmark of Group revenue of which it represents 0.3% (2022: 0.4%).

We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £2.9 million (2022: £2.9 million), determined with reference to a benchmark of Company total assets, of which it represents 0.6% (2022: 0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

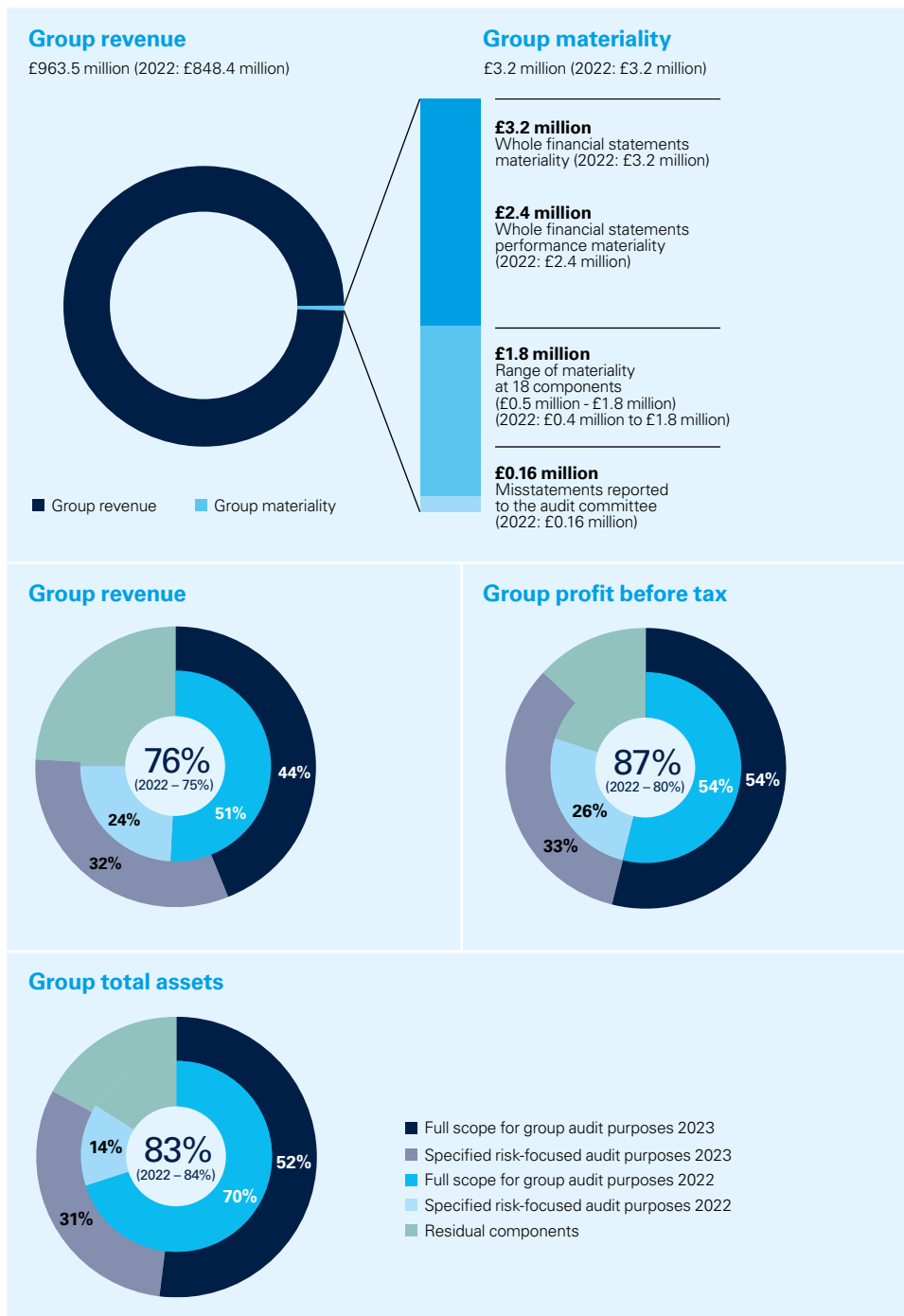
Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £2.4 million (2022: £2.4 million) for the Group and £2.2 million (2022: £2.2 million) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £160,000 (2022: £160,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 31 (2022: 31) reporting components (excluding the Parent Company), we subjected 9 (2022: 10) to full scope audits for group purposes and 8 (2022: 4) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 24% (2022: 25%) of total Group revenue, 13% (2022: 20%) of Group profit before tax and 17% (2022: 16%) of total Group assets is represented by 14 (2022: 17) reporting components, none of which individually represented more than 7% (2022: 5%) of any of total Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.



### 3. Our application of materiality and an overview of the scope of our audit continued

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.5 million to £1.8 million (2022: £0.4 million to £1.8 million), having regard to the mix of size and risk profile of the Group across the components. The work on all 17 components (2022: 10 of the 14 components) was performed by component auditors. The audit of the parent Company (2022: 4 out of 14 components, including the audit of the parent Company) was performed by the Group team.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

The Group team visited 3 (2022: 5) component locations in the US and UK (2022: US and UK) to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

### 4. The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

Climate change impacts the Group in a variety of ways including the impact of climate risk on the substitution of existing products and services with lower emissions options, increased costs to transition to lower emissions technology and the impact on useful lives of assets from physical and obsolescence risks. There is also potential reputational risk associated with the Group's delivery of its climate related initiatives, and greater emphasis on climate related narrative and disclosure in the annual report.

As part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. We held discussions with our own climate change professionals to challenge our risk assessment, including the goodwill impairment assessment, the estimates made regarding useful economic lives of property, plant and equipment, and the valuation of inventory, recoverability of trade receivables and going concern. Taking into account the extent of headroom on goodwill, the expected remaining useful lives of property, plant and equipment, the nature of customers and products, our assessment is that the climate related risks to the Group's business, strategy and financial planning did not have a significant impact on our key audit matters given the nature of the Group's operations and knowledge gained of its impact on critical accounting estimates during our risk assessment procedures and testing.

We have read the Group's and the Parent Company's disclosure of climate related information in the front half of the annual report as set out on pages 25 to 31, and considered consistency with the financial statements and our audit knowledge.

### 5. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- The impact of a global economic downturn on the Group's key end markets, including increasing inflationary pressures; and
- The volatility of and disruption to supply chain affecting critical materials or components.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in Note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and dependencies. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in Note 2 to the financial

statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in Note 2 to be acceptable; and

- the related statement under the Listing Rules set out on page 78 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

### 6. Fraud and breaches of laws and regulations – ability to detect

#### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, those charged with governance, internal audit, management and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors including the long-term incentive plan for Management remuneration
- Using analytical procedures to identify any unusual or unexpected relationships.
- Our forensic specialists assisted us in designing and executing relevant audit procedures to respond to identifying fraud risks. This included holding a discussion between the forensic specialist and the engagement partner and engagement manager.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to all component audit teams of relevant fraud risks identified at the Group level and request to all component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

## 6. Fraud and breaches of laws and regulations – ability to detect *continued*

As required by auditing standards, and taking into account possible pressures to meet profit targets and market consensus, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. In particular:

- the risk that revenue is overstated through recording revenues in the wrong period; and
- the risk that Group and component Management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as the, provisions for uncertain tax positions, provisions for litigation and claims, and pension assumptions

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unexpected individuals, journals posted to seldom used accounts, journals with certain descriptions, round number journals, and those with unusual account pairings.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias

We discussed with the audit committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to all component audit teams of relevant laws and regulations identified at the Group level, and a request for all component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension scheme legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection regulation, environmental laws and regulations, anti-bribery and corruption, contract legislation, employment law and export laws and regulations, recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## 7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 78 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.



## 7. We have nothing to report on the other information in the Annual Report continued

We are also required to review the Viability Statement, set out on page 78 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## 8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 9. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 128, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## 10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Mike Barradell

(Senior Statutory Auditor)  
for and on behalf of KPMG LLP,  
Statutory Auditor  
*Chartered Accountants*  
15 Canada Square, London, E14 5GL

1 March 2024

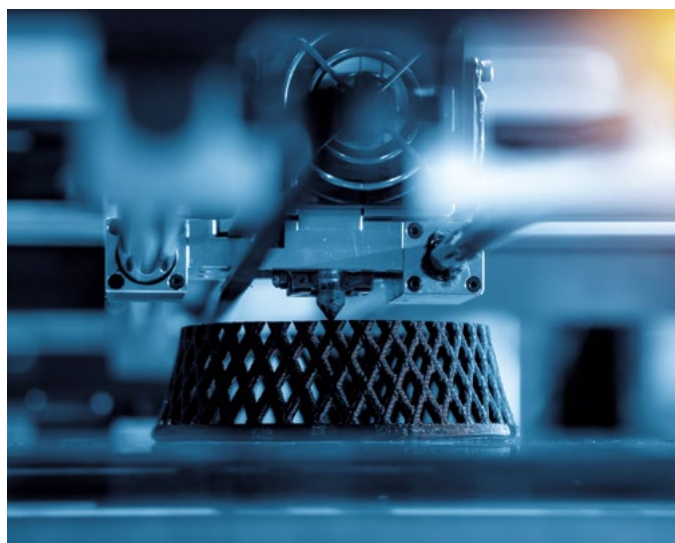
# Financial Statements

## Employing innovative design and manufacturing processes today...

### Development of Additive Manufacturing

Senior has invested in developing a highly vertically integrated Additive Manufacturing (AM) capability for both metals and non-metals. On the metallic AM side, we are concentrating on developing innovative solutions for the most demanding high-temperature and high-pressure applications for both aerospace and industrial applications. On the non-metal AM side we have developed production-ready processes for low-pressure cabin air and environmental control systems, primarily used on business-jet and regional aircraft.

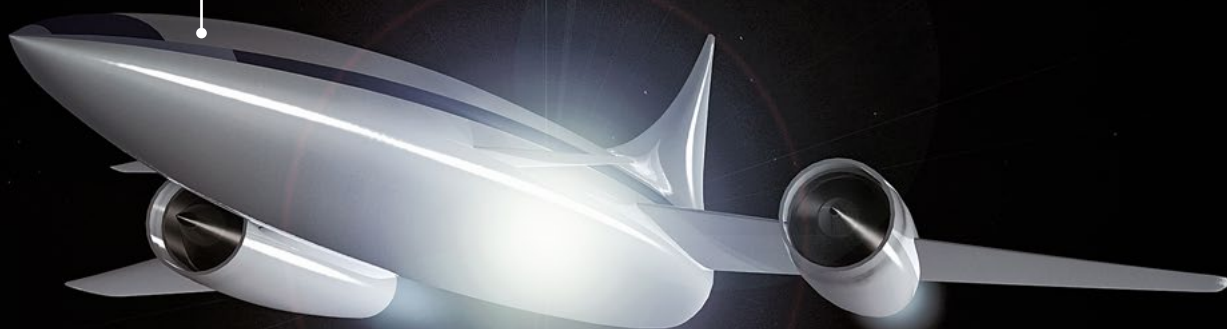
Senior's AM pedigree and end-to-end capabilities, including Nadcap certification for AM, are why large OEM customers are working closely with us on multiple AM projects.



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engineering challenges  
for tomorrow**



# Consolidated Income Statement

For the year ended 31 December 2023

	Notes	Year ended 2023 £m	Year ended 2022 £m
Revenue	3	<b>963.5</b>	848.4
Trading profit		<b>36.9</b>	32.1
Share of joint venture profit	15	<b>1.0</b>	0.4
Operating profit <sup>(1)</sup>	5	<b>37.9</b>	32.5
Finance income	7	<b>10.1</b>	1.9
Finance costs	8	<b>(20.5)</b>	(10.6)
Corporate undertakings	9	<b>(4.7)</b>	(1.4)
Profit before tax <sup>(2)</sup>		<b>22.8</b>	22.4
Tax credit/(charge)	10	<b>8.3</b>	(2.2)
<b>Profit for the period</b>		<b>31.1</b>	20.2
Attributable to:			
Equity holders of the parent		<b>31.1</b>	20.2
Earnings per share			
Basic <sup>(3)</sup>	12	<b>7.52p</b>	4.86p
Diluted <sup>(4)</sup>	12	<b>7.32p</b>	4.73p
<sup>(1)</sup> Adjusted operating profit	9	<b>45.8</b>	28.5
<sup>(2)</sup> Adjusted profit before tax	9	<b>38.3</b>	20.1
<sup>(3)</sup> Adjusted earnings per share	12	<b>10.28p</b>	4.36p
<sup>(4)</sup> Adjusted and diluted earnings per share	12	<b>10.00p</b>	4.24p



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	Notes	Year ended 2023 £m	Year ended 2022 £m
Profit for the period		31.1	20.2
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on foreign exchange contracts – cash flow hedges during the period		2.7	(4.5)
Reclassification adjustments for losses included in profit		0.9	2.2
Gains/(losses) on foreign exchange contracts – cash flow hedges	28	3.6	(2.3)
Exchange differences on translation of overseas operations	28	(16.9)	24.5
Tax relating to items that may be reclassified	10	(0.9)	0.7
		(14.2)	22.9
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on defined benefit pension schemes	34	(2.6)	(23.1)
Tax relating to items that will not be reclassified	10	0.6	5.7
		(2.0)	(17.4)
Other comprehensive income for the period, net of tax		(16.2)	5.5
<b>Total comprehensive income for the period</b>		<b>14.9</b>	<b>25.7</b>
Attributable to:			
Equity holders of the parent		14.9	25.7

# Consolidated Balance Sheet

## As at 31 December 2023

	Notes	Year ended 2023 £m	Year ended 2022 £m
<b>Non-current assets</b>			
Goodwill	13	193.3	199.7
Other intangible assets	14	33.1	36.2
Investment in joint venture	15	5.1	4.4
Property, plant and equipment	16	284.7	307.2
Deferred tax assets	21	20.7	10.9
Retirement benefits	34	48.5	51.8
Trade and other receivables	18	0.8	0.4
<b>Total non-current assets</b>		<b>586.2</b>	610.6
<b>Current assets</b>			
Inventories	17	207.5	194.3
Current tax receivables	21	2.3	2.1
Trade and other receivables	18	141.7	126.7
Cash and bank balances	32c	47.6	43.2
<b>Total current assets</b>		<b>399.1</b>	366.3
<b>Total assets</b>		<b>985.3</b>	976.9
<b>Current liabilities</b>			
Trade and other payables	23	188.4	191.2
Current tax liabilities	21	10.0	17.7
Lease liabilities	22, 32c	12.4	12.7
Bank overdrafts and loans	19	1.8	0.5
Provisions	24	10.5	16.7
Contingent/deferred consideration	31	10.5	23.4
<b>Total current liabilities</b>		<b>233.6</b>	262.2
<b>Non-current liabilities</b>			
Bank and other loans	19	177.8	143.2
Retirement benefits	34	8.0	12.1
Deferred tax liabilities	21	7.0	4.7
Lease liabilities	22, 32c	59.4	65.7
Provisions	24	15.0	2.9
Contingent consideration	31	18.5	28.9
Others	23	8.9	7.8
<b>Total non-current liabilities</b>		<b>294.6</b>	265.3
<b>Total liabilities</b>		<b>528.2</b>	527.5
<b>Net assets</b>			
<b>Equity</b>			
Issued share capital	25	41.9	41.9
Share premium account	26	14.8	14.8
Equity reserve	27	7.9	6.4
Hedging and translation reserve	28	37.3	51.5
Retained earnings	29	368.0	346.5
Own shares	30	(12.8)	(11.7)
<b>Equity attributable to equity holders of the parent</b>		<b>457.1</b>	449.4
<b>Total equity</b>		<b>457.1</b>	449.4

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 1 March 2024. They were signed on its behalf by:

David Squires  
Director

Bindi Foyle  
Director

# Consolidated Statement of Changes In Equity

For the year ended 31 December 2023

All equity is attributable to equity holders of the parent

Notes	Issued share capital £m	Share premium account £m	Equity reserve £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Own shares £m	Total equity £m
<b>Balance at 1 January 2022</b>	41.9	14.8	5.8	(37.2)	65.8	343.2	(9.2)	425.1
Profit for the year 2022	–	–	–	–	–	20.2	–	20.2
Losses on foreign exchange contracts – cash flow hedges	28	–	–	(2.3)	–	–	–	(2.3)
Exchange differences on translation of overseas operations	28	–	–	–	24.5	–	–	24.5
Actuarial gains on defined benefit pension schemes	34	–	–	–	–	(23.1)	–	(23.1)
Tax relating to components of other comprehensive income	10	–	–	0.7	–	5.7	–	6.4
<b>Total comprehensive income/(expense) for the period</b>	–	–	–	(1.6)	24.5	2.8	–	25.7
Share-based payment charge	33	–	4.3	–	–	–	–	4.3
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	(4.5)	(4.5)
Use of shares held by employee benefit trust	30	–	–	–	–	(2.0)	2.0	–
Transfer to retained earnings	29	–	(3.7)	–	–	3.7	–	–
Dividends paid	11	–	–	–	–	(1.2)	–	(1.2)
<b>Balance at 31 December 2022</b>	41.9	14.8	6.4	(38.8)	90.3	346.5	(11.7)	449.4
Profit for the year 2023	–	–	–	–	–	31.1	–	31.1
Gain on foreign exchange contracts – cash flow hedges	28	–	–	3.6	–	–	–	3.6
Exchange differences on translation of overseas operations	28	–	–	–	(16.9)	–	–	(16.9)
Actuarial losses on defined benefit pension schemes	34	–	–	–	–	(2.6)	–	(2.6)
Tax relating to components of other comprehensive income	10	–	–	(0.9)	–	0.6	–	(0.3)
<b>Total comprehensive income/(expense) for the period</b>	–	–	–	2.7	(16.9)	29.1	–	14.9
Share-based payment charge	33	–	4.1	–	–	–	–	4.1
Tax relating to share-based payments	10	–	–	–	–	0.9	–	0.9
Purchase of shares held by employee benefit trust	30	–	–	–	–	–	(5.6)	(5.6)
Use of shares held by employee benefit trust	30	–	–	–	–	(4.5)	4.5	–
Transfer to retained earnings	29	–	(2.6)	–	–	2.6	–	–
Dividends paid	11	–	–	–	–	(6.6)	–	(6.6)
<b>Balance at 31 December 2023</b>	41.9	14.8	7.9	(36.1)	73.4	368.0	(12.8)	457.1

# Consolidated Cash Flow Statement

For the year ended 31 December 2023

	Notes	Year ended 2023 £m	Year ended 2022 £m
<b>Net cash from operating activities</b>	32a	<b>41.4</b>	57.7
<b>Investing activities</b>			
Interest received		<b>4.3</b>	0.7
Proceeds on disposal of property, plant and equipment		<b>0.7</b>	0.5
Purchases of property, plant and equipment	16	<b>(33.7)</b>	(28.7)
Purchases of intangible assets	14	<b>(2.2)</b>	(1.8)
Acquisition of Spencer	31	<b>(23.9)</b>	(25.3)
<b>Net cash used in investing activities</b>		<b>(54.8)</b>	(54.6)
<b>Financing activities</b>			
Dividends paid	11	<b>(6.6)</b>	(1.2)
New loans		<b>136.2</b>	90.8
Repayment of borrowings		<b>(96.2)</b>	(90.4)
Purchase of shares held by employee benefit trust		<b>(5.6)</b>	(4.5)
Repayment of lease liabilities		<b>(10.2)</b>	(9.1)
<b>Net cash generated/(used) in financing activities</b>		<b>17.6</b>	(14.4)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4.2</b>	(11.3)
<b>Cash and cash equivalents at beginning of period</b>		<b>42.7</b>	51.1
Effect of foreign exchange rate changes		<b>(1.1)</b>	2.9
<b>Cash and cash equivalents at end of period</b>	32c	<b>45.8</b>	42.7



# Notes to the Consolidated Financial Statements

## 1. General information

Senior plc is a Company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the inside back cover. The nature of the Group's operations and its principal activities are set out in Note 3 and on pages 1 to 79.

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These Financial Statements are presented in Pounds Sterling, which is the Company's functional and the Group's presentation currency.

## 2. Significant accounting policies

### Basis of accounting

These Financial Statements have been prepared in accordance with UK-adopted international accounting standards. They have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and retirement benefit costs measured in accordance with IAS 19.

### Going concern

In determining the appropriate basis of preparation of the Financial Statements for the year ended 31 December 2023, the Directors are required to consider whether the Group and Parent Company can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these Financial Statements (the going concern period).

The Board has applied a robust process to assess the resilience of the forecast out-turns. This assessment included applying severe but plausible downside risks as set out in the Viability Statement on page 78. To address these risks the Board has considered mitigating factors within the Group and Parent Company's control that could be employed that would address the impact and provide options to the Group and Parent Company.

The Group has two covenants for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines on page 1) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x. At 31 December 2023, the Group's net debt to EBITDA was 1.6x and interest cover was 12.6x, both comfortably within covenant limits.

Based on the above assessment, the Board has concluded that the Group and Parent Company will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due over the going concern period. Accordingly, the Directors have formed the judgement that it is appropriate to prepare these Consolidated Financial Statements on the going concern basis.

### Changes in accounting policies

At the date of authorisation of these Financial Statements, there are no relevant and material new standards, amendments to standards or interpretations which are effective for the year ended 31 December 2023.

### Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of Senior plc and the entities controlled by it (its subsidiaries) made up to 31 December 2023. Control is achieved when Senior plc has the power to govern the financial and operating policies of an invested entity so as to obtain benefits from its activities.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for each acquisition is the aggregate of the fair values (at the date of exchange) of assets transferred, liabilities incurred or assumed, and equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets

acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The results of joint ventures are accounted for using the equity accounting method.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### Goodwill

Goodwill arising on consolidation, which was acquired in a business combination, is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is recognised as an asset and allocated, at acquisition, to the group of cash-generating units (CGU groups) that are expected to benefit from that business combination. If the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree is less than the fair value of the net assets acquired (i.e. bargain purchase), the difference is credited to the Consolidated Income Statement in the period of acquisition.

CGU groups to which goodwill has been allocated are tested for impairment at least annually and reviewed for indicators of impairment at the Balance sheet date. If impairment indicators exist, the individual assets within the CGUs, and the individual CGUs excluding goodwill, are tested for impairment before the CGU group is tested for impairment. Any impairment is recognised immediately through the Consolidated Income Statement and is not subsequently reversed. The determination of the recoverable amount of the CGU group is disclosed in the Notes to the Financial Statements (Note 13). If the recoverable amount of the CGU group is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU group and then to the other assets of the CGU group pro rata on the basis of the carrying amount of each asset in the CGU group.

On disposal of a subsidiary or part thereof, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill acquired in a business combination prior to the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

### Revenue recognition

The Group predominantly has one revenue stream relating to engineered components or systems (products), which are customer specific, with a secondary revenue stream of funded development revenue. Both streams have identifiable customer contracts and pricing specific performance obligations.

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognised net of discounts, VAT and

# Notes to the Consolidated Financial Statements continued

## 2. Significant accounting policies continued

other sales related taxes. The determination of the transaction price is based upon pricing specified in the customer contract i.e. a price per unit.

Revenue is recognised as the identified performance obligations are satisfied.

The performance obligation for goods is a specific point in time when the customer obtains control, which is upon delivery or when available for collection. Allocation of transaction price to performance obligations is given in the contract i.e. a unit delivered or available for collection.

The performance obligation for development revenue is a specific point in time when the customer obtains control of the output, for example a first article good, which is the acceptance milestone specified in the customer contract.

Any portion of a change in transaction price that is allocated to a satisfied performance obligation is recognised as revenue or as a reduction in revenue when the transaction price changes.

Dividend income from investments is recognised when the shareholders' legal rights to receive payment have been established.

### Interest

Interest receivable/payable is credited/charged to the Consolidated Income Statement using the effective interest method.

Deferred and contingent consideration related to business combinations which is paid, including related interest unwind incurred since acquisition date, is classified as investing activities within the Consolidated Cashflow Statement. Any cash settlement relates to obtaining control rather than settlement of financing provided by the seller.

### Leasing

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The assessment of control includes whether the Group has a right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use and the right to direct the use of the asset.

As a lessee, the Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjustment for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or restore the underlying asset, less any lease incentives received.

Lease payments comprise fixed payments and variable lease payments based on an index or rate. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term includes optional extensions or terminations which are reasonably certain to be exercised by the Group. These optional terms are reassessed periodically or when there is a significant event which affects the lease. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. Periodically the right-of-use asset is reduced for impairment, if necessary, as well as re-measurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method, which is initially equal to the present value of lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate determined on a lease portfolio basis. The lease liability is re-measured either as a modification or reassessment. Modification occurs where there is a change in terms, such as rental

payments, which did not form part of the original terms of the contract. In this case, the lease liability is re-measured using the revised terms and a revised incremental borrowing rate at the modification date.

Reassessment occurs where there are changes within the scope of the original terms of the contract, such as rental payments changes with reference to an index. For reassessment changes, the lease liability is re-measured in the same way as for a modification, except for the incremental borrowing rate, which is not changed from the original commencement date of the contract.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases which have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, several indicators are assessed, such as the present value of the lease payments amounting to at least substantially all of the fair value of the asset. When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. The Group assesses the classification of the sub-lease with reference to the right-of-use asset arising from the head lease. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

### Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the transaction. 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 items 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 at historical cost in a foreign currency are not retranslated. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity, subject to meeting the requirements under IAS 21.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts (see section below on derivative financial instruments and hedging for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas 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 period. Exchange rate differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed.

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 on the relevant Balance Sheet date.

The exchange rates for the major currencies applied in the translation of results were as follows:

	Average rates 2023	Average rates 2022	Year-end rates 2023	Year-end rates 2022
US Dollar	1.24	1.24	1.27	1.21

### Government grants

Government grants received for items of a revenue nature are recognised as income over the period necessary to match them with the related costs, which are deducted in reporting the related expense and presented

# Notes to the Consolidated Financial Statements continued

## 2. Significant accounting policies continued

net of the costs to which they relate. Government grants relating to investment in property, plant and equipment are deducted from the initial carrying value of the related capital asset.

### Retirement benefit costs

Payments to defined contribution retirement plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit plans are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement plan.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Method, with full actuarial valuations being carried out on a triennial basis, and updated at each Balance Sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the Consolidated Income Statement and are presented in the Statement of Comprehensive Income.

Past service cost is recognised as an expense at the earlier of a plan amendment, curtailment, or restructuring.

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation, and as reduced by the fair value of scheme assets.

### Taxation

Provisions for uncertain tax positions are included within current tax liabilities on the Consolidated Balance Sheet representing Management's best estimate of the likely cash outflow related to the uncertainty. There are transactions and activities that the Group engages in where the ultimate tax determination is uncertain and a provision may be made against the tax benefit. For example, the Group seeks to price transactions between Group companies on an arms length basis and in compliance with OECD transfer pricing principles and the laws of the relevant jurisdictions. The application of OECD principles and local tax laws require interpretation, and accordingly involves the application of judgment and is open to challenge by the relevant tax authorities. This gives rise to a level of uncertainty. Provisions for uncertain tax positions are established in accordance with IFRIC 23 based on an assessment of the range of likely tax outcomes in open years and reflecting the strength of technical arguments. Amounts are provided for individual tax uncertainties based on Management's assessment of whether the most likely amount or an expected amount based on a probability weighted methodology is the more appropriate predictor of amounts that the company is ultimately expected to settle. When making this assessment, the Group utilises specialist in-house tax knowledge and experience and takes into consideration specialist tax advice from third party advisers on specific items.

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, including for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available for their utilisation before their expiry. Amounts will be recognised first to the extent that taxable temporary differences exist and it is considered probable that they will reverse and give rise to future taxable profits against which losses or other assets may be utilised before their expiry. Assets will then be recognised

to the extent that forecasts or other evidence support the availability of future profits against which assets may be realised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of goodwill (other than in a business combination) of other assets and liabilities in a transaction that affects neither the Group's taxable profit nor its accounting profit.

The carrying value of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax 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 based on tax laws and rates that have been enacted at the Balance Sheet date. Deferred tax is charged or credited in the Consolidated Income Statement, except when it relates to items charged or credited to Other Comprehensive Income or directly to Equity, in which case the deferred tax is also dealt with in Other Comprehensive Income or Equity.

### Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Balance Sheet at their historical cost, or at modified historical cost, being a revaluation undertaken in 1988 which has been taken as the effective cost on transition to IFRS. Land and buildings were revalued to fair value at the date of revaluation. The Group does not intend to conduct annual revaluations.

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged to write off the cost of an asset on a straight-line basis over the estimated useful life of the asset, and is charged from the time an asset becomes available for its intended use. Annual rates are as follows:

Freehold land	Nil
Freehold buildings	2%
Right-of-use land and buildings	on the same basis as owned assets or, where shorter, over the lease term
Leasehold building improvements	on the same basis as owned assets or, where shorter, over the lease term
Plant and equipment	5%–33%
Right-of-use plant and equipment	on the same basis as owned assets or, where shorter, over the lease term

The Group primarily leases land and buildings for manufacturing use. The lease term, including options to extend which are reasonably certain, typically range from two to fifteen years. The Group also leases plant and equipment, including office equipment, vehicles and manufacturing equipment, with lease terms typically ranging from one to four years.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset at disposal and is recognised in the Consolidated Income Statement.

### Internally generated intangible assets – development expenditure

An intangible asset arising from unfunded development work shall be recognised if the following can be demonstrated:

- i. the asset can be separately identified.
- ii. it is probable that the asset created will generate future economic benefits.
- iii. the development cost of the asset can be measured reliably during its development.
- iv. it is technically feasible to complete the asset so that it will be available for use or sale.



# Notes to the Consolidated Financial Statements continued

## 2. Significant accounting policies continued

- v. there is intention to complete the asset and use or sell it.
- vi. the Group has ability to use or sell the asset.
- vii. the Group has availability of adequate technical, financial and other resources to complete the development work and to use or sell the asset.

Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Costs incurred in relation to funded development work are accumulated in inventory and are recognised when the related billings are made. Any amounts held in inventory are subject to normal inventory valuation principles. Expenditure on research, design and other development activities, that do not meet the capitalisation criteria above, is recognised as an expense in the period in which it is incurred.

### Other intangible assets

Other intangible assets include computer software and intangible assets acquired as part of a business combination. The cost of acquiring computer software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Capitalised computer software is amortised over its estimated useful life of between three and five years on a straight-line basis, and is stated at cost less accumulated amortisation and impairment losses. Intangible assets acquired as part of a business combination principally comprise qualified parts list, customer relationships, contracts and trade names. They are shown at fair value at the date of acquisition less accumulated amortisation. At the Balance Sheet date, intangible assets which incurred amortisation during the year, are being amortised at rates of between sixteen and eighteen on a straight-line basis since acquisition date.

### Impairment of tangible and intangible assets excluding goodwill

At each Balance Sheet date, the Group reviews the carrying amounts of its tangible 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 the fair value less the costs to sell and the value in use. In assessing the 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and an appropriate allocation of production overheads. Cost is calculated using

the first-in, first-out method. Net realisable value represents the estimated selling price less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

### Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Financial instruments are classified as cash and cash equivalents, bank overdrafts and loans, lease liabilities, trade receivables, trade payables, deferred consideration receivable or payable, contingent consideration payable, other receivables and other payables, as appropriate.

Non-derivative financial assets are categorised as "Financial assets at amortised cost" and non-derivative financial liabilities are categorised as "Financial liabilities at amortised cost". Derivative financial assets and liabilities that are not designated and effective as hedging instruments are categorised as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, respectively. The classification depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition.

### Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by loss allowance. The Group has elected to measure loss allowance for trade receivables at an amount equal to the lifetime expected credit losses (ECLs), which are based on quantitative and qualitative credit risk assessments, using historical and forward looking information. Changes in the carrying amounts of the loss allowance are recognised in the Consolidated Income Statement.

Trade receivables in default are considered uncollectible and are written off against the loss allowance. The Group considers a trade receivable to be in default when the customer is experiencing significant financial difficulties, bankruptcy, financial reorganisation or is in default or delinquent in paying its credit obligations to the Group in full. Subsequent recoveries of amounts previously written off are credited against the loss allowance.

Trade receivables are derecognised when reverse factored, without recourse, through schemes with financial institution counterparties who assume the risk of non-payment by the customer. Derecognition occurs when cash is received from the financial institution (less reverse factoring discount). For further details, see Strategic Report and the financial instrument credit risk section in the notes to the Consolidated Financial Statements.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### Non-derivative financial liabilities

Non-derivative financial liabilities are stated at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised financial liability and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

### Equity instruments

Equity instruments issued by the Company are recorded at the value of the proceeds received, net of direct transaction costs.



# Notes to the Consolidated Financial Statements continued

## 2. Significant accounting policies continued Derivative financial instruments and hedging

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange contracts and, on occasion, interest rate swap contracts to hedge these exposures. The use of financial derivatives is governed by the Group's Treasury Policies as approved by the Board of Directors, which provides written principles on the use of derivatives. The Group does not use derivative financial instruments for speculative purposes.

Certain derivative instruments do not qualify for hedge accounting. These are categorised as fair value through profit or loss and are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

The Group designates certain hedging instruments in respect of foreign currency risk as cash flow hedges. 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 strategy for undertaking various hedging transactions. The Group also documents, both at hedge inception and on an ongoing basis, whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For the Group's cash flow hedges of highly probable forecast transactions in foreign currencies, the hedged risk is always considered to be 1:1. If the underlying exposure changes over time, either due to commercial factors or timing differences, the hedging instruments will be rebalanced to ensure that the hedge ratio of 1:1 is maintained.

Changes in the fair value of derivative financial instruments that are designated and are effective as a cash flow hedge are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the Consolidated Income Statement. Gains or losses from remeasuring the derivative are also recognised in the Consolidated Income Statement. If the hedge is effective, these entries will offset in the Consolidated Income Statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in Equity is transferred to the Consolidated Income Statement for the period.

Gains and losses accumulated in Equity are recognised in the Consolidated Income Statement on disposal of the overseas business.

### Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held

for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and Management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months. Assets that are classified as held for sale are not depreciated. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### 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 at the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date, taking into account the risks and uncertainties (such as timing or amount) surrounding the obligation. They are not discounted to present value if the effect is not material.

Provisions for restructuring are recognised when the Group has a detailed formal plan for the restructuring and the plan has been communicated to the affected parties. Provisions for the expected cost for warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products.

### Share-based payments

The Group applies the requirements of IFRS 2 Share-based payments.

The Group issues equity-settled share-based payments to certain employees. The fair value (excluding the effect of non-market-related conditions), as determined at the grant date, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest and adjusted for the effect of non-market-related conditions.

Fair value is measured by use of a Black-Scholes model for the share option plans, and a binomial model for the share awards under the 2014 Long-Term Incentive Plan.

The liability in respect of equity-settled amounts is included in Equity.

### Critical accounting judgments

IAS 1 requires disclosure of the judgments Management makes when applying its significant accounting policies and that have the most significant effect on amounts that are recognised in the Group's Financial Statements. In the course of preparing the Financial Statements, no significant critical judgments have been made in the process of applying the Group's accounting policies, other than leases and those involving estimations, which are dealt with separately below. Management makes other judgments in the normal course of conducting business, such as those in relation to legal claims and contractual matters (see Note 24 for further details).

### Leases

Where a lease includes the option for an extension to the lease term, Management makes a judgment as to whether they are reasonably certain the option will be taken. This will take into account the length of time remaining before the option is exercisable, current and forecasted plans for utilising the asset and the level and type of planned future capital investment. As at 31 December 2023, these extension options have an approximate average remaining lease term of seven years. These judgments are reassessed at each reporting period or when there is a significant event affecting the lease, which could result in a recalculation of the lease liability and a material adjustment to the associated balances.

### Key sources of estimation and uncertainty

When applying the Group's accounting policies, Management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the Balance Sheet date and the amounts of revenue and expenses recognised during the period.

# Notes to the Consolidated Financial Statements continued

## 2. Significant accounting policies continued

Such assumptions are based upon factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources. The key sources of estimation and uncertainty at the Balance Sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and beyond include:

### Income taxes

In determining the Group provisions for income tax and deferred tax, it is necessary to consider transactions in a small number of key tax jurisdictions for which the ultimate tax determination is uncertain. To the extent that the final outcome differs from the tax that has been provided, adjustments will be made to income tax and deferred tax provisions held in the period the determination is made. The carrying amount of net current tax liability and deferred tax asset at 31 December 2023 was £7.7m (2022 – £15.6m) and £13.7m (2022 – £6.2m), respectively. On 27th November 2023 the group implemented a series of steps to simplify the legal ownership of its Americas legal entity holding structure. As part of the exercise, provisions held for estimated uncertain tax positions around the historical establishment of the Americas legal structure were reassessed. As a result, in accordance with IAS 12 and IFRIC 23 (Uncertainty over Income Tax Treatments), provisions for the uncertain tax positions of £7.0m and associated interest of £3.5m have been released to the Consolidated Income Statement during the year. The provisions released include £3.8m tax and £1.0m interest that was previously recognised through retained earnings on 1 January 2019 on the adoption of IFRIC 23 measurement criteria. Further details on these estimates are set out in Notes 10 and 21.

### Retirement benefits

Management makes assumptions and estimates, for the next financial year and beyond, which affect the value of the carrying amount of the UK Plan retirement benefit obligation at 31 December 2023. Management follows actuarial advice from a third party when determining estimation uncertainty on the valuation of the UK gross defined benefit obligation, the significant assumptions being discount rate, inflation and life expectancy (see Note 34). The carrying amount of the UK Plan's retirement benefits at 31 December 2023 was a surplus of £48.5m (2022 – surplus of £51.8m), being the present value of the defined benefit obligations of £199.2m (2022 – £198.4m) and fair value of plan assets of £247.7m (2022 – £250.2m). Further details and sensitivities from changes in estimates are set out in Note 34g.

### Warranty

The warranty costs include a provision of £11.0m (2022 – £8.6m) related to one specific disputed commercial matter. The range of reasonably possible outcomes considered by the Board is £5.4m, which reflects a reasonably possible increase or decrease of £2.7m. No further details on the matter are disclosed to avoid prejudicing the contractual position.

### Other estimates

The Board previously approved a restructuring plan that was initiated in 2019. In response to the pandemic, the Group implemented further cost cutting actions which included asset write downs. In 2023, some residual restructuring activity took place in response to further specific end market conditions affecting some of the businesses. At 31 December 2023, a provision of £0.5m (2022 – £0.2m) is recorded relating to committed restructuring plans that have been communicated to those effected and where the cash outflow is anticipated to occur in 2024. The restructuring charges recorded in 2023 include impairments related to property, plant and equipment and inventory where demand on specific programmes has ceased or significantly decreased, and where there is no alternate use. Management does not anticipate further material adjustments to the restructuring provision recorded at 31 December 2023 over the next financial year as the commitments are settled, subject to unforeseen changes in market conditions.

### Acquisition accounting (prior year)

On 25 November 2022, the Group acquired substantially all of the assets of Spencer Aerospace Manufacturing, LLC, for total consideration of \$100m split between initial, deferred and contingent payments. Acquisition accounting is no longer considered a key source of estimation uncertainty given the fair value at acquisition date is an estimate related to the prior year. As at 31 December 2023, a range of contingent consideration estimated most likely outcome is disclosed in Note 31.

### Consideration of climate change

In preparing the Financial Statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 25 to 31. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the following areas:

- Useful lives of assets – The useful lives of assets could be reduced by climate-related matters, for example as a result of physical risks, obsolescence or legal restrictions. The change in useful lives would have a direct impact on the amount of depreciation or amortisation recognised each year from the date of reassessment. The Directors' review of useful lives has taken into consideration the impacts of the Group's net zero commitments and has not had a material impact on the results for the year.
- Inventory valuation – Climate-related matters may affect the value of inventories as they could become obsolete as a result of a decline in selling prices or a reduction in demand. After consideration of the typical inventory days compared to the rate of change in the market the Directors consider that inventory is appropriately valued.
- Going concern and viability – risks identified in the TCFD disclosures in pages 25 to 31 have been factored into the going concern and viability assessment. See page 78 further details.
- Goodwill Impairment assessment – cash flow forecasts used in the impairment assessment of goodwill have considered potential changes in demand over the next 5 years as a result of changing customer preferences on Senior's products. This is not expected to have a material impact on the cashflows, with longer term growth rates based on forecasted market demand. Aerospace market rates were used for the Aerospace CGU and long-term GDP rates for advanced economies were used for the Flexonics CGU. Sensitivity analysis (See Note 13) shows that a 1 percent decrease in growth rate would not result in the carrying amount of CGU groups exceeding their recoverable amount.
- Recoverability of trade receivables – After consideration of the typical receivable days compared to the rate of change in the market, the Directors consider that receivables at 31 December 2023 are not adversely affected by climate change.
- Valuation of the UK Plan retirement gross benefit obligation – there is no material impact on key financial assumptions which are set according to market yields. Mortality assumptions take account of current views of possible climate pathways that may develop. Asset values are set according to market valuations which incorporate market expectations of climate impacts.

The Directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's Financial Statements.

# Notes to the Consolidated Financial Statements continued

## 3. Revenue

Total revenue is disaggregated by market sectors as follows:

	Year ended 2023 £m	Year ended 2022 £m
Civil Aerospace	410.5	339.4
Defence	132.6	122.1
Other	73.4	92.1
Aerospace	616.5	553.6
Land Vehicle	201.7	164.1
Power & Energy	146.3	131.5
Flexonics	348.0	295.6
Eliminations	(1.0)	(0.8)
<b>Total revenue</b>	<b>963.5</b>	<b>848.4</b>

Other Aerospace comprises space and non-military helicopters and other markets, principally including semiconductor, medical, and industrial applications.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

## 4. Segment Information

The Group reports its segment information as two operating Divisions according to the market segments they serve, Aerospace and Flexonics, which is consistent with the oversight employed by the Executive Committee. The chief operating decision-maker, as defined by IFRS 8, is the Executive Committee. The Group is managed on the same basis, as two operating Divisions.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2 and the sales between segments are carried out at arm's length. Adjusted operating profit, as described in Note 9, is the key measure reported to the Group's Executive Committee for the purpose of resource allocation and assessment of segment performance. Finance income, finance costs and tax are not allocated to segments, as this type of activity is driven by the central tax and treasury functions.

