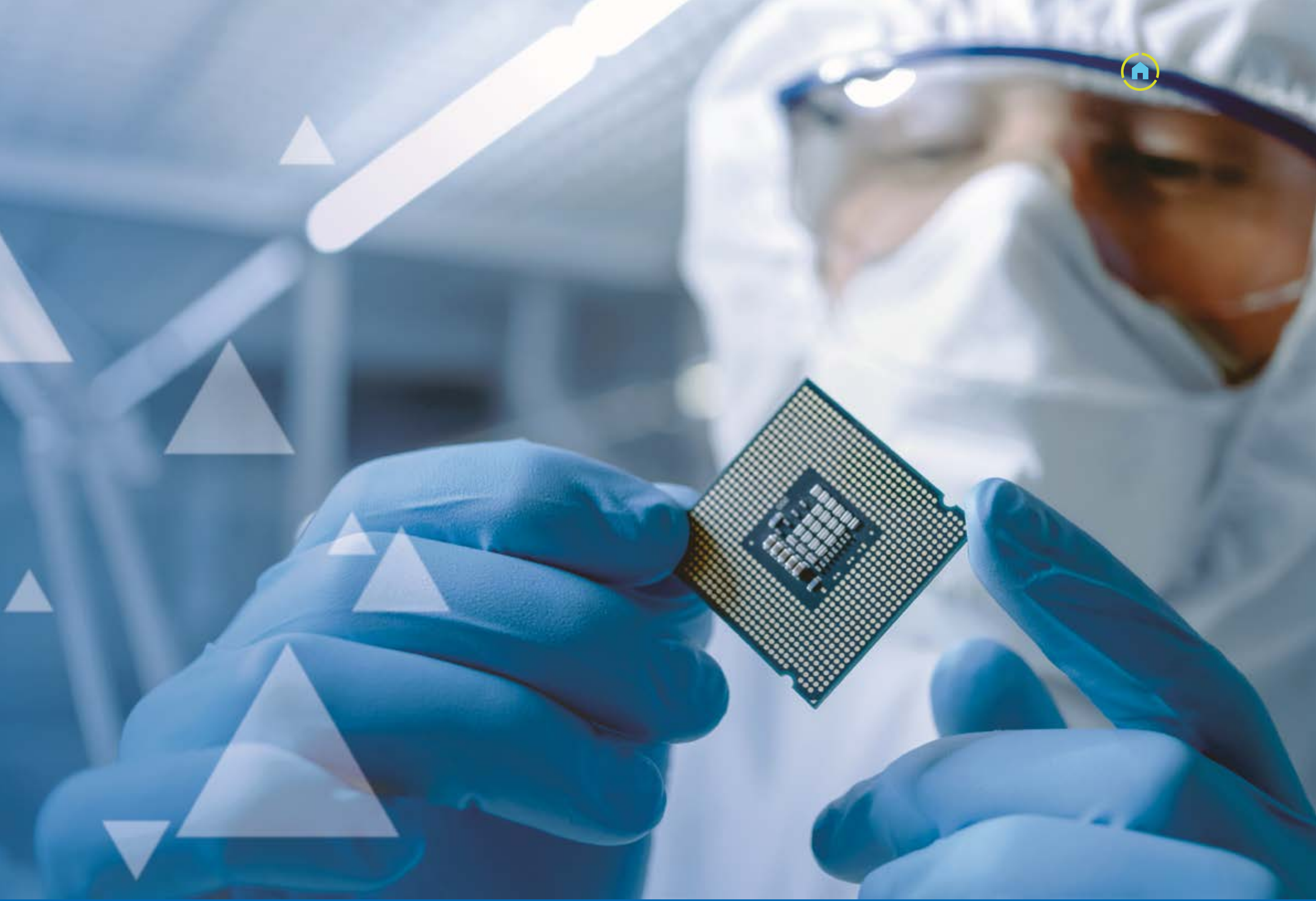
victrex

SHAPING FUTURE PERFORMANCE

VICTREX PLC
ANNUAL REPORT 2020

An **innovative world leader** in high performance polymer solutions



POLYMER & PARTS:

delivering on our strategy

Victrex is an innovative world leader in high performance polymer solutions, focused on the strategic markets of Automotive, Aerospace, Energy (including Manufacturing & Engineering), Electronics and Medical. Every day, millions of people rely on sustainable products and applications which contain our polymers and materials, from smartphones, aeroplanes and cars to oil and gas operations and medical devices. With over 40 years' experience, we develop world leading solutions in PEEK and PAEK based polymers, and selected semi-finished and finished parts which shape future performance for our customers and markets, bring environmental and societal benefits, and drive value for our shareholders.

Visit www.victrexplc.com or scan with your QR code reader to visit our Group website

RESILIENT FINANCIAL POSITION AND STRONG LONG-TERM GROWTH PIPELINE, DESPITE COVID-19 HEADWINDS

FINANCIAL HIGHLIGHTS

Group sales volume tonnes

3,492 -7%

20	3,492
19	3,751
18	4,407

Group revenue £m

266.0 -10%

20	266.0
19	294.0
18	326.0

Underlying profit before tax[1] £m

75.5 -29%

20	75.5
19	106.2
18	127.5

Underlying earnings per share[1] p

75.3 -31%

20	75.3
19	108.9
18	128.8

Available cash[1] £m

67.5 -7%

20	67.5
19	72.8
18	144.4

Dividend per share p

46.14 -23%

20	46.14	
19	59.56	
18	59.56	82.68

Regular dividends only
Special dividend

OPERATIONAL HIGHLIGHTS

FY impacted by significant COVID-19 headwinds in H2

- FY sales volume down 7% & revenue down 10%, impacted by end-market weakness in H2
- H2 revenue down 23%; subsequent signs of having bottomed out in Auto, Electronics and Medical, with incremental improvement
- Medical revenue down 14%, with US remaining weak and Asia improving
- Underlying PBT down 29% at £75.5m; continuing margin impact from under absorption of fixed costs
- Reported PBT of £63.5m, reflecting £12.0m of exceptional items in FY 2020 driven by cost actions, with anticipated annualised savings of c£10m

Long-term 'mega-programme' pipeline remains strong; little evidence of slowdown

- Meaningful revenue of £1m+ delivered for Aerospace Loaded Brackets programme
- PEEK indicated as 'material of choice' by TechnipFMC for Magma oil & gas qualification programme
- PEEK Knee clinical trial underway, with additional trial sites being prepared
- New E-mobility growth programme gaining traction

Investments underpin future growth opportunities

- New PEEK manufacturing facility in China progressing to stimulate growth
- Further progress to enhance our Additive Manufacturing (3D printing) capability

Resilient financial position with cash and cost actions implemented

- FY cash £73.1m[2]; operating cash conversion of 101%[1]
- Committed and undrawn RCF of £20m, with £20m accordion
- UK debottlenecking programme paused to reflect demand outlook
- Strong inventory position (FY 2020: £98.5m) to manage Brexit transition
- Reinstatement of dividends, with proposed final dividend of 46.14p/share

Enhanced ESG strategy with carbon net zero focus

- Launch of enhanced ESG strategy aligned to UN Sustainable Development Goals
- Focused on delivering carbon net zero by 2030
- Aspiration to increase sustainable products >50% of revenue mid-term

1 Alternative performance measures are defined in note 24.

2 Includes £5.6m of cash ring-fenced in the China subsidiary.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

SHAPING FUTURE PERFORMANCE

Victrex is headquartered in the UK, with technical and support facilities across our major geographical markets, giving us global reach for our customers.

800+
employees globally

25%
of products defined as green (FTSE Russell Green Revenues Index)

40+
countries served

c5%–6%
of sales invested in R&D[1]

Victrex solutions are found across a range of applications.

AEROSPACE
20,000+
aircraft flying with Victrex solutions

ENERGY
75m+
Victrex™ PEEK seal rings in use today

AUTOMOTIVE
500m+
Victrex™ PEEK applications in cars

MANUFACTURING & ENGINEERING
100m+
machines using Victrex solutions

ELECTRONICS
4bn+
mobile devices using APTIV™ film

MEDICAL
13m+
implanted devices

Note: Source data available on request.

OUR PURPOSE AND INVESTMENT CASE

We bring transformational solutions which address the world's material challenges every day.

An innovative world leader: building the PEEK/PAEK market

No.1 PEEK experts

Read more online
www.victrexplc.com

Sustainable products

>50%

Group revenue from sustainable products with environmental and social benefits by 2025

Financial review
Pages 22 to 26

A focused and differentiated strategy: moving downstream

10%–20%

aspiration for total sales from new products in medium term

Overview of strategy
Pages 12 to 15

Strong pipeline of medium to long-term growth opportunities

7 mega-programmes

Our markets and megatrends
Pages 4 and 5

Sector leading returns

c20%

5-year average return on capital employed ('ROCE')[1]

Financial review
Pages 22 to 26

Highly cash-generative business model

£73m cash

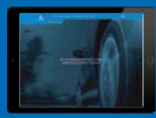
Our business model
Pages 10 and 11

1 Alternative performance measures are defined in note 24.

SIZEABLE AND SUSTAINABLE GROWTH OPPORTUNITIES

With long-term megatrends in our favour and sustainable products, we have a strong and diverse mix of growth opportunities across our key markets.

	END MARKETS	MARKET OPPORTUNITY
INDUSTRIAL	Aerospace	**39,000** new passenger and freight aircraft by 2038 Source: Airbus.
INDUSTRIAL	Automotive	**12g** PEEK/car average (increase from current 8g over medium term (Victrex internal aspiration))
INDUSTRIAL	Electronics	**21bn+** internet of tomorrow devices by 2025 Source: Norton.
INDUSTRIAL	Energy including Other Industrial and Manufacturing & Engineering	**1%** global increase every year in annual energy needs by 2040 Source: IEA.
MEDICAL	Medical	Vision to treat a patient with Invibio solutions every **15–20** seconds by 2027 (Victrex internal aspiration)



Visit **www.victrexplc.com** to see how we are shaping future performance in our markets

MEGATRENDS	CONSEQUENCES	OUR CHALLENGES AND OPPORTUNITIES
Fly lighter → Lighter weight and CO_2 reduction trends with more efficient manufacturing using PEEK, PAEK and composites mean fuel saving – a strategic imperative for the Aerospace industry. → Opportunities to support reduction of OEM backlogs through volume production/quicker processing.	**Weight, cost reduction and fuel efficiency** → Weight, cost reduction and improved fuel efficiency are primary strategic drivers for the Aerospace industry.	**Lightweight metal replacement** → Victrex™ PEEK helps Aerospace lightweighting via metal replacement and is a key part to driving improved fuel efficiency and reduced emissions. → Our materials can also provide more efficient manufacturing.
CO_2 reduction and durability → Fuel efficiency, CO_2 reduction, safety and reliability improvements resulting from consumer and regulatory trends. Transition from internal combustion engines ('ICE') to electric vehicles ('EVs').	**Emissions reduction design challenges** → Energy efficiency, comfort, heat resistance and durability are primary strategic imperatives for the Automotive industry.	**Lightweight metal replacement** → Victrex™ PEEK enables lightweighting and reliability via metal replacement and is key to meeting the complex challenges of next generation Automotive powertrain technology. → ABS braking systems, gears and transmission systems are key application areas. Next generation electric vehicles ('EVs') offer an emerging opportunity.
Thinner, smaller, smarter → The need for instant access to communication and information on the move is driving trends for mobile devices.	**Energy and thermal management benefits** → Increased functionality and miniaturisation create challenges for mobile device performance as well as energy and thermal management.	**High durability, thin film technology** → Victrex materials, such as PEEK resin, PEEK blends and our APTIV™ acoustic film technology, create design opportunities by virtue of their durability in today's thinner, smaller, smarter mobile devices.
Natural resource depletion and cleaner energy → Increasing demand for and depletion of existing resources drive exploration into uncharted territory. → More efficient manufacturing processes create more data and connectivity requirements in Manufacturing & Engineering.	**Extreme environments** → Deeper, hotter, higher pressure and chemically aggressive wells must be tapped to reach new reserves, requiring more durable materials. → Evaluation of higher performance materials in manufacturing, including in the food industry and in renewable energy.	**Recover more** → Reliable and high yield operations are enabled using VICTREX™ PEEK based solutions in exploration and production tooling. → Tailored solutions for industrial markets, including Victrex™ PEEK FG, a food grade polymer.
Ageing global population → People are living longer and have a strong desire to maintain their quality of life in their later years.	**Joint replacement and pain management** → Extended life expectancy results in an increasing need to replace worn out body parts or to alleviate pain in order to resume normal activities. Long-term demand for new solutions in core markets, such as Spine, and in emerging markets, such as Knee, Trauma and Dental, remains strong.	**High performance solutions providing social benefits** → Invibio provides solutions for the Medical market that can be used in a minimally invasive manner, helping to enhance clinical benefit. Our solutions are also being developed or are in early commercialisation for Dental, Trauma and Knee.

OUR PROACTIVE ACTIONS ON COVID-19

As a global business, Victrex continues to address the impact of COVID-19 proactively, through effective communication, guidance, support and guidelines for our employees; through regular dialogue with our customers and suppliers; through engagement with our communities, regulators and governments; and by taking appropriate actions to maintain a robust financial position.

We quickly established a COVID-19 Committee, comprised of Victrex Management Team ('VMT') members and other senior leaders, to ensure representation and consideration of all stakeholder interests, and to ensure we could implement appropriate plans to protect the health, safety and wellbeing of our employees, whilst continuing to serve our customers. We also carefully considered our actions to support the key role we play in many supply chains, for example in Medical, and to support local communities and health organisations across multiple geographies, particularly those close to where we operate.

OUR PEOPLE

- Safety, health and wellbeing our highest priority
- All office-based employees homeworking where possible – manufacturing presence continuous
- Limited number of non-business-critical employees returned to work
- Over 100 Return to Site risk assessment plans reviewed and approved by COVID-19 Committee in preparation for greater Return to Site
- Online assessment and training, including healthy working plans, for homeworking employees
- Office reconfigurations, cleaning and temperature check stations
- Weekly communications and CEO/VMT-led Q&A and 'Staying in Touch' sessions

OUR CUSTOMERS AND SUPPLIERS

- Production aligned to demand
- Strong service levels for customers (>99% OTIF throughout FY 2020)
- High levels of global inventories, c12 weeks' sales stocks held
- Key role played within multiple supply chains
- Continue to operate production plants (UK government defined chemicals as an essential industry and defined as 'life sustaining' within several US states)
- Supported development of key Medical applications in the fight against COVID-19, including ventilators
- Continuing to pay suppliers to terms with early payment for small suppliers
- Victrex is a signatory to the Prompt Payment Code for suppliers

Impact

The impact to Victrex, to date, has been centred around:

- **Trading performance** H2 2020 sales -23%, with >40% revenue declines across Automotive, Aerospace and Energy at trough levels (the low point during FY 2020)
- **Employee homeworking** Over 80% of our global employees were homeworking at the height of the global pandemic with some limited Return to Site subsequently
- **Supply chain** >99% On Time In Full ('OTIF') service levels for customers
- **COVID-19 guideline costs** c£50,000 costs incurred to ensure adherence to global guidelines (office reconfigurations, sanitiser, PPE, etc.)

OUR STAKEHOLDERS

- Multiple global community programmes with over 2,500 employee hours committed
- Over 1,500 items of PPE donated to hospitals and care organisations globally
- 3D printed face masks created
- Employee volunteering for care organisations
- Peer group, regulators and governmental collaboration via Chemical Industry Association and UK and overseas governments
- Signatory to Corporate Leaders Group call for Green & Resilient recovery

For further information on how we consider all stakeholder interests and engage with our stakeholders, see our section 172 statement on pages 18 and 19 and 73 and 74.

OUR FINANCIAL POSITION

- Range of cash conservation measures implemented: UK debottlenecking programme paused & interim dividend deferred
- Stress test scenarios evaluated, with net cash position maintained and temporary draw on RCF through FY 2021 in downside scenarios, with no mitigations (see pages 24 and 37 to 39)
- Committed £20m RCF and £20m accordion; options explored for additional facility
- Reduction in global employee headcount of c100 roles to address the expected lower production levels in the near term, as demand remains weak and inventories are reduced
- Strong cash and cost management programmes implemented across Victrex

SUSTAINABLE AND LONG-TERM OPPORTUNITIES POST-COVID

"With sustainable products aligned to global megatrends, Victrex's long-term opportunities remain strong, despite the ongoing impact from COVID-19 on our end markets.

Larry Pentz
Chairman

Revenue from sustainable products by 2025

>50%

Employees

800+

In line with most peers and reflecting our multiple end market exposure, the challenge from COVID-19 became a material impact on the Group during FY 2020 and most end markets remain subdued as we enter FY 2021. In several end markets we saw declines of approximately 40% in volume and revenue at trough levels, although we have seen some incremental improvement subsequently. This has necessitated further cost actions to ensure the Group remains in a viable and sustainable position to navigate current challenges and indeed for the longer term.

Strategy

Despite the ongoing impact from COVID-19, I believe our Polymer & Parts strategy and a focus on growth markets and long-term opportunities remain strong, although we will continue to adopt a 'COVID-19 lens' on our growth pipeline. Our strategy involves differentiating against our competitors through being focused on existing and new applications in the PEEK and PAEK polymer space, through developing new polymer grades and product forms, including composites, and through building new markets in 'parts' alongside our core polymer offering.

We will continue to assess how we can accelerate our strategy, to drive our long-term growth prospects, and to make us more resilient & more differentiated.

Our purpose

As a sustainable business bringing transformational solutions which address the world's material challenges, Victrex works across its markets and with customers to deliver solutions and performance benefits against incumbent materials, typically metal. As the no.1 PEEK experts, Victrex is pioneering the market for the use of PEEK & PAEK polymers.

Whilst our current sales are still largely derived from core polymer materials or product forms, Victrex's differentiated offering to customers is built on much more than just having the capacity to manufacture polymers. Our technical service, application development capability, regulatory support, Research & Development and innovation credentials are key strengths which have served us well, and will continue to do so. Moving downstream into new and selected semi-finished and finished products ('parts'), and protecting our intellectual property through know-how and patents, will enable Victrex to capture a higher value share from each application and deliver continued strong returns for our shareholders.

Growth pipeline

Each of our 'mega-programmes' offers the potential for over £50m of annual revenue in its peak sales year. Driving full market adoption can take time for what represent 'disruptive' technologies in many cases, particularly against long-standing metal-based or existing polymer technologies.

Overall our growth pipeline is progressing broadly as planned, with the long-term value proposition for the use of PEEK remaining strong despite the impact of COVID-19, with over 80% of milestones achieved in these programmes during FY 2020.

During FY 2020 we saw further milestones including our Magma programme, where PEEK is being viewed as the material of choice for demanding oil and gas opportunities in Brazil, as part of Technip FMC's qualification programme. This thermoplastic composite-based pipe helps reduce weight and offer more cost effective deployment.

Sustainability

Our sustainability strategy and focus on three main areas – sustainable solutions, resource efficiency and social responsibility – has been enhanced this year with a clear vision to become carbon net zero by 2030, and alignment to the UN's Sustainable Development Goals. This includes new targets around sustainable products, building on the recognition we already enjoy from the likes of FTSE Russell in their Green Revenues Index. The lightweight, environmental and recycling credentials of our materials and alignment with global megatrends continue to support our ability to remain a sustainable business over the coming years. Further detail can be found in the Sustainability report on pages 40 to 57.

Results

With COVID-19 impacting us in the second half year, Group revenue of £266.0m was 10% down on the prior year (FY 2019: £294.0m). Underlying Group profit before tax ('PBT') of £75.5m (FY 2019: £106.2m) was down 29%, with reported Group PBT of £63.5m (FY 2019: £104.7m) down 39%. Earnings per share of 62.6p was down 42% (FY 2019: 107.2p).

Investment for growth

Our investment in innovation and technical excellence remains a key differentiator for Victrex, with R&D expenditure of £16.7m (FY 2019: £18.0m) representing approximately 6% of Group revenue. Much of this investment is in development activity, helping to create new applications which use our PEEK polymers. M&A and partnerships remain key options for Victrex in supporting our growth programmes and we have the opportunity to develop assets or capability ourselves, or buy in this capability as we have done with Kleiss Gears, our TxV Aero Composites investment and the acquisition of Zyex.

China manufacturing subsidiary

During the year we formed a manufacturing subsidiary in Panjin province, China, with Yingkou Xingfu, to support the development of a new PEEK manufacturing facility, where we expect the long-term opportunities to remain strong. The Board considered the investment needed to meet anticipated future demand in China, the returns profile offered by the transaction and how regional customers could be served from a local facility, as well as the impact on and support required from the Group's UK operations. The facility is scheduled to be commissioned by late 2022, eventually being able to produce up to 1,500 tonnes of PEEK and PAEK at a cost to Victrex of approximately £32m. We will carefully manage IP during the construction phase, working with a well established partner who already supports us in the monomer process.

Board consideration also included the benefit of the 'Made in China 2025' initiative by the Chinese government versus alternative options, the impact on the supply chain and existing Chinese producers and a detailed risk review to ensure long-term benefit from the investment, as well as the resources and employee support needed for the venture. Our engagement programme also included regional government and other industry bodies in China.

Overall capital expenditure was £24.9m (FY 2019: £22.7m), principally reflecting the pausing of our UK debottlenecking project, which we have again deferred until we see firmer signs of demand returning, to gain incremental capacity.

Cash-generative business model

Our highly cash-generative business model supports investment for growth and appropriate returns to shareholders. A number of cash conservation measures were implemented during FY 2020. With weaker trading and higher inventories to support Brexit and debottlenecking contingency, the Group's closing cash balance reached £73.1m this year (FY 2019: £72.5m), with no debt. Operating cash conversion[1] was 101% (FY 2019: 64%).

Dividends

The Board's capital allocation policy focuses on growth investment – whether organic or through M&A – first, whilst supporting a regular dividend and the potential of incremental returns for shareholders via a special dividend. This retains our flexibility to invest in downstream manufacturing, M&A and polymer capacity expansion. Our intention will be to grow the regular dividend in line with EPS, whilst also offering the opportunity of a special dividend where possible, subject to a minimum of 50p/share. We believe this policy offers good medium-term opportunities for shareholder returns.

Our regular dividend seeks to maintain cover at or around 2x. Whilst earnings per share was down 42%, the Group is proposing to keep the final dividend flat, having deferred the interim dividend. Total regular dividends for the year reached 46.14p (FY 2019: 59.56p). Underlying dividend cover[1] is at 1.6x (FY 2019: 1.8x).

Financial review
Pages 22 to 26

Governance and the Board

Our Board composition further evolved this year. Pamela Kirby stepped down after nine years on the Board, including five as Senior Independent Director, with Ros Rivaz joining the Board in May 2020 as Senior Independent Director. As previously communicated, this role will eventually turn to the search process for a new Chair, although as we navigate the challenges of COVID-19, and reflecting significant Board changes over the past two years, it remains more important than ever to retain the Board stability that has benefited the Group and will continue to do so.

Below Board level, we have a strong focus on diversity and inclusion. During the year the executive Directors have managed the business with support from a broader range of senior managers as part of the VMT (Victrex Management Team), two of whom are female. A broader Victrex Management Team was established for FY 2020 with more detail about its members and how it operates on pages 70 and 71.

Corporate governance
Pages 58 to 113

Safety

Away from our manufacturing operations, we have an unwavering safety focus across our global teams, which continue to drive the market opportunities for our polymers, whether at commercial, marketing, technical or support services level. The change in reporting standards to US OSHA-based metrics meant our recordable injury rate slightly increased although it remains better than industry average. Our aspiration in 2021 and beyond is for a Zero Accidents, Zero Incidents culture, with a number of employee campaigns supporting this goal.

People & stakeholders

The challenges of COVID-19 have impacted on all of our global employees during the year. The ability of our employees, our teams and indeed our whole business to respond in support of our customers was extremely well received. On behalf of the Board I would like to thank each and every one of Victrex's employees for their continued contribution. Regrettably, the economic impact of COVID-19 means we had to take further cost actions at the end of the financial year, which will result in approximately 100 fewer roles, principally reflecting expected lower production levels with our global inventories being reduced and noting the weak demand environment. These actions were largely completed through voluntary severance.

Victrex has an active stakeholder engagement programme, both internally with our employees and externally in the communities where we operate, including supporting subjects to help those considering careers built on science and innovation. 42 apprentices are currently with us, demonstrating our support and commitment for the next generation of employees. Our training investment has also yielded good results, supporting many of our employees in gaining awards and additional qualifications.

We are also focused on diversity and inclusion through our Gender Pay and Group Diversity & Equal Opportunities Policy, details of which can be found on pages 54 and 55 of the Sustainability report.

Our stakeholder engagement programme can be found on pages 18 and 19.

Values & culture

Our values of Passion, Innovation and Performance have, I believe, seen us respond well as individuals and as an organisation through these unprecedented times. With over 80% of our global employees at some stage homeworking – with the majority remaining working from home – we were able to use our values to do the right thing for ourselves and the Company. Our culture of innovation, service for customers and delivering with speed is central to our ability to commercialise our future opportunities and sustain Victrex into the future.