Segment assets include directly attributable computer software assets, property, plant and equipment (including right-of-use assets), working capital assets, goodwill and intangible assets from acquisitions. Cash, deferred and current tax and other financial assets (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Executive Committee.

Segment liabilities include directly attributable working capital liabilities and lease liabilities. Debt, retirement benefits, deferred and current tax and other financial liabilities (except for working capital) are not allocated to segments for the purposes of reporting financial performance to the Executive Committee.

Central costs, assets and liabilities are corporate items not allocated to segments, which is consistent with the format used by the chief operating decision-maker.

Segment information for revenue, operating profit and a reconciliation to entity and profit after tax is presented below:

Notes	Eliminations/ central costs				Eliminations/ central costs			
	Aerospace Year ended 2023 £m	Flexonics Year ended 2023 £m	Year ended 2023 £m	Total Year ended 2023 £m	Aerospace Year ended 2022 £m	Flexonics Year ended 2022 £m	Year ended 2022 £m	Total Year ended 2022 £m
External revenue	615.7	347.8	–	963.5	553.0	295.4	–	848.4
Inter-segment revenue	0.8	0.2	(1.0)	–	0.6	0.2	(0.8)	–
<b>Total revenue</b>	<b>616.5</b>	<b>348.0</b>	<b>(1.0)</b>	<b>963.5</b>	<b>553.6</b>	<b>295.6</b>	<b>(0.8)</b>	<b>848.4</b>
Adjusted trading profit	27.0	37.5	(19.7)	44.8	20.3	25.4	(17.6)	28.1
Share of joint venture profit	–	1.0	–	1.0	–	0.4	–	0.4
Adjusted operating profit	27.0	38.5	(19.7)	45.8	20.3	25.8	(17.6)	28.5
Amortisation of intangible assets from acquisitions	9	(2.2)	–	(2.2)	(0.2)	–	–	(0.2)
Net restructuring (cost)/income	9	(3.6)	(2.0)	(5.6)	4.2	–	–	4.2
Site relocation costs	9	–	(0.1)	(0.1)	–	–	–	–
<b>Operating profit</b>	<b>21.2</b>	<b>36.4</b>	<b>(19.7)</b>	<b>37.9</b>	<b>24.3</b>	<b>25.8</b>	<b>(17.6)</b>	<b>32.5</b>
Finance income				10.1				1.9
Finance costs				(20.5)				(10.6)
Corporate undertakings	9			(4.7)				(1.4)
<b>Profit before tax</b>				<b>22.8</b>				<b>22.4</b>
Tax				8.3				(2.2)
<b>Profit after tax</b>				<b>31.1</b>				<b>20.2</b>

Trading profit and adjusted trading profit is operating profit and adjusted operating profit respectively before share of joint venture profit. See Note 9 for the derivation of adjusted operating profit.

# Notes to the Consolidated Financial Statements continued

## 4. Segment Information continued

Segment information for assets, liabilities, additions to non-current assets and depreciation and amortisation is presented below:

	Year ended 2023 £m	Year ended 2022 £m
<b>Assets</b>		
Aerospace	646.5	647.8
Flexonics	215.4	217.3
Segment assets for reportable segments	861.9	865.1
Unallocated		
Central	4.0	3.6
Cash	47.6	43.2
Deferred and current tax	23.0	13.0
Retirement benefits	48.5	51.8
Others	0.3	0.2
Total assets per Consolidated Balance Sheet	985.3	976.9

	Year ended 2023 £m	Year ended 2022 £m
<b>Liabilities</b>		
Aerospace	183.1	189.5
Flexonics	79.9	79.7
Segment liabilities for reportable segments	263.0	269.2
Unallocated		
Central	22.2	19.2
Debt	179.6	143.7
Deferred and current tax	17.0	22.4
Retirement benefits	8.0	12.1
Contingent/deferred consideration	29.0	52.3
Others	9.4	8.6
Total liabilities per Consolidated Balance Sheet	528.2	527.5

	Additions to non-current assets Year ended 2023 £m	Additions to non-current assets Year ended 2022 £m	Depreciation and amortisation Year ended 2023 £m	Depreciation and amortisation Year ended 2022 £m
Aerospace	24.4	18.6	38.2	35.9
Flexonics	12.6	13.5	13.0	13.4
Sub total	37.0	32.1	51.2	49.3
Central	0.9	0.4	0.5	0.5
Total	37.9	32.5	51.7	49.8

The Group's revenues from its major products is presented below:

	Year ended 2023 £m	Year ended 2022 £m
Aerospace – Structures	253.0	242.6
Aerospace – Fluid Systems	362.7	310.4
Aerospace total	615.7	553.0
Land vehicle	201.7	164.1
Power & Energy	146.1	131.3
Flexonics total	347.8	295.4
<b>Group total</b>	<b>963.5</b>	<b>848.4</b>

No individual customer accounted for more than 10% of external revenue in 2023 or 2022.



# Notes to the Consolidated Financial Statements continued

## 4. Segment Information continued

### Geographical information

The Groups' operations are located principally in North America and UK.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods. The carrying values of segment non-current assets are analysed by the geographical area in which the assets are located.

	Sales revenue Year ended 2023 £m	Sales revenue Year ended 2022 £m	Segment non-current assets Year ended 2023 £m	Segment non-current assets Year ended 2022 £m
USA	459.6	417.1	273.3	296.5
UK	156.8	140.6	157.1	158.8
Rest of the World	347.1	290.7	135.1	144.4
Sub total	963.5	848.4	565.5	599.7
Unallocated amounts	–	–	20.7	10.9
Total	963.5	848.4	586.2	610.6

The unallocated amounts on non-current assets relate to deferred tax assets.

## 5. Operating profit

Operating profit can be analysed as follows:

	Year ended 2023 £m	Year ended 2022 £m
Revenue	963.5	848.4
Cost of sales	(789.5)	(698.7)
Gross profit	174.0	149.7
Distribution costs	(6.9)	(6.3)
Administrative expenses	(130.4)	(111.4)
Profit on sale of fixed assets	0.2	0.1
Share of joint venture profit	1.0	0.4
Operating profit	37.9	32.5

Operating profit for the period has been arrived at after charging:

	Year ended 2023 £m	Year ended 2022 £m
Net foreign exchange losses	0.4	4.6
Research and design costs	20.0	19.8
Depreciation of property, plant and equipment	48.0	48.1
Amortisation of intangible assets included in administration expenses	3.7	1.7
Cost of inventories recognised as expense	789.5	698.7
Provision for loss allowance against receivables	0.4	1.5
Restructuring: provision charge/(release) for impairment of property, plant and equipment and inventories	3.2	(1.4)
Restructuring: staff and other costs	2.4	1.2
Aerospace manufacturing grant (income)	–	(4.0)

Staff costs are disclosed in Note 6. The majority of research and design costs incurred during the year have been expensed in line with Note 2 Group's accounting policies.

The analysis of the Auditor's remuneration is as follows:

	Year ended 2023 £m	Year ended 2022 £m
Fees payable to the Company's Auditor and their associates for the audit of the Company's annual accounts	0.6	0.5
Fees payable to the Company's Auditor and their associates for other services to the Group – The audit of the Company's subsidiaries	1.7	1.7
<b>Total audit fees</b>	<b>2.3</b>	<b>2.2</b>

# Notes to the Consolidated Financial Statements continued

## 5. Operating profit continued

Fees payable to Company's Auditor and their associates for non-audit services to the Company are not required to be disclosed because the Consolidated Financial Statements are required to disclose such fees on a consolidated basis.

The Group paid £0.06m (2022 – £0.06m) to the Company's Auditor for audit related services and £nil (2022 – £nil) for non-audit related services during 2023, in line with the Company's policy on the use of Auditors for non-audit services.

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the Auditor was used rather than another supplier and how the Auditor's independence and objectivity were safeguarded are set out in the Audit Committee Report on pages 100 to 105. No services were provided pursuant to contingent fee arrangements.

## 6. Staff costs

The average monthly number of employees (including Directors) was:

	Year ended 2023 Number	Year ended 2022 Number
Production	5,743	5,297
Distribution	85	64
Sales	260	249
Administration	539	495
<b>Total</b>	<b>6,627</b>	<b>6,105</b>

The actual number of employees at 31 December 2023 was 6,679 (2022 – 6,361).

	Notes	Year ended 2023 £m	Year ended 2022 £m
Their aggregate remuneration comprised:			
Wages and salaries		261.3	234.7
Social security costs		31.8	26.9
Termination benefits		0.7	–
Other pension costs – defined contribution	34a	10.2	8.9
Other pension costs – defined benefit	34e	0.5	0.8
Share-based payments	33	4.1	4.3
<b>Aggregate remuneration</b>		<b>308.6</b>	<b>275.6</b>

The Group also incurred medical and other employee benefit expenses during the year of £23.4m (2022 – £24.6m).

## 7. Finance income

		Year ended 2023 £m	Year ended 2022 £m
Interest on bank deposits and other finance income		4.5	0.7
Net finance income on retirement benefits	34e	2.1	1.2
Interest unwind on uncertain tax positions	10	3.5	–
<b>Total income</b>		<b>10.1</b>	<b>1.9</b>

# Notes to the Consolidated Financial Statements continued

## 8. Finance costs

	Notes	Year ended 2023 £m	Year ended 2022 £m
Interest on bank overdrafts and loans		9.8	2.0
Interest on other loans and other finance costs		4.9	5.8
Interest on lease liabilities		2.9	2.5
Interest unwind on acquisition consideration	9,31	2.9	0.3
<b>Total finance costs</b>		<b>20.5</b>	<b>10.6</b>

## 9. Adjusted operating profit and adjusted profit before tax

The presentation of adjusted operating profit and adjusted profit before tax measures, derived in accordance with the table below, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, net restructuring cost/income, site relocation costs, and costs associated with corporate undertakings. The Board has a policy, which has been clarified in 2023, to separately disclose items it considers are outside the normal course of management oversight and control on a day-to-day basis and are not reflective of in-year trading performance. Indicative criteria such as period to which the item relates and external driven factors that are outside of the control of the Group in combination with the magnitude and consistency of application are also considered.

The amortisation charge relates to the acquisition of Spencer Aerospace. It is charged on a straight-line basis and reflects a non-cash item for the reported year. The Group implemented a restructuring programme in 2019, which continued into 2022 in response to the impact of the COVID-19 pandemic on some of the Group's end markets. In 2023, some residual restructuring activity took place in response to further specific end market conditions. Site relocation costs relate to transfer of business activities into new or existing cost competitive facilities to support the Group's strategic initiatives. Corporate undertakings relate to business acquisition and disposal activities. In the prior year, the aerospace manufacturing grant within net restructuring income, represents incentives specific to only part of the Group for a limited time period. None of these charges are reflective of in year performance. Therefore, they are excluded by the Board and Executive Committee when measuring the operating performance of the businesses.

	Notes	Year ended 2023 £m	Year ended 2022 £m
Operating profit		37.9	32.5
Amortisation of intangible assets from acquisitions		2.2	0.2
Net restructuring cost/(income)		5.6	(4.2)
Site relocation costs		0.1	–
<b>Adjusted operating profit</b>		<b>45.8</b>	<b>28.5</b>
Profit before tax		22.8	22.4
Adjustments to profit before tax as above		7.9	(4.0)
Corporate undertakings		4.7	1.4
Corporate undertakings – interest		2.9	0.3
<b>Total Corporate undertakings</b>		<b>7.6</b>	<b>1.7</b>
<b>Adjusted profit before tax</b>		<b>38.3</b>	<b>20.1</b>

### Net restructuring costs/income

In 2020 the Group had focused on taking actions to conserve cash to manage through the pandemic, including curtailing capital expenditure, tightly managing working capital and implementing further cost cutting actions. In 2023, some residual restructuring activity took place in response to further specific end market conditions affecting some of the businesses. The Group has continued to review inventory and asset exposures on programmes that have been reduced, cancelled or where the Group will no longer participate. As part of the restructuring focus, we have assessed critically any inventory or asset exposures on these programmes and written down the carrying values on excess holdings and assets where there is no alternate use.

The restructuring resulted in net cost of £5.6m (2022 – net income £4.2m; of which £4.0m related to an aerospace manufacturing grant). Of this, £2.4m related to consultancy and other costs (2022 – £1.2m net charge). For certain specific programmes, and in conjunction with the continued focus on restructuring, management also identified further inventory impairment of £2.0m where customer demand decreased (2022 – £2.7m reversal reflected separate and specific demand increase), and impairment provisions on property, plant and equipment of £1.2m (2022 – £1.3m) to cover the risk where there are no alternative uses.

Net cash outflow related to restructuring activities was £2.1m (2022 – £2.1m net cash inflow). At 31 December 2023, a restructuring provision of £0.5m (31 December 2022 – £0.2m) was recognised and is expected to be utilised in 2024.

### Site relocation costs

In 2023, £0.1m of site relocation costs have been incurred related to the initial costs of transferring our Senior Flexonics Crumlin business to a nearby high-tech facility in Wales to better showcase its design, development, test and qualification capabilities in support of the Group's strategic initiatives.

# Notes to the Consolidated Financial Statements continued

## 9. Adjusted operating profit and adjusted profit before tax continued

### Corporate undertakings

Costs associated with corporate undertakings were £7.6m (2022 – £1.7m), of which £1.5m acquisition costs (2022 – £1.2m) and £2.9m interest unwind of deferred and contingent consideration (2022 – £0.3m) relate to the acquisition of Spencer Aerospace in November 2022 and £3.2m costs are associated with potential disposal and other corporate activities (2022 – £0.2m). See Note 31 for further details on the financial impact of the acquisition in 2023.

## 10. Taxation

	Year ended 2023 £m	Year ended 2022 £m
Current tax:		
Current year	10.7	8.2
Adjustments in respect of prior periods – Americas uncertain tax positions	(7.0)	–
Adjustments in respect of prior periods – other	(4.3)	(1.9)
	<b>(0.6)</b>	6.3
Deferred tax (Note 21):		
Current year	(5.8)	(3.5)
Adjustments in respect of prior periods	(1.9)	(0.6)
	<b>(7.7)</b>	(4.1)
<b>Total tax (credit)/charge</b>	<b>(8.3)</b>	2.2

On 24th May 2021, a future increase in UK corporation tax rate from 19% to 25% was substantially enacted with an effective date of 1 April 2023. Deferred tax assets and liabilities are measured at the rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the Balance Sheet date. The impact of the tax rate change to 25% on deferred tax assets and liabilities has been reflected at the Balance Sheet date and this has resulted in a current year charge of £0.2m recognised in the Income Statement and a credit of £0.1m through Other Comprehensive Income. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

On 27th November 2023 the Group implemented a series of steps to simplify the legal ownership of its Americas legal entity holding structure. As part of the exercise, provisions held for estimated uncertain tax positions around the historical establishment of the Americas legal structure were reassessed. As a result, in accordance with IAS 12 and IFRIC 23 (Uncertainty over Income Tax Treatments), provisions for the uncertain tax positions of £7.0m and associated interest of £3.5m have been released to the Consolidated Income Statement during the year. The provisions released include £3.8m tax and £1.0m interest that was previously recognised through retained earnings on 1 January 2019 on the adoption of IFRIC 23 measurement criteria.

The OECD Pillar Two Globe Rules introduce a global minimum corporate tax rate, initially at 15%, applicable to multinational enterprise (MNE) groups with global revenue over €750m. All participating OECD members are required to incorporate these rules into national legislation. On 20th June 2023 the UK substantially enacted legislation to apply Pillar Two Globe rules into UK law which will first apply to the Group from 1 January 2024. The Group considers that the new rules are unlikely to have significant impact on its ETR in 2024 and future periods.



# Notes to the Consolidated Financial Statements continued

## 10. Taxation continued

The total charge for the year can be reconciled to the profit before tax per the Consolidated Income Statement as follows:

	Year ended 2023 £m	Year ended 2023 %	Year ended 2022 £m	Year ended 2022 %
Profit before tax	<b>22.8</b>		22.4	
Expected tax charge at the UK standard corporation tax rate 23.5%/19.0%	<b>5.4</b>		4.3	
Effect of different statutory rates in overseas jurisdictions	a	<b>(0.4)</b>	0.3	
Tax incentives and credits	b	<b>(1.9)</b>	(1.2)	
Tax losses not recognised	c	<b>(0.3)</b>	(0.4)	
Impact of share options	d	<b>(0.1)</b>	0.2	
Effect of difference in treatment of financing activities between jurisdictions	e	<b>(0.1)</b>	(0.4)	
Non-deductible expenses and other permanent differences	f	<b>1.9</b>	1.5	
Effect of changes in UK tax rate on deferred tax items	g	<b>0.2</b>	0.2	
Withholding taxes	h	<b>0.2</b>	0.2	
Adjustments in respect of prior periods – Americas uncertain tax positions	i	<b>(7.0)</b>	–	
Adjustments in respect of prior periods – other current tax items	j	<b>(4.3)</b>	(1.9)	
Adjustments in respect of prior periods – deferred tax items	k	<b>(1.9)</b>	(0.6)	
Tax (credit)/charge and effective tax rate for the year	<b>(8.3)</b>	<b>(36.4%)</b>	2.2	9.8%

- a. Attributable to profit mix at both higher and lower rates of taxes in different jurisdictions.
- b. Includes a £1.6m benefit from enhanced US R&D deductions and the UK capital allowance super-deduction.
- c. Includes tax losses utilised on which deferred tax was not recognised due to uncertainty around their use (£0.1m) and prior year tax losses recognised in the year (£0.2m).
- d. Impact of non-tax deductible share-based payment charges net of current tax deductions for share exercises in the year and the deferred tax asset recognition for future exercises.
- e. Effect of different rates of tax between jurisdictions on internal financing activities.
- f. Non-deductible expenses and other permanent differences includes £1.6m charge in respect of uncertain tax positions in accordance with IFRIC 23 principles.
- g. Relates to the Income Statement impact of the retranslation of UK deferred tax assets and liabilities following the substantial enactment of the future 25% tax rate effective from 1 April 2023.
- h. Arises from irrecoverable withholding taxes.
- i. Release of £7.0m Americas restructuring provisions during the year in accordance with IFRIC 23 measurement criteria principles.
- j. Includes a credit in respect of the uncertain tax positions which have been resolved, settled or released in accordance with IFRIC 23 principles of £2.4m as well as prior year items arising from the true up of tax accruals in line with local tax filings which in many cases have an equal and opposite prior year item in deferred tax.
- k. Arises from the true-up of deferred tax estimates following the finalisation of entity statutory accounts and local tax returns.

# Notes to the Consolidated Financial Statements continued

## 10. Taxation continued

In addition to the amount charged to the Consolidated Income Statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2023 £m	2022 £m
Deferred tax:		
Items that will not be reclassified subsequently to profit and loss:		
Tax on actuarial items	0.5	4.3
Effect of change in UK tax rate	0.1	1.4
Items that may be reclassified subsequently to profit or loss:		
Tax on foreign exchange contracts – cash flow hedges	(0.9)	0.7
<b>Total tax (charge)/credit recognised directly in other comprehensive income</b>	<b>(0.3)</b>	<b>6.4</b>

In addition to the amount charged to the Consolidated Income Statement and Other Comprehensive Income, the following amounts relating to tax have been recognised directly in equity:

	Year ended 2023 £m	Year ended 2022 £m
Deferred tax:		
Excess tax deductions related to share-based payments in exercised options	0.9	–
<b>Total tax credit recognised directly in equity</b>	<b>0.9</b>	<b>–</b>

Deferred tax (Note 21)	0.6	6.4
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## 11. Dividends

	Year ended 2023 £m	Year ended 2022 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2022 of 1.00p per share (2021 – £nil)	4.1	–
Interim dividend for the year ended 31 December 2023 of 0.60p per share (2022 – 0.30p)	2.5	1.2
	<b>6.6</b>	<b>1.2</b>
Proposed final dividend for the year ended 31 December 2023 of 1.70p per share (2022 – 1.00p)	7.0	4.1

## 12. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 2023 Million	Year ended 2022 Million
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	413.3	415.3
Effect of dilutive potential ordinary shares:		
Share options	11.7	11.6
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>425.0</b>	<b>426.9</b>

# Notes to the Consolidated Financial Statements continued

## 12. Earnings per share continued

Earnings and earnings per share	Notes	Year ended 2023		Year ended 2022	
		Earnings £m	EPS pence	Earnings £m	EPS pence
Profit for the period		<b>31.1</b>	<b>7.52</b>	20.2	4.86
Adjust:					
Amortisation of intangible assets from acquisitions net of tax of £0.6m (2022 – £nil)		<b>1.6</b>	<b>0.39</b>	0.2	0.05
Net restructuring cost/(income) net of tax of £1.5m (2022 – £0.7m)	9	<b>4.1</b>	<b>0.99</b>	(3.5)	(0.84)
Site relocation costs net of tax of £0.1m (2022 – £nil)	9	–	–	–	–
Corporate undertakings net of tax of £1.9m (2022 – £0.5m)		<b>5.7</b>	<b>1.38</b>	1.2	0.29
Adjusted earnings after tax		<b>42.5</b>	<b>10.28</b>	18.1	4.36
Earnings per share					
– basic			<b>7.52p</b>		4.86p
– diluted			<b>7.32p</b>		4.73p
– adjusted			<b>10.28p</b>		4.36p
– adjusted and diluted			<b>10.00p</b>		4.24p

The denominators used for all basic, diluted and adjusted earnings per share are as detailed in the table above.

The presentation of adjusted earnings per share, derived in accordance with the table above, has been included to identify the performance of the Group prior to the impact of amortisation of intangible assets from acquisitions, net restructuring cost/income, site relocation costs, and costs associated with corporate undertakings. The Board has a policy, which has been clarified in 2023, to separately disclose items it considers are outside the normal course of management oversight and control on a day-to-day basis and are not reflective of in-year trading performance. Indicative criteria such as period to which the item relates and external driven factors that are outside of the control of the Group in combination with the magnitude and consistency of application are also considered. See Note 9 for further details.

## 13. Goodwill

	Notes	Year ended 2023 £m	Year ended 2022 £m
<b>Cost</b>			
At 1 January		<b>360.4</b>	308.5
Corporate undertakings	31	–	42.0
Exchange differences		<b>(7.4)</b>	9.9
At 31 December		<b>353.0</b>	360.4
<b>Accumulated impairment losses</b>			
At 1 January		<b>160.7</b>	158.3
Exchange differences		<b>(1.0)</b>	2.4
At 31 December		<b>159.7</b>	160.7
<b>Carrying amount at 31 December</b>		<b>193.3</b>	199.7

In 2023, goodwill has decreased by £6.4m due to net foreign exchange difference. In 2022, goodwill increased by £49.5m, of which £42.0m related to the acquisition of Spencer Aerospace, with £7.5m net foreign exchange differences.

Goodwill is allocated to the group of CGUs (CGU groups) namely Aerospace and Flexonics, reflecting the lowest level at which management exercises oversight and monitors the Group's performance. The table below highlights the carrying amount of goodwill allocated to these CGU groups, all of which are considered significant in comparison with the total carrying amount of goodwill.

	Year ended 2023 £m	Year ended 2022 £m
Aerospace	<b>139.0</b>	143.6
Flexonics	<b>54.3</b>	56.1
Total	<b>193.3</b>	199.7

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The timing of the annual assessment at 30 September 2023 coincided with the Board's review of the most recent financial strategy. Management applied the value in use methodology to assess impairment. The key assumptions on which the value in use calculations were based relate to business performance over the next five years, long-term growth rates beyond 2028 and the discount rates applied. The discount rates were pre-tax measures based on the rate of 10-year government bonds issued in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the

# Notes to the Consolidated Financial Statements continued

## 13. Goodwill continued

increased risk of investing in equities generally and the systematic risk of the CGU group. The key estimates were the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flow in each year, long-term growth rates and discount rates applied. The forecast compound annual growth rate in revenue from 2023 to 2028 was 8% (2022 – 2022 to 2027 was 8%), reflecting continued market recovery post COVID-19 pandemic.

Forecasts used in the cash flow were based on the most recent financial strategy, as approved by Management for the next five years to 2028. These estimates up to 2028, where appropriate, take account of the current economic environment as set out in the Strategic Report on pages 1 to 79.

Cash flows after 2028 have been extrapolated based on estimated long-term growth rates into perpetuity, which has been determined by the lower of the long-term market growth rates and the historical forecast compound annual growth in revenue to 2028. For Aerospace, the long-term market growth rate is 3.8% per annum (2022 – 3.7%), which does not exceed the long-term average growth rate forecast for the aerospace market as included in market outlooks from Boeing and Airbus. For Flexonics, the long-term market growth rate is 1.6% per annum (2022 – 1.5%), which is based on the world long-term forecast GDP growth for advanced economies.

The pre-tax discount rates applied to discount the pre-tax cash flows for Aerospace and Flexonics are 11.6% and 12.3% respectively (2022 – 10.9% and 13.7%); these discount rates include CGU group specific risk adjustments which are the measurements used by Management in assessing investment appraisals specific to each CGU group.

Sensitivities reflecting reasonable possible changes have also been considered in individuality for each CGU group in relation to the value in use calculations: Revenue was reduced by 10 percentage points in the terminal value, operating margins were reduced by 1 percentage point in the terminal value, the proportion of operating profit converted into cash flow was reduced by 5 percentage points in the terminal value, the long-term growth rate assumption was reduced by 1 percentage point and the discount rate was increased by 1 percentage point. This did not result in the carrying amount of the CGU groups exceeding their recoverable amount.

Further to the 30 September 2023 annual impairment test, the Board considered whether there were any triggering events as at the 31 December 2023 reporting date. The Board concluded that the market factors considered as at 30 September were largely unchanged and remained relevant for the year end reporting date, with no new triggers identified for impairment.

## 14. Other intangible assets

	Intangible assets from acquisitions					Computer software and others	Total
	Qualified parts list Year ended 2023 £m	Customer relationships Year ended 2023 £m	Order backlog Year ended 2023 £m	Fully amortised Year ended 2023 £m	Total Year ended 2023 £m	Year ended 2023 £m	Year ended 2023 £m
<b>Year ended 31 December 2023</b>							
<b>Cost</b>							
At 1 January	24.0	6.5	0.5	126.3	157.3	25.3	182.6
Additions	–	–	–	–	–	2.2	2.2
Acquired on acquisition	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	(0.1)	(0.1)
Restructuring impairment and disposal	–	–	–	–	–	–	–
Reclassification	–	–	(0.5)	0.5	–	–	–
Exchange differences	(1.2)	(0.3)	–	(4.4)	(5.9)	(1.0)	(6.9)
At 31 December	22.8	6.2	–	122.4	151.4	26.4	177.8
<b>Amortisation</b>							
At 1 January	0.2	–	–	126.3	126.5	19.9	146.4
Charge for the year	1.3	0.4	0.5	–	2.2	1.5	3.7
Disposals	–	–	–	–	–	(0.1)	(0.1)
Restructuring impairment and disposal	–	–	–	–	–	–	–
Reclassification	–	–	(0.5)	0.5	–	–	–
Exchange differences	(0.1)	–	–	(4.4)	(4.5)	(0.8)	(5.3)
At 31 December	1.4	0.4	–	122.4	124.2	20.5	144.7
<b>Carrying amount at 31 December</b>	<b>21.4</b>	<b>5.8</b>	<b>–</b>	<b>–</b>	<b>27.2</b>	<b>5.9</b>	<b>33.1</b>

Intangible assets from acquisitions are being amortised over following periods; qualified parts 18 years and 1 month, customer relationships 16 years and 1 month and order backlogs 1 year and 1 month.



# Notes to the Consolidated Financial Statements continued

## 14. Other intangible assets continued

	Intangible assets from acquisitions					Computer software and others	Total
	Qualified parts list Year ended 2022 £m	Customer relationships Year ended 2022 £m	Order backlog Year ended 2022 £m	Fully amortised Year ended 2022 £m	Total Year ended 2022 £m	Year ended 2022 £m	Year ended 2022 £m
<b>Year ended 31 December 2022</b>							
<b>Cost</b>							
At 1 January	–	–	–	117.5	117.5	22.8	140.3
Additions					–	1.8	1.8
Acquired on acquisition	24.0	6.5	0.5	–	31.0	–	31.0
Disposals	–	–	–	–	–	(1.2)	(1.2)
Restructuring impairment and disposal	–	–	–	–	–	(0.4)	(0.4)
Reclassification	–	–	–	–	–	0.6	0.6
Exchange differences	–	–	–	8.8	8.8	1.7	10.5
At 31 December	24.0	6.5	0.5	126.3	157.3	25.3	182.6
<b>Amortisation</b>							
At 1 January	–	–	–	117.5	117.5	18.6	136.1
Charge for the year	0.2	–	–	–	0.2	1.5	1.7
Disposals	–	–	–	–	–	(1.2)	(1.2)
Restructuring impairment and disposal	–	–	–	–	–	(0.4)	(0.4)
Reclassification	–	–	–	–	–	–	–
Exchange differences	–	–	–	8.8	8.8	1.4	10.2
At 31 December	0.2	–	–	126.3	126.5	19.9	146.4
<b>Carrying amount at 31 December</b>	23.8	6.5	0.5	–	30.8	5.4	36.2

Intangible assets from acquisitions are being amortised over following periods; qualified parts 18 years and 1 month, customer relationships 16 years and 1 month and order backlogs 1 year and 1 month.

# Notes to the Consolidated Financial Statements continued

## 15. Investment in joint venture

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China, which was set up in 2012. Senior Flexonics Technologies (Wuhan) Limited is a precision manufacturer of automotive components.

The results of the joint venture are accounted for using equity accounting.

The Group's investment of £5.1m represents the Group's share of the joint venture's net assets as at 31 December 2023 (2022 – £4.4m). The following amounts represent the aggregate amounts relating to the revenue and expenses and assets and liabilities of Senior Flexonics Technologies (Wuhan) Limited for the years ended 31 December 2023 and December 2022.

	<b>2023</b>	2022
	<b>£m</b>	£m
Revenue	<b>10.1</b>	7.0
Expenses	<b>(8.0)</b>	(6.2)
Profit	<b>2.1</b>	0.8
Total assets	<b>13.1</b>	11.5
Total liabilities	<b>(2.6)</b>	(2.6)
Net assets	<b>10.5</b>	8.9
Group's share of profit	<b>1.0</b>	0.4
Group's share of net assets	<b>5.1</b>	4.4

# Notes to the Consolidated Financial Statements continued

## 16. Property, plant and equipment

	Freehold land and buildings	Leasehold building improvements	Plant and equipment	Right-of-use Land and Buildings	Right-of-use Plant and equipment	Total	Freehold land and buildings	Leasehold building improvements	Plant and equipment	Right-of-use Land and Buildings	Right-of-use Plant and equipment	Total
	Year ended 2023	Year ended 2023	Year ended 2023	Year ended 2023	Year ended 2023	Year ended 2023	Year ended 2022	Year ended 2022	Year ended 2022	Year ended 2022	Year ended 2022	Year ended 2022
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Cost or valuation</b>												
At 1 January	113.0	8.3	570.2	99.1	9.3	799.9	104.6	4.5	518.8	88.2	6.5	722.6
Additions	2.0	0.4	31.3	–	1.9	35.6	1.2	0.3	27.2	0.8	1.2	30.7
Acquired on acquisition	–	–	–	–	–	–	–	–	1.1	2.6	2.1	5.8
Lease Modifications	–	–	–	5.6	0.4	6.0	–	–	–	2.7	(0.5)	2.2
Exchange differences	(4.5)	(0.3)	(25.9)	(5.2)	(0.3)	(36.2)	9.4	0.5	46.2	6.3	0.5	62.9
Disposals	–	(0.2)	(8.4)	(1.3)	(2.6)	(12.5)	(0.3)	–	(11.2)	(1.5)	(0.5)	(13.5)
Reclassification	0.2	–	(1.1)	0.1	–	(0.8)	–	3.0	(6.7)	–	–	(3.7)
Restructuring impairment and disposal	–	–	(2.2)	–	–	(2.2)	(1.9)	–	(5.2)	–	–	(7.1)
At 31 December	110.7	8.2	563.9	98.3	8.7	789.8	113.0	8.3	570.2	99.1	9.3	799.9
<b>Accumulated depreciation and impairment</b>												
At 1 January	40.6	5.4	409.1	32.9	4.7	492.7	36.3	3.5	360.9	23.6	3.7	428.0
Charge for the year	2.4	0.3	34.8	9.0	1.5	48.0	2.6	0.3	34.9	8.7	1.6	48.1
Lease Modifications	–	–	–	–	–	–	–	–	–	0.3	(0.4)	(0.1)
Exchange differences	(1.7)	(0.2)	(18.6)	(1.6)	(0.1)	(22.2)	3.9	0.5	32.2	1.8	0.3	38.7
Eliminated on disposals	–	(0.2)	(7.9)	(1.3)	(2.6)	(12.0)	(0.3)	–	(10.8)	(1.5)	(0.5)	(13.1)
Reclassification	0.1	–	(0.6)	0.3	(0.2)	(0.4)	–	1.1	(4.2)	–	–	(3.1)
Restructuring impairment and disposal	–	–	(1.0)	–	–	(1.0)	(1.9)	–	(3.9)	–	–	(5.8)
At 31 December	41.4	5.3	415.8	39.3	3.3	505.1	40.6	5.4	409.1	32.9	4.7	492.7
<b>Carrying amount at 31 December</b>	<b>69.3</b>	<b>2.9</b>	<b>148.1</b>	<b>59.0</b>	<b>5.4</b>	<b>284.7</b>	<b>72.4</b>	<b>2.9</b>	<b>161.1</b>	<b>66.2</b>	<b>4.6</b>	<b>307.2</b>

As part of the restructuring programme, £1.2m (2022 – £1.3m) of property, plant and equipment has been impaired in 2023, of which £0.6m relates to Aerospace and £0.6m relates to Flexonics. The recoverable amount of the assets was determined based on value-in-use for assets with confirmed orders, or fair value less costs to sell, where assets are to be disposed.

At 31 December 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £4.0m (2022 – £1.9m).

# Notes to the Consolidated Financial Statements continued

## 17. Inventories

	Year ended 2023 £m	Year ended 2022 £m
Raw materials	86.5	77.5
Work-in-progress	84.6	80.6
Finished goods	36.4	36.2
<b>Total</b>	<b>207.5</b>	<b>194.3</b>

Inventory write-downs recognised as an expense in 2023 were £8.9m (2022 – £1.9m releases), after charges of £2.0m (2022 – £2.7m releases) relating to restructuring (see Note 9).

## 18. Trade and other receivables

Trade and other receivables at 31 December comprise the following:

	Year ended 2023 £m	Year ended 2022 £m
<b>Non-current assets</b>		
Foreign exchange contracts	0.6	0.3
Other receivables	0.2	0.1
	<b>0.8</b>	<b>0.4</b>
<b>Current assets</b>		
Trade receivables	124.9	110.6
Value added tax	3.4	2.9
Foreign exchange contracts	2.0	2.4
Prepayments	11.2	10.7
Other receivables	0.2	0.1
	<b>141.7</b>	<b>126.7</b>
<b>Total trade and other receivables</b>	<b>142.5</b>	<b>127.1</b>

### Credit risk

The Group's principal financial assets are bank balances and cash and trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Consolidated Balance Sheet are net of loss allowances. There are no other credit or impairment losses for other classes of financial assets.

Further disclosures on credit risk are included in Note 20.

The average credit period taken on sales of goods is 58 days (2022 – 55 days). An allowance has been made for estimated irrecoverable amounts from the sale of goods of £2.3m (2022 – £3.3m). In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. At 31 December 2023, the carrying amount of the receivable from the Group's most significant customer was £6.7m (2022 – £8.3m from the same customer). The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the Directors believe that there is no further credit provision risk in excess of the loss allowance.



# Notes to the Consolidated Financial Statements continued

## 18. Trade and other receivables continued

### Expected credit loss

	Year ended 2023 £m	Year ended 2022 £m
Movements in loss allowance:		
At 1 January	3.3	2.0
Provision for impairment	0.4	1.5
Amounts written off as uncollectible	(0.7)	(0.2)
Amounts recovered	(0.6)	(0.2)
Exchange differences	(0.1)	0.2
At 31 December	<b>2.3</b>	3.3
Ageing analysis of past due, net of loss allowance:		
Up to 30 days past due	13.2	10.4
31 to 60 days past due	3.5	3.0
61 to 90 days past due	1.9	1.5
91 to 180 days past due	1.7	1.9
Total past due, net of loss allowance	<b>20.3</b>	16.8
Not past due	<b>104.6</b>	93.8
Total current trade receivables	<b>124.9</b>	110.6

There are no items past due in any other class of financial assets except for trade receivables.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above. The Group does not hold any collateral as security.

## 19. Bank overdrafts and loans

	Year ended 2023 £m	Year ended 2022 £m
Bank overdrafts	1.8	0.5
Bank loans	55.9	17.4
Other loans	121.9	125.8
	<b>179.6</b>	143.7
The borrowings are repayable as follows:		
On demand or within one year	1.8	0.5
In the second year	78.0	–
In the third to fifth years inclusive	99.8	118.5
After five years	–	24.7
	<b>179.6</b>	143.7
Less: amount due for settlement within 12 months (shown under current liabilities)	<b>(1.8)</b>	(0.5)
Amount due for settlement after 12 months	<b>177.8</b>	143.2

At 31 December 2023, bank loans of £57.0m are drawn and there are £1.1m of capitalised revolving credit facility transaction costs. At 31 December 2022, bank loans of £18.6m were drawn and there were £1.2m of capitalised revolving credit facility transaction costs.

# Notes to the Consolidated Financial Statements continued

## 19. Bank overdrafts and loans continued

### Analysis of borrowings by currency

	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
<b>31 December 2023</b>					
Bank overdrafts	1.8	–	0.8	–	1.0
Bank loans	55.9	15.9	–	40.0	–
Other loans	121.9	27.0	24.2	70.7	–
	<b>179.6</b>	<b>42.9</b>	<b>25.0</b>	<b>110.7</b>	<b>1.0</b>
<b>31 December 2022</b>	Total £m	Pound Sterling £m	Euros £m	US Dollars £m	Others £m
Bank overdrafts	0.5	–	0.5	–	–
Bank loans	17.4	(1.2)	–	18.6	–
Other loans	125.8	26.9	24.7	74.2	–
	143.7	25.7	25.2	92.8	–

The weighted average interest rates paid were as follows:

	Year ended 2023 %	Year ended 2022 %
Bank loans and overdrafts	6.42	3.64
Other loans	3.09	3.07

Bank loans and overdrafts of £58.8m (2022 – £19.1m) are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. Other borrowings are mainly arranged at fixed interest rates and expose the Group to fair value interest rate risk. No interest rate swaps were taken out in 2022 or 2023.

The Directors estimate the fair value of the Group's borrowings to be as follows:

	Year ended 2023 £m	Year ended 2022 £m
Bank loans and overdrafts	57.7	17.9
Other loans	115.5	116.3
	<b>173.2</b>	<b>134.2</b>

The fair value of Other loans has been determined by applying a make-whole calculation using the prevailing treasury bill yields plus the applicable credit spread for the Group (level 2 of the fair value hierarchy as defined in Note 20).

The other principal features of the Group's borrowings are as follows:

Bank overdrafts are repayable on demand. The effective interest rates on bank overdrafts are determined based on SONIA, SOFR and appropriate LIBOR rates plus applicable margins.

The Group's main loans are unsecured guaranteed loan notes in the US private placement market and revolving credit facilities.

- Loan notes of €28m, 2023 £24.3m (2022 – £24.8m) were taken out in January 2017, carry interest at the rate of 1.51% and mature on 1 February 2027.
- Loan notes of \$60m, 2023 £47.3m (2022 – £49.6m) were taken out in October 2015 and are due for repayment in October 2025. The loan notes carry interest at the rate of 3.75% per annum.
- Loan notes of £27m were drawn down in January 2018, carry interest at a rate of 2.35% and are due for repayment in January 2025.
- Loan notes of \$30m, 2023 £23.6m (2022 – £24.8m) were taken out in September 2018, carry interest at the rate of 4.18% and are due for repayment in September 2028.

Transaction costs of £0.3m, directly attributable to the Euro notes (£0.1m) and the US Dollar notes (£0.2m), have been deducted from their carrying value.

New private placement loan notes of \$50m (£39.4m) were issued in February 2024. The loan notes were also drawn down in February 2024, carry an interest rate of 6.26% and are due for repayment in February 2030.

The Group also has two revolving credit facilities.

# Notes to the Consolidated Financial Statements continued

## 19. Bank overdrafts and loans continued

A committed multi-currency revolving credit facility in the UK of £115m (2022 – £115m) was extended in November 2023 and matures in November 2027. At 31 December 2023, £53.2m was outstanding under the £115m facility, comprising \$46.0m (£36.2m) and £17.0m. At 31 December 2022, £16.5m was outstanding under the £115m facility, comprising \$20m.

A committed \$50m single bank (£39.4m) loans and letter of credit facility matures in June 2025. There were \$4.9m (£3.8m) loans with reference to Term SOFR which are drawn under the facility on 31 December 2023 and \$2.6m (£2.1m) loans drawn on 31 December 2022 and there were letters of outstanding credit of \$2.7m (£2.2m) (2022 – £2.6m).

As at 31 December 2023, the Group had available £95.1m (2022 – £135.1m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The weighted average maturity of the Group's committed facilities at 31 December is 2.9 years (2022 – 3.5 years). The current weighted average maturity of the Group's facilities, updated for the February 2024 loan notes of \$50m, is 3.2 years.

## 20. Financial instruments

### Capital risk management

The Group manages its capital structure to safeguard its ability to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the balance between debt and equity. In considering the appropriate level of net debt, the Group pays close attention to its level as compared to the cash generation potential of the Group, measured by EBITDA (defined in the Notes to the Financial Headlines). The Group also monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is derived in Note 32c. Lease liabilities are excluded from net debt in calculating the gearing ratio. Total capital is the equity shown in the Consolidated Balance Sheet.

The Group's strategy in respect of gearing is to target a long-term gearing ratio within the range of 30% to 60%. The gearing ratio for the Group at the end of 2023 was 29% (2022 – 22%).