Outlook

At this early stage, FY 2021 has started solidly. Whilst several end markets are seeing some incremental improvement, overall performance remains subdued and we expect some softness to continue through the first half, versus the prior year, with the potential for uncertainty in order patterns. Whilst we will start to benefit from the actions we have taken on costs, some impact on margin will remain due to production being lower than sales and inventory unwind post Brexit. Consequently, our initial assumptions are that delivering a performance which improves on FY 2020 will be contingent on a better macro and end market environment in the second half of our 2021 financial year.

Despite the ongoing challenges of COVID-19, the Group remains resilient, with specific milestones delivered in our strong and diverse growth pipeline – which we are adding to – including meaningful revenues from Aerospace Loaded Brackets and good progress in Magma. Overall, there is little evidence of slowdown and milestones across our mega-programmes are improving. We have also enhanced our ESG agenda, building on the role our sustainable products play in CO_2 reduction, with a carbon net zero target by 2030 and alignment to UN Sustainable Development Goals. On a long-term basis, our Polymer & Parts strategy keeps us well placed to deliver our range of medium to long-term growth opportunities.

Larry Pentz
Chairman
9 December 2020

1 Alternative performance measures are defined in note 24.

Our business model

Who we are

An innovative world leader in high performance polymer solutions, focused on the strategic markets of Automotive, Aerospace, Energy (including Manufacturing & Engineering), Electronics and Medical. Every day, millions of people use sustainable products and applications which contain our materials – from smartphones, aeroplanes and cars to oil and gas operations and medical devices.

Shaping future performance

PEEK polymers offer sustainable performance benefits across a broad range of customers and markets. To support growth, new differentiated applications and products are developed both through Research & Development ('R&D'), and teams focused on market opportunities where PEEK can provide a clear performance benefit. Beyond demanding technical requirements, many applications are subject to rigorous qualification processes.

Key to strategy

- Drive core business
- Differentiate through innovation
- Create and deliver future value
- Underpin through safety, sustainability and capability

OBJECTIVE

Focus on the megatrends

We employ a rigorous Strategic Market Assessment process to identify those markets with characteristics that support the opportunity for significant growth in the adoption of PEEK. Those megatrends can be environmental, economic, demographic or commercial and are set out on pages 4 and 5. The process then identifies specific sub-sectors where PEEK's unique characteristics will be valued, where there is an opportunity for both the customer and Victrex to enhance their respective shareholder value and where there is the potential for annual revenues of at least £50m to be earned. These are the mega-programmes.

Sustainable business

PEEK's unique characteristics noted above offer benefits of lightweighting, processability and recyclability that are particularly suitable to help customers meet the environmental and regulatory requirements of future transport and other markets. In Medical, PEEK solutions can help support improved clinical benefit for patients. Together with our expected achievement of carbon net zero status in the coming years, we are confident in Victrex's future as a sustainable business.

Focused employees

All of our 800+ employees are solely focused on developing further opportunities for PEEK. This differentiates us from our competition who typically offer a range of materials with a broad range of value propositions. Innovation is at the heart of our culture with approximately 5%–6% of sales invested in R&D and other functions organised to provide the maximum support to customer programmes. All employees are rewarded with a profit growth driven bonus scheme, and share options are used extensively. We also invest in apprenticeships and training, supporting employees to gain additional awards and qualifications. We value our social responsibility, supporting many good causes and the local communities in which we operate, focusing on the 'next generation' of Victrex employees, in line with our sustainability targets.

Drive PEEK adoption

We primarily develop solutions that allow PEEK to replace metal. When developed into an application, PEEK can offer benefits of lighter weight, heat and chemical resistance and the ability to be processed much more easily and quickly than metal or thermoset plastics. When used in the human body, PEEK has similar attributes to bone, making it attractive for a range of medical applications. When used in vehicles, PEEK can achieve the lightweight, vibration and heat characteristics needed for the future development of next generation electric vehicles. Our approach is therefore to build new markets by creating differentiated applications and products, then demonstrate the 'burden of proof' using prototyping, clinical studies and key opinion leaders.

Manufacturing differentiation, global sales support and technical excellence

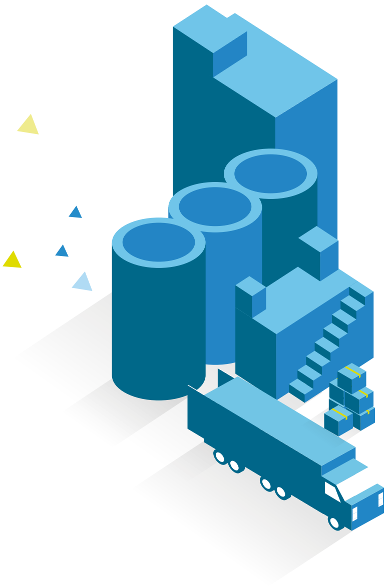
We have a unique PEEK manufacturing process, which is different to that of our competitors, and the ability to manufacture differentiated grades, product forms and parts ('Type 1' PEEK). We then support our customers with an extensive Sales and Technical Support team, which is unique in being solely focused on PEEK. This service is vital to our customers' long-term plans for using PEEK, both in existing applications and in the mega-programmes. We invest approximately 5%–6% of sales in global R&D, supporting our ability to partner with customers.

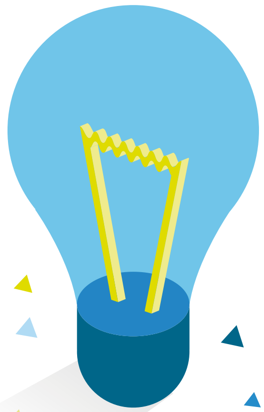
Capital and cost focus

Victrex has invested ahead of demand with over £100m invested during the last five years in existing capacity and to support Polymer & Parts manufacture. This allows us to be able to commit to significant customer programmes as they arise. Whilst we will continue to do this, we would expect our utilisation of effective capacity to increase over time. Together with a steady focus on cost efficiency throughout the business, improving our operating leverage allows us to sustain our return on capital in the medium term.

WHY THIS IS IMPORTANT	HOW WE DIFFERENTIATE TO ACHIEVE SUCCESS	OUTCOMES
→ Supportive megatrends offer the opportunity to align with long-term global growth areas and create value for all our stakeholders → Targeting the right end markets enables us to develop a clear value proposition for PEEK	→ We target segments which offer above average market growth opportunities → Identifying PEEK's value proposition helps us deliver a performance benefit and provide a competitive advantage	→ Alignment with megatrends and developing selected products and applications which can support them offer sustainable revenue opportunities across our markets → Rigorous and focused growth pipeline
→ Increasing focus on sustainability of today's materials → Environmental and performance requirements in Automotive & Aerospace are increasing → Surgeons and medical device companies are focused on better patient outcomes	→ Investment in Gears and Composites enables us to leverage more sustainable trends in Transport markets → Identifying specific applications in electric vehicles offers a long-term opportunity up to 100g/PEEK per vehicle → Building clinical evidence for our products in Spine, Dental, Trauma and Knee helps us in creating a long-term Medical portfolio	→ Our customers, investors, suppliers and other key stakeholders are increasingly focusing on a clear sustainability strategy: ensuring our products (sustainable solutions), our processes (resource efficiency) and how we operate (social responsibility) can demonstrate a sustainable business model, with Victrex being a company they can invest in and conduct business with
→ A sole focus on PEEK, PAEK and high performance materials means we operate as a solutions company, beyond simply manufacturing materials → Creating and developing new products and applications differentiates us from competitors → A performance-based culture ensures all our employees can share in our success	→ Through our Sales, Technical and Marketing teams, we are market led, identifying customer needs → High investment in R&D and ensuring we have appropriate skills in this area help us bring leading-edge products to market	→ As the no.1 PEEK experts, retaining a clear focus on our technology and our family of polymers, with a performance and innovation-based culture, helps us to remain market led, identifying and solving customer problems → High retention rate, with voluntary employee turnover 4% in FY 2020
→ PEEK competes on performance, with its unique combination of properties offering advantages over metal and other materials → Our customers require validation in critical applications	→ Developing new applications or new polymer grades helps us to keep innovating and differentiating against competitors → Our technical and commercial capabilities mean we offer solutions rather than just materials	→ Innovation in PEEK has delivered new and differentiated polymer grades including VICTREX FG (food grade), low-melt PEEK and 3D printed PEEK grade, supporting our ability to further drive adoption in our end markets based on customer and market need
→ Our process patents and know-how help ensure we are the only type 1 PEEK producer → Global Sales and Customer Service teams are organised by market, ensuring we understand our customer needs → Investment in R&D supports our ability to accelerate adoption of new products	→ With a unique manufacturing process, specification with customers for VICTREX™ PEEK creates a clear differentiator → Customers need us to understand their performance challenges, beyond what PEEK can deliver → With over 200 patents in place or pending, our global technical excellence helps to ensure constant innovation	→ Our manufacturing differentiation, unique production process and technical support help to distinguish us from competitors, whereby if customers specify VICTREX™ PEEK, we can truly differentiate our product, to bring unique properties to an application, ultimately solving a problem for customers
→ Product quality and cost efficiency are key drivers for us to remain competitive → Retaining customer confidence in our ability to supply is important → The ability to deliver economies of scale from our investments	→ Investment in quality systems helps to retain customer confidence → Security of supply supports our customers' ability in using PEEK for new products → Cost efficiency and resource allocation offer us operating leverage opportunities	→ Deploying capital appropriately helps ensure we retain strong return on capital metrics, by making selective investments which support future growth

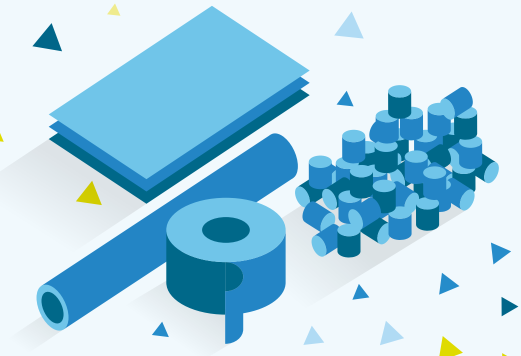
POLYMER





3. Create & deliver...

- Selected product forms (semi-finished)
- Downstream manufacturing
- Pipes, film and composites



1. Drive core business

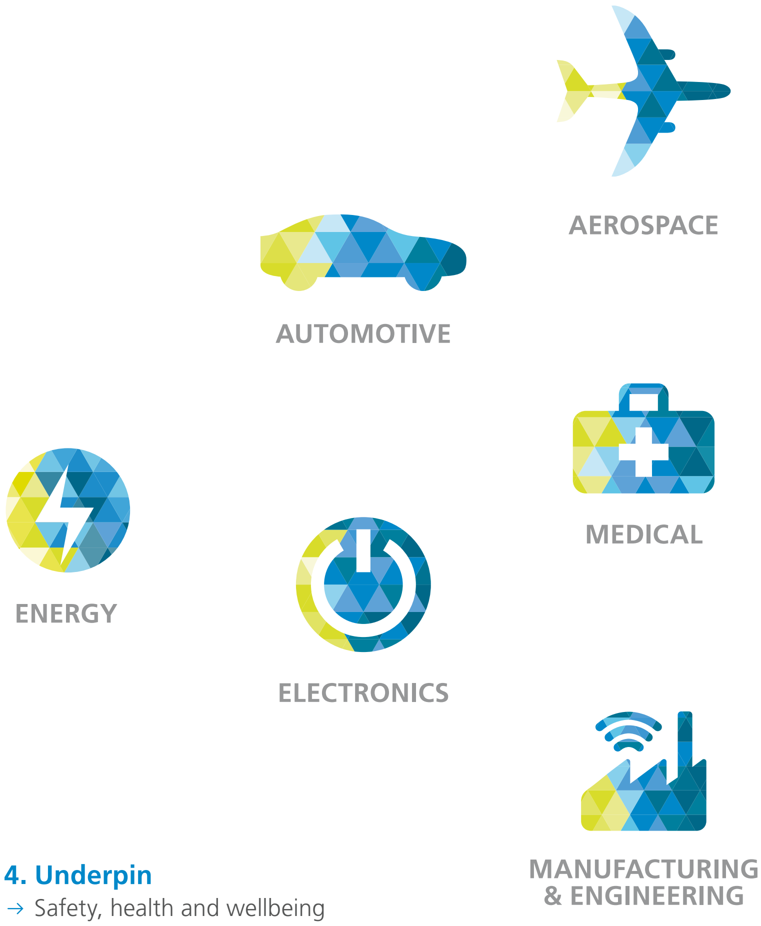
- PEEK and PAEK polymers
- Core applications
- No.1 upstream manufacturing capacity of 7,150 tonnes (nameplate capacity)
- Cost efficiency
- Quality

2. Differentiate through innovation

- Core application development pipeline
- Invent and develop new grades
- Increase differentiation

DELIVERING THE

& PARTS



…future value
- → Selected parts (semi-finished and finished)
- → Downstream manufacturing
- → Deliver mega-programmes[1]
- → Polymer to parts

4. Underpin
- → Safety, health and wellbeing
- → Sustainable business with sustainable products
- → Talent strategy

‘BURDEN OF PROOF’

1 Pipeline programmes offering >£50m annual revenue potential in peak sales year.

> With sustainable products, Passion, Innovation and Performance as our values, and a culture built on speed and service, our focus is to drive forward our Polymer & Parts strategy and capture the significant long-term growth opportunities for our business.

Jakob Sigurdsson
Chief Executive Officer

R&D spend

6% of sales

Pipeline mega-programmes

7

NAVIGATING SHORT-TERM CHALLENGES TO DELIVER OUR LONG-TERM OPPORTUNITIES

Dear shareholders,

With the significant impact of COVID-19 on our end markets and our business during FY 2020, our focus remains to navigate these short-term challenges in order to deliver our long-term opportunities. We have taken the time to assess our long-term growth opportunities through a 'COVID-19 lens' and whether any adjustment to our strategy is needed. Whilst we may yet see some impact on the timing or milestones of our growth pipeline, principally our mega-programmes, to date we have not seen any material impact and over 80% of our milestones were achieved in FY 2020. This is reflective of the fact the long-term growth opportunities from metal replacement across our end markets remain valid. Megatrends supporting the use of high performance polymers like Victrex™ PEEK, and increasingly thermoplastic composite materials, whether that be from CO_2 reduction, biocompatibility, the need for lightweighting, faster manufacturing, durability, waste reduction, recyclability or other performance benefits, continue to point towards further opportunities for our products.

As a sustainable business with sustainable products, we bring transformational solutions that address world material challenges every day. With six key growth markets and seven mega-programmes as part of our new product pipeline (each estimated to offer the opportunity of £50m+ revenue in its peak sales year), the diversity of our portfolio keeps us well positioned.

Polymer & Parts

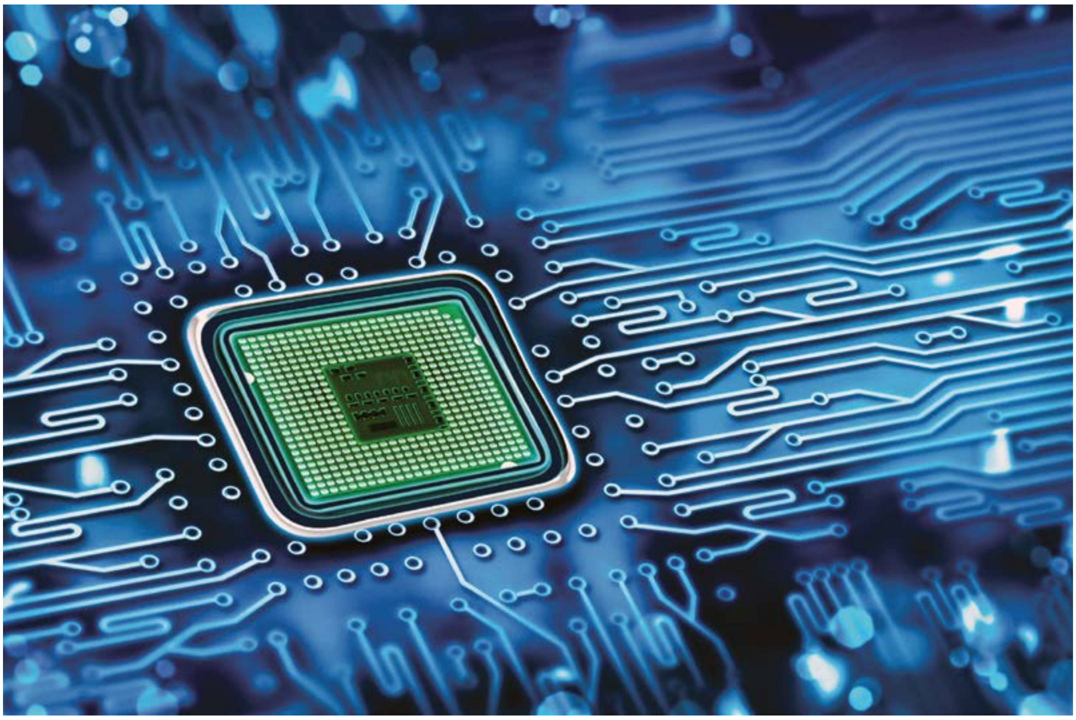
Our strategy seeks to catalyse adoption of PAEK/PEEK and related technology, as well as capture increased value from each application opportunity, for example not only by supplying polymer, but by developing selected product forms and parts which can replace metal and offer a total solution to our customers, for example in PEEK Gears within Automotive. We are continuing to invest to support our strategy, particularly in the areas of innovation, including Research & Development ('R&D'), as well as utilising Continuous Improvement and Integrated Business Planning processes, which are helping us become more efficient in our operations and elsewhere, as well as providing responsiveness – speed and service – in our various interactions with our customers. Whilst PAEK/PEEK remains the focus, we remain mindful of collaboration opportunities within similar or related technologies if they can help accelerate our strategy and retain a strong financial profile.

Our competitive advantage & differentiation

Our core Polymer business continues to be and will remain integral to Victrex in the future, but our emerging Parts business offers significant opportunities to deliver future end market requirements in specific applications, typically where no supply chain or capability exists, but where there is an opportunity to solve a problem for our customers and our markets. In addition to creating the market for our polymers, this will help us access new revenue and margin streams and differentiate against our competitors. Whilst the risk profile from moving further 'downstream' into manufacturing selected parts increases, our quality management systems, our enhanced skills and capability in this area, and our ability to protect our intellectual property ('IP') through patents or know-how keep us in a good position. Our differentiation is also focused on our unique manufacturing process, application know-how and technical support that helps us retain a strong competitive advantage.

Sustainable products

Whilst Victrex is already a sustainable business, recognised by FTSE Russell's Green Revenues Index, helping to deliver lighter products which can support the trend of CO_2 reduction, particularly in Automotive and Aerospace, we have refined our Sustainability strategy to align with UN Sustainable Development Goals 2030. Post COVID-19, our vision is to become carbon net zero by 2030, but importantly to exceed 50% of Group revenue from products with positive environmental and social benefits by 2025. PEEK already has the potential for recyclability in applications and we will be seeking to double this over the years ahead.



Opportunity for shareholder returns

Growth will remain the priority for our investment plans. This year we announced the development of a new manufacturing facility in China which, together with a number of other opportunities, will lead to significant capital investment in FY 2021. We have retained strong liquidity, which has benefited us through the impact of COVID-19, and remain highly cash generative with an attractive medium-term return on investment. Considering the needs of all our stakeholders, including new and existing customers, employees and investors, we believe that shareholders have good medium-term opportunities for returns via both regular and special dividends.

Safety, values & culture

The safety, health and wellbeing of our employees remains our highest priority. The change in reporting safety to the US OSHA standard means we saw a slightly weaker safety performance during FY 2020 although we remain better than the industry average. Consequently, we have increased our focus on a zero accidents and zero incidents culture. It has been very clear to me that our values of Passion, Innovation and Performance have helped us as individuals, as a team and as an organisation through these unprecedented times and navigating COVID-19. Whilst our innovative and empowering culture already enables significant flexible working, with over 80% of our global employees at some stage homeworking during lockdown, we will focus on the ability to leverage our global talent base and further build a high performing team that has service for customers and delivering with speed as central planks in commercialising our future growth opportunities and sustaining Victrex into the future.

I want to thank all of our employees for their efforts during FY 2020. Whilst we regrettably saw around 100 employees leave our business as a result of our cost reduction programme, primarily through voluntary severance, to help us navigate the current challenges and emerge stronger for the future, our values, respect for individuals and supportive culture have been particularly notable. We also have a strong consideration for all of our stakeholders, internal and external, including high levels of community support as has been evidenced globally during FY 2020 in reflection of the challenges from COVID-19.

Delivering our strategy

Through our four strategic imperatives (as presented on page 17), we continue to make progress. With over 800 people waking up every day focused on making a difference to our customers and our markets, we are the no.1 PEEK experts. Our absolute focus is how we can deliver our opportunities with greater speed, shaping future performance for our customers and markets with sustainable products which provide environmental and societal benefits, and deliver growth and returns for our shareholders.

The Strategic report on pages 1 to 57 was approved by the Board and signed on its behalf by the Chief Executive Officer.

Jakob Sigurdsson
Chief Executive Officer
9 December 2020

Q&A

WITH JAKOB SIGURDSSON

Does COVID-19 change your strategy or the investment case for Victrex?

COVID-19 has clearly had a significant impact on our business in 2020 and we have had to take actions accordingly, including regrettably reducing our employee numbers by around 100, deferring capital programmes and other savings. However, the alignment with global megatrends for the use of our materials remains strong – CO_2 reduction metal replacement, faster processing, lightweighting, durability and other performance benefits. The platform that PEEK/PAEK offers, potentially together with aligned high value materials, is robust and the challenge remains in driving adoption over the years ahead. But even in the likes of Energy, our Magma mega-programme has received strong feedback this year as the preferred material for subsea deep-water applications. The opportunities therefore remain strong. Our investment case continues to be built on our ability to deliver new growth opportunities and to deliver high value sustainable products, but also to differentiate our business through a Polymer & Parts strategy, capturing new revenue streams, as well as offering strong cash generation and strong return metrics, and the opportunity of good dividend returns to shareholders.

How did Victrex meet the challenge of COVID-19?

I remain particularly proud of our team, of individuals but also the whole team and Victrex as an organisation. We came together very quickly to assess the challenges – our people, our customers, our stakeholders and our financial position – and looked at the actions we needed to take to navigate us through these unprecedented times. One particular highlight was how, in the face of uncertainty or sometimes lack of information, the ability for us to 'Do the right thing', with our values of Passion, Innovation and Performance, shone through strongly. Our safety mindset, and ensuring the safety, health and wellbeing of all our people, was the overriding focus. Despite our response to the initial pandemic, we must remember, however, that we have had to take some necessary but difficult actions, particularly around jobs, whilst ensuring that we can still support our ability to prosper and be a viable and sustainable business for the years ahead. In summary, we continue to deal with the challenge of COVID-19 in various ways, but our approach and our actions to date have undoubtedly helped us.

OUR STRATEGIC IMPERATIVES

DRIVE
CORE BUSINESS

- Execute on key growth programmes in six strategic markets
- Drive growth in emerging geographies
- Continuous improvement, cost efficiency, quality

Strategic highlights in 2020
- H1 core volume growth (pre-COVID-19) +5%
- Double-digit growth in non-implantable Medical

DIFFERENTIATE
THROUGH INNOVATION

- Market-led innovation
- Investment in R&D
- Move further downstream: new applications, new forms, new materials and new product launches

Strategic highlights in 2020
- Prototype 3D printed Spinal cages in development
- Prototype revenue from collaboration with Airbus for larger composite parts

CREATE & DELIVER
FUTURE VALUE

- Strong new product pipeline
- M&A/JVs, partnerships
- Downstream manufacturing capability
- Drive adoption: 'burden of proof'

Strategic highlights in 2020
- Support for TechnipFMC in Magma thermoplastic composite pipe qualification programme
- Investment in new China manufacturing facility

UNDERPIN
THROUGH SAFETY, SUSTAINABILITY AND CAPABILITY

- Safety, health and wellbeing
- Sustainable business with sustainable products
- Talent strategy

Strategic highlights in 2020
- OSHA recordable injury rate 1.30
- Over 2,500 employee hours supporting local communities; over 1,500 PPE donations to local communities for COVID-19

Why we engage

Victrex's Polymer & Parts strategy focuses on being a world leader in value creation through high performance PEEK and PAEK polymers. As a sustainable business with sustainable products, we bring transformational solutions that address world material challenges every day. Our culture of innovation and our values of Passion, Innovation and Performance ensure that we place the needs of all our stakeholders high on our daily agenda, both internal and external. In a very challenging year with the impact of COVID-19 on our business, the consideration for all of the Group's stakeholders has never been more paramount.

As a global business, we engage with a range of key stakeholders to ensure we listen and understand the interests and concerns of all our stakeholder groups, as well as seeking to deliver sustainable value for them. We have a high level of investor communication through our financial calendar activity, through investor roadshows, our AGM, site visits and conferences, in the UK, Europe and the US, reflecting the increasing diversity of our shareholder base. We continue to be collaborative with all stakeholder groups including customers, investors, employees, suppliers and regulators, listening to feedback and being open to change. With the increased emphasis on being a sustainable business with sustainable products, Victrex also seeks to ensure its sustainability strategy and focus on carbon net zero, as well the recyclability potential of our products, are recognised by all of our stakeholder groups.