All of the Group's external borrowing facilities at 31 December 2023 have a requirement for the ratio of net debt to EBITDA to be less than 3.0x (US Private Placements) or 3.5x (UK RCF and US RCF). IFRS 16 does not impact the Group's lending covenants as these are currently based on frozen GAAP, hence figures quoted below exclude the impact of IFRS 16 on net debt, interest and EBITDA. As required by the covenant definition, net debt is restated using 12-month average exchange rates (consistent with EBITDA definition).

The Group has two covenants for committed borrowing facilities, which are tested at June and December: the Group's net debt to EBITDA (defined in the Notes to the Financial Headlines) must not exceed 3.0x and interest cover, the ratio of EBITDA to interest must be higher than 3.5x.

At 31 December 2023, the Group's net debt to EBITDA was 1.60x (31 December 2022 – 1.47x) and interest cover was 12.6x (31 December 2022 – 9.4x), both comfortably within the covenants limits.

### Financial risk management

The Group's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group's overall treasury risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge certain risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Group's Treasury Committee on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### Foreign exchange risk management

The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on the operations' trading activities in foreign currencies. Where commented on below, the sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and left unchanged throughout the reporting period, with all other variables held constant (such as interest rates). The sensitivity assumptions are based on analysis reviewed by the Group's Treasury Committee.

### Translation risk

The Group derived 83% of its revenue from businesses outside the United Kingdom, with 59% relating to operations in North America. Fluctuations in the value of the US Dollar and other currencies in relation to Pound Sterling have had, and may continue to have, a significant impact on the results of the Group's operations when reported in Pound Sterling. The Group decided not to hedge this translation risk. In addition, the majority of assets are denominated in foreign currency, particularly in US Dollars. In order to provide a hedge against volatility in the value of these assets compared to the Group's loss/earnings, and hence provide a natural hedge against the Group's principal lending covenant (the ratio of net debt to EBITDA), the Group aims to borrow in foreign currencies in similar proportions to its generation of foreign currency EBITDA, where practical and economic. A 10% appreciation (or depreciation) of all other currencies against the Pound Sterling would have increased (or decreased) 2023 Group adjusted operating profit by £5.1m (£3.5m of which would have been due to the US Dollar movement) and would have increased (or decreased) equity by £32.1m (£20.0m of which would have been due to the US Dollar movement).

# Notes to the Consolidated Financial Statements continued

## 20. Financial instruments continued

### Transaction risk

The Group has a number of transaction-related foreign currency exposures, particularly between the US Dollar and the Pound Sterling, Thai Baht and Malaysian Ringgit. The Group seeks to hedge between 0% to 100% of transaction-related exposures mainly on a rolling 15 to 18-month forward basis, but in some cases for periods of up to 60 months and applies hedge accounting where the forwards can be designated in a qualifying cash flow hedge relationship. Based on the net of the annual sales and purchase-related exposures, all transaction-related foreign currency exposures to Group profit after hedging in existence at 31 December 2023 are immaterial. The impact on equity is determined by the unrecognised portion of open forward contracts at the year-end. A 10% appreciation (or depreciation) of the US Dollar against the Pound Sterling, Thai Baht and the Malaysian Ringgit would have decreased (or increased) equity by £0.4m, £1.8m and £1.1m, respectively.

### Interest rate risk management

The Group has a policy of maintaining approximately 60% of its borrowing costs at fixed interest rates. The Group generally borrows long-term in fixed rates but at times may borrow at floating rates and swap into fixed depending on credit market conditions. Occasionally a portion of fixed debt interest is swapped into floating rates. The combination of maintaining an acceptable balance of fixed and floating rate debt, and the Group's policy of borrowing in foreign currency in proportion to its generation of foreign currency earnings, provides an effective hedge against the impact of interest rate and foreign currency volatility on total interest costs. As at year end 2023, the percentage of debt at fixed interest was 68% (2022 – 87%), excluding IFRS 16 lease liabilities from debt.

The following sensitivity analysis of the Group's exposure to interest rate risk in 2023 has been retrospectively determined based on the exposure to applicable interest rates on financial assets and liabilities held throughout the financial year, with all other variables held constant (such as foreign exchange rates). The sensitivity assumptions are based on analysis reviewed by the Group's Treasury Committee. If variable interest rates had been 0.5% lower (or higher), the Group's profit before tax would have increased (or decreased) by £0.4m. Any fixed interest debt is held to maturity and not fair value adjusted through the Consolidated Income Statement. An increase (or decrease) of 0.5% in the market interest rate for the fixed rate debt held up to maturity would have decreased (or increased) the fair value of the Group's borrowings by £1.3m. The Group's sensitivity to interest rates has remained broadly consistent with prior period due to the high proportion of fixed debt.

### Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. The credit quality of customers is assessed taking into account their financial position, past experience and other factors. Further details on determining the recoverability of trade receivables is provided in Note 18. The Group is guarantor under one lease of a current subsidiary entity in the UK. Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group participates in some non-recourse reverse factoring schemes which are arranged by customers. These are a form of non-recourse factoring that are common practice within the aerospace sector and with large customers in the Flexonics Division. In a reverse factoring scheme, a financial counterparty commits to pay supplier invoices ahead of due date in exchange for a discount interest charge. It is a funding solution initiated by the customer to provide the supplier with an alternative financing arrangement. The Group participates in reverse factoring schemes as a way of reducing credit risk. The trade receivables reverse factored at 31 December 2023 were £29.1m (2022 – £24.9m). The net impact of reverse factoring on 2023 was a cash inflow in working capital of £5.5m (2022 – £6.2m inflow) and the discount interest presented within other finance costs is a charge of £0.8m in 2023 (2022 – £0.6m).

### Liquidity risk management

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and revolving credit facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash flow forecasts are produced monthly, together with appropriate capacity planning and scenario analysis, to ensure that bank covenant and liquidity targets will be met. The Directors also regularly assess the balance of capital and debt funding of the Group, as part of a process to satisfy the Group's long-term strategic funding requirements.

As noted in the Financial Review on pages 74 to 77, the Group is currently in a well-funded position, with significant headroom under its committed borrowing facilities. It is considered unlikely that the Group will face any significant funding issues in the foreseeable future.



# Notes to the Consolidated Financial Statements continued

## 20. Financial instruments continued

### Categories of financial instruments

	Year ended 2023 £m	Year ended 2022 £m
Carrying value of financial assets:		
Cash and cash equivalents	47.6	43.2
Trade receivables	124.9	110.6
Other receivables	0.4	0.2
Financial assets at amortised cost	172.9	154.0
Foreign exchange contracts – cash flow hedges	2.5	2.5
Foreign exchange contracts – held for trading	0.1	0.2
<b>Total financial assets</b>	<b>175.5</b>	<b>156.7</b>
Carrying value of financial liabilities:		
Bank overdrafts and loans	179.6	143.7
Lease liabilities	71.8	78.4
Trade payables	102.1	103.4
Deferred consideration	–	23.4
Other payables	67.8	65.1
Financial liabilities at amortised cost	421.3	414.0
Contingent Consideration – fair value through profit or loss	29.0	28.9
Foreign exchange contracts – cash flow hedges	4.1	8.5
Foreign exchange contracts – held for trading	0.1	0.1
<b>Total financial liabilities</b>	<b>454.5</b>	<b>451.5</b>
Undiscounted contractual maturity of financial liabilities at amortised cost:		
Amounts payable:		
On demand or within one year	191.8	228.9
In the second to fifth years inclusive	234.5	149.1
After five years	46.7	81.5
	473.0	459.5
Less: future finance charges	(51.7)	(45.5)
<b>Financial liabilities at amortised cost</b>	<b>421.3</b>	<b>414.0</b>

The contingent consideration which is potentially payable in less than 1 year and also more than one year but less than five years has a gross value at 31 December 2023 of \$40m (£31.5m) and a discounted value of \$36.9m (£29.0m). At 31 December 2022 the gross value was \$40m (£33.1m) and a discounted value was \$35m (£28.9m).

The carrying amount is a reasonable approximation of fair value for the financial assets and liabilities, excluding leases, noted above except for bank overdrafts and loans, disclosure of which are included within Note 19.

An ageing analysis of trade receivables is disclosed within Note 18.

# Notes to the Consolidated Financial Statements continued

## 20. Financial instruments continued

### Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to hedge the exchange risk arising on the operation's trading activities in foreign currencies in accordance with the Group's accounting policy as set out in Note 2. At 31 December 2023, total notional amounts and fair values of outstanding forward foreign exchange contracts that the Group have committed are given below:

	Year ended 2023 £m	Year ended 2022 £m
Notional amounts:		
Foreign exchange contracts – cash flow hedges	157.2	159.4
Foreign exchange contracts – held for trading	7.0	0.5
<b>Total</b>	<b>164.2</b>	159.9
Less: amounts maturing within 12 months	(111.4)	(99.4)
<b>Amounts maturing after 12 months</b>	<b>52.8</b>	60.5
Contractual maturity:		
Cash flow hedges balances due within one year:		
Outflow	(105.6)	(101.5)
Inflow	105.8	99.9
Cash flow hedges balances due between one and two years:		
Outflow	(23.8)	(22.9)
Inflow	23.0	22.0
Cash flow hedges balances due between two and five years:		
Outflow	(30.9)	(42.5)
Inflow	30.0	38.6
Held for trading balances due within one year:		
Outflow	(6.9)	(0.5)
Inflow	6.9	0.5
Fair values:		
Foreign exchange contracts – cash flow hedges	(1.6)	(6.0)
Foreign exchange contracts – held for trading	–	0.1
<b>Total liability</b>	<b>(1.6)</b>	(5.9)

These fair values are based on market values of equivalent instruments at the Balance Sheet date, comprising £2.6m (2022 – £2.7m) assets included in trade and other receivables and £4.2m (2022 – £8.6m) liabilities included in trade and other payables. The fair value of currency derivatives that are designated and effective as cash flow hedges amounting to £1.3m loss (2022 – £4.9m loss) has been deferred in equity.

### Fair values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1–3 based on the degree to which the fair value is observable:

- Level 1 those fair values derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 those fair values derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has not been any transfer of assets or liabilities between levels. There are no non-recurring fair value measurements. Level 2 fair values are derived from future cash flows, of open forward contracts at 31 December, translated by the difference between contractual rates and observable forward exchange rates.

# Notes to the Consolidated Financial Statements continued

## 20. Financial instruments continued

31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Foreign exchange contracts – cash flow hedges	–	2.5	–	2.5
Foreign exchange contracts – held for trading	–	0.1	–	0.1
Total assets	–	2.6	–	2.6
<b>Liabilities</b>				
Contingent Consideration – fair value through profit or loss	–	–	29.0	29.0
Foreign exchange contracts – cash flow hedges	–	4.1	–	4.1
Foreign exchange contracts – held for trading	–	0.1	–	0.1
Total liabilities	–	4.2	29.0	33.2
<b>31 December 2022</b>				
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Foreign exchange contracts – cash flow hedges	–	2.5	–	2.5
Foreign exchange contracts – held for trading	–	0.2	–	0.2
Total assets	–	2.7	–	2.7
<b>Liabilities</b>				
Contingent Consideration – fair value through profit or loss	–	–	28.9	28.9
Foreign exchange contracts – cash flow hedges	–	8.5	–	8.5
Foreign exchange contracts – held for trading	–	0.1	–	0.1
Total liabilities	–	8.6	28.9	37.5

An amount of £0.7m gain (2022 – £0.8m loss) has been transferred to the Consolidated Income Statement, and is included within operating profit.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

Ineffectiveness is recognised on a cash flow hedge where the cumulative change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above foreign exchange contracts this may arise if the timing of the transaction changes from what was originally estimated.

The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the next 60 months. Amounts deferred in equity are recognised in the Consolidated Income Statement in the same period in which the hedged items affect profit or loss, which is generally within 12 months from the Balance Sheet date.

In 2022 and 2023 some cash flow hedging relationships were discontinued because forecast foreign currency transactions were no longer highly probable and no longer expected to occur. Previously accumulated gains or losses on the forward contracts were immediately reclassified to the income statement. These forward contracts, and the forward contracts entered to unwind the position, that remained at 31 December 2022 and 31 December 2023 were presented in the balance sheet as held for trading assets.

The fair value of contingent consideration is based on the expected present value technique, using risk-adjusted discount rate to discount probability weighted cashflows.

# Notes to the Consolidated Financial Statements continued

## 21. Tax balance sheet

### Current tax

The current tax receivable of £2.3m (2022 – £2.1m) includes excess tax paid to tax authorities that is expected to be recovered within 12 months by way of offset against future tax liabilities or refund.

The majority of the Group's taxable profits arise in countries, including the US, where the estimated tax liabilities are paid in on-account instalments during the year to which they relate and are largely paid at the Balance Sheet date. The current tax liability of £10.0m (2022 – £17.7m) includes £2.3m (2022 – £1.5m) tax due on profits of the current and prior years as well as £7.7m (2022 – £16.2m) provisions for tax uncertainties that represent amounts expected to be paid but by their nature, there is uncertainty over timing and eventual settlement. During the year provisions totalling £7.0m in respect of historical Americas uncertain tax positions were released as well as other net releases of £0.8m. Amounts receivable of £nil (2022 – £2.8m) that are considered to have a right of offset against provisions for tax uncertainties are also included within the current tax liability.

The Group recognises provisions for tax items which are considered to have a range of possible tax outcomes and separately accounts for interest that may be due thereon. These uncertainties exist due to a number of factors including differing interpretations of local tax laws and the determination of appropriate arm's length pricing in accordance with OECD transfer pricing principles on internal transactions and financing arrangements. In calculating the carrying amount of provisions, Management estimates the tax which could become payable as a result of differing interpretations and decisions by tax authorities in respect of transactions and events whose treatment for tax purposes is uncertain. In accordance with IFRIC 23, individual provisions are established based on an assessment of whether it is the most likely individual outcome, or the expected outcome on a probability basis that is likely to best reflect the resolution of the uncertainty. The range of reasonably possible outcomes considered by the Board is not expected to increase the provision by a material amount.

### Deferred tax liabilities and assets

The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Unrealised FX gains £m	Goodwill and intangible amortisation £m	Retirement benefits £m	R&D tax credits £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 January 2022	(13.2)	0.4	(5.6)	(15.6)	5.8	4.6	18.8	(4.8)
(Charge)/credit to Consolidated Income Statement	(2.6)	–	(1.4)	(0.6)	(3.1)	0.3	11.5	4.1
(Charge)/credit to other comprehensive income	–	0.7	–	5.7	–	–	–	6.4
(Charge)/credit direct to equity	–	–	–	–	–	–	–	–
Exchange differences	(1.7)	–	(0.7)	0.3	–	(0.7)	3.3	0.5
At 1 January 2023	<b>(17.5)</b>	<b>1.1</b>	<b>(7.7)</b>	<b>(10.2)</b>	<b>2.7</b>	<b>4.2</b>	<b>33.6</b>	<b>6.2</b>
(Charge)/credit to Consolidated Income Statement	<b>(2.3)</b>	<b>0.1</b>	<b>(0.7)</b>	<b>(0.4)</b>	<b>(1.9)</b>	<b>(0.7)</b>	<b>13.6</b>	<b>7.7</b>
(Charge)/credit to other comprehensive income	–	<b>(0.9)</b>	–	<b>0.6</b>	–	–	–	<b>(0.3)</b>
(Charge)/credit direct to equity	–	–	–	–	–	–	<b>0.9</b>	<b>0.9</b>
Exchange differences	<b>1.1</b>	–	<b>0.4</b>	<b>(0.1)</b>	–	<b>(0.1)</b>	<b>(2.1)</b>	<b>(0.8)</b>
<b>Asset/(liability) at 31 December 2023</b>	<b>(18.7)</b>	<b>0.3</b>	<b>(8.0)</b>	<b>(10.1)</b>	<b>0.8</b>	<b>3.4</b>	<b>46.0</b>	<b>13.7</b>

Other temporary differences include assets in the US of £17.3m (2022 – £15.6m) in respect of inventory provisions, accruals and other expenses where tax relief is only available when items are realised or paid as well other timing differences for interest costs of £4.9m (2022 – £2.3m) and R&D expenditure expected to be deductible in future periods of £10.5m (2022 – £4.8m). Also included are assets held in respect of IFRS16 of £1.9m (2022 – £1.9m) and share-based compensation £3.7m (2022 – £1.9m).

The deferred tax liability in respect of retirement benefits relates primarily to the Senior plc UK defined benefit pension plan £12.0m (2022 – £12.9m), net of deferred tax assets on other schemes.

UK deferred tax assets and liabilities at the Balance Sheet date have been stated at the future rate of UK corporation tax of 25% at which assets are expected to be realised or liabilities settled. This has resulted in an overall increase in the net deferred tax liability at 31 December 2023 of £0.4m.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances, after offset:

	Year ended 2023 £m	Year ended 2022 £m
Deferred tax assets	<b>20.7</b>	10.9
Deferred tax liabilities	<b>(7.0)</b>	(4.7)
	<b>13.7</b>	6.2



# Notes to the Consolidated Financial Statements continued

## 21. Tax balance sheet continued

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, including those arising from the reversal of other taxable temporary differences, against which the assets can be utilised.

At the Balance sheet date the Group has recognised deferred tax assets in respect of losses of £3.4m (2022 – £4.2m), including £1.6m (2022 – £3.1m) recognised against deferred tax liabilities and £1.8m (2022 – £1.1m) recognised based on anticipated profits in the Group's five year forecast to 2028 as approved by the Board.

Due to uncertainty as to the availability of future profits against which tax losses may be utilised, £23.1m (2022 – £24.0m) of losses have not been recognised. Included in unrecognised tax losses are losses of £13.2m (2022 – £12.2m) that will expire over a period of one to nine years. Other losses may be carried forward indefinitely.

At the Balance Sheet date, a deferred tax liability of £0.3m (2022 – £0.2m) has been recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries expected to reverse in the foreseeable future. No temporary difference has been recognised in respect of £28.0m (2022 – £35.1m) of undistributed earnings, which may be subject to a withholding tax, as the Group is in a position to control the timing of the reversal of the temporary differences and it is not probable that such differences will reverse in the foreseeable future.

At the Balance Sheet date, the Group had £5.0m (2022 – £5.0m) of surplus Advanced Corporation Tax ('ACT'), previously written off, for which no deferred tax asset has been recognised as it is unlikely to be recovered in the foreseeable future due to the UK earnings profile. The Group also has £18.0m (2022 – £18.0m) of unused capital losses.

## 22. Lease liabilities

When measuring lease liabilities, the Group discounts lease payments using incremental borrowing rates, determined on a lease portfolio basis.

	Year ended 2023 £m	Year ended 2022 £m
<b>Undiscounted contractual maturity of lease liabilities:</b>		
Amounts payable:		
On demand or within one year	12.7	12.9
In the second to fifth years inclusive	37.7	38.1
After five years	46.7	55.7
	<b>97.1</b>	106.7
Less: future finance charges	<b>(25.3)</b>	(28.3)
Lease liabilities	<b>71.8</b>	78.4
<b>Amounts recognised in the Consolidated Income Statement:</b>		
Interest on lease liabilities	2.9	2.5
Income from sub-leasing right-of-use assets	–	(0.1)
Expenses relating to short-term leases	0.1	0.1
	<b>3.0</b>	2.5
<b>Amounts recognised in the Consolidated Cash Flow Statement</b>		
Cash outflow for leases	<b>13.1</b>	11.6

# Notes to the Consolidated Financial Statements continued

## 23. Trade and other payables

Trade and other payables at 31 December comprise the following:

	Year ended 2023 £m	Year ended 2022 £m
Current liabilities		
Trade payables	<b>102.1</b>	103.4
Social security and PAYE	<b>5.2</b>	4.8
Value added tax	<b>1.3</b>	1.6
Foreign exchange contracts	<b>2.1</b>	3.9
Accrued expenses	<b>77.7</b>	77.5
<b>Total trade and other payables</b>	<b>188.4</b>	191.2

Foreign exchange contracts of £2.1m (2022 – £4.7m) and advance payments of £4.9m (2022 – £1.0m) is included in Others, under Non-current liabilities on the Consolidated Balance Sheet.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The average credit period taken for trade purchases is 58 days (2022 – 63 days).

## 24. Provisions

	Warranty £m	Restructuring £m	Legal claims and contractual matters £m	Total £m
At 1 January 2022	6.9	1.3	7.8	16.0
Additional provision in the year	3.7	1.2	6.2	11.1
Utilisation of provision	(0.1)	(2.3)	(2.5)	(4.9)
Release of unused amounts	(0.3)	–	(3.3)	(3.6)
Exchange differences	0.6	–	0.4	1.0
<b>At 1 January 2023</b>	<b>10.8</b>	<b>0.2</b>	<b>8.6</b>	<b>19.6</b>
Additional provision in the year	<b>4.4</b>	<b>2.4</b>	<b>4.4</b>	<b>11.2</b>
Reclassification	<b>4.8</b>	–	<b>(4.8)</b>	–
Utilisation of provision	<b>(1.3)</b>	<b>(2.1)</b>	<b>(0.1)</b>	<b>(3.5)</b>
Release of unused amounts	<b>(0.3)</b>	–	<b>(0.9)</b>	<b>(1.2)</b>
Exchange differences	<b>(0.5)</b>	–	<b>(0.1)</b>	<b>(0.6)</b>
<b>At 31 December 2023</b>	<b>17.9</b>	<b>0.5</b>	<b>7.1</b>	<b>25.5</b>
Included in current liabilities	<b>3.0</b>	<b>0.5</b>	<b>7.0</b>	<b>10.5</b>

### Warranty

Provisions for warranty costs are based on an assessment of future claims with reference to past experience. £3.0m of costs are expected to settle within the next 12 months. The warranty costs include a provision of £11.0m related to one specific disputed commercial matter. In 2022, this provision was £8.6m, of which £4.8m was recorded in Legal claims and contractual matters and subsequently reclassified to Warranty in 2023 following a review of the overall nature of the matter. The range of reasonably possible outcomes considered by the Board is £5.4m, which reflects a reasonably possible increase or decrease of £2.7m. No further details on the matter are disclosed to avoid prejudicing the contractual position.