Key to strategy

- Drive core business
- Differentiate through innovation
- Create and deliver future value
- Underpin through safety, sustainability and capability

Strategy and KPIs
Pages 20 and 21

KEY STAKEHOLDERS & SECTION 172

Statement by the Directors in performance of their statutory duties in accordance with section 172(1) Companies Act 2006

During the year ended 30 September 2020, the Board of Victrex plc considers, as individuals and collectively, that it has acted in a way it considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, by having regard, among other matters, to the:

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

STAKEHOLDER	FOCUS AREAS
Employees (Drive core business; Differentiate through innovation; Create and deliver future value; Underpin through safety, sustainability and capability)	Safety focus Innovative culture Highly motivated and talented employees High retention rate and appropriate reward High level of share ownership Diversity and inclusion agenda
Customers (Drive core business; Differentiate through innovation)	Solutions-driven culture Sustainable products Quality and regulatory support Technical service offering Collaboration across the supply chain
Investors (Drive core business; Differentiate through innovation; Create and deliver future value; Underpin through safety, sustainability and capability)	A clear and understandable Polymer & Parts strategy Invest in sustainable growth Alignment with shareholder interests Capital allocation and dividends Retain sector leading returns
Suppliers (Drive core business; Create and deliver future value)	Security of supply Global supply chain Fast lead times Compliance and quality Reliability and flexibility
Communities and environment (Underpin through safety, sustainability and capability)	Sustainability agenda Sustainable solutions: environmental benefits Resource efficiency: maximise resources Social responsibility: inspire future talent
Regulators and government (Differentiate through innovation; Underpin through safety, sustainability and capability)	Safety agenda Employee welfare Product quality Innovation Sustainability agenda

The Board considers the interests of a range of stakeholders impacted by our business and recognises that valuable stakeholder engagement underpins our ability to achieve our purpose and strategic aims. Key stakeholder relationships are regularly reviewed, including how we engage with them and whether any improvements can be made. Further detail is on pages 73 and 74 of the Governance report.

The relevance of each stakeholder group will depend on the particular matter requiring Board decision. All decisions we make will unfortunately not benefit all stakeholders; by taking a consistent approach to decision making and being guided by our purpose and our strategic aims, we hope that our decisions are understandable.

For details on how the Board operates and makes decisions, please see pages 67 to 70 of the Governance report. The matters we have discussed and debated during the year are set out on pages 69 and 70 of the Governance report. Selected examples of how the Directors have had regard to the interests of stakeholders and the matters set out in section 172 of the Companies Act in their decision making are:

COVID-19
For a description of Board decision making, see pages 70, 73 and 74

Further details on pages 6 and 7

SUSTAINABILITY STRATEGY
For a description of Board decision-making, see page 58

Further details on pages 40 to 57

INVESTMENT IN CHINA
For a description of Board decision making, see page 9

HOW WE ENGAGE	ENGAGEMENT OUTCOMES
→ Safety campaigns and employee survey → Global staff briefings (quarterly) and COVID-19 'Keep in touch' sessions → 'Ask Jakob' and other intranet forums → Development and succession planning → Performance-based reward → STEM activities supporting tomorrow's talent → All-employee bonus and share option schemes	→ More diverse Victrex Management Team ('VMT') established for FY 2020 → 42 employees on Victrex apprenticeships → >200 Above & Beyond awards → 34 employees supported in external qualifications → Safety guidance through COVID-19 pandemic and risk assessments for Return to Site employees → New workforce engagement non-executive Director to understand 'employee voice'
→ New applications across end markets → Direct Sales and On Demand teams → Build strategic relationships → Quality and Regulatory teams → Supply and development contracts	→ 99%+ On Time In Full ('OTIF') delivery through COVID-19 pandemic → Core development pipeline +9% vs FY 2019 ('MAR') → Further growth in non-Spine Medical → Brexit contingency and China manufacturing development
→ Financial calendar events → Proactive investor relations function → Global roadshows → AGM, site visits and conferences → Enhanced investor website → ESG strategy feedback	→ Strong returns maintained (ROCE c20% 5 year average) → 150+ meetings hosted (virtual & face to face) → Virtual roadshows: UK, US, Europe → Five investor conferences → Further increase to US shareholding c30% → ESG dialogue with major shareholders
→ Supply chain risk management → Regular supplier engagement programme → Handbook of standards and ethical audits → Business continuity planning → Payment on time, typically c30 days	→ Increased percentage of critical raw materials dual sourced → Improved performance of third-party manufacturers → Long-term agreements on raw materials → Agreed charter on supplier management framework → Robust risk management of critical suppliers
→ Engagement with customers and suppliers → Solutions for supporting CO_2 reduction → Waste impact and improvement plans → STEM ambassadors, schools and colleges → Business in the Community	→ >c85% of electricity from renewable sources → FTSE Russell Green Revenues Index for sustainable products to Transport markets → Positive Carbon Disclosure Project score (B-) → Enhanced Sustainability strategy and carbon net zero aspiration → Significant support for global communities through COVID-19, including PPE donations and mask component manufacture
→ Via industry regulators, e.g. HSE → Public health organisations → Certified bodies, trade organisations → Cross-industry collaborations → Environment Agency, NGOs	→ Licence to operate → Safe operation through COVID-19 → Differentiated products → 3D printing alliances, government funded projects → Reduction in resources, e.g. water and waste 18% lower

Strategy and key performance indicators

DRIVE CORE BUSINESS

How we performed in FY 2020
- → COVID-19 impact on end markets, FY 2020 volume -7%
- → Driving growth in non-implantable Medical, ventilators and related COVID-19 applications
- → Cost management actions to address margin

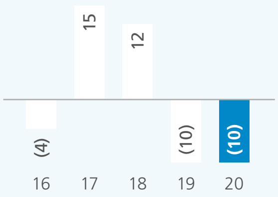
Focus for FY 2021
- → Revenue growth during FY 2021
- → Continued cost and capital management
- → Sector leading returns

Link to risks 2 4 5

Revenue growth (reported) %

£ R1

-10%



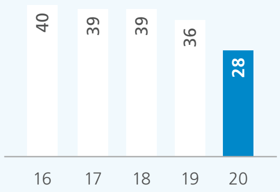
Definition
The year on year percentage change in total sales for the Group, in live currency.

Why it's important
Revenue growth is the measure chosen to reflect the structural growth opportunities for PEEK across our markets, with above-market growth being the medium-term focus.

Return on sales %
(underlying PBT/revenue)

£ R1

28%



Definition
Profit before tax and exceptionals as a percentage of total sales.

Why it's important
Return on sales assesses the overall profitability of the Group. The measure reflects our discipline in seeking growth opportunities which maintain our sector leading returns.

DIFFERENTIATE THROUGH INNOVATION

How we performed in FY 2020
- → Prototype 3D printed Spinal cages in development
- → Progression of long-term development collaboration with Airbus for larger composite parts
- → First 'parts that fly' for Aerospace composite parts
- → c£2m revenue for PEEK-OPTIMA™ HA Enhanced product

Focus for FY 2021
- → Grow new product sales above 5% of revenues

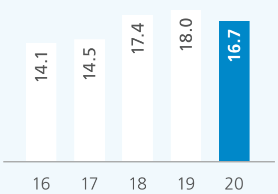
Link to risks 8 9

R&D spend £m

£ R1

£16.7m

6% of Group revenue



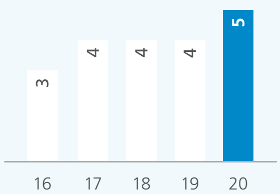
Definition
The total Research & Development spend that the Group has incurred.

Why it's important
Research & Development spend at 5%–6% of sales underpins our ability to innovate into new applications, supporting our future growth.

New products as a % of Group sales[1] %

£ R1

5%



Definition
Proportion of Group sales generated from mega-programmes, new differentiated polymers and other pipeline products that were not sold before FY 2014.

Why it's important
New product sales (Vitality Index) is a measure of how successful we are in driving adoption of our new product pipeline.

Key to KPIs

£ Financial KPI

£ Non-financial KPI

Remuneration

R1 Linked to bonus objectives

R2 Linked to Long Term Incentive Plan ('LTIP') objectives

Principal risks Pages 33 to 36

CREATE AND DELIVER FUTURE VALUE

How we performed in FY 2020

- Magma qualification programme with TechnipFMC for Brazil
- PEEK Knee clinical trial in progress
- Investment in China manufacturing facility to underpin future growth
- Earnings per share down 42% (reported)

Focus for FY 2021

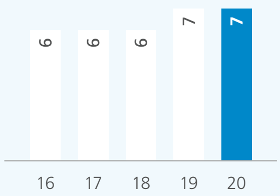
- Further develop electric vehicle ('EV') application opportunities for next generation vehicles
- Progress Magma programme towards greater commercialisation
- Grow Aerospace Loaded Brackets beyond £1m revenue
- Grow earnings per share

Link to risks 5 9

Pipeline mega-programmes

£ R1

7



Definition

Number of pipeline projects offering >£50m annual revenue potential in peak sales years as communicated from FY 2015 onwards.

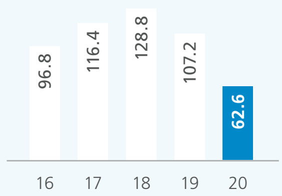
Why it's important

Our new product pipeline is key to differentiating our business, supporting new revenue and margin streams.

Reported earnings per share p

£ R2

62.6p



Definition

Profit after tax divided by the basic weighted average number of shares. This includes the impact of exceptional items.

Why it's important

Earnings per share measures the overall profitability of the Group and demonstrates how we convert our top-line revenue opportunities into profitable growth for our shareholders.

UNDERPIN THROUGH SAFETY, SUSTAINABILITY AND CAPABILITY

How we performed in FY 2020

- 1.30 OSHA recordable injury frequency rate
- Over 20% of revenues defined as 'green' by FTSE Russell and enhanced Sustainability agenda
- 85% of electricity sourced from renewables

Focus for FY 2021

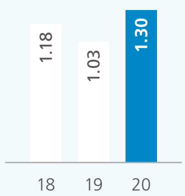
- Zero incidents, zero accidents culture
- Progress towards carbon net zero by 2030

Link to risks 1 3 4 6 7 8

OSHA recordable injury rate

£ R1

1.30



Definition

US OSHA (Occupational Health & Safety Administration) is the industry standard for recordable injuries. The injury rate is based on total number of recordable injuries x 200,000/total number of hours worked (employee and contractor). Victrex continues to be better than the industry standard after adopting this reporting for FY 2020.

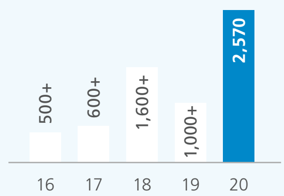
Why it's important

A safe and sustainable business is the highest priority for Victrex.

Hours worked in the community

£ R1

2,570



Definition

Total number of hours that Victrex employees have volunteered in community activities.

Why it's important

Our social responsibility strategy is key to giving something back to the communities where we operate, and to supporting our talent strategy in recruiting the employees of tomorrow.

"Whilst COVID-19 impacted us during the second half year, our supply chain remained very effective, with over 99% On Time In Full ('OTIF') deliveries to customers.

Richard Armitage
Chief Financial Officer

Group revenue

£266.0m

-10% vs FY 2019

Cash

£73.1m

flat vs FY 2019

RESILIENT FINANCIAL POSITION AND STRONG GROWTH PIPELINE

Solid H1 offset by H2 volume decline, with full-year sales volume down 7%

Full-year Group sales volume of 3,492 tonnes was down 7% on the prior year (FY 2019: 3,751 tonnes), principally reflecting significant declines in the second half (H2 volumes down 19%) due to COVID-19 related headwinds. Volumes in Aerospace, Automotive and Energy were particularly impacted, with Value Added Resellers ('VAR') softening in Q4 after a period of growth, compared to the prior year period.

Q4 sales volume of 696 tonnes was 26% down on the prior year (Q4 2019: 940 tonnes), as the full impact of COVID-19 was seen on our end markets, despite some limited improvement in Q4 for Automotive and Medical, from trough levels seen in Q3.

Group revenue down 10% with weaker mix

Group revenue was £266.0m, 10% down on the prior year (FY 2019: £294.0m), with mix being slightly weaker as our high margin Medical business saw a material impact from procedure deferrals in the second half, before some improvement in Q4. Group revenue in constant currency[1] was 10% down on the prior year (FY 2019: £295.7m in constant currency).

H2 revenue down 23%, impact on both divisions

Second half revenue was down 23% to £114.6m (H2 2019: £148.3m) as COVID-19 headwinds began impacting our business from Q3.

Our Industrial division reported revenues of £216.3m, 8% down on the prior year (FY 2019: £236.3m) with divisional mix also remaining weak as VAR was less impacted than several other end markets.

Medical revenues were down 14% to £49.7m (FY 2019: £57.7m) and 14% lower in constant currency[1]. Asia-Pacific remains a key area of growth for Medical, including in Spine, Arthroscopy and Cranio Maxillo Facial ('CMF') applications, offsetting the more mature US Spine market, which continues to see limited procedural growth rates and reduced levels of innovation. Despite COVID-19 headwinds, our next generation PEEK-OPTIMA™ HA Enhanced product for Spine continues to see progress, with revenue nearly doubling over the prior year to £2m. With many Medical applications deemed to be 'life sustaining' within the US, the Group also saw 16% growth in non-implantable Medical, which included applications for COVID-19 related equipment such as ventilators.

ASP slightly lower on weaker mix

Our average selling price ('ASP') of £76/kg was 3% lower than the prior year (FY 2019: £78/kg), principally reflecting the impact of a lower Medical mix (Medical pricing is above Industrial), with the Medical division seeing up to 40% revenue declines during May and June as surgical procedures were deferred, before seeing some sequential improvement in the final quarter.

Losses on foreign currency net hedging

Following the adoption of IFRS 9 in FY 2019, fair value gains and losses on foreign currency contracts, where net hedging is applied on cash flow hedges, are required to be separately disclosed on the face of the income statement. This change resulted in an approximately 200 basis point impact to gross margin. In FY 2020, currency movements resulted in a year-on-year profit improvement of £10.0m, of which £4.4m is reported as Movements in Losses on Foreign Currency Net Hedging of £1.5m (FY 2019: loss of £5.9m) and the remainder within the weighted average spot rates used to translate line items in the P&L. The loss on Foreign Currency Net Hedging is largely from USD contracts where the deal rate obtained (placed up to twelve months in advance in accordance with the Group's hedging policy) was adverse to the average exchange rate prevailing at the date of the related hedged transactions.

Gross margin impacted by lower production and under-absorbed fixed costs

Group gross margin of 53.5% (FY 2019: 60.0%) was 650 basis points lower, impacted primarily by weaker operating leverage as production volumes were significantly lower than the prior year as demand was weaker and we saw some unwind of finished goods inventory. This inventory was originally built in anticipation of the debottlenecking programme and Brexit. Whilst the debottlenecking project has now been paused to reflect demand weakness – albeit with the ability to be quickly restarted at short notice – the additional inventory

continues to provide us with the ability to respond flexibly should we need to in the event of Brexit disruption.

Underlying profit before tax ('PBT') down 29% and underlying EPS down 31%

Underlying profit before tax (PBT pre-exceptional items) of £75.5m was down 29% on the prior year (FY 2019: £106.2m), reflecting the weaker demand environment and impact on margin, with £12.0m of under-recovered overhead costs due to lower production. No bonus was paid in FY 2020 (FY 2019: no bonus) either under the All Employee Scheme or the Executive Directors Scheme. Reported PBT of £63.5m was 39% down on the prior year (FY 2019: £104.7m) reflecting total exceptional items of £12.0m comprising £9.8m relating to severance costs associated with the Group's cost action programme and £2.2m being M&A costs principally related to the Group's China subsidiary investment (FY 2019: exceptional items of £1.5m all relating to M&A).

The under-recovered overheads associated with reducing FY 2020 production for the Group's planned debottlenecking investment were originally anticipated to be classified as exceptional in FY 2020. Following the decision to defer the project until clearer signs of demand improvement return, we will continue to see the impact of under-recovered overheads within the P&L from lower production in FY 2021, as inventory is unwound post-Brexit and end markets overall remain subdued at this stage. We have taken cost actions which will support profitability for FY 2021.

Underlying earnings per share of 75.3p was 31% down (FY 2019: 108.9p per share). The effective tax rate was 14.6%, higher than the prior year (FY 2019: 11.7%), which is mainly due to the restatement of deferred tax balances following the UK government's decision in March 2020 to cancel the reduction in UK corporation tax rate from 19% to 17%. The effective tax rate is therefore made up of an underlying effective rate of 11.1% and an additional 3.5% relating to the change in deferred tax rates, with a small offset relating to timing differences. The Group continues to benefit from the availability of the UK Patent Box scheme.

Financial impact of COVID-19

The Group has not incurred any material additional operating expenses as a consequence of COVID-19. The most significant financial impact on the Group has been the decline in sales as a consequence of weak end markets, as well as the related impact on under-recovery of production costs.

Currency tailwind

For FY 2020, the Group benefited from a currency tailwind of approximately £10m at PBT level, although a small proportion of this was offset by raw material inflation. For FY 2021, we currently anticipate a small headwind of £2m for FY 2021, with approximately three-quarters of hedging cover in place.

Our hedging policy seeks to substantially protect our cash flows from currency volatility on a rolling twelve-month basis. The policy requires that at least 80% of our cash flow exposure is hedged for the first six months, then at least 75% for the second six months of any twelve-month period. The implementation of the policy is overseen by an Executive Currency Committee which approves all transactions and monitors the policy's effectiveness. A review of the ongoing effectiveness of the policy was undertaken earlier in FY 2020, including engagement with major shareholders, and the Group concluded that no material changes to existing hedging arrangements would be made currently. At the same time the Group ceased hedging Japanese Yen. We note the continued volatility in Sterling, including that influenced by the potential of a 'no deal' Brexit.

Proactive actions on COVID-19

The safety, health and wellbeing of Victrex employees continues to be our highest priority. We established a COVID-19 Committee at the start of 2020, with a proactive approach and a range of contingency plans already implemented. The Group started to see a material impact from COVID-19 during the second half year, although our supply chain remained very effective, with over 99% On Time In Full ('OTIF') deliveries throughout the period. The impact was felt not just at a trading level – with H2 revenues down 23% – but in terms of the impact on our people and requirement for the majority of our employees to be homeworking.

People

A range of contingency plans were implemented, with a focus on the safety and wellbeing of our people. We continue to follow governmental or state guidance wherever we operate, and continue to serve customers from home offices, with the overwhelming majority of our global employees homeworking, wherever roles are not production related. For our homeworking employees, training and healthy working plan assessments have also been conducted. Whilst risk assessments have been completed ready for a greater Return to Site, we have navigated with caution and are following all appropriate governmental guidelines. We maintain a risk level approach which means the majority of employees globally remain working at home, with only our China technical centre and sales office populated, as well as our UK and US manufacturing operations, with the US continuing to operate on a modified basis, in line with state guidance.

Essential industry

The UK government defines Chemicals as an essential industry with essential workers, with Victrex also having a long-standing history in supporting critical and 'life-sustaining' applications, particularly in Medical. These include ventilators, drug-delivery equipment and related applications. In the US, many applications are defined as being 'life-sustaining' in several states.

Proactive actions on COVID-19 continued

Essential industry continued

In order to minimise the risk to those business-critical employees in our production assets, we are continuing to produce aligned to demand, supplemented by high buffer inventory if required.

Ventilators

Victrex has a long-standing history in many critical applications and in addition to companies we already serve, we supply materials for ventilators or related equipment to a number of global companies as part of the effort against COVID-19.

Cash conservation

At an early stage in the COVID-19 pandemic, we took a range of cash conservation and cost measures. All discretionary costs including travel and new recruitment were constrained to those activities critical to supporting customer related activity. We also deferred capital expenditure for the UK debottlenecking programme to FY 2021 – now subsequently paused until clearer signs of demand improvement return – although we continue to invest in support of our other mega-programmes or expansion projects. Our interim dividend was also deferred (see dividends section below).

Cost actions

During FY 2020, the Group implemented cost actions to deliver sustainable annualised savings within our overhead base, primarily within our polymer manufacturing operations, whilst being mindful to ensure that the resources required to deliver our longer-term growth programmes were not impacted. A headcount reduction of approximately 100 people was delivered, primarily through voluntary severance in the UK, with some limited numbers within our global team.

As a result, an exceptional charge of £9.8m was incurred in the FY 2020 accounts, with an annualised saving of a similar level starting to support profitability in FY 2021, despite production remaining low due to subdued demand and inventory unwind. Annualised savings will mostly benefit our gross margin, with some benefit within operating overheads.

Dividends

Following deferral of the interim dividend, and reflecting good cash generation, the Board has chosen to reinstate dividends, with a final dividend of 46.14p, bringing total dividends for the year to 46.14p (only the final dividend will be paid this year).

Strong financial position

Overall, our financial position remains strong, including a cash position of £73.1m on 30 September, a committed undrawn RCF of £20m and a £20m accordion, valid to October 2024. We engage regularly with our banks, with options available to access other borrowing facilities, should these be required. The Group has planned for multiple downside scenarios, should these arise, in terms of the impact on our customers' demand and the timing and shape of a recovery (these are shown on pages 37 to 39 of the financial statements).

The Group has modelled two downside scenarios: scenario 1 assumes a recovery does not materialise until FY 2022 with sales remaining at quarter 4 FY 2020 levels throughout FY 2021; and scenario 2, considered to be severe but plausible, takes Scenario 1 and assumes a further reduction in sales of 25% from March 2021 for the remainder of the 2021 calendar year. Should these scenarios occur, the Group believes that it has sufficient capital, borrowing facilities and flexibility to be able to manage through these scenarios, whilst continuing to invest for long-term growth.

Brexit

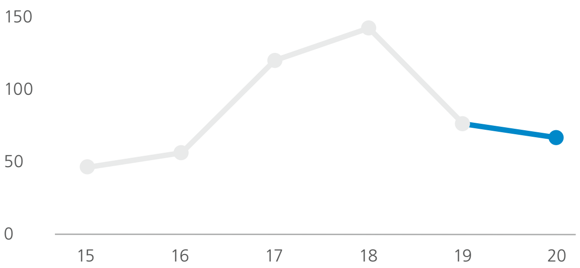
As previously communicated, the Group continues to consider the potential impact of Brexit, with a team in place comprised of senior leaders to manage various contingencies through the transition period and beyond. We remain 'Brexit ready'.

Victrex has indicated previously that the principal risk is a sustained period when the Group may not be able to import certain raw materials or export finished goods through Customs, which could curtail sales if regional inventory levels were depleted. As part of our contingency plans, additional warehousing for finished goods stock was secured in mainland Europe (Germany) and China with approximately 16 weeks of finished goods stock held outside the UK. Our German warehouse has been operational since February 2019, supplying European customers during this time. We also secured additional raw material stocks, which were increased through FY 2020, bringing Group inventories to £98.5m (FY 2019: £92.2m). Whilst we foresee continued uncertainty over Brexit through to early 2021, our intention is to gradually unwind this inventory through to the end of FY 2021 and into FY 2022, to be closer to historic levels.

Our assessment of the potential financial impact of a 'no deal' Brexit is based on standard WTO tariffs being applied, bringing increased costs in the short term through the application of duties (to and from the EU) to the import of certain raw materials and on the export of finished goods. This short-term cost could be partially mitigated by the impact on the unhedged portion of our currency flows in the event of any weakening of Sterling. As the only current manufacturer of PEEK products in the EU, we also have the opportunity to seek tariff mitigation that may be available to us, although we note this option could reasonably be expected to take up to a year to secure. We are also closely monitoring the developments on REACH regulations. In a scenario where the UK is no longer part of REACH, Victrex has progressed options to relocate its REACH related activities and registrations to our EU entities.

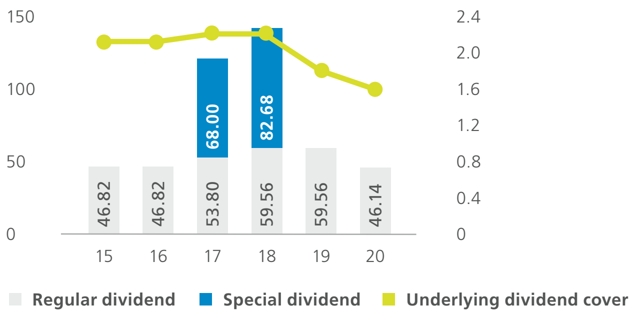
Available cash

£m



Dividend per ordinary share

Pence



Investment to drive growth

Operating overheads[1] reduced by 6% to £66.4m (FY 2019: £70.7m) reflecting lower marketing and travel spend. Research & Development ('R&D') and technical service investment of £16.7m (FY 2019: £18.0m) represented approximately 6% of revenues[1] (FY 2019: 6% of revenues).

For FY 2021, we expect operating overheads, with a limited accrual for the Group's all employee bonus scheme, to be moderately lower than FY 2020, reflecting some benefit from our cost saving plan within operating overheads.

Exceptional items

Whilst the previously announced UK debottlenecking project will be paused until clearer signs of demand improvement return, M&A costs arising from the China subsidiary investment resulted in a £2.2m exceptional charge. During the second half, our cost actions to help partially mitigate the impact of under-recovered overhead resulted in approximately 100 roles being removed, primarily through voluntary severance. As a result, we incurred an exceptional charge of £9.8m in the 2020 accounts, giving total exceptional items of £12.0m.