### Restructuring

The Group continued to implement further restructuring in 2023, discussed in further detail in Note 9. The amount recorded is expected to be fully utilised in 2024.

### Legal claims and contractual matters

Provisions at 31 December 2023 comprise £7.1m (2022- £8.6m, of which £4.8m was subsequently reclassified to Warranty in 2023 as explained above) relating to contractual matters that have arisen in the ordinary course of business, the settlement of which are subject to ongoing discussions. Management exercises judgment to determine the best estimate of the most likely outcome, having considered each provision separately and the possible range of outcomes. Amounts are recorded for known issues based on past experience of similar items and other known factors and circumstances. As with any judgment there is a high degree of inherent uncertainty, particularly with legal proceedings and claims, and the actual amounts of the settlement could differ from the amount provided.

# Notes to the Consolidated Financial Statements continued

## 25. Share capital

	Year ended 2023 £m	Year ended 2022 £m
Issued and fully paid: 419.4 million ordinary shares of 10p each	<b>41.9</b>	41.9

No shares were issued during 2023 and 2022.

The Company has one class of ordinary shares which carry no right to fixed income.

## 26. Share premium account

	Year ended 2023 £m	Year ended 2022 £m
Balance at 1 January	<b>14.8</b>	14.8
Movement in year	–	–
Balance at 31 December	<b>14.8</b>	14.8

## 27. Equity reserve

	Year ended 2023 £m	Year ended 2022 £m
Balance at 1 January	<b>6.4</b>	5.8
Transfer to retained earnings reserve	<b>(2.6)</b>	(3.7)
Movement in year	<b>4.1</b>	4.3
Balance at 31 December	<b>7.9</b>	6.4

The transfer to retained earnings reserve is in respect of equity-settled share-based payments that vested during the year.

The movement in the year of £4.1m (2022 – £4.3m) is in respect of the share-based payment charge for the year.

# Notes to the Consolidated Financial Statements continued

## 28. Hedging and translation reserves

	Hedging reserve Year ended 2023 £m	Translation reserve Year ended 2023 £m	Total Year ended 2023 £m	Hedging reserve Year ended 2022 £m	Translation reserve Year ended 2022 £m	Total Year ended 2022 £m
Balance at 1 January	(38.8)	90.3	51.5	(37.2)	65.8	28.6
Exchange differences on translation of overseas operations	–	(16.9)	(16.9)	–	24.5	24.5
Change in fair value of hedging derivatives	3.6	–	3.6	(2.3)	–	(2.3)
Tax on foreign exchange contracts – cash flow hedges	(0.9)	–	(0.9)	0.7	–	0.7
Balance at 31 December	(36.1)	73.4	37.3	(38.8)	90.3	51.5

### Hedging Reserve

At 31 December 2023, the hedging reserve comprises net investment hedging losses of £35.2m (2022 – £35.2m), foreign exchange contracts – cash flow hedge losses of £1.3m (2022 – £4.9m) and related tax gains of £0.4m (2022 – £1.3m).

Movement in fair value of foreign exchange contracts – cash flow hedges:

	Derivatives at fair value through Hedging Reserve Year ended 2023 £m	Derivatives at fair value through Income Statement Year ended 2023 £m	Total Year ended 2023 £m	Derivatives at fair value through Hedging Reserve Year ended 2022 £m	Derivatives at fair value through Income Statement Year ended 2022 £m	Total Year ended 2022 £m
Balance at 1 January	(4.9)	(1.0)	(5.9)	(2.6)	(0.2)	(2.8)
Fair value movement recognised in Hedging reserve	2.7	–	2.7	(4.5)	–	(4.5)
Fair value movement recognised in Income Statement	–	1.6	1.6	–	1.4	1.4
Fair value movement recognised in Hedging reserve and Income Statement	0.9	(0.9)	–	2.2	(2.2)	–
Balance at 31 December	(1.3)	(0.3)	(1.6)	(4.9)	(1.0)	(5.9)

The Group uses foreign currency forward contracts to manage its foreign currency risk associated with its highly probable forecast transactions. These contracts are designated as cash flow hedge relationships. To the extent these hedges are effective, the change in fair value of the hedging instrument is recognised in the hedging reserve. The sum of the fair value of foreign exchange contracts deferred in the hedging reserve and recognised in the Income Statement is presented as foreign exchange contracts – cash flow hedges. See Note 20 for further details.

### Costs of Hedging

The group designates the forward component of foreign currency forward contracts as hedging instruments in cash flow hedge relationships.

## 29. Retained earnings

	Year ended 2023 £m	Year ended 2022 £m
Balance at 1 January	346.5	343.2
Dividends paid	(6.6)	(1.2)
Profit for the year	31.1	20.2
Pension actuarial loss	(2.6)	(23.1)
Transfer from equity reserve	2.6	3.7
Transfer from own share reserve	(4.5)	(2.0)
Tax on deductible temporary differences	1.5	5.7
Balance at 31 December	368.0	346.5



# Notes to the Consolidated Financial Statements continued

## 30. Own shares

	Year ended 2023 £m	Year ended 2022 £m
Balance at 1 January	(11.7)	(9.2)
Transfer to retained earnings reserve	4.5	2.0
Purchase of new shares	(5.6)	(4.5)
Balance at 31 December	(12.8)	(11.7)

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 33).

At 31 December 2023, the number of own shares held by the Senior Plc Employee Benefit Trust is 6,758,973 (2022 – 5,716,834).

## 31. Acquisition and disposal activities

### Acquisition of Spencer Aerospace Manufacturing, LLC

On 25 November 2022, the Group acquired substantially all of the assets of Spencer Aerospace Manufacturing, LLC, a leading manufacturer of highly engineered, high-pressure hydraulic fluid fittings for use in commercial and military aerospace applications, located in Valencia, California, USA. This acquisition enhances Senior's industry leading fluid conveyance capabilities and is an important step in our strategy to optimise our portfolio and maximise value for shareholders.

The initial consideration was \$30m (£24.8m) paid in cash at completion, with a net working capital adjustment of \$0.2m (£0.2m), of which \$0.6m (£0.5m) was paid in cash initially and \$0.4m (£0.3m) cash adjustment was received in January 2023. A further \$30m (£24.2m) was paid in November 2023. Additionally, there is contingent consideration of \$40m (£29.0m) potentially payable, in milestone amounts, dependent on the financial performance of Spencer Aerospace during the period between completion and 31 December 2026. The most likely range of this contingent element is estimated between \$30m and \$40m. The fair value of contingent consideration assumes expanding the relationship with Spencer's established customers and leveraging Senior's strong relationships with OEMs, Tier 1 integrators and after market customers around the world to exploit opportunities for Spencer Aerospace.

In 2023, £1.5m costs (2022 – £1.2m) were incurred related to the acquisition.

The movement of deferred and contingent consideration payable since acquisition date is shown below:

	Year ended 2023 £m	Year ended 2022 £m
Balance at 1 January	52.0	–
Consideration payable on acquisition	–	76.9
Cash paid net of working capital received/paid	(23.9)	(25.3)
Interest unwind charged to the Income Statement	2.9	0.3
Effect of movements in exchange rates	(2.0)	0.1
Balance at 31 December	29.0	52.0
Amounts falling due within one year	10.5	23.4
Amounts falling due after one year	18.5	28.9
Deferred and contingent consideration at 31 December	29.0	52.3
Working capital receivable at 31 December	–	(0.3)

Also in 2023, £3.2m costs associated with potential disposal and other corporate activities were incurred (2022 – £0.2m).

# Notes to the Consolidated Financial Statements continued

## 32. Notes to the consolidated cash flow statement

### A) Reconciliation of operating profit to net cash from operating activities

	Year ended 2023 £m	Year ended 2022 £m
Operating profit	<b>37.9</b>	32.5
Adjustments for:		
Depreciation of property, plant and equipment	<b>48.0</b>	48.1
Amortisation of intangible assets	<b>3.7</b>	1.7
Profit on sale of fixed assets	<b>(0.2)</b>	(0.1)
Share-based payment charges	<b>4.1</b>	4.3
Pension contributions	<b>(1.4)</b>	(2.9)
Pension service and running costs	<b>1.3</b>	1.5
Corporate undertaking costs	<b>(1.9)</b>	(1.4)
Share of joint venture	<b>(1.0)</b>	(0.4)
Increase in inventories	<b>(21.7)</b>	(34.2)
Increase in receivables	<b>(20.4)</b>	(18.8)
Increase in payables and provisions	<b>16.8</b>	37.5
Restructuring impairment of property, plant and equipment and software	<b>1.2</b>	1.3
US pension settlement	<b>(0.9)</b>	–
Working capital and provisions currency movements	<b>(1.3)</b>	1.8
Cash generated by operations	<b>64.2</b>	70.9
Income taxes paid	<b>(5.6)</b>	(3.5)
Interest paid	<b>(17.2)</b>	(9.7)
Net cash from operating activities	<b>41.4</b>	57.7

# Notes to the Consolidated Financial Statements continued

## 32. Notes to the consolidated cash flow statement continued

### B) Free cash flow

Free cash flow, a non-statutory item, enhances the reporting of the cash-generating ability of the Group prior to corporate activity such as acquisitions, restructuring, disposal activities, financing and transactions with shareholders. It is used as a performance measure by the Board and Executive Committee and is derived as follows:

	Notes	Year ended 2023 £m	Year ended 2022 £m
Net cash from operating activities		<b>41.4</b>	57.7
Corporate undertaking costs	9	<b>1.9</b>	1.4
Net Restructuring cash paid/(received)		<b>2.1</b>	(2.1)
Site relocation costs		<b>0.1</b>	–
US pension settlement cash paid		<b>0.9</b>	–
Interest received		<b>4.3</b>	0.7
Proceeds on disposal of property, plant and equipment		<b>0.7</b>	0.5
Purchases of property, plant and equipment		<b>(33.7)</b>	(28.7)
Purchase of intangible assets		<b>(2.2)</b>	(1.8)
Free cash flow		<b>15.5</b>	27.7

### C) Analysis of net debt

	Notes	At 1 January 2023 £m	Net Cash flow £m	Exchange movement £m	Other Lease Movements £m	At 31 December 2023 £m
Cash and bank balances		<b>43.2</b>	<b>5.5</b>	<b>(1.1)</b>	–	<b>47.6</b>
Overdrafts		<b>(0.5)</b>	<b>(1.3)</b>	–	–	<b>(1.8)</b>
Cash and cash equivalents		<b>42.7</b>	<b>4.2</b>	<b>(1.1)</b>	–	<b>45.8</b>
Debt due within one year		–	–	–	–	–
Debt due after one year		<b>(143.2)</b>	<b>(39.9)</b>	<b>5.3</b>	–	<b>(177.8)</b>
Lease liabilities <sup>(1)</sup>	22	<b>(78.4)</b>	<b>10.2</b>	<b>4.3</b>	<b>(7.9)</b>	<b>(71.8)</b>
Liabilities arising from financing activities		<b>(221.6)</b>	<b>(29.7)</b>	<b>9.6</b>	<b>(7.9)</b>	<b>(249.6)</b>
Total		<b>(178.9)</b>	<b>(25.5)</b>	<b>8.5</b>	<b>(7.9)</b>	<b>(203.8)</b>

(1) The change in lease liabilities in the year ended 31 December 2023 includes lease rental payments of £13.1m (£2.9m of these payments relates to lease interest), £4.3m exchange movement and £7.9m other movements which are related to lease additions and modifications.

	Notes	At 1 January 2022 £m	Net Cash flow £m	Exchange movement £m	Other Lease Movements £m	At 31 December 2022 £m
Cash and bank balances		51.1	(10.8)	2.9	–	43.2
Overdrafts		–	(0.5)	–	–	(0.5)
Cash and cash equivalents		51.1	(11.3)	2.9	–	42.7
Debt due within one year		(14.8)	17.2	(2.4)	–	–
Debt due after one year		(116.2)	(17.6)	(9.4)	–	(143.2)
Lease liabilities <sup>(2)</sup>	22	(73.2)	9.1	(5.3)	(9.0)	(78.4)
Liabilities arising from financing activities		(204.2)	8.7	(17.1)	(9.0)	(221.6)
Total		(153.1)	(2.6)	(14.2)	(9.0)	(178.9)

(2) The change in lease liabilities in the year ended 31 December 2022 includes lease rental payments of £11.6m (£2.5m of these payments relates to lease interest), £5.3m exchange movement and £9.0m other movements, which comprise £4.3m related to lease additions and modifications and £4.7m related to lease acquired on acquisition.

# Notes to the Consolidated Financial Statements continued

## 32. Notes to the consolidated cash flow statement continued

	Year ended 2023 £m	Year ended 2022 £m
Cash and cash equivalents comprise:		
Cash and bank balances	47.6	43.2
Overdrafts	(1.8)	(0.5)
<b>Total</b>	<b>45.8</b>	<b>42.7</b>

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

### D) Analysis of working capital and provisions

Working capital comprises the following:

	Year ended 2023 £m	Year ended 2022 £m
Inventories	207.5	194.3
Trade and other receivables	141.7	126.7
Trade and other payables	(188.4)	(191.2)
Working capital, including derivatives	160.8	129.8
Items excluded:		
Foreign exchange contracts	0.1	1.5
<b>Total</b>	<b>160.9</b>	<b>131.3</b>

Working capital and provisions movement, net of restructuring items, a non-statutory cash flow item, is derived as follows:

	Year ended 2023 £m	Year ended 2022 £m
Increase in inventories	(21.7)	(34.2)
Increase in receivables	(20.4)	(18.8)
Increase in payables and provisions	16.8	37.5
Working capital and provisions movement, excluding currency effects	(25.3)	(15.5)
Items excluded:		
(Increase)/decrease in restructuring related inventory impairment	(2.0)	2.7
(Increase)/decrease in net restructuring provision and other receivables	(0.3)	0.7
<b>Total</b>	<b>(27.6)</b>	<b>(12.1)</b>

## 33. Share-based payments

The Group recognised total expenses of £4.7m (2022 – £4.6m) related to share-based payments, of which £4.1m (2022 – £4.3m) related to equity-settled share-based payments, and £0.6m (2022 – £0.3m) related to social security costs on share-based payments. As at 31 December 2023, the Group had a liability of £1.1m (2022 – £0.6m) arising from share-based payments relating to social security costs.

### A) 2014 Long-Term Incentive Plan

#### Equity-settled Long-Term Incentive Plans

On 14 March 2023, 5,159,842 shares were awarded under the 2014 Long-Term Incentive Plan. Awards made under this plan have a three-year vesting period, and are subject to the following equally weighted performance conditions: adjusted earnings per share (EPS), total shareholder return (TSR), and for awards granted from 2021, there is also a return on capital employed (ROCE) performance condition. The adjusted EPS and ROCE performance conditions' targets are expressed as absolute numbers for the final financial year of the three-year performance period. The threshold of the TSR performance condition requires the Company's TSR performance to fall within the top half of a comparator group at the end of the three-year performance period. Vesting levels increase with higher performance. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year, excluding for the Executive Directors, with EPS and ROCE conditions is 157.00p, which is the share price at the date of grant. The estimated fair value for the awards granted in the year, excluding for the Executive Directors, with TSR conditions is 117.70p per share reflecting an adjustment of 33% to the fair value of the awards with EPS conditions due to the stringent TSR condition. The respective fair values for awards made to the Executive Directors is 128.70p and 96.50p reflecting the two year retention period.

These fair values were calculated by applying a binomial option pricing model. This model incorporates a technique called "bootstrapping", which models the impact of the TSR condition. The model inputs at the date of grant were the share price (157.00p for the main award), expected volatility of 60% per annum, and the performance conditions as noted above. Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years.



# Notes to the Consolidated Financial Statements continued

### 33. Share-based payments continued

The following share awards were outstanding as at 31 December 2023 and 2022:

	Year ended 2023 Number of shares	Year ended 2022 Number of shares
Outstanding at 1 January	11,038,212	9,434,241
Granted	5,159,842	4,307,035
Exercised	–	–
Forfeited	(3,060,946)	(2,703,064)
Outstanding at 31 December	13,137,108	11,038,212

#### B) Enhanced SMIS Deferred Share Award

On 14 March 2023, 1,248,825 shares were awarded under the Enhanced SMIS Deferred Share Award. Shares earned under this award have a three-year deferral period and would be subject to forfeiture by a “bad leaver” over that deferral period. There are no performance criteria for this award. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year is 157.00p per share, which is the share price at the date of grant.

The following share awards were outstanding as at 31 December 2023 and 2022:

	Year ended 2023 Number of shares	Year ended 2022 Number of shares
Outstanding at 1 January	2,542,363	2,003,691
Granted	1,250,446	1,353,612
Exercised	(657,584)	(677,193)
Forfeited	–	(137,747)
Outstanding at 31 December	3,135,225	2,542,363

#### C) Savings-Related Share Option Plan

The Company operates a Savings-Related Share Option Plan for eligible employees across the Group. There are no performance criteria for this arrangement and options are issued to all participants in accordance with the HM Revenue & Customs rules for such savings plans. Savings-Related Share Options were last issued on 5 May 2023.

The following options were outstanding as at 31 December 2023 and 2022::

	Year ended 2023		Year ended 2022	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 January	2,956,614	124.90p	4,253,504	144.61p
Granted	2,737,695	156.30p	–	–
Exercised	(6,315)	118.40p	(1,905)	118.40p
Forfeited	(745,004)	149.06p	(545,138)	148.81p
Expired	–	–	(749,847)	219.30p
Outstanding at 31 December	4,942,990	138.66p	2,956,614	124.90p
Exercisable at 31 December	–	–	190,580	219.30p

6,315 shares were exercised in 2023 (2022 – 1,905 shares). The options outstanding at 31 December 2023 had exercise prices of 156.30p and 118.40p per share, and a weighted average remaining contractual life of 2.0 years. The options outstanding at 31 December 2022 had exercise prices of 118.40p and 219.30p per share, and a weighted average remaining contractual life of 1.8 years.

#### D) Restricted Share Awards

On 14 March 2023, 245,000 shares were awarded under this plan. Shares granted under this award have a three-year deferral period and would be subject to forfeiture by a “bad leaver” over that deferral period. There are no performance criteria for this award. The awards are settled by delivering shares to the participants.

The estimated fair value for the awards granted in the year is 157.00p per share, which is the share price at the date of grant.

# Notes to the Consolidated Financial Statements continued

### 33. Share-based payments continued

The following share awards were outstanding as at 31 December 2023 and 2022:

	Year ended 2023 Number of shares	Year ended 2022 Number of shares
Outstanding at 1 January	1,823,950	1,930,115
Granted	245,000	205,000
Exercised	(1,528,950)	(60,000)
Forfeited	–	(251,165)
Outstanding at 31 December	540,000	1,823,950

### 34. Retirement benefit schemes

The Group operates a number of pension plans in the UK, North America and Europe. These include both defined contribution arrangements and defined benefit arrangements. The Senior plc Pension Plan (“the UK Plan”), which is a funded scheme in the UK and closed to future accrual at the end of 6 April 2014, has the largest pension obligation in the Group and Company. This plan provides benefits based on final pensionable emoluments for the employees of the Group and Company. The latest full actuarial valuation was carried out as at 5 April 2022 and, for the purposes of accounting under IAS19, this valuation has been rolled forward to 31 December 2023.

In addition, the Group operates two defined benefit plans in the US, one of which was fully settled following a combination of lump sum payments and annuity purchase. A net expense of £nil (2022 – £nil), comprising £0.3m settlement gain offset by £0.3m associated professional fees, was recognised as an adjusting item to operating profit, and cash outflow of £0.9m (see Note 32b) was recorded in relation to this settlement. The second plan was closed to future participants from September 2013, and the Executive section was also closed to future accruals from December 2013. Separate disclosure is made for the funded UK and US defined benefit arrangements. In both the UK and US, the assets of funded plans are held in separate trustee administered funds managed by independent financial institutions and have pension costs assessed by consulting actuaries using the Projected Unit Method. The Trustees are required to act in the best interests of the plans’ beneficiaries.

The Group also has a small number of unfunded post-retirement plans, including a closed healthcare scheme in the US. Separate disclosure is provided for these arrangements.

Further details on the arrangement of the UK Plan are given below.

The Trustee of the UK Plan is Senior Trustee Limited. The appointment of the Directors to the Board is determined by the Articles of Association of Senior Trustee Limited. There are seven Trustee Directors in total and in accordance with statutory requirements under the Pensions Act 2004, at least one-third of trustees must be a Member Nominated Director. Currently, there are three Member Nominated Directors and four Directors who have been nominated by the Company, of which the Chairman and one other Director are viewed as independent.

The UK Plan exposes the Company to a number of risks. In particular:

- Uncertainty in benefit payments – the value of the obligations will ultimately depend on the amount of benefits paid out. This in turn will depend on factors such as the level of inflation and how long individuals live.
- Volatility in asset values – the value of the assets held to meet future benefit payments is volatile, for example due to changes in stock markets and interest rates.
- Uncertainty in cash funding – movements in the value of the UK Plan’s obligations or assets may result in the Company being required to provide higher levels of cash funding.

The investment strategy for the UK Plan is decided by the Trustee in consultation with Senior plc. The primary investment objective is for the Plan to be able to meet benefit payments as they fall due. The UK Plan’s average duration is around 12 years and benefits are expected to be paid for the next 60 years. These cash flow payments are expected to reach a peak around 2031, and gradually decline thereafter as the membership matures. In setting this strategy, the Trustee considers a wide range of asset classes, the risk and rewards of a number of possible asset allocation options, the sustainability of each asset class within each strategy, and the need for appropriate diversification between different asset classes. The Trustee’s current investment strategy is to invest 100% in lower risk assets, consisting of corporate bonds, liability driven investments (‘LDI’), gilts and cash. The LDI allocation helps to mitigate investment risk for the UK Plan by minimising the fluctuations in the UK Plan’s funding levels arising from changes in the value of the liabilities. This is achieved through hedging movements in the funding liabilities caused by changes in interest rates and inflation expectations. The Trustee continues to review its investment strategy and adjust it in response to changes in the Plan’s funding position and/or market conditions.

The UK Plan was in a surplus position of £24.5m as at 5 April 2022 when measured on the Trustee’s funding basis and is in a surplus position of £48.5m as at 31 December 2023 (31 December 2022 – £51.8m surplus) when measured on an IAS 19 basis. The difference between the triennial funding and annual IAS 19 valuation relates to the assumptions used. For example, the funding discount rate is based on the UK Plan’s stated investment strategy, as opposed to the yields available on corporate bonds for the IAS 19 discount rate.

The IAS 19 surplus position on the UK Plan is recognised as an asset in the Consolidated and Company Balance Sheet, with no requirement to recognise an additional liability on the UK Plan, on the grounds that the Company has an unconditional right to a refund, assuming the gradual settlement of Plan liabilities over time until all members have left. In considering this, the Company has taken into account that the Trustees do not have unilateral powers to wind up the Plan or modify benefits.

# Notes to the Consolidated Financial Statements continued

## 34. Retirement benefit schemes continued

Cash contributions to the UK Plan are set by agreement between the Company and the Trustee of the UK Plan. These are set in accordance with legislation and take account of the intention to further reduce the risk associated with the UK Plan's investment strategy, as set out above. The contributions were last reviewed as at 5 April 2022 and were based on a forecast surplus at that time, as part of the 2022 triennial funding valuation. The Company agreed with the Trustee of the UK Plan to make scheduled contributions in respect of administrative expenses and PPF levies from 5 April 2022 until 30 June 2022, with no further contributions after this date. The estimated contributions expected to be paid during 2024 in the US funded plans is £0.9m.

The Group is ultimately responsible for making up any shortfall in the UK Plan over a period agreed with the Trustees. To the extent that actual experience is different from that assumed, the funding position will be better or worse than anticipated. As such, the contributions required by the Group could vary in the future.

### a) Defined contribution schemes

The Group has a number of different defined contribution and government-sponsored arrangements in place in the countries in which it operates. None of these are individually material to the Group and the aggregate cost of such schemes for the period was £10.2m (2022 – £8.9m).

### b) Defined benefit schemes

The amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its defined benefit plans is set out below.

	31 December 2023				31 December 2022			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Present value of defined benefit obligations	(199.2)	(37.3)	(5.2)	(241.7)	(198.4)	(49.4)	(5.4)	(253.2)
Fair value of plan assets	247.7	34.5	–	282.2	250.2	42.7	–	292.9
Plan surplus/(deficit) per Consolidated Balance Sheet	48.5	(2.8)	(5.2)	40.5	51.8	(6.7)	(5.4)	39.7

### c) Movements in the present value of defined benefit obligations were as follows:

	31 December 2023				31 December 2022			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
At 1 January	198.4	49.4	5.4	253.2	294.9	56.2	5.7	356.8
Current service cost	–	0.3	0.2	0.5	–	0.5	0.3	0.8
Interest cost	9.3	2.0	0.1	11.4	5.5	1.7	–	7.2
Experience on benefit obligations	1.9	(0.3)	–	1.6	0.8	1.2	–	2.0
Actuarial losses/(gains) – financial	4.7	(0.9)	0.1	3.9	(89.6)	(12.1)	(0.5)	(102.2)
Actuarial gains – demographic	(3.0)	–	–	(3.0)	(1.4)	–	–	(1.4)
Benefits paid	(12.1)	(3.0)	(0.5)	(15.6)	(11.8)	(4.3)	(0.4)	(16.5)
Settlement	–	(8.1)	–	(8.1)	–	–	–	–
Exchange differences	–	(2.1)	(0.1)	(2.2)	–	6.2	0.3	6.5
At 31 December	199.2	37.3	5.2	241.7	198.4	49.4	5.4	253.2

### d) Movements in the fair value of plan assets were as follows:

	31 December 2023				31 December 2022			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
At 1 January	250.2	42.7	–	292.9	367.1	50.9	–	418.0
Interest on plan assets	11.8	1.7	–	13.5	6.9	1.5	–	8.4
Actual return on plan assets less interest	(1.4)	1.3	–	(0.1)	(113.4)	(11.3)	–	(124.7)
Contributions from employer	–	1.5	–	1.5	2.1	0.4	–	2.5
Benefits paid	(12.1)	(3.0)	–	(15.1)	(11.8)	(4.3)	–	(16.1)
Running costs	(0.8)	–	–	(0.8)	(0.7)	–	–	(0.7)
Settlement	–	(7.8)	–	(7.8)	–	–	–	–
Exchange differences	–	(1.9)	–	(1.9)	–	5.5	–	5.5
At 31 December	247.7	34.5	–	282.2	250.2	42.7	–	292.9

# Notes to the Consolidated Financial Statements continued

## 34. Retirement benefit schemes continued

### e) Amounts recognised in the Consolidated Income Statement in respect of these defined benefit schemes are as follows:

	31 December 2023				31 December 2022			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Current service cost included within operating profit	–	0.3	0.2	0.5	–	0.5	0.3	0.8
Running costs	0.8	–	–	0.8	0.7	–	–	0.7
Charge included within operating profit	0.8	0.3	0.2	1.3	0.7	0.5	0.3	1.5
Included within finance income	(2.5)	0.3	0.1	(2.1)	(1.4)	0.2	–	(1.2)
Amount recognised in the Income Statement	(1.7)	0.6	0.3	(0.8)	(0.7)	0.7	0.3	0.3

### f) Amounts recognised in other comprehensive income are as follows:

	31 December 2023				31 December 2022			
	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m	UK plans funded £m	US plans funded £m	Unfunded plans £m	Total £m
Net actuarial (losses)/gain in the year due to:								
– Change in financial assumptions	(4.7)	0.9	(0.1)	(3.9)	89.6	12.1	0.5	102.2
– Change in demographic assumptions	3.0	–	–	3.0	1.4	–	–	1.4
– Experience adjustments on benefit obligations	(1.9)	0.3	–	(1.6)	(0.8)	(1.2)	–	(2.0)
Actual return on plan assets less interest on benefit obligations	(1.4)	1.3	–	(0.1)	(113.4)	(11.3)	–	(124.7)
(Losses)/gains recognised in other comprehensive income	(5.0)	2.5	(0.1)	(2.6)	(23.2)	(0.4)	0.5	(23.1)

Actuarial losses of £2.6m (2022 – £23.1m) have been recognised in the Statement of Comprehensive Income. The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income as at 31 December 2023 is £48.7m (2022 – £46.1m).

### g) Assets and assumptions in funded plans

	UK plans funded		US plans funded	
	2023 £m	2022 £m	2023 £m	2022 £m
Fair value of plan assets				
Bonds	105.7	102.4	34.5	42.7
Gilts	136.0	139.3	–	–
Cash and net current assets	6.0	8.5	–	–
Total	247.7	250.2	34.5	42.7
Actual return on plan assets	10.4	(106.5)	3.0	(9.8)

The UK Plan's assets are invested in pooled funds, which are invested exclusively within instruments with quoted market prices in an active market, with the exception of the Plan's holdings in insurance annuity policies which are included in cash and net current assets, valued at £3.6m (2022 – £4.0m). The value of the invested assets has been measured at bid value and the value of the scheme benefits covered by the insurance annuity policies has been set equal to the value of the corresponding obligations.

The Plan's corporate bond allocation is split between an actively managed mandate and a "buy and maintain" mandate, which seeks to hold a high quality portfolio while minimising portfolio turnover. Both mandates are predominantly invested in investment grade UK corporate bonds and are exposed to a fairly typical range of UK businesses. The majority of the Plan's gilts are passively invested in a range of UK fixed-interest and index-linked government bonds, with the remainder actively invested in a range of swap instruments linked to movements in government bond prices. The risks associated with the Plan's bond and gilt investments are largely offset by corresponding risks present within the pricing of the Plan's benefit obligations.

# Notes to the Consolidated Financial Statements continued

## 34. Retirement benefit schemes continued

The UK Plan does not invest directly in property occupied by the Company or in financial securities issued by the Company.

	UK plans funded		US plans funded	
	2023	2022	2023	2022
Major assumptions (per annum %)				
Inflation	<b>3.20%</b>	3.40%	<b>N/A</b>	N/A
Increase in salaries	<b>N/A</b>	N/A	<b>N/A</b>	N/A
Increase in pensions	<b>3.00%</b>	3.20%	<b>0.00%</b>	0.00%
Increase in deferred pensions	<b>3.20%</b>	3.40%	<b>0.00%</b>	0.00%
Rate used to discount plan liabilities	<b>4.50%</b>	4.80%	<b>5.00%</b>	4.78%
Life expectancy of a male aged 65 at the year-end	<b>20.2</b>	20.6	<b>19.7</b>	19.7
Life expectancy of a male aged 65, 20 years after the year-end	<b>21.6</b>	22.0	<b>21.3</b>	21.2

Benefits under the US funded plans are not linked to inflation.

The UK Plan retirement benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The assumption for estimating future Retail Prices Index (RPI) inflation is based on the difference in yields on fixed-interest and index-linked gilts. Demographic assumptions are set broadly in line with the most recent actuarial valuation of the UK plan. The mortality assumption is 95% of the standard mortality tables with an allowance for future improvements in line with the CMI 2022 enhanced projections, with a long-term annual rate of improvement of 1.25% for males and for females, with no weighting on 2020 and 2021 mortality data and a 40% weighting on 2022 mortality data to make an allowance for the impact of Covid-19 and other factors.

For the UK Plan, the estimated impact on the plan surplus at 31 December 2023 for changes in assumptions is as follows:

	Increase/ (decrease) in plan surplus £m
0.5% decrease in the discount rate	(11.6)
One-year increase in life expectancy	(8.2)
0.5% increase in inflation	(7.2)

These sensitivities have been calculated to show the movement in the surplus, including allowance for an increase to the value of insured annuity assets, but assuming no other changes in assets as at 31 December 2023. This is unlikely in practice – for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the Plan.

### h) Other post-retirement liabilities

This balance comprises an unfunded German pension plan of £2.6m (2022 – £2.7m), unfunded closed pension and post-retirement healthcare plans in the US of £0.4m (2022 – £0.3m), a provision for post-retirement payments in France of £1.4m (2022 – £1.5m) and £0.8m for post-retirement payments in Thailand (2022 – £0.9m).

The closed pension and post-retirement healthcare plans in the US have been valued on a Projected Unit Method using a discount rate of 5.0% (2022 – 4.8%). No participants were eligible for medical benefits under the healthcare plan in 2023. The German plan has been subject to formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 3.7%, salary growth nil% and pension increase 2.2% (2022 – 3.5%, nil% and 2.2%). In France, the provision arises from a legal obligation to make payments to retirees in the first two years post-retirement. Hence, it is not subject to discounting to the same extent as the other longer-term post-retirement liabilities. The Thailand plan has been subject to a formal actuarial valuation on a Projected Unit Method with the following assumptions: discount rate 3.75%, inflation rate 3.0% and salary growth 6.0% (2022 – 2.8%, 2.8% and 6.0%).

## 35. Contingent liabilities

The Group is subject to various claims which arise from time to time in the course of its business including, for example, in relation to commercial matters, product quality or liability, and tax audits. Where the Board has assessed there to be a more likely than not outflow of economic benefits, provision has been made for the best estimate as at 31 December 2023 (see Note 24). For all other matters, the Board has concluded that it is not more likely than not that there will be an economic outflow of benefits. While the outcome of some of these matters cannot be predicted with any certainty, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made where appropriate, to result in significant loss to the Group.



# Company Balance Sheet

## As at 31 December 2023

	Notes	Year ended 2023 £m	Year ended 2023 £m
<b>Non-current assets</b>			
Investment in subsidiaries	38	259.9	259.9
Property, plant and equipment	39	1.1	1.1
Other intangible assets	37	0.3	0.1
Other receivables	40	31.2	3.3
Retirement benefits	49	48.5	51.8
Total non-current assets		341.0	316.2
<b>Current assets</b>			
Other receivables	40	154.8	121.1
Cash and bank balances	46	1.2	1.6
Total current assets		156.0	122.7
<b>Total assets</b>		<b>497.0</b>	<b>438.9</b>
<b>Current liabilities</b>			
Trade and other payables	42	61.6	61.8
Lease liabilities	47	0.3	0.2
Bank overdrafts and loans	41	–	–
Total current liabilities		61.9	62.0
<b>Non-current liabilities</b>			
Bank and other loans	41	150.5	116.4
Lease liabilities	47	0.8	0.9
Deferred tax liabilities	48	8.9	8.8
Total non-current liabilities		160.2	126.1
<b>Total liabilities</b>		<b>222.1</b>	<b>188.1</b>
<b>Net assets</b>		<b>274.9</b>	<b>250.8</b>
<b>Equity</b>			
Issued share capital	43	41.9	41.9
Share premium account		14.8	14.8
Equity reserve		7.9	6.4
Retained earnings	44	223.1	199.4
Own shares	45	(12.8)	(11.7)
<b>Total equity</b>		<b>274.9</b>	<b>250.8</b>

The Profit for the Company for the year ended 31 December 2023 was £35.6m (2022 – £34.8m).

The Financial Statements of Senior plc (registered number 282772) were approved by the Board of Directors and authorised for issue on 1 March 2024. They were signed on its behalf by:

**David Squires**  
Director

**Bindi Foyle**  
Director

# Company Statement of Changes In Equity

## For the year ended 31 December 2023

All equity is attributable to equity holders of the Company

	Notes	Issued share capital £m	Share premium account £m	Equity reserve £m	Retained earnings £m	Own shares £m	Total equity £m
<b>Balance at 1 January 2022</b>		41.9	14.8	5.8	181.6	(9.2)	234.9
Profit for the year 2022		–	–	–	34.8	–	34.8
Actuarial losses on defined benefit pension schemes		–	–	–	(23.2)	–	(23.2)
Tax relating to components of other comprehensive income		–	–	–	5.7	–	5.7
<b>Total comprehensive income for the period</b>		–	–	–	17.3	–	17.3
Share-based payment charge		–	–	4.3	–	–	4.3
Purchase of shares held by employee benefit trust		–	–	–	–	(4.5)	(4.5)
Use of shares held by employee benefit trust	45	–	–	–	(2.0)	2.0	–
Transfer to retained earnings	44	–	–	(3.7)	3.7	–	–
Dividends paid	11	–	–	–	(1.2)	–	(1.2)
<b>Balance at 31 December 2022</b>		41.9	14.8	6.4	199.4	(11.7)	250.8
Profit for the year 2023		–	–	–	<b>35.6</b>	–	<b>35.6</b>
Actuarial losses on defined benefit pension schemes		–	–	–	<b>(5.0)</b>	–	<b>(5.0)</b>
Tax relating to components of other comprehensive income		–	–	–	<b>1.3</b>	–	<b>1.3</b>
<b>Total comprehensive income for the period</b>		–	–	–	<b>31.9</b>	–	<b>31.9</b>
Share-based payment charge		–	–	<b>4.1</b>	–	–	<b>4.1</b>
Tax relating to share-based payments		–	–	–	<b>0.3</b>	–	<b>0.3</b>
Purchase of shares held by employee benefit trust	45	–	–	–	–	<b>(5.6)</b>	<b>(5.6)</b>
Use of shares held by employee benefit trust	45	–	–	–	<b>(4.5)</b>	<b>4.5</b>	–
Transfer to retained earnings	44	–	–	<b>(2.6)</b>	<b>2.6</b>	–	–
Dividends paid	11	–	–	–	<b>(6.6)</b>	–	<b>(6.6)</b>
<b>Balance at 31 December 2023</b>		<b>41.9</b>	<b>14.8</b>	<b>7.9</b>	<b>223.1</b>	<b>(12.8)</b>	<b>274.9</b>

# Notes to the Company Financial Statements

## 36. Accounting policies

### Basis of accounting (company only)

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has taken advantage of the FRS 101 disclosure exemptions for share-based payments, financial instruments, fair value measurements, capital management, presentation of a cash flow statement and disclosure of related party transactions.

The Financial Statements have been prepared on the historical cost basis. They have also been prepared on the going concern basis, as set out in the basis of preparation, Note 2 to the Consolidated Financial Statements. The principal accounting policies adopted are the same as those set out in Note 2 to the Consolidated Financial Statements, except in respect of investments in subsidiaries, which are stated at cost less, where appropriate, provisions for impairment. The carrying values of investments in subsidiaries are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

The Company is incorporated in England and Wales under the Companies Act.

## 37. Other intangible assets

	Year ended 2023 Computer software £m	Year ended 2022 Computer software £m
<b>Cost</b>		
At 1 January	0.8	1.0
Additions	0.3	–
Disposal	–	(0.2)
At 31 December	1.1	0.8
<b>Amortisation</b>		
At 1 January	0.7	0.9
Charge for the year	0.1	–
Disposals	–	(0.2)
At 31 December	0.8	0.7
<b>Carrying amount at 31 December</b>	<b>0.3</b>	<b>0.1</b>

## 38. Investments in subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, and proportion of ownership interest is given on pages 193 to 194.

	Year ended 2023 £m	Year ended 2022 £m
At 1 January and 31 December	259.9	259.9

# Notes to the Company

## Financial Statements continued

### 39. Property, plant and equipment

	Year ended 2023 Plant and equipment £m	Year ended 2022 Plant and equipment £m
<b>Cost</b>		
At 1 January	2.3	2.4
Additions	0.2	0.1
Disposals	–	(0.2)
At 31 December	<b>2.5</b>	2.3
<b>Accumulated depreciation</b>		
At 1 January	1.2	1.1
Charge for the year	0.2	0.3
Eliminated on Disposals	–	(0.2)
At 31 December	<b>1.4</b>	1.2
<b>Carrying amount at 31 December</b>	<b>1.1</b>	1.1

The carrying amount includes £1.0m of right-of-use assets (2022 – £1.0m)

### 40. Other receivables

Other receivables comprise the following:

	Year ended 2023 £m	Year ended 2022 £m
Other receivables: amounts due more than one year		
Due from subsidiaries	31.2	3.3
	<b>31.2</b>	3.3
Other receivables: amounts due within one year		
Value added tax	0.5	0.3
Prepayments and accrued income	1.3	1.1
Due from subsidiaries	153.0	119.7
	<b>154.8</b>	121.1
Total other receivables	<b>186.0</b>	124.4

The Directors consider that the carrying amount of debtors approximates to their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above. The Company does not hold any collateral as security.

The carrying amounts due from subsidiaries approximates to their fair value. There are no past due receivable balances and expected credit losses are immaterial (2022 – immaterial).

As at 31 December 2023, other receivables due in more than one year consist of £6.8m (2022 – £3.3m) due in accordance with the vesting periods of share-based payments and £24.4m (2022 – £nil) of loans to subsidiaries at market rates of interest.

# Notes to the Company

## Financial Statements continued

### 41. Bank overdrafts and loans

	Year ended 2023 £m	Year ended 2022 £m
Bank overdrafts	–	–
Bank loans	52.1	15.3
Other loans	98.4	101.1
<b>Total</b>	<b>150.5</b>	<b>116.4</b>
The borrowings are repayable as follows:		
On demand or within one year	–	–
In the second year	74.2	–
In the third to fifth years inclusive	76.3	116.4
After five years	–	–
	<b>150.5</b>	<b>116.4</b>
Less: amount due for settlement within 12 months (shown under current liabilities)	–	–
Amount due for settlement after 12 months	<b>150.5</b>	<b>116.4</b>

At 31 December 2023, bank loans are £53.2m and there are £1.1m of capitalised revolving credit facility transaction costs. At 31 December 2022, bank loans were £16.5m and there were £1.2m of capitalised revolving credit facility transaction costs.