Investment in capacity and to support downstream strategy

Capital expenditure was £24.9m (FY 2019: £22.7m), which includes approximately £8m for our investment to create a new PEEK facility in China.

We have no current plans to invest in manufacturing capacity on the scale we have seen historically. By investing in smaller increments of capacity, such as our China and UK debottlenecking projects, we anticipate being able to maintain return on capital employed ('ROCE') at target levels over the medium term. Despite COVID-19, our China investment is progressing broadly on plan, with civil works largely complete and commissioning still anticipated to be during 2022. This investment reflects recent strong growth in China across end markets, and the opportunities we see to support our customers in country and with a quality PEEK offering.

Cash consideration for acquisitions included a £3.2m investment in our Aerospace Loaded Brackets and composite parts facility, where we acquired the remaining equity from Tri-Mack. This facility continues to support commercial orders based on our AE™250 polymer grade, which has pre-qualification with the major aerospace manufacturers. Our Loaded Brackets programme exceeded meaningful revenue of £1m during the year and despite the challenges in this end market, we anticipate further opportunities as the benefit of faster processing makes our products relevant to the industry.

Based on milestones delivered, we also made performance-based payments of £4.6m in relation to our investment in Bond 3D High Performance Technology BV ('Bond'). Bond is a company developing unique, IP protectable 3D printing (Additive Manufacturing) processes which are capable of producing high strength parts from existing grades of PEEK and PAEK polymers. Particular emphasis is on the Medical market and porous PEEK spinal cages which are already in the prototype phase.

Capital expenditure during FY 2021 is expected to exceed £40m which reflects the bulk of the investment for our China manufacturing subsidiary.

Progress in mega-programmes

We have continued to see milestones delivered in our mega-programmes and new product pipeline, with over 80% of milestones delivered in FY 2020. To date, COVID-19 has not impacted the mega-trends which are the fundamental drivers behind the business cases for our mega-programmes. During FY 2020 we also saw some good progress in the likes of Magma and Aerospace Loaded Brackets. We will continue to monitor any impact from COVID-19 should any longer-term implications emerge.

We measure our mega-programmes via our Portfolio Steering Group, with our pipeline 'bubble chart' providing an indicative view of market adoption. Together with new grades, we include our mega-programmes in our sales from new products[1] metric, which increased to £12.8m, or 5% of revenue this year (FY 2019: 4%). We added a new pipeline programme – a major programme at this stage – in FY 2020 called E-mobility which reflects our work in e-motors and other insulative type applications where PEEK's performance is strong. Our expectations are for the commercialisation phase to start post FY 2022.

In PEEK Gears, which are now 'on the road' following a first supply agreement in 2018 and two smaller contracts, our wider development alliances now total 17 projects. Whilst revenues remain under £1m, start of production for many of these development programmes falls in a window between 2021 and 2023 and we have recent opportunities progressing in the US, Europe and Asia. We are focused on delivering meaningful revenue in FY 2021 from this programme.

In our Aerospace Loaded Brackets programme, the first composite parts manufactured in our US facility generated commercial revenues in line with our 'Parts that fly' strategy, delivering meaningful revenue of over £1m in FY 2020, a recognition of the proposition for PEEK composites in faster processing. One interesting new area for our composites is in eVTOL (Electric Vehicle Take-off and Landing) where we already have a number of development programmes underway, working towards commercialisation.

'Aerospace Structures' links to our development alliance with Airbus and we are already seeing prototype revenue. The alliance will support the development and commercialisation of thermoplastic composites in Aerospace, with a focus on both larger primary and secondary Aerospace structures, such as wings and fuselage parts.

Financial review continued

Progress in mega-programmes continued

We anticipate this project has the prospect of gaining revenue of more than £5m over the mid-term (principally from prototype revenue). This opportunity is incremental to Victrex's Aerospace Loaded Brackets programme. Victrex's AE™250 composites grade will be integral to both of these opportunities.

The focus for Victrex in the Magma programme in FY 2021 is in delivering materials – pipe and composite tape – for the pre-qualification work as part of TechnipFMC's bid within the Libra field development in Brazil. Despite a tough energy market, the opportunity for more cost effective deployment in a technologically challenging area continues to validate the proposition. Ahead of the outcome of the Libra pre-development work over the next 18 months using a Hybrid Flexible Pipe ('HFP') model, we expect to see some limited revenue growth as the qualification pipe progresses through the supply chain, including armouring work on the steel casing. Revenue from smaller incremental projects was also secured during FY 2020 including in the North Sea and Gulf of Mexico.

In Medical, we continue to make good progress with our PEEK-OPTIMA™ HA Enhanced product. In FY 2020, we saw revenue move to £2m, nearly double the prior year. Our efforts to grow our non-Spine business in Dental have been slower than we anticipated and whilst the clinical proposition and evidence remains strong, we anticipate the timing will be later than our expectations, with adoption in the market being contingent on partnerships or other collaborations.

For Trauma, we continue to use clinical data and marketing awareness through trade shows and key opinion leaders to support this programme, seeking to build further OEM collaborations. We are also working on a near-term Asia opportunity in Trauma through a collaboration or potential investment whilst in FY 2021 we expect to benefit from multiple Trauma plate launches, with a focus on the US. Trauma revenues increased by 18% this year. Other areas of non-Spine also saw some promise including Cranio Maxillo Facial where revenues increased 12% despite the pandemic. In Knee, and through our partner Maxx, the clinical trial in Italy restarted after the initial impact of COVID-19 and similar sites have been added in India, with a further geography being imminent. The trials are expected to run for a minimum of 18 months, with 30 patients. We continue to see interest from existing Knee or orthopaedic component manufacturers including several of the market leaders. We expect greater newsflow in FY 2021 and FY 2022 as the trial progresses.

Strong balance sheet

Our strong balance sheet underpins our ability to invest and support security of supply for customers. Net assets at 30 September 2020 totalled £481.0m (FY 2019: £461.6m). The increase in inventory to £98.5m (FY 2019: £92.2m) was originally planned to support us through the debottlenecking programme and will now offer support should there be any Brexit related disruption. The inventory increase in FY 2020 was primarily driven by raw material and intermediates, correcting an abnormally low stockholding at September 2019. Once Brexit has concluded in early 2021, we would expect to start gradually unwinding this inventory position.

Robust cash generation

Cash generated from operations was £86.6m (FY 2019: £90.3m) representing an operating cash conversion[1] of 101% (FY 2019: 64%). Cash (with no debt) at 30 September 2020 was £73.1m (FY 2019: £72.8m). This includes £5.6m ring-fenced in our China subsidiary to give £67.5m cash available in the wider Group. In February 2020 we paid the 2019 full-year final dividend of 46.14p/share, whilst additional cash flow items included approximately £8m to support performance-based payments for our Bond 3D investment and the purchase of the remaining stake in TxV Aero Composites, and £17.2m (FY 2019: £10.9m) of cash tax payments, reflecting HMRC changes to phasing of payments for large companies. As previously communicated, our interim dividend was deferred.

Taxation

The Group's effective tax rate reflects the associated benefit from Victrex filing patents as part of its unique chemistry and IP, through the UK government's 'Patent Box' scheme and the impact on deferred tax balances as a result of the cancellation of the reduction in the UK corporation tax rate from 19% to 17%. The effective tax rate was 14.6% for FY 2020 (FY 2019: 11.7%).

Dividends

Although the Group delivered a solid performance in the first half, as part of our cash conservation measures and to reflect consideration for all of the Group's stakeholders, we deferred the interim dividend (FY 2019: 13.42p/share). As previously communicated, the Board has chosen to reinstate dividends and whilst end markets remain subdued, a final dividend of 46.14p for FY 2020 has been proposed, giving total dividends for the year of 46.14p (only the final dividend will be paid this year).

Underlying dividend cover[1] is 1.6x (2019: 1.8x) based on underlying EPS[1], which is slightly lower than our focus to keep dividend cover around 2.0x. However, our strong cash generation means this is sustainable in the short term, until the global economy eventually recovers from the COVID-19 pandemic and the Group can return to growth.

Outlook

At this early stage, FY 2021 has started solidly. Whilst several end markets are seeing some incremental improvement, overall performance remains subdued and we expect some softness to continue through the first half, versus the prior year, with the potential for uncertainty in order patterns. Whilst we will start to benefit from the actions we have taken on costs, some impact on margin will remain due to production being lower than sales and inventory unwind post Brexit. Consequently, our initial assumptions are that delivering a performance which improves on FY 2020 will be contingent on a better macro and end market environment in the second half of our 2021 financial year.

Despite the ongoing challenges of COVID-19, the Group remains resilient, with specific milestones delivered in our strong and diverse growth pipeline – which we are adding to – including meaningful revenues from Aerospace Loaded Brackets and good progress in Magma. Overall, there is little evidence of slowdown and milestones across our mega-programmes are improving. We have also enhanced our ESG agenda, building on the role our sustainable products play in CO_2 reduction, with a carbon net zero target by 2030 and alignment to UN Sustainable Development Goals. On a long-term basis, our Polymer & Parts strategy keeps us well placed to deliver our range of medium to long-term growth opportunities.

Richard Armitage
Chief Financial Officer
9 December 2020

1 Alternative performance measures are defined in note 24.

"

Megatrends in the midst of COVID-19 remain strong, supporting the long-term adoption of our PEEK and PAEK polymers.

Martin Court
Chief Commercial Officer

Industrial revenue

£216.3m

-8% vs FY 2019

-9%* vs FY 2019

Industrial gross profit

£99.3m

-23% vs FY 2019

-27%* vs FY 2019

* Constant currency.

INDUSTRIAL

Group performance is reported through the Industrial and Medical divisions although we continue to provide a market-based summary of our performance and growth opportunities. The Industrial division includes the markets of Energy & Other Industrial (including Manufacturing & Engineering), Value Added Resellers ('VAR'), Transport (Automotive & Aerospace) and Electronics.

Our Industrial business delivered revenue of £216.3m (FY 2019: £236.3m), 8% down on the prior year, reflecting the material deterioration during the second half in all end markets. This has been offset by Other Industrial where we benefited from some applications into the non-implantable Medical area (non-implantable (outside the body) Medical revenues are booked within the Industrial division). At the trough, revenues in several end markets were down in excess of 40% during Q4.

For the Industrial division, full-year revenue in constant currency was down 9%. Gross margin was lower at 45.9% (FY 2019: 54.3%), reflecting materially weaker operating leverage due to our high fixed cost base and Industrial mix.

Energy and Other Industrial

Our Energy & Other Industrial end market (which includes volumes reported for Manufacturing & Engineering) saw sales volume of 622 tonnes, which was down 8% on the prior year (FY 2019: 673 tonnes), with Oil & Gas down 25% overall. Rig count reduced through 2020 as oil prices and activity levels fell and this market remains challenging at this early stage of FY 2021. In our Magma Oil & Gas mega-programme, further progress was seen this year and we noted that TechnipFMC indicated PEEK as the preferred material of choice for the Libra opportunity in Brazil, as part of the pre-qualification work leading up to 2022 and the anticipated start of development work. Victrex continues to support the material requirements and qualification pipe, with incremental revenues also gained this year for deployments in the North Sea and Gulf of Mexico, which include subsea jumper pipes.

Our Other Industrial area includes Manufacturing & Engineering ('M&E') which focuses on new or incremental applications in fluid handling, food contact materials and manufacturing equipment applications, including the emerging opportunities in fridge compressors where metal replacement requirements are increasing. Overall, other Industrial continued to see growth through the year, with volumes closing 10% up on FY 2019.

Value Added Resellers

Because of the fragmented nature of the industrial supply chain, once PEEK has been specified by end users, full clarity on the exact route to market for all of our Polymer business is not always possible. The Value Added Reseller ('VAR') channel to market also typically sees greater levels of destocking and restocking as processors or compounders typically reduce inventories in higher value materials when end market demand drops. Many of our VARs are long-standing customers with processing capability which supply end markets similar to Victrex's. Whilst VAR remained relatively robust through the early part of Q3 – later than the impact of COVID-19 seen by some peers – sales volume of 1,368 tonnes was 6% down on last year (FY 2019: 1,463 tonnes), principally reflecting the downturn in several Industrial end markets.

Transport (Automotive and Aerospace)

Our assessment of megatrends in the midst of COVID-19 is that they remain strong, including lightweighting, CO_2 reduction, durability, comfort, electrification and heat resistance. The ability for faster processing, particularly in Aerospace, remains particularly important, in order to deliver manufacturing efficiencies for each plane build using PEEK composites. Whilst Automotive was in growth during the first half year (with Aerospace flat) both end markets started to see significant headwinds during H2, as well as the ongoing impact in Aerospace from the production outage relating to the Boeing 737 Max. Whilst Automotive saw some incremental improvement from trough levels in Q4 – a trend that has continued into FY 2021 – we note industry commentary that Aerospace may take longer to recover. Transport sales volume overall declined 10% to 858 tonnes (FY 2019: 950 tonnes).

Automotive

Volumes declined by 8% for the full year, after a double-digit performance in the first half, which benefited from some phasing, resulting from the PFOA ban in certain areas of Asia and strong growth in Japan. As a result of COVID-19 and widespread OEM shutdowns, current data from IHS forecasts a decline in car build of 17.9% (source: IHS) during 2020, before rebounding 13% in 2021. Core applications include braking systems, bushings and bearings and transmission equipment, with increasing opportunities in electric vehicles, which we have now incorporated on our pipeline 'bubble chart'.

Transport (Automotive and Aerospace) continued

Automotive continued

Primarily, these opportunities are in e-motors and associated applications, with the higher heat and insulating requirements of next generation electric vehicles and higher voltage batteries requiring higher performance materials.

In PEEK Gears, over 20 development programmes are in progress which support the medium to long-term revenue opportunity. Whilst the rescoping of a US OEM contract delayed first meaningful revenue, our pipeline bubble chart signals the opportunity to deliver first meaningful revenues in FY 2021. PEEK Gears based on Victrex™ HPG PEEK can offer a 50% performance and noise vibration and harshness ('NVH') benefit compared to metal gears, as well as contributing to the trend for minimising CO_2 emissions through weight & inertia reduction, and quicker manufacturing compared to metal. A PEEK Gear offers the potential of up to 20g per application.

PEEK remains well placed for both internal combustion engines, hybrids and electric vehicles ('EVs'). Electric vehicles offer further opportunities for our materials, with slot-liners and other applications. The long-term potential for up to 100g per EV application supports growth opportunities in this end market and our focus is on the next generation of higher voltage batteries.

Aerospace

Whilst Automotive has started to see some incremental improvement from trough levels, market indicators suggest Aerospace will see a slower recovery, although long-term indicators remain strong. Airbus forecasts 39,000 new or replacement aircraft (commercial and freight) by 2038 and the requirement for composite materials which can process faster is unabated. We started to see headwinds from the Boeing 737 Max grounding during the first half although we note recent commentary suggesting a return to commercial flights in early 2021. We acquired the remaining equity in TxV Aero Composites during the period, with our US manufacturing facility in Rhode Island now producing commercial parts, with capability to deliver approximately 150 tonnes of composite parts per year. These differentiated products were delivered to two major airlines during the year and on a long-term basis, these applications such as seat pans and interior structural components look set to increase. Lightweighting and the ability to reduce manufacturing cycle time by up to 40% remains a key selling point for our PEEK and PAEK polymers.

Our development alliance with Airbus as part of its 'Clean Sky 2' programme will also offer opportunities in larger primary and secondary structures – now part of our Aerospace Structures mega-programme which has moved forward in our growth pipeline and which is already delivering prototype revenues. Whilst some of the near-term industry forecasts look more challenging in Aerospace, one area that offers opportunity, and which we continue to explore, is in eVTOL (Electrical Vertical Take-off & Landing) platforms, particularly in the use of composites. Multiple development programmes with OEMs and Tier companies are in place here.

Electronics

Electronics volumes were down 6% at 454 tonnes (FY 2019: 481 tonnes), as the market saw a muted performance in Semiconductor and declines in Small Space Acoustics as smartphone sales declined. With the COVID-19 impact in Asia being seen earlier than in Europe and the US, we note market indicators which show a return to operations for many countries in the Asia region, which may offer some support for this market in FY 2021. Small Space Acoustics, which sees our Aptiv™ film used in smartphones, saw the launch of our new DBX film to support increasing requirements of our OEM customers.

Regional trends

Geographically, Europe was down 5%, with 1,876 tonnes (FY 2019: 1,974 tonnes), reflecting Automotive, Aerospace and Value Added Resellers declines. Asia-Pacific was down 1% at 953 tonnes (FY 2019: 961 tonnes) principally from Electronics, whilst US volumes were down 19% at 663 tonnes (FY 2019: 816 tonnes) principally reflecting the weaker performance in Energy.

> Whilst all geographies were impacted by the slowdown in surgical procedures from COVID-19, we have started to see some gradual improvement.

Martin Court
Chief Commercial Officer

Medical revenue

£49.7m

-14% vs FY 2019

-14%* vs FY 2019

Medical gross profit

£43.1m

-10% vs FY 2019

-15%* vs FY 2019

* Constant currency.

MEDICAL

Revenue in Medical was down 14% at £49.7m as COVID-19 impacted elective procedures during the second half year (FY 2019: £57.7m). In constant currency, Medical revenue was 14% down. Gross profit was £43.1m (FY 2019: £48.1m) and gross margin was slightly ahead at 86.7% (FY 2019: 83.4%) which largely reflected the impact of currency gains.

Whilst all geographies were impacted by the slowdown in procedures from COVID-19, Asia-Pacific has started to see gradual improvement from over 70% of procedures being deferred during our third quarter. Asia-Pacific procedures – including China – started to see some limited incremental improvement from trough levels in our final quarter, with surgeries nearing pre-COVID-19 levels, although US procedures remain well below pre-COVID levels. On a mid-term view, we continue to see Asia-Pacific opportunities as significant, reflecting both Spine, as new approvals are secured, and some non-Spine areas such as Cranio Maxillo Facial ('CMF'), Arthroscopy & Sports Medicine, and some emerging or incremental opportunities in heart components. We are also seeing some incremental revenues from drug delivery systems and related applications.

Medical market overview

Spine is our historical market and we continue to diversify through emerging geographies, and new innovative products. Our premium and differentiated PEEK-OPTIMA™ HA Enhanced product – to drive next generation Spine procedures – is one part of our strategy to grow our Medical business. Following strong growth during FY 2019, we saw continued growth during the first half, prior to the impact of COVID-19, with full-year revenues reaching £2m.

Our Porous PEEK opportunity, where the benefit of bone-in growth is added to bone-on growth, is moving forward on plan thanks to our Bond 3D investment, where our ability to 3D print spinal cages will be invaluable. Mechanical testing of porous spinal cages is currently ongoing and we anticipate moving towards regulatory submission stage within the next 1–2 years.

Whilst the impact from COVID-19 on the Group became material in the second half year, the growth in our non-Spine business continues to offer some support. CMF (revenues up 12%) and drug delivery applications also saw good growth during the year.

Chief Commercial Officer's report continued

Medical market overview continued

We also benefited from several COVID-19 related applications during the year, including materials for ventilators and related equipment.

Mega-programmes

With our Invibio Dental (Juvora™) branded products being slower than anticipated to see market adoption, following our distribution agreement with Straumann in 2018, internal resources for this programme have been reduced, with adoption now relying more on supply chain and industry partners. Nevertheless, the clinical proposition – with lower peri-implantitis rates in PEEK solutions after five years compared to titanium – remains strong. With five years of data available via the Malo Clinic, our focus will be on gaining further clinical validation.

Our emphasis is on the prosthetic dental market, with the Invibio Dental offering focused on improving quality of life and clinical outcomes for patients, whilst offering manufacturing efficiency benefits. One part of our work in Dental is to consider partnerships or other options in relation to the platform we have, recognising that progress remains disappointing.

In Trauma, following a collaboration agreement signed with a top five Trauma player last year, we continue to work on geographic expansion, particularly in Asia. We are also continuing to work with smaller innovative players through development agreements. In the US we expect to see several plate launches in FY 2021.

Our PEEK composite Trauma plates offer the potential for 50 times better fatigue resistance compared to a metal plate. The awareness of composites as a viable metal alternative is growing and we have the manufacturing capability to meet initial demand.

In Knee, the impact of COVID-19 in Italy meant we saw a pause in the first implant of a PEEK Knee, following the clinical trial commencing. Restart during the fourth quarter took place and we expect the trial to run for a further 18 months to two years. Whilst our existing partnership with Maxx Orthopedics is working well and we have also had some engagement from leading Knee OEMs, further trial sites have been added in India, with other trial sites in Europe being explored as we continue to seek additional partners to help drive awareness and support the value proposition prior to commercialisation and market penetration.

Martin Court
Chief Commercial Officer
9 December 2020

RISK MANAGEMENT

Risk management is embedded in Victrex's culture, ensuring that we assess risks as part of delivering our strategy.

4 RISK COMMUNICATION	1 RISK AGENDA	5 RISK GOVERNANCE
	2 RISK ASSESSMENT	
	3 RISK RESPONSE	

1 RISK AGENDA
Why do we undertake risk management?

Risk objectives
The Board is responsible for determining the Company's risk appetite in delivering Victrex's strategy as set out on pages 14 and 15. Victrex undertakes risk management with the objective of facilitating better decision making, resilience and sustainability to continually improve the performance of our business and provide relevant information to shareholders and potential shareholders.

This is particularly important as the business continues to move downstream into semi-finished products, finished products and components and as it supports market adoption and stimulates demand for the mega-programmes.

Risk strategy
The Board is responsible for creating the framework for the Group's risk management to operate effectively and for ensuring risk management activities are embedded in Victrex's processes. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

2 RISK ASSESSMENT
How do we assess and record risks?

When assessing risk, management considers in detail:

- **external factors**, including environmental, social and governance ('ESG') factors arising from the environment in which we operate; and
- **internal factors** arising from the nature of our business, internal controls and processes.

Analysis and recording of risks
Appropriate managers at all levels of the business perform risk assessments starting at site and functional levels. They then take ownership of specific business risks. The likely causes and consequences of each risk are recorded. Each risk is evaluated based on its likelihood of occurrence and severity of impact on strategy, profit, regulatory compliance, reputation and/or people. Risks are evaluated at both a gross and net level, i.e. before and after the effect of mitigation. All risks are positioned on a risk-ranking matrix. This approach allows the identification and consistent evaluation of significant risks, as well as consideration of the effect of current lines of defence in mitigation.

The three lines of defence model is used:

1st: The day-to-day controls and processes put in place by management.

2nd: Activities to advise and oversee first-line controls and processes and risk management processes, often at least one step removed from first-line direct management.

3rd: Independent business assurance – provided by both third parties and in-house internal audit over the effectiveness of the Group's system of internal controls and processes in first and second lines of defence.

Re-evaluation and challenge of risks
The risk registers are regularly reviewed, challenged and debated to keep them up to date and relevant to our strategy. Risks are escalated as appropriate.

3 RISK RESPONSE
How do we respond to risks?

For each risk, we decide whether to tolerate it, mitigate it through further controls, transfer it (e.g. through insurance) or eliminate the exposure.

We continually challenge the efficiency and effectiveness of existing internal controls and always seek to improve our risk management framework. The corporate risk register ensures that improvement activity is recorded and tracked.

Risk management continued

4 RISK COMMUNICATION
Effective communication

At Victrex, our risk management structure is as follows:

Victrex plc Board
The Board undertakes reviews of the effectiveness of the risk management framework, policy and procedures and approves the risk management policy.

The Board is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board considers the continued effectiveness of risk management processes, controls and culture, changes to principal risks and their management, and the quality of our public reporting process.

Twice yearly, the Board carries out a comprehensive assessment of the principal risks.

The corporate risk register is consolidated from registers within business functions and projects. The corporate risk register tracks the status ratings against each line of defence and the action plan, therefore allowing it to be used effectively as a record of the completion of risk improvement actions and their revised likelihood and impact.

Audit Committee
The responsibilities of the Audit Committee are explained on page 78. These responsibilities include reviewing the Company's risk management systems to provide assurance of operational effectiveness, compliance with laws, regulations and contracts and against material misstatement or loss.

The Company's management is responsible for the identification, assessment, management and monitoring of risk and for developing, operating and monitoring the system of internal control. The Audit Committee receives reports from management on the effectiveness of those systems it has established.

The Risk and Compliance function supports the Audit Committee in its review of the effectiveness of the system of internal control, as do the external auditors on matters identified during the course of their statutory audit work.

Executive Risk Management Committee
The Executive Risk Management Committee, chaired by the Chief Financial Officer, reviews the corporate risk register at least half yearly to ensure it remains appropriate and effective. During the year feedback from these reviews was provided directly to the Audit Committee and the Board by the Director of Risk & Compliance, to the former in respect of the risk management systems and to the latter in respect of the principal risks in the corporate risk register. The Executive Risk Management Committee comprises the executive Directors (CEO, CFO and CCO), Group HR Director, General Counsel & Company Secretary and the Director of Risk & Compliance.

Risk management subcommittees
Risk management subcommittees exist at all functional levels, with particular focus on Transport (Automotive and Aerospace) and Medical due to current business activity. These meet and report up to the Executive Risk Management Committee at least half yearly via their respective Chairs, who are Executive Risk Management Committee members.

Projects
Where it is appropriate, projects have a project-specific risk register which is reported to the relevant business unit.

5 RISK GOVERNANCE
How do we evaluate and provide assurance over our management of risks?

The following processes are in place to provide effective risk governance:

- → The Board reviews the Company's principal risks twice annually, ensuring they remain appropriate, and monitors risk mitigation and actions.
- → The Chair of each risk management subcommittee communicates significant output, activities and emerging and evolving risks to the Executive Risk Management Committee. The three lines of defence model is integrated into the corporate risk register to ensure that controls and assurance are clearly defined and their effectiveness can be monitored.
- → The Group's internal audit function conducts a programme of audit each year, focused on the principal risks and those risks identified by the Audit Committee.

MANAGING OUR RISKS

The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively. We have listed below the most significant risks that may affect our business, although there are other risks that may occur and impact the Group's performance.

Key to strategy Drive · Differentiate · Create & deliver · Underpin

SAFETY, HEALTH AND ENVIRONMENT 1

Primary link to strategy

Underpin

Risk area and description

Delivery of our strategy is dependent on us conducting our business safely. Given the nature of our various manufacturing facilities, a significant operational disruption could adversely affect the safety of people on or close to our sites. Disruption could also impact our ability to make and supply products.

The environment in which Victrex operates is subject to numerous legislative and regulatory requirements. A failure to comply could adversely impact the local environment, our employees, our manufacturing capability, or the attractiveness of our business or products to various stakeholders.

Mitigation

We employ a proactive and dedicated Safety, Health and Environment ('SHE') department to assist line management and to provide expert guidance.

We have policies and procedures to efficiently, safely and compliantly manage all our operations; protect the safety and health of our employees, contractors and visitors; and both manage our environmental responsibility and continually improve our resource efficiency.

Any events that do occur are investigated by regulatory authorities and action plans are put in place to prevent re-occurrence.

As our manufacturing facilities are regulated, we are subject to close review, for example by the Environment Agency and the Health and Safety Executive.

Further detail is contained in the Sustainability report on pages 40 to 57.

Change

Risk increased as a result of COVID-19 and potential impact on Victrex employees.

Viability statement links

Risk considered

Risk focused on in sensitivity analysis

BUSINESS GROWTH 2

Primary link to strategy

Drive

Risk area and description

The growth of our existing business is driven by innovation in our core product range, the quality of our technical service offering and continuous improvement activity in our operations. A failure to maintain our investment in these areas could lead to competitive pressure, as well as the loss of business to competitors and/or competing materials.

Growth can be impacted by the performance (growth, stability or turbulence) in the end markets that we serve. Challenging market conditions could lead to a fall in customer demand.

Growth could also be impacted by the emergence of lower cost competition or lower cost alternatives to our high quality PEEK.

Mitigation

We address price pressure by being focused on cost efficiency and continuous improvement in our operations, by having an appropriate pricing policy and by offering a strong value proposition as a solutions company – unique chemistry, specification of products with end users, quality and technical service, the performance benefits of our products and the ability to develop new applications.

We keep abreast of technological changes to materials and potential challenges for PEEK and PAEK polymers by developing new grades with differing properties, as well as creating new markets for PEEK/PAEK polymers.

The principal mitigation for weak market conditions will be increased penetration in less cyclical segments of our target end markets.

Change

Risk increased as a result of the impact of COVID-19 on end-market conditions.

Viability statement links

Risk considered

Risk focused on in sensitivity analysis

RECRUITMENT AND RETENTION OF THE RIGHT PEOPLE 3

Primary link to strategy

Underpin

Risk area and description

Our success depends on recruiting and retaining the right people in all areas of our business. Victrex relies heavily on the skills, knowledge and intellectual property ('IP'), experience and competence of our people to comply with internal procedures and external regulations, to drive business in existing and new markets, to deliver our strategy, to operate our manufacturing assets safely and with a strong regard to the environment, and to successfully execute our downstream strategy.

Mitigation

We have strategies in place to determine our future resourcing needs and attract and retain the best talent.

Our employees have clear objectives, aligned to our strategy, personal development plans and regular reviews to assess their performance and support their development.

We have succession plans in place for key roles and develop our future leaders so that we are able to promote internally as well as bringing in new talent from the outside.

Where necessary, we supplement the skills of our own employees with those of third parties in order to deliver our downstream strategy.

We operate an equal opportunities policy and aim to continually enhance the diversity of our workforce. We regard this as a commitment to make full use of the talents and resources of all our employees.

Change

No change

Viability statement links

Risk considered

Principal risks continued

FOREIGN CURRENCY 4

Primary link to strategy

Risk area and description
The Group exports the majority of its product out of the UK, but has a significant Sterling cost base. Fluctuations in exchange rates between Sterling and US Dollar, and Euro, could cause profit and balance sheet volatility.

Uncertainty around the Brexit outcome has increased volatility of currency movements but our hedging policy provides us and our shareholders with some short-term certainty.

The effectiveness of the policy was reviewed in FY 2020, including canvassing the opinions of our major shareholders, with no substantive changes made.

Mitigation
The Group currently adopts a hedging policy to mitigate short-term currency risk. Currency movement can have either a positive or a negative impact on the Group.

The Group looks for opportunities to increase natural hedging and reduce net currency exposure.

The currency policy is managed by a dedicated Currency Committee. The Committee regularly assesses whether the impact of major events, including geopolitical events such as Brexit, requires any modification to that policy.

Reflecting the risk, we provide guidance to shareholders on the impact of currency movements.

Change
No change

Viability statement links
Risk considered

BUSINESS CONTINUITY OF SUPPLY CHAIN 5

Primary link to strategy

Risk area and description
Failure to maintain a secure supply of high quality products to our customers caused by, for example, incapacity of our production facilities, quality failure or restricted access to raw material supplies and transport links could lead to insufficient inventory and capacity, loss of earnings and damage to reputation.

Mitigation
It is our policy to keep capacity ahead of demand by continual investment in our supply chain so that our customers can be confident that we can meet their requirements today and in the future.

Supply chain management policies and processes are in place. Increases in demand are anticipated by and consistent supply is maintained through integrated business planning ('IBP').

Strategic supplier development and performance management to maintain the quality and security of supply of key raw materials.

Business continuity plans are in place to identify risks and ensure plans are in place to manage them. These are regularly reviewed to ensure their continued effectiveness.

EU warehousing has been established to provide stock contingency for Brexit, in addition to wider global stock availability.

Change
Service levels have been consistently high; however, risk has increased due to uncertainties and potential supply impacts resulting from the COVID-19 pandemic.

Viability statement links
Risk considered

Risk focused on in sensitivity analysis

NETWORK AND IT SYSTEMS AND SECURITY 6

Primary link to strategy

Risk area and description
Significant failure or interruption to our IT systems could lead to business process disruption interrupting key business services.

Cyber-attack breach could result in the theft, manipulation or destruction of confidential and sensitive information and severely disrupt business operations.

Increased homeworking as a consequence of COVID-19 could lead to an increase risk of a breach.

Mitigation
Victrex operates a multi-layered approach to providing IT system continuity and to protecting information assets.

Continued enhancements to IT infrastructure and defences are carried out, including using best of breed storage, firewall and machine learning anti-virus technologies. A project to improve network segregation and security of plant control systems has also been recently implemented.

Independent external experts are engaged to conduct assessments, including penetration testing, cyber health and awareness.

We align to the nationally recognised ISO 27001 standard for Information Security and have dedicated information security resource in place.

We support our user community by mandatory training on information security, security policies and best practices.

We continuously review the latest threats and trends in information security and governance to ensure our multi-layered protection is always current and effective. These measures have been further enhanced to improve protection during a period of extensive homeworking.

Change
No change

Viability statement links
Risk considered

Key to strategy Drive Differentiate Create and deliver Underpin

PRODUCT LIABILITY 7

Primary link to strategy

Risk area and description
Selling into highly demanding end-use applications and regulated markets means a failure to supply in accordance with the agreed specification has the potential to lead to consumer harm or a potential product liability claim. This in turn could lead to a loss of business and reputational damage.

Mitigation
Robust regulatory standards and accredited quality management systems are in place relevant to our markets, including Medical Devices, Automotive and Aerospace.

Warranty Committees established to enhance risk management/mitigation processes for key programme activity in Automotive and Aerospace business units.

Use of external experts to support with complex contract matters.

Supply contract terms and conditions, including agreed specifications and manufacturing to verified and validated standards and processes. In addition, the Group maintains appropriate levels of product liability insurance.

A Management of Change process is in place to ensure that supply and quality are consistent and any change in use is appropriately validated.

Change
No change

Viability statement links
Risk considered
Risk focused on in sensitivity analysis

CONTRACTS, ETHICS AND REGULATORY COMPLIANCE 8

Primary link to strategy

Risk area and description
We are required to adhere to all applicable laws, regulations and ethical standards including those covering:

- anti-bribery and corruption;
- exports and sanctions;
- competition;
- data protection; and
- human rights, modern slavery and labour.

Any failure to comply with contractual commitments and ethical and regulatory compliance standards has the potential to result in loss of earnings, civil or criminal legal exposure, or reputational damage, and could affect our ability to achieve the business strategy.

The outcome of Brexit may present risks from changes in certain laws.

Our future opportunities in Automotive, Aerospace and Medical will bring new regulatory challenges and contractual requirements to meet.

Mitigation
Compliance policies and procedures are in place for all key regulatory compliance risks.

Our Code of Conduct is in place, which is regularly reviewed, and mandatory training is provided. Compliance is monitored and reported to Executive Management.

We continue to use internal and external subject matter experts to support risk identification, set standards and policies and provide advice and training.

Commercial contracts and our pricing strategy are reviewed by our Legal and Product Management teams.

Change
No change

Viability statement links
Risk considered
Risk focused on in sensitivity analysis

STRATEGY EXECUTION 9

Primary link to strategy

Risk area and description
The success of our future business growth will depend on the effective implementation of our Polymer & Parts strategy. This risk considers the potential failure to execute the strategy effectively and generate value. It also focuses on the timing of projects and the need for rigorous project management to ensure our growth programmes, including mega-programmes, do not slip.

Key elements include the failure to: gain market deployment through delays in programmes and due to the disruptive nature of the portfolio; protect our intellectual property ('IP'); develop scalable manufacturing solutions; and develop the Group's infrastructure to be able to support more complex operations.

Our plant debottlenecking and upgrade plans also need to be delivered effectively in order to be able to ensure continued supply to our customers.

The risk has shifted from one of innovation and product capability to one of gaining market adoption.

Mitigation
The Group has a well-established and clear business strategy which is subject to a robust review process to ensure its continued effectiveness. The Board monitors KPIs that measure progress in implementing the strategy at each Board meeting.

A dedicated IP team is in place to consider the management of our intellectual property, whether this be through know-how or our patent estate.

A Project Management team is in place to manage each growth programme as a clearly defined project. Governance is achieved through a Portfolio Steering Committee which tracks milestone achievement.

Compelling business cases are developed to support customer/market adoption, including working with key opinion leaders and demonstrating unique value through data and evidence.

It is also Victrex's policy to invest in small but scalable manufacturing facilities for new technologies ahead of growth. This ensures that Victrex is ready with capacity as commercialisation progresses.

Change
No change

Viability statement links
Risk considered
Risk focused on in sensitivity analysis

Principal risks continued

COVID-19 PANDEMIC (10)

Risk area and description
The emergence of COVID-19 and its impact on society and global end markets presents a significant new risk factor for Victrex, as it does for peer companies.

The pandemic increases several existing principal risks for the business:

- safety, health and environment, due to the potential for harm to Victrex employees;
- business growth, due to reduced demand in some end markets (for example in Automotive, Aerospace and Energy); and
- continuity of supply chain, due to potential disruption of operations, key material suppliers or the ability to transport stock to meet demand.

Mitigation
Business continuity planning and management processes are established to monitor, assess and mitigate, as far as possible, the current risks and ongoing uncertainties associated with the pandemic.

Risk assessments, control procedures and physical controls established for all functions and locations, aligning to national guidance as a minimum.

Key material supplier assessments, supply capability risk analysis and scenario testing completed, with ongoing monitoring and review.

Cash conservation measures implemented – deferral of UK debottlenecking programme and interim dividend, bonus accrual removed.

Cash and cost management programmes implemented.

Further details of the proactive actions taken by Victrex in response to COVID-19 are provided on pages 6 and 7.

Change

N New risk

Viability statement links

V Risk considered

V Risk focused on in sensitivity analysis

"Whilst the risk profile from moving further 'downstream' into manufacturing selected parts increases, our quality management systems, enhanced skills and capability in this area, and our ability to protect our intellectual property ('IP') through patents or know-how keep us in a good position.

Richard Armitage
Chief Financial Officer

Going concern and viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, and taking into account the Group's current position and its principal risks for a period longer than the twelve months required by the going concern statement, management prepared a viability analysis which was approved by the Board.

Going concern

The Directors have performed a robust going concern assessment including a detailed review of the business' 24-month rolling forecast and consideration of the principal risks faced by the Group and the Company, as detailed on pages 37 to 39. This assessment has paid particular attention to the impact of the current economic situation, caused by the COVID-19 pandemic, on the aforementioned forecasts.

The Group's approach to managing the consequences of COVID-19 is detailed on pages 6 and 7 with the specific impact of COVID-19 on the Company's going concern assessment detailed below.

The Company maintains a strong balance sheet, with cash resources at 30 September 2020 of £73.1m, of which £5.6m is held in the Group's subsidiary in China for the sole purpose of funding the construction of our new PEEK production facility. Of the remaining £67.5m, three-quarters is held in the UK where the Company incurs the majority of its expenditure. All funds are held either in instant access or short-term deposit accounts with less than 35 days' notice. The Group has no debt and has unutilised banking facilities of £40m through to October 2024, of which £20m is committed and immediately available and £20m is available subject to lender approval.

COVID-19 had a material impact on second half performance with sales volumes down 19% on the same period in 2019 and 25% down on the first half; revenue was down 23% and 24% respectively. The timing and severity of the impact was felt differently across our markets and geographies with further detail provided in the Financial review on pages 22 to 26. Quarter 4 of our financial year was the weakest with revenue in July the low point of the year. Whilst too early to call this as a low point, revenues in August, September and October have all improved on the preceding month but remain well below historical levels. The assessment of going concern included conducting scenario analysis which focused on two key questions: when will a sustained recovery start and have we seen the low point of the demand cycle? The sensitivities applied considered a number of external data sources, triangulating customer conversations, trends in market and country indices as well forward-looking industry forecasts for each of the Company's key markets, for example forecast aircraft build rates from the two major manufacturers for Aerospace and analysing IHS data for the Automotive market through previous downturns, current trends and latest 2020 and 2021 forecasts. This information is fed into the Company's Integrated Business Planning ('IBP') process, which continues meeting at a higher frequency to review the short-term order book, current levels of supply and regional inventory levels along with forecasts which have now been extended for the next 24 months.

All the Company's manufacturing assets were operational throughout the first COVID-19 wave, with revised procedures put in place to ensure social distancing was maintained along with proactive measures to protect employees such as offering the facility to conduct temperature checks each day before starting work. These measures remain in place today. The inventory holding policy of approximately three months, with the majority of finished product held outside of the UK, is a cornerstone of the Brexit contingency planning but has the added benefit of mitigating against COVID-19 impacting on manufacturing in the UK, should UK infection rates increase again.

Using the IBP data and the two key questions noted above, management has created two scenarios to model the effect of reductions to revenue at regional/market level and aggregated levels on the Company's profits and cash generation through to January 2022.

Scenario 1 – the level of sales seen in quarter 4 of financial year 2020, at c230 tonnes per month, continues throughout calendar year 2021 with the anticipated recovery delayed until 2022.

Scenario 2 – in line with scenario 1, c230 tonnes per month, until February 2021, after which volumes drop by 25% for the remainder of the going concern period. The reduced volume equates to annualised sales of c2,000 tonnes, approximately half the pre-COVID-19 level of sales. The timing of the additional drop in sales is targeted after the payment of the final dividend for financial year 2020 which represents the low point of cash in our annual cycle. The Group considers scenario 2 to be a severe but plausible scenario.

Before any mitigating actions the sensitised cash flows show the Company has significantly reduced cash headroom, particularly in the second half of 2021, although the committed facility is only required in scenario 2. However, the Company has a number of mitigating actions which are readily available in order to generate significant headroom. These include:

- use of committed facility – £20m could be drawn at short notice. Conversations with our banking partner indicate that the £20m accordion could also be readily accessed. The covenants of the facility have been successfully tested under each of the scenarios;
- deferral of capital expenditure – the base case for financial year 2021 includes c£50m of capital expenditure; this could be reduced significantly by limiting expenditure to essential projects and deferring all other projects into 2022, with the exception of the investment in China capacity which will continue as planned;
- reduction in discretionary overheads – costs would be limited to prioritise and support customer related activity; and
- deferral/cancellation of dividends – the dividends payable in February and June 2021 could be deferred or cancelled. The Company's intention is to continue payment of dividends where cash reserves facilitate but it remains a key lever in downside scenario mitigation.

As a result of this detailed assessment and with reference to the Company's strong balance sheet, existing committed facilities and the cash preserving levers at the Company's disposal, but also acknowledging the inherent economic uncertainty with the COVID-19 pandemic still having a significant impact on global economies, the Board has concluded that the Company has sufficient liquidity to meet its obligations when they fall due for a period of at least twelve months after date of this report. For this reason, it continues to adopt the going concern basis for preparing the financial statements.

Going concern and viability statement continued

Viability statement

1. Assessment of prospects

The Directors have assessed the Group's longer-term prospects, primarily with reference to the results of the Board-approved five-year strategic plan. This is driven by the Group's business model (detailed on pages 10 and 11) and strategy (detailed on pages 14 and 15), which are fundamental to understanding the future direction of the business, while factoring in the Group's principal risks (detailed on pages 33 to 36). In the current year the Directors have considered the material impact that COVID-19 has had on the 2020 income statement and the uncertainty this creates, particularly in the early years of the strategic plan. The Directors have also considered that, despite the impact of COVID-19, the Group has maintained a strong financial position, including the level of cash at 30 September 2020, and retains the strength to generate cash.

The strategic planning process is undertaken annually, and includes analyses of profit performance (including our core business and new product pipeline and 'mega-programmes'), cash flow, investment programmes (including options to increase our polymer manufacturing capacity and our acquisition pipeline) and returns to shareholders. Completion of the strategic plan is a Group-wide process engaging employees throughout the business, including all senior management in their respective areas. In the current year, the strategy reviewed and approved by the Board in March 2020 (covering the five years to September 2025) was updated during September 2020 reflecting the unprecedented changes over the preceding six months. This update has been performed on a market by market, geography by geography basis recognising the differing impacts on each market and the varying regional impacts of the COVID-19 pandemic. The Company also operates a more short-term rolling 24-month forecast, predicated on the IBP process, which forms the basis for the 2021 budget and key operational decisions over this shorter timeframe. The first two years of the strategy align to the rolling forecast.

The Board considers five years to be an appropriate time horizon for our strategic plan, being the period over which the Group actively focuses on its development pipeline. As part of our longer-term considerations, to support capacity planning and assessment of projects which will take longer to reach meaningful revenue, the Group does prepare forecasts for a period of more than five years; however, a period greater than five years is considered too long for the strategic plan given the inherent uncertainties involved.

2. Viability period

The Directors have assessed the viability of the Group over the five-year period to September 2025, being the period covered by the Group's Board-approved strategic plan.

3. Assessment of viability

To make their assessment of viability, the Directors have tested a number of additional scenarios on the base case position of the five-year strategic plan. These scenarios encompass key trading assumptions combined with the potential impact of crystallisation of one or more of the principal risks over the five-year period. Whilst each of the principal risks has a potential impact, the scenario analysis has been focused on those considered to have the most significant financial impact. The risks have been assessed for their potential impact on the Group's business model, future trading and funding structure.

The first year in the strategy is significantly reduced on the same period in the prior year strategy, reflecting the reduction in demand caused by the economic fallout of COVID-19. The impact of COVID-19 has fed into the Board's assessment of the scenarios modelled, their severity and the timing of their impact – primarily in scenario 5 below.

The growth in the mega-programmes is forecast to have a material impact on the Company's revenue over the strategic period. The business case behind each of these programmes remains robust and in some cases is enhanced by the economic challenges presented by COVID-19. Further details on the impact of COVID-19 on the mega-programmes are included in the Financial review on pages 22 to 26. COVID-19 does, however, present challenges to several programmes hitting milestones and driving customer adoption in the short term. The Directors have incorporated this into scenario 3 described below.

The downside scenarios applied to the strategic plan are as follows:

Scenario modelled	Link to principal risk (see pages 33 to 36)
1. General competitive pressure in the marketplace resulting in a decrease of Industrial and Medical revenue for both core and mega-programmes. Annual volume reduction between 10% and 25% in each year of the strategy.	Business growth Strategy execution
2. A natural or other event impairing key manufacturing assets resulting in supply disruption for c2 years, with associated reputational damage.	Business continuity of supply chain
3. Mega-programmes not achieving all milestones set or investment/adoption is delayed by the current economic environment, therefore delaying the time to meaningful revenue (>£1m).	Business growth Strategy execution COVID-19 pandemic
4. Increase to direct cost base potentially arising from: a. additional regulatory compliance, environmental or otherwise; b. increase in duty and tariffs; c. product liability issues; d.COVID-19 related higher costs of operation; or e. increase in raw material and/or other input prices.	Contracts, ethics and regulatory compliance Safety, health and environment Product liability COVID-19 pandemic
5. A prolonged period of economic stagnation (in line with scenario 1 for going concern) caused by COVID-19 resulting in the return to growth delayed until 2022 for most markets and 2024 for Aerospace and Energy. Annual volume reduction between 12% and 18% in each year of the strategy.	Business growth Strategy execution COVID-19 pandemic
6. All of the above*, with an associated reduction in the overhead cost base and capital expenditure. Annual volume reduction between 20% and 35% in each year of the strategy.	

* Where two or more scenarios impact the same revenue stream in the same period the lower outcome is taken.

The scenarios tested were carefully considered by the Directors, factoring in the potential impact, the probability of occurrence and the effectiveness of the mitigating actions. In addition, whilst considered implausible, a combined scenario was also tested, which contained an aggregation of all scenarios considered.

Further to the risk mitigation plans, the Group's two distinct segments, both with diverse geographic markets, assist in reducing the risk of regional economic challenges and sector specific issues. This diversity has been evidenced in the second half of 2020 where the impact of COVID-19 differs between business units, with Medical implantable particularly badly hit with the cancellation of elective surgery but our non-implantable Medical applications, such as ventilators, growing year on year. Geographically we have, so far, seen a much shallower and shorter impact on demand in Asia, where current demand is approaching pre-COVID-19 levels, compared to the deeper and ongoing impact in US markets. The strategy of partnering closely with customers to develop the right applications and our existing and growing list of specified products are also important mitigants.

The mitigation assessment also considered the Group's ability to manage its cost base and raise new finance and the possibility of delaying capital programmes and/or restricting shareholder returns over the viability period if required.

The results of this stress testing showed that the Group would be able to remain viable and maintain liquidity over the assessment period. The lowest cash balance was in scenario 6, in which the cash balance remains positive, whilst maintaining the regular dividend, and without use of the RCF facility which is available until October 2024.

Approximately 40%–50% of the Group's revenue is derived from Europe. The impending impact of Brexit continues to be considered by the Board, supported by the Brexit Steering Committee. Contingency plans, implemented during 2019, have been maintained to mitigate the principal risk of Brexit, being a sustained period when the Group was unable to import certain raw materials or export finished goods. This included securing additional warehousing in Germany and China and increasing the proportion of inventory held in regional warehouses with a target cover of three months in each geography.

As time runs out on agreeing a deal ahead of the 31 December 2020 end to the transition period, the probability of a 'no deal' Brexit is elevated. No scenario has been run specifically for Brexit given the range of potential outcomes, which could be favourable (driven by a further devaluation of Sterling) or adverse (for example, tariffs or restrictions of raw material and finished product flows); however, scenarios 2, 4 and 5 above have an adaptation to potential Brexit outcomes including any economic consequences of a no deal exit.

4. Viability statement

Based on the results of this analysis, including detailed consideration and scenario assessments on the length and severity of the economic impact from the COVID-19 pandemic, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to September 2025. This is predicated on the assumption that an unforeseen event outside of the Group's control (for example, an event of nature or terror) does not inhibit the Company's ability to manufacture for a sustained period.

OUR SUSTAINABILITY VISION AND GOALS

Aligning our new sustainability vision with UN Sustainable Development Goals.