#### Analysis of borrowings by currency

	Pound Sterling £m	Euros £m	US Dollars £m	Total £m
<b>31 December 2023</b>				
Bank overdrafts	–	–	–	–
Bank loans	15.9	–	36.2	52.1
Other loans	27.0	24.2	47.2	98.4
	<b>42.9</b>	<b>24.2</b>	<b>83.4</b>	<b>150.5</b>
<b>31 December 2022</b>				
Bank overdrafts	–	–	–	–
Bank loans	(1.2)	–	16.5	15.3
Other loans	26.9	24.7	49.5	101.1
	25.7	24.7	66.0	116.4

The weighted average interest rates paid were as follows:

	Year ended 2023 %	Year ended 2022 %
Bank loans and overdrafts	6.57	3.93
Other loans	2.82	2.83

Bank loans of £53.2m (2022 – £16.5m) are arranged at floating rates, thus exposing the Company to cash flow interest rate risk. Other borrowings are mainly arranged at fixed interest rates and expose the Company to fair value interest rate risk. No interest rate swaps were taken out in 2022 or 2023. Transaction costs of £1.1m (2022 – £1.2m) have been deducted from the bank loans carrying value. Transaction costs of £0.2m (2022 – £0.2m), directly attributable to the GBP notes (£nil), the Euro notes (£0.1m) and the US Dollar notes (£0.1m) have been deducted from the carrying value of Other loans.

The Directors estimate the fair value of the Company's borrowings to be as follows:

	Year ended 2023 £m	Year ended 2022 £m
Bank loans and overdrafts	52.1	15.3
Other loans	93.7	93.4
	<b>145.8</b>	<b>108.7</b>



# Notes to the Company

## Financial Statements continued

### 42. Trade and other payables

Trade and other payables comprise the following:

	Year ended 2023 £m	Year ended 2022 £m
Trade and other payables: amounts falling due within one year		
Trade payables	3.7	1.6
Social security and PAYE	0.2	0.2
Other payables and accruals	9.2	7.1
Due to subsidiaries	48.5	52.9
<b>Total trade and other payables</b>	<b>61.6</b>	<b>61.8</b>

The Directors consider that the carrying amount of trade payables approximates to their fair value.

### 43. Issued share capital

	Year ended 2023 £m	Year ended 2022 £m
Issued and fully paid:		
419.4 million ordinary shares of 10p each	41.9	41.9

No shares were issued during 2022 and 2023.

The Company has one class of ordinary shares, which carry no right to fixed income.

### 44. Retained earnings

	Year ended 2023 £m	Year ended 2022 £m
Balance at 1 January	199.4	181.6
Dividends paid	(6.6)	(1.2)
Profit for the year	35.6	34.8
Pension actuarial (loss)/gain	(5.0)	(23.2)
Transfer from equity reserve	2.6	3.7
Transfer from own share reserve	(4.5)	(2.0)
Tax on deductible temporary differences	1.6	5.7
<b>Balance at 31 December</b>	<b>223.1</b>	<b>199.4</b>

£7.5m (2022 – £7.5m) of the Company's retained earnings are considered undistributable.

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income, including the Income Statement and related Notes.

### 45. Own shares

	Year ended 2023 £m	Year ended 2022 £m
Balance at 1 January	(11.7)	(9.2)
Transfer to retained earnings	4.5	2.0
Purchase of new shares	(5.6)	(4.5)
<b>Balance at 31 December</b>	<b>(12.8)</b>	<b>(11.7)</b>

The own shares reserve represents the cost of shares purchased in the market and held by the Senior plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see Note 33).

The nominal value of each share is £0.1 (2022 – £0.1). The total number of treasury shares at 31 December 2023 is 6,758,973 (2022 – 5,716,834).

# Notes to the Company

## Financial Statements continued

### 46. Cash and bank balances

	Year ended 2023 £m	Year ended 2022 £m
Cash and cash equivalents comprise:		
Cash	1.2	1.6

Cash and bank balances held by the Company (which are presented as a single class of assets on the face of the Balance Sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. The Directors consider that the carrying amount of cash and cash equivalents approximate to their face value.

### 47. Lease liabilities

When measuring lease liabilities, the Company discounts lease payments using incremental borrowing rates, determined on a lease portfolio basis.

	Year ended 2023 £m	Year ended 2022 £m
Undiscounted contractual maturity of lease liabilities:		
Amounts payable:		
On demand or within one year	0.3	0.2
In the second to fifth years inclusive	0.8	0.9
After five years	–	–
	1.1	1.1
Less: future finance charges	–	–
Lease liabilities	1.1	1.1

In 2023, the Company recognised income of £nil (2022 – £0.1m) in the Company Income Statement from sub-leasing right-of-use assets and had lease cash outflow of £0.3m (2022 – £0.2m).

As at the date of approving the accounts, the Company has guaranteed £0.4m (2022 – £0.4m) of annual lease commitments of a current subsidiary entity.

### 48. Tax balance sheet

#### Current tax

The current tax receivable is £nil (2022 – £nil).

#### Deferred tax liabilities

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £m	Retirement benefits £m	Share-based payments £m	Tax Losses £m	Total £m
At 1 January 2022	(0.3)	18.0	(0.4)	(3.1)	14.2
Charge to income	–	0.7	(0.4)	–	0.3
Charge to equity	–	–	–	–	–
Credit to other comprehensive income	–	(5.7)	–	–	(5.7)
At 1 January 2023	(0.3)	13.0	(0.8)	(3.1)	8.8
Charge to income	0.1	0.4	(0.3)	1.5	1.7
Charge to equity	–	–	(0.3)	–	(0.3)
Credit to other comprehensive income	–	(1.3)	–	–	(1.3)
<b>As at 31 December 2023</b>	<b>(0.2)</b>	<b>12.1</b>	<b>(1.4)</b>	<b>(1.6)</b>	<b>8.9</b>

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances, after offset:

	Year ended 2023 £m	Year ended 2022 £m
Deferred tax liabilities	8.9	8.8

At the Balance Sheet date, the Company has unused capital losses of £15.6m (2022 – £15.6m) available for offset against future capital gains. No deferred tax asset has been recognised as no such capital gains are anticipated to arise in the foreseeable future.

# Notes to the Company

## Financial Statements continued

### 49. Retirement benefit scheme

The Company's defined benefit scheme is shown in Note 34 in the "UK plans funded" column.

### 50. Related party transactions

Barbara Jeremiah, Senior Independent Non-Executive Director and Chair of the Remuneration Committee was appointed a non-executive director of Johnson Matthey Plc with effect from 1 July 2023. Johnson Matthey Plc, a related party of the Group, has been renting excess car parking space from one of the Group's operating businesses on a rolling monthly basis. The lease contract was in place prior to the acquisition of Thermal Engineering in 2013 by the Group. In 2023, £0.06m car park rental was received (2022: £0.06m). There are no outstanding amounts at 31 December 2023 (31 December 2022: £nil).

The remuneration of the Directors and Senior Managers, who are the key management personnel of the Group, is set out in the Remuneration Report on pages 106 to 127. In 2023, the Company recognised share-based payment expense of £0.8m (2022 – £1.1m) in relation to the executive Directors.

The Group has related party relationships with a number of pension schemes. Transactions between the Group and these pension schemes are disclosed in Note 34.

### 51. Share-based payments

The Company has a number of share-based payment arrangements that existed during 2023, the details of which can be found in Note 33.

For the savings-related share option plan, no shares were exercised in 2023 (2022 – 1,905). The options outstanding at 31 December 2023 had exercise prices of 118.40p and 156.30p per share, and a weighted average remaining contractual life of 2.3 years. The options outstanding at 31 December 2022 had exercise prices of 118.40p per share, and a weighted average remaining contractual life of 2.0 years.

Share-based payment costs relating to subsidiaries are recharged from the Company.

# Five-year summary

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
<b>Group income statement</b>					
<b>Revenue</b>					
Continuing operations	<b>963.5</b>	848.4	658.7	733.6	1,110.70
<b>Adjusted operating profit</b>					
Continuing operations	<b>45.8</b>	28.5	6.1	3.7	89.4
Amortisation of intangible assets from acquisitions	<b>(2.2)</b>	(0.2)	–	(7.7)	(13.1)
Goodwill impairment and write-off	<b>–</b>	–	–	(134.3)	–
Net restructuring income/(cost)	<b>(5.6)</b>	4.2	4.4	(39.0)	(12.1)
Site relocation costs	<b>(0.1)</b>	–	–	–	–
US class action lawsuits	<b>–</b>	–	–	–	(2.6)
<b>Operating profit/(loss)</b>	<b>37.9</b>	32.5	10.5	(177.3)	61.6
Finance income/finance costs, net (excluding lease liabilities)	<b>(9.6)</b>	(7.4)	(5.8)	(7.8)	(8.1)
Interest on lease liabilities	<b>(2.9)</b>	(2.5)	(2.6)	(3.0)	(3.5)
Net finance income of retirement benefits	<b>2.1</b>	1.2	0.4	0.9	0.7
Corporate undertakings	<b>(4.7)</b>	(1.4)	21.2	(4.6)	(22.0)
<b>Profit/(loss) before tax</b>	<b>22.8</b>	22.4	23.7	(191.8)	28.7
Tax	<b>8.3</b>	(2.2)	0.5	33.3	0.5
<b>Profit/(loss) for the year</b>	<b>31.1</b>	20.2	24.2	(158.5)	29.2
<b>Depreciation and amortisation of intangibles excluding right-of-use assets</b>					
<b>Depreciation on right-of-use assets</b>	<b>10.5</b>	10.3	9.5	10.2	10.2
<b>Gross capital expenditure</b>	<b>35.9</b>	30.5	21.3	26.8	64.8
<b>Basic earnings/(loss) per share</b>	<b>7.52p</b>	4.86p	5.82p	(38.20)p	7.04p
<b>Diluted earnings/(loss) per share</b>	<b>7.32p</b>	4.73p	5.73p	(38.20)p	7.01p
<b>Adjusted earnings/(loss) per share</b>	<b>10.28p</b>	4.36p	0.17p	(0.84)p	16.17p
<b>Dividends in respect of years – per share</b>	<b>2.30p</b>	1.30p	–	–	2.28p
– value	<b>9.5</b>	5.3	–	–	9.5
<b>Group Balance Sheet</b>					
Non-current assets excluding right-of-use assets	<b>521.8</b>	539.8	463.5	482.7	651.4
Right-of-use assets IFRS 16	<b>64.4</b>	70.8	67.4	72.5	82.3
Non-current assets	<b>586.2</b>	610.6	530.9	555.2	733.7
Net current assets	<b>165.5</b>	104.1	110.3	89.2	102.5
Non-current liabilities	<b>(294.6)</b>	(265.3)	(216.1)	(251.1)	(276.6)
Net assets	<b>457.1</b>	449.4	425.1	393.3	559.6
Net debt pre IFRS 16	<b>(132.0)</b>	(100.5)	(79.9)	(129.4)	(145.9)
Lease liabilities IFRS16	<b>(71.8)</b>	(78.4)	(73.2)	(76.5)	(83.7)
Net debt	<b>(203.8)</b>	(178.9)	(153.1)	(205.9)	(229.6)
<b>Group cash flow</b>					
Net cash from operating activities	<b>41.4</b>	57.7	27.0	48.9	115.9
Corporate undertaking costs	<b>1.9</b>	1.4	4.8	4.6	3.4
Net Restructuring cash (received)/paid	<b>2.1</b>	(2.1)	0.9	15.2	2.9
Site relocation costs	<b>0.1</b>	–	–	–	–
US class action lawsuits	<b>–</b>	–	2.3	3.9	–
US pension settlement cash paid	<b>0.9</b>	–	–	–	–
Interest received	<b>4.3</b>	0.7	0.1	0.2	0.2
Proceeds from disposal of property, plant and equipment	<b>0.7</b>	0.5	0.2	0.5	0.7
Purchase of property, plant and equipment – cash	<b>(33.7)</b>	(28.7)	(20.2)	(25.2)	(63.0)
Purchase of intangible assets	<b>(2.2)</b>	(1.8)	(1.1)	(1.6)	(1.8)
Free cash flow	<b>15.5</b>	27.7	14.0	46.5	58.3
Dividends paid	<b>(6.6)</b>	(1.2)	–	–	(31.2)
Acquisition costs/Disposal proceeds	<b>(23.9)</b>	(25.3)	51.7	0.4	2.9
Corporate undertaking costs	<b>(1.9)</b>	(1.4)	(4.8)	(4.6)	(3.4)
Net Restructuring cash (paid)/received	<b>(2.1)</b>	2.1	(0.9)	(15.2)	(2.9)
US class action lawsuits	<b>–</b>	–	(2.3)	(3.9)	–
Site relocation costs	<b>(0.1)</b>	–	–	–	–
US pension settlement cash paid	<b>(0.9)</b>	–	–	–	–
Purchase of shares held by employee benefit trust	<b>(5.6)</b>	(4.5)	–	–	(6.3)
Increase/(decrease) in loans	<b>40.0</b>	0.4	(21.1)	(7.2)	(3.2)
Decrease in lease liabilities	<b>(10.2)</b>	(9.1)	(8.4)	(7.9)	(7.8)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>4.2</b>	<b>(11.3)</b>	<b>28.2</b>	8.1	<b>6.4</b>

# Group undertakings

Operating Companies	Business Units	Locations		Country of Incorporation
Senior UK Limited	Senior Aerospace Bird Bellows	Congleton	England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
	Senior Aerospace BWT	Macclesfield		
	Senior Flexonics Crumlin	Crumlin		
	Senior Aerospace Weston	Colne		
	Senior Aerospace Thermal Engineering	Royston		
Lymington Precision Engineers Co. Limited	Senior Flexonics Lymington	Lymington	England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Flexonics Czech s.r.o.	Senior Flexonics Czech	Olomouc, Czech Republic	Czech Republic	Olomouc, Průmyslová 733/9, 779 00, Czech Republic
Senior Aerospace Ermeto SAS	Senior Aerospace Ermeto	Blois, France	France	Z.A Euro Val de Loire, 8 rue du Clos Thomas, 41330 Fosse, France
Senior Calorstat SAS	Senior Aerospace Calorstat	Dourdan, France	France	11 Rue des Soufflets, 91410, Dourdan, France
Senior Flexonics GmbH	Senior Flexonics Kassel	Kassel, Germany	Germany	Frankfurter Strasse 199, 34121 Kassel, Germany
Senior India Private Limited	Senior Flexonics New Delhi	New Delhi, India	India	4th Floor, Rectangle No.1, Commercial Complex D-4, Saket-New Delhi-110017, India
Senior Operations (Canada) Limited	Senior Flexonics Canada	Brampton, Ontario	Canada	134 Nelson Street West, Brampton, Ontario, L6X 1C9, Canada
Senior Flexonics SA (Pty) Limited	Senior Flexonics Cape Town	Cape Town, South Africa	South Africa	11 Thor Circle, Viking Place, Thornton, Cape Town, 7460, South Africa
Senior Operations LLC	Senior Aerospace AMT	Arlington, Washington	USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
	Senior Aerospace Jet Products	San Diego, California		
	Senior Aerospace Ketema	El Cajon, California		
	Senior Aerospace Metal Bellows	Sharon, Massachusetts		
	Senior Aerospace Damar	Monroe, Washington		
	Senior Aerospace SSP	Burbank, California		
	Senior Flexonics Bartlett	Bartlett, Illinois		
	Senior Flexonics GA	Franklin, Wisconsin		
	Senior Flexonics Pathway	New Braunfels, Texas & Lewiston, Maine		
Senior Aerospace Spencer	Valencia, California			
Steico Industries, Inc.	Senior Aerospace Steico Industries	Oceanside, California	USA	818 West Seventh St., Ste. 930, Los Angeles, CA 90017, USA
Senior Aerospace (Thailand) Limited	Senior Aerospace Thailand	Chonburi, Thailand	Thailand	789/115-116 Moo1, Pinthong Industrial Estate, Sainhongkor-Lamchabang Road, Tambol Nhongkham, Amphur Sriracha, Chon Buri Province 20230, Thailand
Upeca Aerotech Sdn Bhd	Senior Aerospace Upeca	Selangor, Malaysia	Malaysia	Level 13, Menara 1 Sentrum, 201, Jalan Tun Sambanthan, Brickfields, 50470 Kuala Lumpur, Malaysia
Upeca Flowtech Sdn Bhd	Senior Flexonics Upeca	Selangor, Malaysia	Malaysia	Level 13, Menara 1 Sentrum, 201, Jalan Tun Sambanthan, Brickfields, 50470 Kuala Lumpur, Malaysia
Upeca Engineering (Tianjin) Co Ltd	Senior Flexonics Upeca (China)	Tianjin, China	China	No. 12 QuanHe Road, Wu Qing Development Area, Tianjin 301700, PR China



## Group undertakings continued

Operating Companies	Business Units	Locations	Country of Incorporation
Atlas Composites Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Flexonics Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Lymington Precision Engineering (LPE) Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Aerospace Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Americas One Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Americas Two Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Automotive Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Engineering Investments Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Finance Four Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Finance Seven Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Finance Six Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Five Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Flexonics Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior Trustee Limited		England & Wales	59/61 High Street, Rickmansworth, Hertfordshire, WD3 1RH, UK
Senior France SAS		France	11 Rue des Soufflets, 91410, Dourdan, France
Senior Investments (Deutschland) GmbH		Germany	Frankfurter Strasse 199, 34121 Kassel, Germany
Upeca Technologies Sdn Bhd		Malaysia	Level 13, Menara 1 Sentrum, 201, Jalan Tun Sambanthan, Brickfields, 50470 Kuala Lumpur, Malaysia
Senior Aerospace Bosman B.V.		Netherlands	Bergen 6, 2993 LR Barendrecht, Netherlands
Senior Investments GmbH		Switzerland	Fronwagplatz 10, CH-8200, Schaffhausen, Switzerland
Senior IP GmbH		Switzerland	Fronwagplatz 10, CH-8200, Schaffhausen, Switzerland
Flexonics, Inc.		USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Senior Holdings LLC		USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
Senior US Holdings Inc		USA	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA

Senior Aerospace and Flexonics Business Units in Mexico are operated by a third party under contract manufacturing agreements.

The Group has a 49% interest in Senior Flexonics Technologies (Wuhan) Limited, a jointly controlled entity incorporated in China.

All Group undertakings are wholly and directly owned by subsidiary undertakings of Senior plc, and in every case the principal country of operation is the country of incorporation.

Senior Aerospace Bosman ceased trading in 2021, and Senior Flexonics Upeca, Malaysia ceased manufacturing in 2021.

# Additional shareholder information

Analysis of shareholders at 31 December 2023

	Shareholders Number	Shareholders %	Issued Shares Millions	Issued Shares %
By category				
Corporate bodies	372	19.16	411.45	98.10
Other shareholders	1,570	80.84	7.97	1.90
	<b>1,942</b>	<b>100.00</b>	<b>419.42</b>	<b>100.00</b>
By range of holdings				
1 – 24,999	1,655	85.22	5.54	1.32
25,000 – 49,999	66	3.40	2.30	0.55
50,000 – 249,999	101	5.20	11.80	2.81
250,000 – 499,999	36	1.85	13.06	3.11
500,000 – 999,999	27	1.39	19.90	4.75
1,000,000 – and over	57	2.94	366.82	87.46
	<b>1,942</b>	<b>100.00</b>	<b>419.42</b>	<b>100.00</b>

The number of shares in issue at 31 December 2023 was 419,418,082.

## Share Registrars

All shareholder records are maintained by Equiniti and all correspondence should be addressed to the Registrars, Senior plc at the Equiniti address shown on the inside back cover, quoting the reference number starting with 0228 detailed on your dividend vouchers. The Registrars should be notified regarding changes to name or address, loss of share certificate, or request for, or change to, a dividend mandate.

Equiniti provides a range of shareholder information online. Shareholders can check their holdings, update details and obtain practical help on transferring shares at: [www.shareview.co.uk](http://www.shareview.co.uk).

Instead of payment by post to your registered address, dividends can be paid through the BACS system direct into a UK bank or building society account, with the dividend voucher still sent to your registered address. If you wish to use this facility and have not previously applied, then please apply direct to Equiniti and request a dividend mandate form. Shareholders who are currently receiving duplicate sets of Company mailings, as a result of any inconsistency in name or address details, should write direct to Equiniti so holdings can be combined, if appropriate.

## CREST Proxy Voting

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 26 April 2024 and any adjournment(s) thereof by using the procedures described in the CREST manual. Further details relating to voting via CREST may be found on the 2024 AGM Notice of Meeting and Form of Proxy.

# Officers and advisers

## Secretary and registered office

Andrew Bodenham  
Senior plc  
59/61 High Street, Rickmansworth, Hertfordshire WD3 1RH  
Registered in England and Wales No. 00282772

## Registrars

Equiniti Ltd  
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

## Auditor

KPMG LLP  
15 Canada Square, London E14 5GL

## ShareGift

If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations. The ShareGift Transfer Form may be obtained from Equiniti, the Company's Registrars, at [www.shareview.co.uk](http://www.shareview.co.uk). There are no implications for Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information about ShareGift may be obtained on 020 7930 3737 or from [www.ShareGift.org](http://www.ShareGift.org).

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