SDGs | **Sustainability pillars**

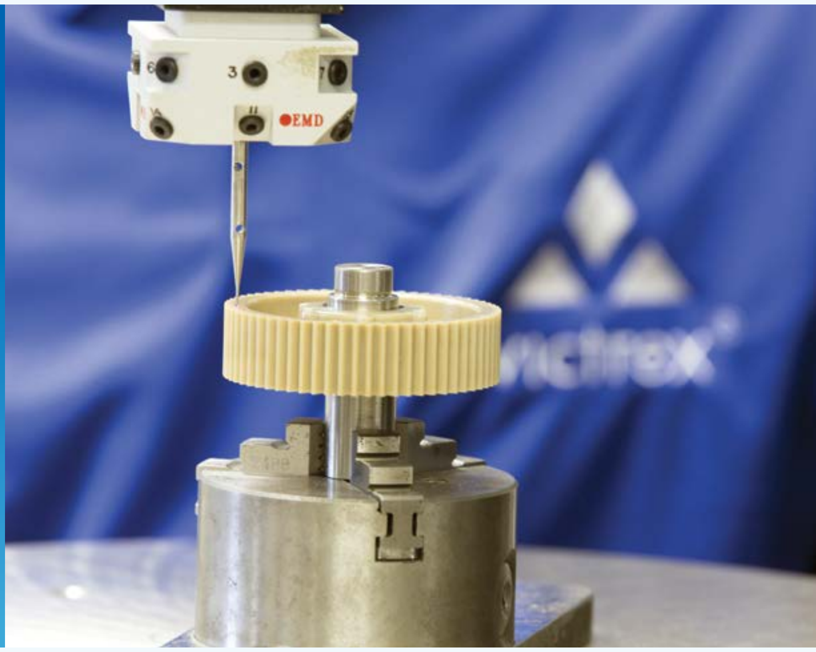
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE SOLUTIONS AND RESOURCE EFFICIENCY

Our sustainable products support CO_2 reduction, as well as offering recyclability, whilst we focus on minimising resources (carbon, waste and water)



3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

SOCIAL RESPONSIBILITY

Further inspire our employees and communities to positively impact sustainability development

ACHIEVE CARBON NET ZERO:

INCREASE THE USE OF OUR SUSTAINABLE AND RECYCLABLE PRODUCTS WHICH SUPPORT CO_2 REMOVAL

MINIMISE RESOURCES (CARBON, WASTE AND WATER) USED IN OUR OPERATIONS

2030 goals	Milestone targets
→ **Achieve net zero carbon emissions** by 2030 in our own operations[1]	→ **Victrex using 100% renewable electricity within 3 years**[2]
→ **Increase recycling rates** of PEEK/PAEK in the supply chain	→ **Double recycling rates** in the supply chain by 2025
→ **Increase revenue** from our sustainable products with positive environmental & social benefits (currently c40%)	→ **Exceed 50% of Group revenue** from sustainable products with environmental & social benefits by 2025
→ **Sustained reduction in resources** (carbon, waste and water) per unit tonne by 2030	→ **Commitment to a science-based emissions target**[3]
→ **Deliver a zero accident and incident culture**	→ **Improved safety metrics, based on OSHA standard**
→ **Grow** global STEM programme	→ **STEM ambassadors** in every region
→ **Increase community activity** across our global locations	→ **Commit >500 employee hours** to global community activity annually
→ **Focus** on supporting gender equality/diversity and inclusion	→ **Embed inclusion and diversity** across global employee base

1 Scope 1 and 2 emissions and science-based target.

2 For all countries where the market exists.

3 Includes quantifying scope 3 emissions in our supply chain and establishing a reduction target.

"We are now fully aligned with the UN's 2030 Sustainable Development Goals, including a 2030 carbon net zero aspiration.

Jakob Sigurdsson
Chief Executive Officer

A SUSTAINABLE BUSINESS – AND A NEW BOLD VISION

Introduction from the Chief Executive Officer – Jakob Sigurdsson

Already sustainability is at the core of our business model, yet I am very pleased to say that we unveiled a new bold vision and the next leg of our sustainability journey in 2020, building on the progress we have made in recent years. Our progress so far includes helping reduce CO_2 emissions in Aerospace and Automotive markets through our lightweight and sustainable products, as well as their recyclability potential, improving our resource efficiency, including reductions in energy, waste and water usage metrics, and a strong focus on our social responsibility.

Our new 2030 goals are shown overleaf and build on our previous targets, several of which we have now completed. Areas of focus in our new goals include increasing re-use and recycling rates of our PEEK polymers in applications and the future possibilities from a circular economy and re-use of materials, as well as our desire to exceed 50% of Group revenue from products with positive environmental and social benefits by the middle of this decade. This includes Medical, where, with COVID-19, many of our applications were designated as 'life sustaining' such as ventilator equipment, as well as our implantable material for devices such as Spine, Arthroscopy and Trauma, with over 13 million patients now implanted using PEEK-OPTIMA™ as a replacement for metal.

Our vision is clear: through increasing the use of our sustainable and recyclable products which support CO_2 removal, offsetting and minimising resources – carbon, waste and water – used in our operations, by 2030 Victrex seeks to become carbon net zero. Whilst we do not specifically seek recognition for our Sustainability performance, we note that Victrex continues to be part of the FTSE Russell Green Revenues Index, reflecting our sales into transport markets, where our lightweight materials support the trend of CO_2 reduction. Our performance as ranked by the Carbon Disclosure Project ('CDP') also remains a key priority and I am pleased to note our score remained a B- this year, above the regional European average and a creditworthy achievement given our initial E grade in 2013. We also saw several notable efficiency improvements in our manufacturing plants, which helped reduce waste and water usage, with a focus on a sustained reduction per tonne going forward. As one example, our water usage per unit of revenue has decreased by around 25% in five years.

In social responsibility, our activities in the community, and to support the next generation of scientists and engineers, continue to show good progress. Through supporting STEM (science, technology, engineering and maths) activities in schools, as well as supporting 42 apprentices this year – one third of whom are female – we have a clear focus with a target of 10,000 employee hours supporting local communities, with over 7,000 hours completed to date and over 2,500 in FY 2020. COVID-19 was a great example of our employees aligning with our innovative culture and values of Passion, Innovation and Performance, as well as delivering with speed and service to customers. Indeed, through employee volunteering, equipment and PPE donations (including 3D printed mask ear covers) we provided significant support to care and health organisations globally. Internally, we also have a strong diversity and inclusion agenda, with 2020 seeing Brendan Connolly lead our workforce engagement non-executive Director activities, where he was able to engage and listen to the employee voice and culture across the organisation.

With our new aspirational goals and vision, I believe we can make further strides over the coming years. Sustainability is part of our business model, and our investment case, as well as demonstrating our approach as a responsible business. With our Polymer & Parts strategy focused on moving further downstream to supply semi-finished products and components – beyond manufacturing polymers – we have an opportunity to deliver further benefits to our customers, our markets and ultimately society. Whether it be in Aerospace and Automotive, where CO_2 reduction, electrification and lightweighting are key themes, or in Medical, where our polymers are delivering real performance benefits to patients, sustainability remains integral to our business model and long-term success.

I look forward to seeing our journey to carbon net zero evolve over the next decade.

Jakob Sigurdsson
Chief Executive Officer
9 December 2020

OUR SUSTAINABILITY PROGRESS SO FAR

Victrex delivers sustainable benefits and solutions to our customers and our markets, alongside maximising our resource efficiency across our global footprint, and being socially responsible in the communities where we operate. Our original 2023 Vision (timed to mark the 30th anniversary of Victrex's formation) has helped deliver real progress on our Sustainability journey with a number of milestones already achieved.

As shown below, we will continue to monitor the remaining goals to 2023, which include CO_2 reduction in the products we supply to customers, water and waste reduction in our operations and social responsibility in the communities where we operate.

Sustainable solutions

Vision:
Develop and deliver sustainable polymer solutions that provide clear social and environmental benefits to society

2023 target:

- → Save more CO_2 than we produce (carbon neutral)
- → 5 million-tonne reduction of CO_2 in Aerospace and Automotive

Interim targets:

COMPLETED

- → Independently review method of measuring CO_2 savings in Transport
- → Extend PEEK-OPTIMA™ further into new and existing spinal therapeutic areas – exceeded 12 million implant enhanced target (13 million to date)
- → Extend PEEK-OPTIMA™ into new therapeutic areas

Resource efficiency

Vision:
Maximise resource efficiency across the value chain

2023 target (revised):

- → Sustained reduction in water usage and waste per tonne (water and waste per tonne reduced by c30% since 2015)

Interim targets:

COMPLETED

- → Engage with key suppliers to identify their climate change impact and improvement plans
- → Establish an R&D programme to identify process yield improvements and waste reduction opportunities
- → Engage with key suppliers to identify their waste impact and improvement plans

Social responsibility

Vision:
Inspire the next generation by supporting science, technology, engineering and maths education ('STEM')

2023 target:

- → 10,000 employee hours (cumulative) supporting community activity by 2023 (over 7,000 hours to date)
- → 1,000 young people reached through education activities

Interim targets:

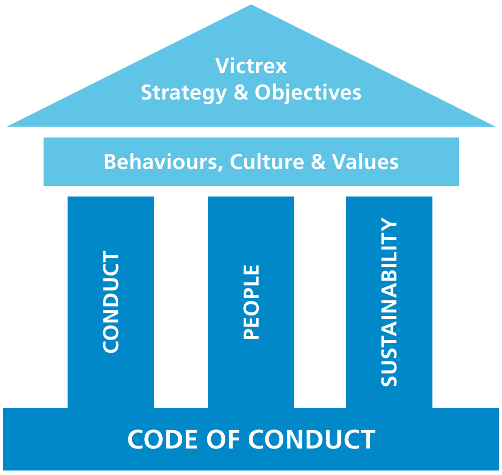
COMPLETED

- → Employee network in place to support community STEM education activities in the UK
- → Victrex/Catalyst Science Education Centre project fully up and running
- → Employee engagement in sustainability assessed in employee survey, with results benchmarked against peer companies (>50% of employees engaged on sustainability in 2020 Engagement Survey)

OUR CODE OF CONDUCT – DOING THE RIGHT THING

Our values of Passion, Innovation and Performance underpin the way we do business and treat one another. Our Code of Conduct sets the foundations of how we act personally, with others and in our communities. Our continued success as a business rests on maintaining these principles and ensuring we strive to always do the right thing.

Our Code of Conduct is supported by policies on each of the Conduct, People and Sustainability pillars shown in the table below.



Doing the right thing in our CONDUCT	Doing the right thing for our PEOPLE	Doing the right thing for SUSTAINABILITY
→ We are open and honest → We comply with all applicable laws and regulations → We do not engage in anti-competitive activity, bribery or corruption → We protect our Company information and confidential information shared with us → We protect the personal data we hold about our employees and third parties → We follow good standards of corporate governance and do not abuse market regulations	→ We treat people with fairness and respect, and hold ourselves and each other to account → We do not discriminate → We provide a safe and healthy workplace and ensure our activities do not harm our employees, the public or the environment	→ We deliver sustainable polymer solutions → We work to minimise the environmental impact of our business operations → We contribute to the wellbeing of our local communities → We seek to inspire the next generation

All of our employees, officers and Board members are responsible for following our Code of Conduct and its supporting policies. There is annual recertification of the Code of Conduct through mandatory awareness learning for employees, with additional training on specific supporting policies for targeted employees and this programme continues to develop. In September the completion rate was 89%. The Code is available in five languages, viewable on www.victrexplc.com.

We encourage employees and our stakeholders to speak up if they have concerns that our Code of Conduct or its supporting policies are not being followed and our Global Whistleblowing Policy gives help on how to do this.

Sustainability matters

We recognise that some of our operations can impact on the safety and wellbeing of our people and those in the communities around us. This is reflected in our principal risks on pages 33 to 36. Our Safety, Health and Environment Policy promotes our continuous improvement in this area.

Our employees

We value our employees and continue to seek to recruit, retain and develop our talent, and this too is reflected as a principal risk on page 33. Ensuring we recognise the positive contribution of a diverse workforce and hold ourselves to account for delivering it is paramount. As such we have reviewed a number of our key employment policies during FY 2020 to ensure they remain fit for purpose and continue to enhance processes to ensure we recruit the highest quality people with the right fit to our organisation.

To enable employees easy access to all policies we have developed a 'one stop shop' Employee Handbook which was rolled out in the UK in FY 2020. Our Group Diversity & Equal Opportunities Policy has been updated to strengthen our inclusion and diversity stand, including enhancement of our flexible working approach.

We have continued to develop and progress action plans to further develop areas which did not score as highly as we hoped in our employee survey; however, we take pride that this periodic survey did achieve a 70%+ engagement rate, and we continue to be above the industry benchmark.

Our gender pay gap report was published this year, details of which can be found on page 55 and on www.victrexplc.com.

Respect for human rights

We recognise the importance of treating the people around us, and those we may impact, with respect but also acknowledge there are practices globally that seek to threaten human rights. Victrex does not tolerate these practices.

In relation to our supply chain activities we have focused policies on Modern Slavery, Conflict Minerals and Anti-bribery & Corruption. Before any vendor can become an approved supplier to Victrex, they must acceptably pass through our due diligence process which involves:

→ site-specific audits where appropriate;

→ detailed responses to a robust on-boarding process that examines all relevant areas of the business operation, with special focus on issues pertinent to CSR factors; and

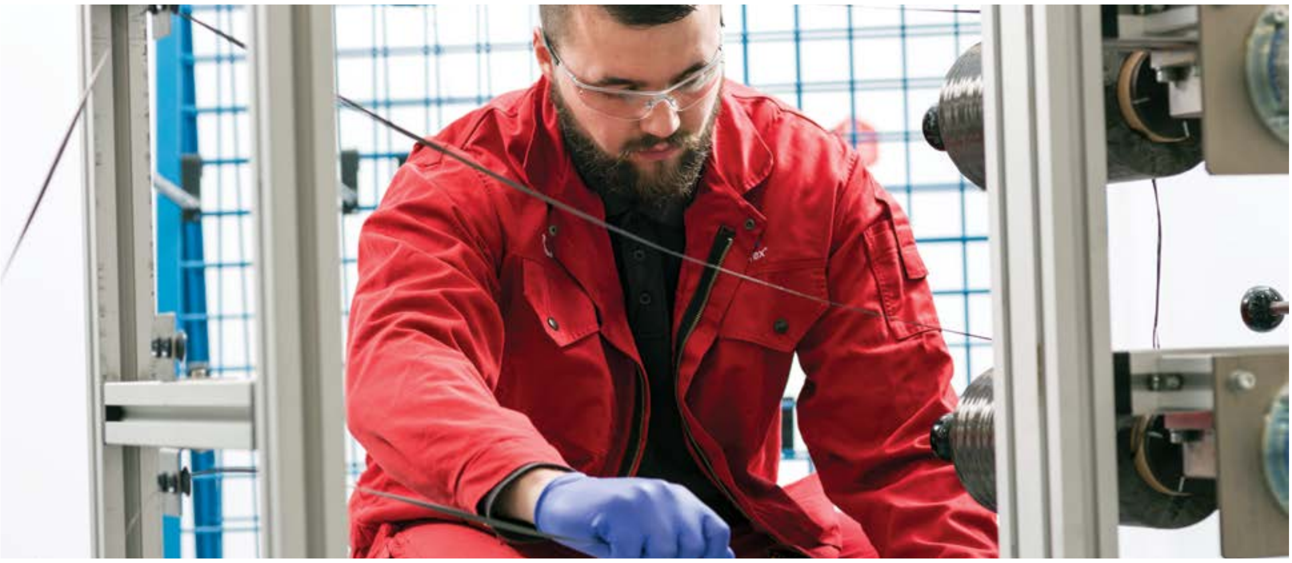
→ acceptance of the Victrex Supplier Standards Handbook.

The process is cyclical, to ensure the appropriate focus is maintained on those vendors deemed as strategically important or as high risk to Victrex.

Our Modern slavery statement is available on www.victrexplc.com reaffirming our policy commitment and our ongoing actions in this area.

We continue to operate a Global Data Protection Policy (and a suite of supporting procedures and arrangements) to ensure compliance with applicable data protection legislation including GDPR. This policy was refreshed and updated in FY 2020, and continues to be available on the Company's intranet on a dedicated Group Policies page. Employees who handle personal data are required to complete mandatory annual training, including through e-learning. Recognising that FY20 saw additional challenges worldwide with the COVID-19 pandemic and increased remote working, employees have been reminded throughout of the importance of complying with the policy and protecting personal data. A number of enhancements have been implemented generally with respect to information security and these further measures support the protection of personal data, with specific reference to the protection of personal data in IT security policies and standards.

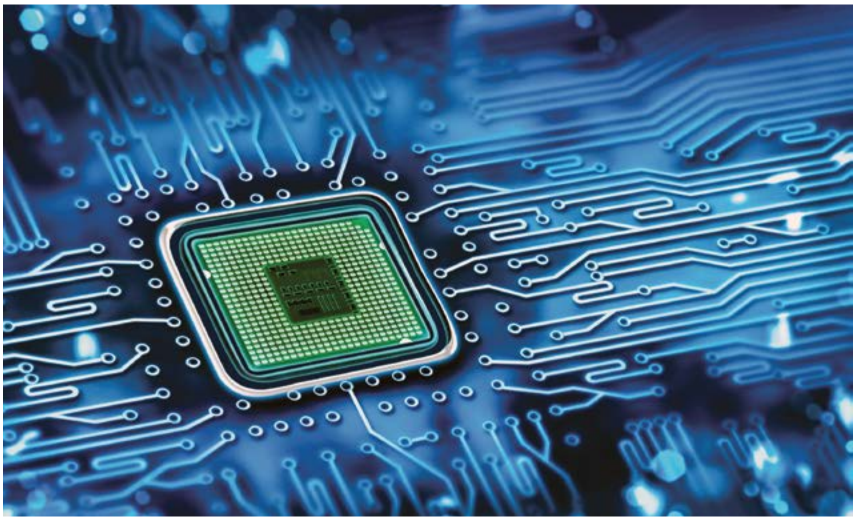
Sustainability report continued



Compliance including anti-bribery and corruption

In conducting business on behalf of Victrex, our employees and representatives must follow our Code of Conduct. This is a commitment to being open, honest and following all relevant laws and regulations. This commitment is supported by underlying policies and processes including with respect to Fraud, Anti-bribery & Corruption, Financial Crime, Gifts & Hospitality, Share Dealing (Market Abuse), Data Protection, Competition Law and Export Controls & Sanction Compliance, and are reflected in our principal risks on page 35. Our focus on Doing the Right Thing extends beyond the letter of the law to ensure we act ethically and openly, treating others fairly and how we would want to be treated. The desired outcome of our Code of Conduct, including the policies and procedures which underpin it (including the Anti-bribery & Corruption Policy), is to ensure we act responsibly in all our dealings and foster a sustainable business.

The Company is committed to a zero-tolerance position with regard to bribery, made explicit through its Anti-bribery & Corruption Policy and supporting policies/guidance on gifts and hospitality, interactions with politically exposed persons and healthcare professionals. Updates were made to our Anti-bribery & Corruption Policy and guidance on interactions with politically exposed persons. Work is underway to enhance our processes with distributors and refresh our Export Controls & Sanctions Compliance Policy. The policies and procedures are published on the Company's intranet on a dedicated Group Policies page. The risk of bribery and corruption is considered a key aspect of the Ethics and Regulatory Compliance principal risk on page 35 and a number of mitigations are in place. In addition to ensuring compliance with export controls and sanctions, the Company conducts enhanced due diligence on individuals or organisations where there is a perceived or actual increased risk of bribery (for example, where the Company is engaging with a politically exposed person), or the Company is conducting due diligence for a potential joint arrangement or acquisition. All employees are required to complete Code of Conduct e-learning on commencement of employment and thereafter annually. This contains a section on anti-bribery and corruption matters. We keep our training materials under regular review and specific e-learning modules for anti-bribery and corruption, to supplement classroom-based training sessions, are now available. We ensure appropriate anti-bribery and corruption clauses are included in relevant contracts. The Company maintains a register of employee interests (where there are actual or possible conflicts of interest) and a record of gifts and hospitality given and received above certain thresholds in the form of a Giving & Receiving Register. A review of the Company's anti-bribery and corruption arrangements is featured on the Board's programme of business and the internal audit review programme includes a review of the adequacy of the Company's procedures in relation to anti-bribery controls and procedures. Further information on our approach to anti-bribery and corruption matters is contained on page 63.



Non-financial information statement

This section of the Strategic report constitutes Victrex plc's non-financial information statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters, and where the relevant information is located in this report.

Reporting requirement	Material policies and standards that govern our approach	Key risks relating to these matters (pages 33 to 36)	Read more
Environmental matters	→ Safety, Health & Environment ('SHE') Policy → Environmental Policy (ISO system) → Code of Conduct*	→ Safety, health and environment → Ethics and regulatory compliance	→ Sustainability report – Sustainable solutions and Resource efficiency, pages 48 to 53
Employees	→ Group Diversity & Equal Opportunities Policy → Disciplinary Policy & Procedure → Grievance Policy & Procedure → Flexible Working Policy (UK) → Employee Handbook → Global Whistleblowing Policy → Share Dealing Codes → Code of Conduct → Prevention of Bullying & Harassment Policy (to be published in FY 2021)	→ Recruitment and retention of the right people → Ethics and regulatory compliance	→ Sustainability report – Our Code of Conduct, pages 44 to 46 → Sustainability report – Social responsibility, pages 54 to 57 → Gender pay report – page 55
Respect for human rights	→ Modern Slavery & Human Trafficking Policy → Modern slavery statement* → Conflict minerals statement* → Data Protection Policy → Code of Conduct*	→ Ethics and regulatory compliance	→ Sustainability report – Our Code of Conduct, pages 44 to 46 → Modern slavery, human trafficking and conflict minerals statements – see www.victrexplc.com
Social matters	→ Sustainability Policy → Code of Conduct*	→ Recruitment and retention of the right people	→ Sustainability report – Social responsibility, pages 54 to 57
Anti-corruption and anti-bribery	→ Anti-bribery & Corruption Policy → Fraud Policy → Conflict of Interests Policy → Gifts & Hospitality Policy → Financial Crime Policy → Policy on Interaction with Healthcare Professionals → Policy on Interaction with Politically Exposed People → Export Controls & Sanctions Policy → Competition & Anti-Trust Policy → Code of Conduct*	→ Ethics and regulatory compliance	→ Sustainability report – Our Code of Conduct, pages 44 to 46
Description of the business model		→ All principal risks	→ Business model, pages 10 and 11
Non-financial key performance indicators		→ All principal risks	→ Non-financial key performance indicators, pages 20 and 21

* These policies are published on www.victrexplc.com, along with being available to employees via the Group intranet. All other policies listed are available to employees via the Group intranet.

SUSTAINABLE SOLUTIONS: CO_2 REDUCTION REMAINS A PRIMARY OBJECTIVE

The COVID-19 pandemic continues to have significant repercussions for companies. In the short term, many markets now suffer from severe production cuts due to decreased demand. The Aerospace industry expects at least a three-year delay until volume levels return to the previously forecast numbers. In Automotive, returning to 2018 light-vehicle production levels could take until 2024 (IHS Light Vehicle Sales Forecast) according to economists, depending on the severity of the economic impact. Despite such delays, meeting sustainability targets and leveraging cost efficiencies in production and maintenance will remain overarching objectives – not only in Aerospace and Automotive, but across all key industries. Victrex, as a signatory to the Corporate Leaders Group's call for a green and resilient recovery, has further enhanced its sustainability agenda for the next decade and the proposition of our products remains a sustainable one.

PEEK supporting multiple requirements

With Victrex's business strategy aligned to global megatrends, including the reduction of carbon dioxide (CO_2) emissions and societal challenges, the long-term proposition of PEEK remains strong. In fact, our track record as well as the opportunities we identify continue to be valid as we attempt the transition to the 'new normal'.

Compared to metals, our high-strength PEEK polymers are very lightweight and easily shaped, offer excellent mechanical and chemical characteristics, and can have considerably higher specific strength (strength per unit weight). They also provide high resistance to wear, temperature, fatigue, corrosion and aggressive fluids and chemicals. Together, these properties play a key role in automotive applications, for enhanced fuel efficiency, improved safety, extended part life, greater driver comfort (smoother operation, less noise), more design freedom and better production cost efficiencies.

Future needs drive mega-programmes

A case in point are the advances we have achieved with our VICTREX HPG™ high-precision gears technology, one of our mega-programmes. The move into e-mobility will further drive the need for cost-efficient reduction in noise vibration and harshness ('NVH'), especially in the full electric driving mode of plug-in hybrid-electric vehicles and electric vehicles without any internal combustion Engine masking noise.

In Aerospace, weight savings contribute to sustainability goals, while standardised parts, streamlined manufacturing and potential installation savings will help to stay ahead of competitors. The prototype composite of an aircraft cabin bracket using Victrex AE™ 250 composites and hybrid-overmoulding technique has shown up to 50% weight savings, 20% cost savings and a 5x better buy-to-fly ratio compared to the original aluminium part.

The quest for enhanced performance of applications and cost efficiencies continues. In addition to these traditional requirements, ongoing societal and environmental trends, such as the need to reduce CO_2 emissions, while maintaining a healthy and active ageing population, are important needs that must be addressed, when, over time, the impact of COVID-19 on the global economy has receded. Meeting sustainability targets remains a priority across the globe and for Victrex. Our products are sustainable and we remain in a good position.

RESOURCE EFFICIENCY

Resource efficiency

Alongside our enhanced sustainability vision (see pages 40 and 41) and targets to become carbon net zero by 2030, our products already offer recyclability potential and support for a circular economy. With lighter materials which can support CO_2 savings, we have clear sustainable benefits to society, but also have an impact on the environment through the resources that we use to make our products and the processes that we operate. We focus on controlling these impacts and, as we grow, are committed to continual improvement. Our priorities remain the efficient use of energy, water and waste minimisation and we are proactively focusing on improvement in these areas.

Examples during the year include modifications to our polymer plant solvent recovery process that reduced greenhouse gas emissions by up to 460 tonnes per year and also reduces water usage.

At our Rotherham plant following successful infrastructure improvements in 2019 the amount of waste effluent for off-site treatment was reduced by over 700 tonnes.

Separately at our Seal Sands monomer plant, process optimisation has enabled reductions of up to 60 tonnes per year of process raw materials with associated effluent reductions as well.

Principal environmental impacts

The Group's main environmental impacts are set out in the charts on page 50 and are different from the Group's overall greenhouse gas ('GHG') emissions (on pages 51 and 52). These show energy use, water use and waste from our main UK polymer production sites. These production sites have the biggest potential environmental impact (consuming 98% of energy for the Group); the impact from our US Gears facility, our UK Fibres plant and our overseas technical and office facilities is not material at this stage and is not included.

We have reported data per unit of revenue to best align our indicators with our Polymer & Parts strategy as we move downstream into more specialised manufacturing with a varied product mix, along with absolute data to demonstrate our total impact. Encouragingly, targeted improvement projects resulted in lower energy and water efficiencies per unit of plant output. Environmental indicators benefited from lower sales volumes.

Our GHG report (updated in line with the UK government's new policy on Streamlined Energy and Carbon Reporting ('SECR')) includes our corporate CO_2 emissions by emission type (Scope 1 emissions generated by the direct combustion of gas; Scope 2 emissions from purchased electricity and steam; total energy used; and Scope 3 emissions from other sources, for example distribution). Absolute emissions data is reported along with Scope 1 and 2 emissions per unit revenue.

Our participation in the Carbon Disclosure Project ('CDP'), which benchmarks global companies, has recognised our efforts in this area. CDP measures companies in their efforts to reduce carbon, and during the year we were pleased to maintain our score of a B- grade, higher than the European regional average. Due to our polymer operations being located in the North West of England, an area of high rainfall and low water stress, we did not participate in the CDP water disclosure but would note that our water usage has decreased in absolute terms by approximately 25% over the last five years, principally as a result of operational improvements to our process and a focus on water and resource efficiency.

Compliance

Proactively staying well ahead of environmental standards is part of Victrex's philosophy across our operations. When we design and build new assets we work closely with global regulatory authorities to make sure that the best available techniques to protect the environment are adopted. Our UK chemical production plants are regulated under Environmental Permitting Regulations and, as such, are subject to close regulatory review by the UK Environment Agency. We carry out extensive routine monitoring, with over 2,000 tests per year, to proactively make sure our plants are well controlled with no notifiable permit breaches during the year.

Victrex has an effective system for reporting and investigating incidents and near misses. In the period there were no reportable incidents.

We have well established systems and procedures in place to manage environmental performance and to achieve continuous improvement. During the year we successfully expanded the scope of our ISO 14001:2015 accreditation for the environmental management system on all our polymer manufacturing plant, melt filtration, compounding, film, tape, pipe, dispersion and innovation plant, validating our high level commitment to environmental improvement.

RESOURCE EFFICIENCY CONTINUED

Energy use (UK operations)

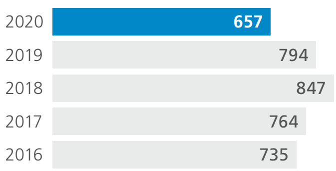
In line with previous reporting, energy use is reported for our UK manufacturing sites.

Energy data is based on meter readings and/or invoices.

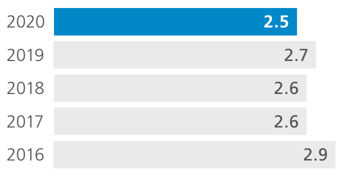
Absolute energy has decreased as a result of reduced production output.

Primary energy per unit revenue has decreased due to lower volumes produced as a result of inventory supplementing our sales volume.

Primary energy
Thousands GJ



Primary energy per unit revenue
Thousands GJ/£m

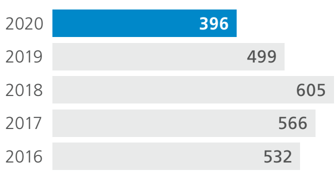


Water (UK operations)

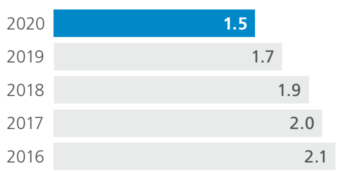
Absolute total water usage has fallen due to reduced production output and operational efficiencies.

Reduced water usage per unit revenue as a result of lower volumes produced is as a result of inventory supplementing our sales volume.

Water usage
Thousands m^3



Water usage per unit revenue
Thousands m^3/£m



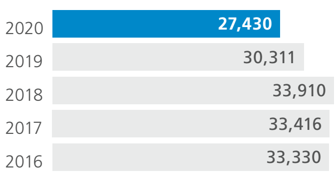
Waste (UK operations)

Whilst our manufacturing process generates hazardous waste, we work closely with licensed waste service providers to ensure that it is recovered, recycled or disposed of with minimal environmental impact. Waste generation is based on consignment note records.

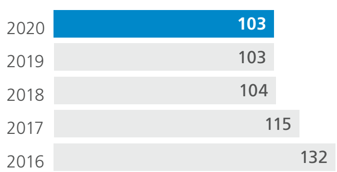
Total hazardous waste decreased this year driven by lower volumes manufactured.

We have invested in improving and optimising the production process to reduce waste, but we are already striving to reduce it further. This is a priority sustainability objective and there is an ongoing programme of work to examine how we can further minimise generation of waste at source and how we can also recover value from waste generated over the medium term.

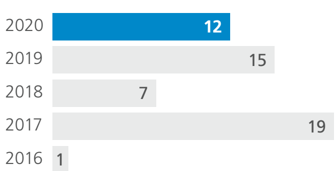
Hazardous waste produced
Tonnes



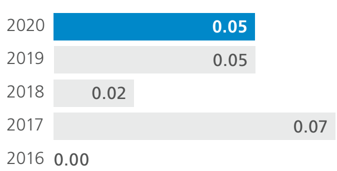
Hazardous waste produced per unit revenue Tonnes/£m



Hazardous waste disposed to landfill (after treatment) Tonnes



Hazardous waste disposed to landfill (after treatment) per unit revenue Tonnes/£m



Greenhouse gas ('GHG') emissions

Our GHG report has been updated in line with the UK government regulations on Streamlined Energy and Carbon Reporting introduced in 2019.

Emissions have been calculated based on the GHG Protocol Corporate Standard. Emissions reported correspond with our financial year. We have included emissions from both our owned and leased assets for which we are responsible in the UK and overseas. This includes our manufacturing plants, technical centres and offices. No material Scope 1 or Scope 2 emissions are omitted. National and regional emission conversion factors have been used. Indicative Scope 3 emissions have been included in our report for greater transparency including indirect emissions from business flights and international air and shipping goods freight.

Our GHG emissions are predominantly from gas combustion and electricity use on our chemical production plants in the UK. We continue to improve our proportion of renewable energy, with 85% of our global electricity needs now from renewable sources. Emissions from our Gears facility in the US and Fibres facility in the UK are included but are relatively immaterial. Additionally, emissions from our overseas technical facilities and offices are small compared to production activities, which explains our focus on production site environmental reporting metrics.

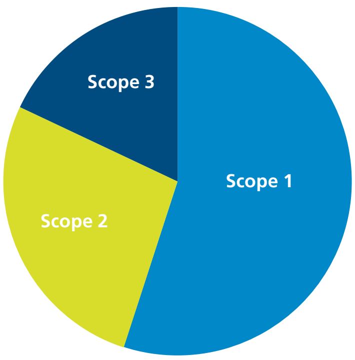
This year, emissions have been updated to include improved reporting of business car use and emissions from our South Korea office. Data has been back dated for consistency.

Direct emissions from gas combustion (Scope 1) and indirect emissions from electricity purchased (Scope 2) reduced during the year due to decreased production output.

Other indicative indirect emissions (Scope 3) from transport of goods and employees have decreased markedly, primarily due to global freighting strategy improvements and reduced business travel due to COVID-19.

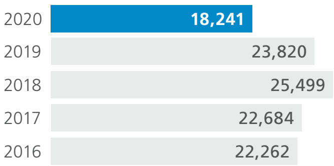
Victrex GHG emissions 2020 based on Victrex financial year 2019/20

Tonnes of CO_2 equivalent 2020 from PEEK manufacture and downstream products.



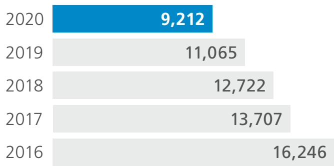
SCOPE 1

Direct emissions resulting from combustion of fuels Tonnes CO_2e



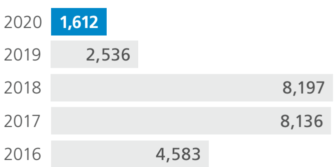
SCOPE 2

Indirect emissions resulting from electricity and steam purchased (location-based method) Tonnes CO_2e



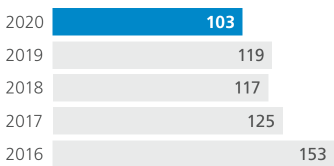
SCOPE 3

Other indirect emissions from related activities such as transport of goods and employees Tonnes CO_2e



INTENSITY MEASUREMENT (SCOPE 1 AND 2)

Tonnes CO_2e/£m revenue



In order to drive improvement a further range of energy efficiency projects have been implemented during the year.

For example, modifications to our polymer plant solvent recovery process have reduced greenhouse gas emissions by up to 460 tonnes per year and have reduced water usage. The modification lowered the amount of solvent requiring recovery per polymer batch by 25% resulting in a reduction in gas consumption along with increased cycle time and cost saving benefits. Other plant improvement projects during the year have focused on overall equipment effectiveness ('OEE') achieving measurable power and gas savings.

In addition, building on progress in 2019, our main Hillhouse (UK) manufacturing site benefited from purchase of zero carbon tariff electricity throughout the year. The site is the largest electricity consumer in the Group. This resulted in a significant drop in Scope 2 emissions (calculated based on our supply-specific emission conversion factors (the market method)) with emissions of zero tonnes CO_2e compared to emissions of 5,900 tonnes CO_2e if grid electricity had been purchased. Overall, over 85% of the Group's electricity usage is from renewable sources.

RESOURCE EFFICIENCY CONTINUED

Global GHG emissions and energy use data

	2019	2020
Scope 1/tCO_2e		
Global	23,820	**18,241**
UK	23,539	**18,035**
Global (excluding UK)	281	**207**
Scope 2 (location based)/tCO_2e		
Global	11,065	**9,212**
UK	10,315	**8,501**
Global (excluding UK)	750	**710**
Scope 2 (market based)/tCO_2e		
Global	7,155	**2,442**
UK	6,319	**1,614**
Global (excluding UK)	835	**828**
Gross Scope 1 and Scope 2 (location based)/tCO_2e		
Global	34,885	**27,453**
UK	33,854	**26,536**
Global (excluding UK)	1,031	**917**
Energy consumption/MWh		
Global	164,892	**131,954**
UK	163,085	**130,033**
Global (excluding UK)	1,807	**1,921**
Intensity ratio/tCO_2e		
Gross Scope 1 and Scope 2/£m revenue		
Global	119	**103**
Methodology		
Based on GHG Protocol Corporate Standard		

* This year's data includes emissions from our South Korea office and business travel by car.

REACH

The EU chemicals policy known as REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals regulations) is a well-established regulatory regime for the chemical industry and Victrex has well-established processes in place to comply with it. We regularly monitor and review to ensure that raw materials involved in our manufacturing process are compliant and that REACH will not adversely impact on security of supply, which is important both for Victrex and for our customers who are focusing on long-term demand. Following the Brexit referendum, we have optionality around REACH registrations, with the option to retain or transfer to our EU entities.

Occupational safety, health & environment ('SHE')

The occupational safety and health of all our employees, along with contractors and visitors to our sites, remains the highest priority for Victrex.

In this unprecedented year we were faced with the challenge of protecting our people from the COVID-19 pandemic by acting quickly based upon our learnings in January from our employees in China. We acted quickly to put in place global standards and procedures, following local and national guidance, on the controls required within each Victrex location. These included site entry criteria, social distancing and hygiene guidance, temporary homeworking support and Return to Site guidance. A recent pulse survey showed that over 90% of employees considered that Victrex has managed the COVID-19 response very well.

The pandemic has delayed some SHE improvement activities; however, during this period we have continued to operate safely and to continuously improve our SHE systems and procedures. Our FY 2020 SHE improvement programme has included: the first Victrex global SHE day focusing on health and wellbeing; launched a new global SHE management system; introduced mandatory SHE training for key hazards; completed a major upgrade of our online corporate accident, incident and near miss reporting system in line with the US Occupational Safety and Health Administration ('OSHA') reporting standard; completed an update of our SHE risk management tools and started a three-year SHE culture and behaviour improvement journey.

Our SHE KPIs are now reported in line with the OSHA criteria.

Our FY 2020 performance shows a rising trend for both recordable injury frequency rate ('RIFR') and lost time frequency rate ('LTFR') reflecting the change in our reporting standards as 45% of the total recordable injuries, medical treatment and restricted work cases are now being reported in line with the OSHA standard; however, despite this we remain below the OSHA industry standard RIFR rate (1.7) and slightly above the LTFR rate (0.6).

In addition, our all injury frequency rate has reduced by 35% (to 2.72) and in the UK our RIDDOR reporting has reduced by 70% (to 2).

Our ambition is to achieve a **zero accident and incident culture** and delivering our ambition will rely on us keeping a mindset where we all behave in the right way, do the right thing, make the right decisions and act quickly when it comes to taking care of each other and the environment.

Our goal is to be an organisation where whoever we are and whatever we are doing the three questions at the forefront of our mind are always: **Am I taking care? Is it safe? Am I doing the right thing?**

Recordable injury frequency rate	FY17/18	FY18/19	**FY19/20**
Total number of recordable injuries	9	9	**12**
Total hours (employee and contractor)	1,526,026	1,746,332	**1,854,529**
Frequency rate	1.18	1.03	**1.30**
OSHA benchmark			**1.7**

Frequency rate = total number of recordable injuries x 200,000/total number of hours worked (employee and contractor).

Lost time injury frequency rate	FY17/18	FY18/19	**FY19/20**
Total number of lost time injuries	4	4	**7**
Frequency rate	0.52	0.46	**0.75**
Employee hours – injury rate	1,526,026	1,746,332	**1,854,529**
OSHA benchmark			**0.6**

Frequency rate = total number of lost time injuries x 200,000/total number of hours worked (employee and contractor).

SOCIAL RESPONSIBILITY

Our social responsibility area focuses on inspiring our employees and communities to positively impact the Sustainable Development Goals:

- Good health and wellbeing
- Quality education/STEM
- Gender equality/diversity and inclusion

Employees (as at year end)

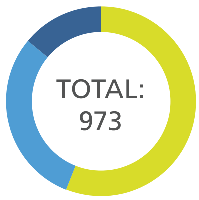
IN 1993

60

IN 2020

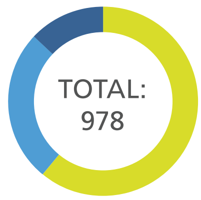
874

Average number of people employed during the year (including Directors), by category



IN 2019

Make	551
Develop, market and sell	289
Support	133



IN 2020

Make	596
Develop, market and sell	250
Support	132

COVID-19

It was important in our proactive response to COVID-19 to make sure that the safety, health and wellbeing of our employees remained our highest priority. We saw an immediate move to remote working of office-based employees and we reduced the number of business-critical employees on site too, operating at skeleton capacity whilst ensuring that we could meet the demands of our customers. Moving to a larger scale flexible way of working was introduced very quickly, supported by our 'work anywhere' IT strategy to support modern workforces and attract the right talent. These new ways of working were new to many of our employees and it was important for us to ensure that the right support and training was in place including DSE assessments. With a robust communication plan, spearheaded by the CEO through 'staying in touch' sessions, it ensured that employees could stay connected to each other and what was happening within the business. We developed focused online learning resources to support all colleagues in the transition from office working to remote working.

We have operated a cautious approach to having non-business-critical employees returning to site. In preparation for employees returning to their normal workplace we developed an induction programme – working COVID-19 safely, to ensure those coming back into the workplace were up to date on new measures put in place to ensure their safety, health and wellbeing. However, over two-thirds of our global employees remain homeworking currently.

Pleasingly, community activity has remained strong with requests globally from employees and businesses to supply PPE to our communities globally. In addition we supported the US, the UK and Europe with food bank donations as well as supporting local children's charities with colouring books and pens. As part of our Business in the Community membership we also supported the broader community in the UK responding to individual community requests for PPE and food. Our employees across the globe have also been very proactive and innovative, supporting their communities by sewing masks, making visors using 3D printing and using our regrind waste to manufacture parts for masks.

Our employees told us that 92% felt that our response to COVID-19 was well managed and that 80% of our employees had noted a positive impact in their perceptions of confidence in our leadership, communications, teamwork, line manager support and demonstration of our values and behaviours.

We have been proud of our employees' response to COVID-19 whilst working in different environments under difficult circumstances, which includes the impact of a job reduction programme, primarily through voluntary severance for approximately 100 employees as a result of the financial impact of COVID-19 and our need to remain financially viable. We continue to monitor and respond to the global COVID-19 situation, through our COVID-19 Committee, as our highest priority is the safety, health and wellbeing of those that work at Victrex.

Inclusion and diversity

We continue to be an inclusive employer with a goal to be fully supportive in our engagement of current and prospective employees regardless of gender, age, disability, ethnicity, etc.

FY 2020 has seen a continuation in our active support for inclusion and diversity:

- creation of a Race4equality group to provide focus on race diversity elements;
- flexible working policies being enhanced globally to meet the learnings from COVID-19;

Gender pay

Each year, following the introduction of the gender pay regulations in 2017, we are required to publish information about our gender pay gap. The UK government defines this as:

'The difference in the average earnings of men and women, expressed relative to men's earnings, for example, women earn 15% less than men per hour.'

This is different from 'equal pay', which can be defined as men and women being paid the same for the same work. Victrex is fully compliant with equal pay legislation.

For gender pay gap reporting purposes, we took our 'snapshot' of Victrex Manufacturing Limited at 5 April 2020.

Gender pay headlines

Employees

- There were 676 relevant people employed on full pay.
- 82% were male and 18% female.
- 80% worked within STEM (science, technology, engineering and maths) functions, and 88% of this group were male.
- 100% of our Executive Leadership Team members (executive Directors) were male.
- The proportion of male vs female employees in each of our pay bands was split as follows:
  - Lower quartile – 67.65% male vs 32.35% female.
  - Lower middle quartile – 89.53% male vs 10.47% female.
  - Upper middle quartile – 89.70% male vs 10.30% female.
  - Upper quartile – 80.47% male vs 19.53% female.

Pay

- The mean hourly rate of pay for males was 10.61% higher than females.
- The median hourly rate of pay for males was 6.47% higher than females.
- 11.11% of males were paid a bonus, compared with 16.18% of females.
- The mean bonus payment for males was 93.57%* higher than females.
- The median bonus payment for males was 43.30% higher than females.
- 39% of our employees were paid a shift premium and 98% of them were male.

Analysis and action

Most of the statistics were broadly the same as FY 2019. Although we still saw a higher proportion of males, we continue to see positive year on year trends in mean and median rates of pay. Our annual bonus payment was not triggered in the 2020 financial year; therefore, we feel that the bonus data we have reported this year is not truly reflective, compared with our years when the bonus has been triggered.

We continue to focus our efforts to ensure that our pay and bonus plans are inclusive globally, and our total reward offering is competitive for both male and female employees. We continue to have equitable policies and processes, regardless of gender.

During 2019–20 we rolled out a new business-wide objective focused around 'working together', designed to encourage greater awareness and support for I&D. Employees globally are focusing on this objective through individual performance appraisals as well as being championed by the executive Directors and wider leadership team. This effort is driving ownership to ensure that all managers and leaders are aware of our commitments and their responsibilities to help meet them.

During 2021 we will drive a renewed focus on flexible working which, alongside our breadth of other inclusive policies, will have an impact on the balance of male vs female employees.

To see our full gender pay gap report, including calculations and considerations, please visit our corporate website, www.victrexplc.com.

- shared parental leave policy updated with terms designed to encourage uptake (i.e. above legal minimum);
- Bullying and Harassment Policy updated; and
- organisational capability review process updated to ensure formal consideration given to issues around diversity.

To further embed our inclusion approach this year we actively supported the International Day of Women and Girls in Science. The creation of case studies celebrating females in roles across the STEM agenda in Victrex, the development of science experiments which were recorded and sent out to local schools, an internal competition for children of employees to carry out science experiments and the creation of a bespoke area on the learning portal with resources about women in science were great examples.

Our revised focus on our recruitment and selection process ensures explicit consideration is given to inclusion and diversity at all stages from the wording of the advert, where to place the advert and the selection methodologies. All adverts now state: 'Victrex values diversity and encourages applications from all sections of the community. Please talk to us about flexible working.'

We continue to give full and fair consideration in our recruitment and selection process to any applicant with a disability. For disabled persons employed by Victrex, be that upon commencement or whom become disabled during their employment, Victrex is committed to ensuring equality of opportunity for training, career development and promotion opportunities.

These activities have led to results from our recent employee engagement survey identifying a 6% increase up to 68% in employees believing that Victrex appreciates individual differences.

At the end of FY 2020, 67% of our Board were male and 33% were female. 33% of our senior managers were female**. In the grouping of senior managers and their direct reports, 59% were male and 41% were female. Of the rest of our employees 77% were male and 23% were female.

As at 30 September 2020:

	Male	Female	Total
Board of Directors	6	3	9
Senior managers	4	2	6
Senior managers and direct reports	23	16	39
Rest of employees	664	195	859
All employees	674	200	874

** Changes in figures compared to FY 2019 are due to the creation of a Victrex Management Team ('VMT') in FY 2020 with executive Directors incorporated in the numbers for Board of Directors. Senior managers are six VMT members excluding the three executive Directors. VMT members are listed on page 71.

* The jump in the mean male bonus can be attributed to the fact that of the 35 people who had gains in the year, two males were executive Directors whose gains particularly affected the outcome.

SOCIAL RESPONSIBILITY CONTINUED

Recognition
Our recognition programmes have continued to evolve in recent years, from 'instant' and 'functional' awards, to our annual 'CEO Awards' which recognise the global talent across Victrex. This year was also the third year of the 'Professional Development Awards' which celebrates employees completing further education to gain a qualification.

In FY 2020, there were 233 Above & Beyond Awards, 126 Functional Awards, 29 CEO Awards and 39 Professional Development Awards.

Involvement and culture
Offering a variety of communication channels, both formal and informal, allows us to keep employees informed of business news and facilitate two-way discussions. During COVID-19 with a lot of our workforce working from home we knew how important it would be to ensure that our employees could stay connected. We increased all employee 'staying in touch' sessions with our Leadership team in addition to our quarterly staff briefings, along with a greater use of video and digital communication channels, for example access to our intranet sites on any device anywhere.

This year also saw the appointment of Brendan Connolly as our workforce engagement non-executive Director and he has been leading on a programme to ensure that the employee voice is represented at Board level. This programme like many other initiatives this year has had challenges in fulfilling its goals due to COVID-19 restrictions. Despite these challenges Brendan has visited a number of our sites in the UK, presented at our global staff briefings and hosted calls with teams in the UK and US, seeking to hear employee voice and drive engagement.

Next year will see a continuation of engagement activity across Victrex to firmly embed employee voice within our culture which is built on innovation and delivering with speed and service.

Development
Employee development remains a keen focus for us to help deliver on our strategy and ensure retention of our employees. In FY 2020 we had 42 employees (M: 66%; F: 34%) on apprenticeship programmes and 34 employees (M: 60%; F: 40%) completing their qualifications. We have also supported colleagues through Institute of Occupational Safety and Health working safely, as our unwavering focus on safety continues. Other employee development has continued to move onto a digital platform, fast tracked by the COVID-19 situation. In FY 2020 75% of learning was seminar based with 25% being a mix of e-learning and blended learning.

Wellbeing
In addition to our occupational health, private medical and employee assistance programme services FY 2020 has seen us work to increase engagement of wellbeing through internally run activity. This year saw the launch of the global SHE day with the purpose of raising the awareness of safety, health and wellbeing to all employees. The global event was a great success and saw a number of different events including health kiosks, yoga classes, tool box talks, smoking cessation support and support to maintain a healthy lifestyle. In addition, FY 2020 saw a focus of supporting colleagues during COVID-19 through the development of health and wellbeing resources on our Learning Portal which included resilience, management of change and support for parents educating children at home. Our recent employee engagement survey saw a 3% increase (up to 64%) in our employees feeling that Victrex is genuinely interested in their wellbeing. Our aim is to continue to build on these activities to demonstrate that employee wellbeing is a priority.

Community volunteering
Our goal to align with Victrex's innovation and science-based heritage and to support the next generation of employees through science, technology, engineering and maths ('STEM') subjects continues to grow in strength.

In FY 2020, despite activities being curtailed by COVID-19, we provided over 1,376 hours in supporting local communities in educational activities – an increase in over 1,000 hours from FY 2019, supporting over 2,000 young people and attending over 40 events before the impact of COVID-19. This has been supported by the 35 STEM ambassadors – a significant increase in numbers from last year. We have provided over 400 hours in dedicated work experience for young people in areas such as Manufacturing & Engineering, R&D and IT. With the addition of our global community work this brings us to a total of 2,570 hours throughout the year, a strong achievement. We now have 29% of the workforce engaged in sustainable activities, an increase of 16% from FY 2019.

As a result, cumulatively we have now delivered 7,016 hours to the community since 2015, taking us ever closer to our strategic target of 10,000 hours by 2023.

We have continued to support a range of community initiatives including:

- becoming a Cornerstone Employer – demonstrating our commitment to inspiring young people about our sector. We have three Enterprise Advisors working closely with local schools close to our Hillhouse site in Lancashire;
- hosting visits from universities;
- active involvement in the Science Industry Partnership ('SIP'), recognising the importance of working with other manufacturers in the UK to shape the skills agenda. Activity here includes continuing to develop higher apprenticeship standards and developing packages of learning for SIP ambassadors who work closely with STEM ambassadors so they can help connect teachers and parents about the industry;
- we remain members of Business in the Community ('BITC') in the UK, with a number of outreach activities in progress; and
- partnering with Catalyst Discovery Centre in the UK, which teaches school-age children about chemistry and how polymers are made in an interactive way.

Charitable giving

Our employee-led Community Investment team encourages employees globally to suggest activities to support local communities and charities, and manages all associated donations. Charitable donations totalling £118,659 (FY 2019: £80,704) were made during the year which included some support specifically for COVID-19 related needs.

As a business we continue to focus on:

1 the safety, health and wellbeing of our employees being our highest priority;

2 promoting our values of Passion, Innovation and Performance and a culture of innovation, service for customers and delivering with speed;

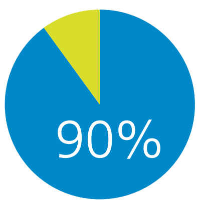
3 ensuring an inclusive and diverse workforce with appropriate policies;

4 being socially responsible to the communities where we operate and being aligned to the UN Sustainable Development Goals, including increasing our sustainable products;

5 providing appropriate remuneration for work carried out and equal opportunities for development and career advancement; and

6 being intolerant of any unacceptable working practices such as any form of discrimination, bullying or harassment.

Participation in employee share schemes



2020	2019	2018	2017	2016
90%	93%	95%	88%	91%

Note: Excludes employees with a tenure less than a year.

4%

Voluntary employee turnover

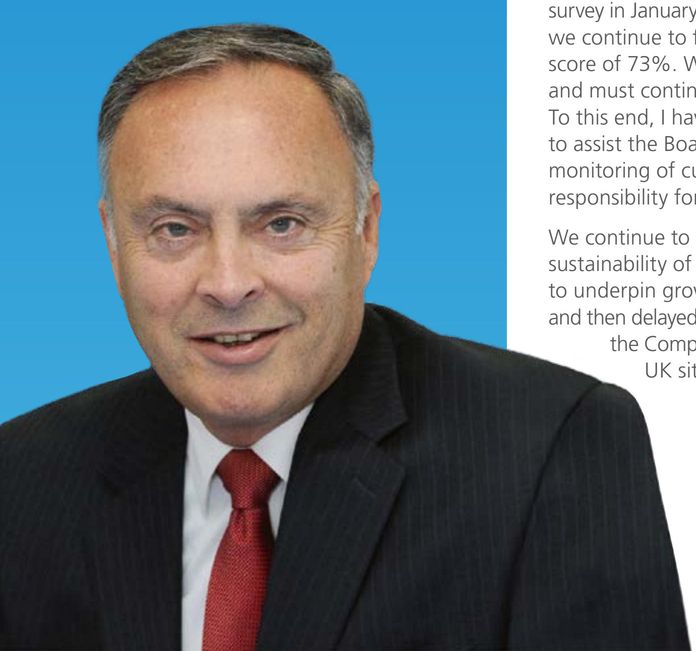
2020	2019	2018	2017	2016
4%	5%	5%	3%	7%

FY 2020 highlights

- Our proactive response to COVID-19 pandemic
- Our China manufacturing subsidiary
- Employee engagement survey
- Appointment of Dr Ros Rivaz as our Senior Independent Director
- Site visits to our downstream manufacturing pipe and fibre facilities in the UK, and visiting key customer, Magma

FY 2021 priorities

- Managing COVID-19
- Continued focus on health and safety
- Board visit to our Asian sites when the COVID-19 pandemic allows
- Succession planning
- Meeting mega-programme milestones
- Keeping under review developments in corporate governance and evolving investor and sustainability expectations, actioning changes where appropriate



INTRODUCTION FROM THE CHAIRMAN

Dear shareholders,

As I reflect on the events and achievements of the last year, it is clear that the COVID-19 pandemic has delivered a set of unprecedented circumstances. At Victrex, it has tested our performance and our resilience and reinforced a key tenet of our Code of Conduct – 'doing the right thing' and our critical 'working together' behaviour. I am very proud of the way our people proactively responded to the crisis, keeping our manufacturing plants running safely, supplying customers and supporting local communities. Further details of how we responded are set out on pages 6 and 7.

Adapting to new ways of working during the pandemic, the Board and its Committees met regularly using video conferencing technology. This was an effective way to maintain strong governance, cover the wide range of topics in our programme of business and focus on delivering the Group's strategic aims. An outline of topics covered by the Board in the year is set out on pages 69 and 70.

Despite the challenges of remote working and physical distancing, we have continued to enhance our stakeholder engagement and have continued to place stakeholder interests at the centre of our considerations as we strive to meet our purpose and strategic aims. Our first report from our non-executive Director, Brendan Connolly, who has embraced his responsibility for workforce engagement, as well as details of engagement with shareholders and other key stakeholders can be found on pages 73 and 74. Our section 172 statement is set out on pages 18 and 19.

We conducted an all employee engagement survey in January 2020 and I am delighted that we continue to foster a high engagement score of 73%. We cannot be complacent and must continue to nurture our culture. To this end, I have asked Brendan Connolly to assist the Board with the ongoing monitoring of culture as a key part of his responsibility for employee engagement.

We continue to drive the long-term sustainability of Victrex and opportunities to underpin growth. This year, we approved and then delayed debottlenecking activities on the Company's principal manufacturing UK site to increase capacity.

We have also established a manufacturing subsidiary with existing supplier Yingkou Xingfu to establish a PEEK manufacturing facility in China.

Following a review by the Board on the progress of our sustainability programme in March 2020, and following feedback from major investors, an enhanced approach was taken which aligned with the UN Sustainable Development Goals 2030, thereby being in step with our purpose and where Victrex could have the most impact for our employees and society, for our customers and suppliers, for our communities and for our investors. With our sustainable business model and sustainable products already recognised by a number of ESG reporting agencies – for example, in supporting the lightweighting trend and the ability of our products to support CO_2 reduction in Transport markets, as well as bringing clinical benefit in Medical – we took the opportunity to set out longer-term goals as well as clear measures behind these. Whilst our three focus areas of sustainable solutions (how our products benefit society), resource efficiency (how we manage our resources and seek to reduce carbon, waste and water) and social responsibility (how we support the communities in which we operate) are unchanged, our enhanced goals reflect how the Board has considered our positive impact in a range of areas for different stakeholders. These include our goals to double recycling rates in the supply chain and increase the proportion of products which deliver environmental and social benefit, as well as our goal to be carbon net zero by 2030. See pages 40 to 57 for more information.

2020 has seen further Board changes, totalling twelve over the last three financial years. Following nine years on the Board, Dr Pamela Kirby stepped down at the AGM in February 2020 and was replaced as Senior Independent Director by Dr Ros Rivaz in May 2020. Ros has a strong track record as both a non-executive and executive director, has relevant industry experience and has made a solid start to her career at Victrex. This role will eventually turn to the search process for a new Chair, recognising I have served longer than the recommended nine years in role. However, as we navigate the challenges of COVID-19, and reflecting the recent significant Board changes, it remains more important than ever to retain the Board stability that has benefited the Group and will continue to do so.

This year, we reviewed Board effectiveness through an internal process using confidential questionnaires developed by each Committee Chair, the Company Secretary and me. We sought feedback from a broader range of participants than before and I am pleased to confirm that the review found that the Board and its Committees continue to perform effectively. Further details can be found on pages 65, 72 and 75. Addressing feedback from our 2019 external evaluation, I am proud to confirm we have 33% female representation on the Board. Below Board, we have two women on our Victrex Management Team ('VMT') which, excluding the Directors, means there is 33% female representation at senior management level. As at 30 September 2020, 16 of the 39 people who comprise the group senior management and their direct reports excluding Board directors were women (41% female representation at this level). A description of the VMT, its members and the key below Board meetings which support the Chief Executive Officer is set out on pages 70 and 71. To further promote diversity at and below Board level, we plan to focus on enhancing data capture, and reporting of progress on diversity and inclusion initiatives is underway.

We are planning for a different Annual General Meeting this year. Please see page 103 for more information. In light of the current and anticipated public health guidelines in connection with the COVID-19 pandemic, this year's meeting will be scaled back and will focus on formal business only. As social distancing measures and restrictions on large gatherings are anticipated to remain in place on 12 February 2021, the Board proposes that a limited number of Company representatives will attend the Annual General Meeting in person to ensure that a valid meeting is held. In doing so, they will observe all relevant social distancing guidelines. Regrettably other shareholders will not be permitted to attend the Annual General Meeting in person if such measures continue to be in force. It is therefore important that you do not attend the meeting in person while the current public health measures are in place.

The Board recognises the importance of the Annual General Meeting to shareholders and is keen to ensure that you are able to participate in the meeting and to vote notwithstanding the restrictions on attendance in person. Therefore, if you wish to participate in the Annual General Meeting, you are encouraged to appoint the Chairman of the meeting as your proxy and give your instructions on how you wish the Chairman to vote on the proposed resolutions. All proposed resolutions will be put to a vote on a poll, which will result in a more accurate reflection of the views of shareholders by ensuring that every vote is recognised.

Public health guidance issued by the government in relation to the COVID-19 pandemic continues to evolve and the Board intends to keep the arrangements for the Annual General Meeting under close review. Circumstances may result in it being necessary to change the arrangements further in the coming weeks. The Board therefore recommends that you check the Company's website regularly and monitor Company announcements for any updates. If the public health measures and guidance change and we inform you that you are able to attend in person you may also be able to appoint one or more proxies of your choice to attend and exercise your rights at the meeting in the usual way. If you choose now to appoint a proxy other than the Chairman of the meeting, but social distancing measures or other restrictions on attendance in person continue to be in force, your appointment will be deemed to be an appointment of the Chairman of the meeting. If you have any questions for the Board on the business of the meeting, please send them in advance of the Annual General Meeting to ir@victrex.com. We will aim to respond to all questions raised as quickly as possible. We will post a summary of the questions and answers on our website www.victrexplc.com on the morning of the Annual General Meeting. We look forward to hearing from you.

Larry Pentz
Chairman
9 December 2020

Board of Directors

Non-executive

1. LARRY PENTZ
Chairman

N

Qualifications: BS ChE MBA **Nationality:** US

Appointed to the Board: July 2008 (appointed Chairman on October 2014)

Independent: On appointment

Skills and experience: Larry has a strong record in M&A, strategy implementation and leading international growth businesses in the chemicals industry, as well as extensive operational and general management experience.

Previous roles: Larry was an executive director of Johnson Matthey Plc from 2003 to 2016 and has over 30 years' service within multi-national businesses in a variety of operational and general management positions. He was non-executive chairman of Scapa Group plc from 2017 to 2020.

Other significant appointments: None.

Specific contribution to the Company's long-term success: Larry's extensive sector and board level experience enables valuable leadership of the Board, as well as delivering continuity and stability as the Company navigates the challenges of COVID-19 and reflecting significant Board changes since 2017.

2. DR ROS RIVAZ
Senior Independent Director

A N R

Qualifications: BSc (Hons) Honorary DSC **Nationality:** British

Appointed to the Board: May 2020

Independent: Yes

Skills and experience: Ros holds a Bachelor of Science (Honours) degree in chemistry and an honorary doctorate from Southampton University, and has deep international experience in the areas of supply chain management, logistics, manufacturing, IT, procurement and systems in the engineering, manufacturing and chemicals industries.

Previous roles: Ros' executive career spans nearly 30 years. She held senior executive roles at Exxon Chemical Corporation, Tate & Lyle, ICI, Diageo and Premier Foods. Ros served as global chief operating officer for Smith & Nephew from 2011 to 2014. She was non-executive director at ConvaTec plc, RPC Group plc, Boparan Holdings Limited, Rexam plc and CEVA Logistics AG.

Other significant appointments: Ros is currently senior independent director, employee engagement director and chair of the remuneration committee of Computacenter plc. She is non-executive director of Aperam SA. She is chair of the Nuclear Decommissioning Authority and non-executive director at the Ministry of Defence Equipment and Support board.

Specific contribution to the Company's long-term success: Ros' strong track record as both a non-executive and executive across a range of listed companies, particularly in the medical industry, will be instrumental in driving growth and supporting the Chairman in her role as Senior Independent Director.

3. JANE TOOGOOD
Non-executive Director

A N R

Qualifications: MA Hons **Nationality:** British

Appointed to the Board: September 2015

Independent: Yes

Skills and experience: Jane has a wealth of experience across a number of business management, senior commercial and business development roles within the global chemicals industry. Jane holds an MA in natural sciences (chemistry) from the University of Oxford.

Previous roles: Jane held senior roles at Borealis, ICI and Uniqema. She was non-executive director of NHS Harrogate and District Foundation Trust.

Other significant appointments: Jane is the sector chief executive, efficient natural resources at Johnson Matthey Plc.

Specific contribution to the Company's long-term success: Jane brings strategic and industry expertise and insights drawing on her extensive international experience across multiple sectors. Jane is a current senior executive leading businesses to successfully transform to meet the future demands of global mega trends.

4. JANET ASHDOWN
Non-executive Director

A N R

Qualifications: BSc (Hons) **Nationality:** British

Appointed to the Board: February 2018

Independent: Yes

Skills and experience: Janet has over 30 years' experience in the international energy sector working across the value chain from customer facing through to manufacturing in increasingly senior roles.

Previous roles: Janet had a distinguished career working for BP plc for 30 years where her last role was head of the UK Fuels Business Unit. She was CEO of Harvest Energy, an international private equity backed business, from 2010 to 2012. She was non-executive director at SIG plc and Coventry Building Society.

Other significant appointments: Janet is currently senior independent director, chair of the remuneration committee and designated non-executive director for workforce engagement at Marshalls plc. She is a non-executive director and chair of the sustainability committee of RHI Magnesita NV and she is also senior independent director and chair of the Environment Safety and Security Committee of the Nuclear Decommissioning Authority.

Specific contribution to the Company's long-term success: Janet has extensive international executive and non-executive experience and has served on remuneration committees across different sectors for over ten years and been a chair for five years.

PAMELA KIRBY
Senior Independent Director
(retired 6 February 2020)

A N R

Qualifications: BSc PD

Nationality: British

Appointed to the Board: February 2011 and appointed as Senior Independent Director in 2014

Independent: Yes

Skills and Experience: Pamela has extensive knowledge of the international healthcare sector. She is an experienced company board director.

Previous Roles: Pamela has held a number of other senior positions in the international pharmaceutical industry including at AstraZeneca plc, where she was regional director, and at F. Hoffmann-La-Roche Lt, where she was director of strategic marketing and business development. Pamela was formerly CEO of Quintiles Transnational Corp. Pamela has served as chairman at Scynexis Inc and Oxford Immunotec Limited. She was senior independent director at Informa plc and a non-executive director of several boards including Smith & Nephew plc and Novo-Nordisk A/S.

Other significant appointments: Pamela is non-executive director at DCC plc, Hikma Pharmaceuticals plc and Reckitt Benckiser Group plc, serves on the supervisory board of Akzo Nobel and is also an advisor to Kings Health Partnership.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5. DAVID THOMAS

A N R

Non-executive Director

Qualifications: MA FCA **Nationality:** British

Appointed to the Board: May 2018

Independent: Yes

Skills and experience: David has deep experience in a broad range of finance activities within listed companies as both a senior executive and as an audit professional.

Previous roles: David was CFO at Invensys plc from 2011 until his retirement in 2014, having held senior roles across the business since 2002. Prior to joining Invensys, he was a senior partner in Ernst & Young specialising in long-term industrial contracting business and was a member of the Auditing Standards Board.

Other significant appointments: David is non-executive director at Dialight plc where he is chair of the audit committee and the nominated non-executive director with responsibility for workforce liaison.

Specific contribution to the Company's long-term success: David contributes his expertise in finance and his understanding of the investment community and regulators as both a Board member and Chair of the Audit Committee, as well as his industry knowledge to enhance the risk lens for Board decision making.

6. BRENDAN CONNOLLY

A N R

Non-executive Director

Qualifications: BSc **Nationality:** British

Appointed to the Board: February 2018

Independent: Yes

Skills and expertise: Brendan has over 35 years' experience in the international oil and gas industry serving in a number of senior executive roles.

Previous roles: Until 2013, Brendan was a senior executive at Intertek Group plc and had previously been CEO of Moody International (acquired by Moody in 2011). Prior to Moody, Brendan was managing director of Atos Origin UK and spent more than 25 years of his career with Schlumberger in senior international roles over three continents.

Other significant appointments: Brendan is senior independent director and chair of the remuneration committee of Synthomer plc. Brendan is also on two private equity boards, one of which he chairs.

Specific contribution to the Company's long-term success: With extensive executive and non-executive experience, Brendan brings operational, commercial and strategic expertise and insights; his role as the designated non-executive Director for workforce engagement enhances the Board's understanding of the views of employees and the culture of the Company.

LOUISE WALDEK

Company Secretary

Executive

7. JAKOB SIGURDSSON

Executive Director – Chief Executive Officer

Qualifications: BSc MBA **Nationality:** Icelandic

Appointed to the Board: October 2017

Independent: No

Skills and experience: Jakob holds a BSc in chemistry from the University of Iceland and an MBA from Northwestern University in the US. His executive responsibilities have spanned marketing, supply chain, business development, strategy and M&A, with particular emphasis on growth in new or developing markets.

Previous roles: Jakob has more than 20 years' experience in large multinational companies, both listed and private, including nine years with Rohm & Haas (now part of Dow Chemical) in the US. He was chief executive at Alfesca, Promens and ViS.

Other significant appointments: Non-executive director of Coats Group plc.

Specific contribution to the Company's long-term success: Jakob brings his diverse and international background in chemicals coupled with wider business, executive and non-executive experience to inspire and lead the Group.

8. DR MARTIN COURT

Executive Director – Chief Commercial Officer

Qualifications: BSc (Eng) PhD **Nationality:** British

Appointed to the Board: April 2015

Independent: No

Skills and experience: Martin is an INSEAD alumnus and holds a doctorate in the field of surface chemistry and fracture mechanics and a BSc (Eng) in mineral technology from the Imperial College of Science and Technology. He has broad international experience in strategy, innovation-driven growth and organisational change in high performance materials and chemical industries, having held both senior commercial and technical leadership roles.

Previous roles: Martin joined Victrex in 2013 as Managing Director of Invibio from Cytec Industries where he served as VP in process separation and VP R&D, previously having held senior leadership roles in UCB S.A and ICI.

Other significant appointments: None.

Specific contribution to the Company's long-term success: Martin's significant diverse international experience and focus on value creation and achieving business growth through innovation and geographic expansion enable him to drive Victrex's commercial and innovation strategies ensuring an appropriate balance between disruptive and non-disruptive change.

9. RICHARD ARMITAGE

Executive Director – Chief Financial Officer

Qualifications: FCMA **Nationality:** British

Appointed to the Board: May 2018

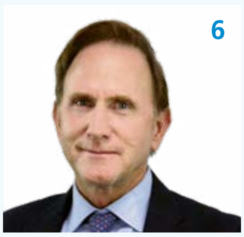
Independent: No

Skills and experience: Richard has broad experience including financial management, investor relations, capital markets, M&A and commercial management, gained through roles in a number of listed and privately owned chemicals and consumer goods companies.

Previous roles: Richard was CFO at Samworth Brothers from 2014 to 2018 and CFO of McBride plc from 2009 to 2014. Prior to that, Richard held senior finance roles in Courtaulds plc, ICI plc and Premier Foods plc.

Other significant appointments: Richard is a non-executive director and chair of the audit committee at NWF Group plc.

Specific contribution to the Company's long-term success: Richard contributes his financial leadership capability, combined with commercial experience, as the Company continues its profitable growth, and business development experience as the Company expands its footprint.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Key to Committees

- A Audit
- R Remuneration
- N Nominations
- Committee Chair

Statement of corporate governance

This section contains details of how we have applied the principles of the 2018 UK Corporate Governance Code. The Code can be found on www.frc.org.uk. For the year ended 30 September 2020, we are pleased to report that we have applied the principles and complied with the provisions of the Code except as described below.

→ We have provided explanations for not meeting Provision 19 of the Code as Chairman tenure exceeds the recommended nine years – please see page 76.

→ We did not continuously meet the requirement in Provision 12 of the Code for having in place a Senior Independent Director as during the period from the retirement of Dr Pamela Kirby at the Company's Annual General Meeting in February 2020 until the appointment of Dr Ros Rivaz on 1 May 2020 there was no nominated Senior Independent Director in place – please see page 63.

1. Board leadership and Company purpose

A. Role of the Board	The Board performs its role to promote the long-term sustainable success of the Company and is considered to be effective in its approach. An explanation of how the Board operates can be found on pages 67 to 70. The action plan following the 2020 internal Board and Committee effectiveness evaluation is contained on page 72.	For a description of the business model and a description of strategy, please see pages 10 to 17.
B. Purpose, values and culture	The Board endorses the Company's purpose which informs our strategy, our values and our culture and inspires our people. The Board reviews workforce culture and employee engagement through a range of touchpoints throughout the year. We have developed a dashboard of cultural indicators which is reviewed formally each year, with actions to address any areas of concern being monitored more frequently. In addition, the Audit Committee has reviewed the results of internal audits which provide insights into the culture of the Group and individual areas of the business. Following a detailed review of culture which included consideration of the Group's values, the behavioural framework and employee insights from our non-executive Director with designated responsibility for workplace engagement, in conjunction with the annual review of purpose and strategy undertaken, the Board confirmed the alignment between purpose, strategy, values and desired culture.	For more information on our purpose, strategy, values and culture, please see page 72.
C. Resources and controls	The Board ensures that the necessary resources are in place for the Company to meet its objectives and measures performance against them. The Board has a framework of controls which enable risk to be assessed and managed. The Group has established an Executive Risk Committee which manages risks and establishes and monitors controls in place.	For more information about the risks faced by the Company and the associated governance framework, see pages 31 to 36. See the Audit Committee report on page 83 for information about controls.
D. Engagement with shareholders and stakeholders	Victrex has multiple stakeholders who are all important to our business. We are aware that our actions and decisions impact our stakeholders and the communities in which we operate. We recognise that valuable stakeholder engagement underpins our ability to achieve our purpose and strategic aims. The Board regularly reviews and considers our key stakeholder relationships, including how we engage with them and whether any improvements can be made. Following increased interaction with regulators and government, this group is now considered as a principal stakeholder for reporting purposes. The Board maintains regular direct and indirect engagement with shareholders and other key stakeholders. Where engagement is not direct, it takes place via feedback from individual Directors and members of management. The relevance of each stakeholder group will depend on the particular presentation or matter requiring Board decision; we also have regard to any other key factors including the interests or requirements of applicable regulators. All decisions we make will unfortunately not benefit all stakeholders; by taking a consistent approach to decision making and being guided by our purpose and our strategic aims, we hope that our decisions are understandable. The matters we have discussed and debated during the year are set out on pages 69 and 70. Set out on pages 70, 73 and 74 are details of how we have responded to the challenges we faced as a result of COVID-19, and how we considered the impact on our key stakeholders in our response.	For more information about shareholder engagement, please see pages 73 and 74 of this section and page 84 of the Remuneration Committee report. For more information about engagement with other stakeholders including the first report from our non-executive Director with designated responsibility for workforce engagement, please see pages 73 and 74. Our section 172 statement is contained on pages 18 and 19 of the Strategic report.

1. Board leadership and Company purpose continued

E. Workforce policies and practices	Our Code of Conduct sets out the standards of behaviour we expect from everyone at Victrex and those who work with us. We encourage people to raise any matters of concern through our Global Whistleblowing Policy, where genuine concerns may be reported and investigated without reprisals for whistleblowers. The Group operates an independently provided confidential reporting telephone helpline for employees to raise any matters of concern. Alternatively, such matters could be raised with the line manager, the HR business partner or, as detailed in the Global Whistleblowing Policy, the Director of Risk & Compliance, the Group HR Director or the Chair of the Audit Committee. Employees can remain anonymous if they wish. All concerns are investigated fully, regardless of how they are raised. During the year, the Board was kept fully apprised of the number of cases. The Board would also be informed about how cases were being investigated and remedial actions taken. A number of employees have been selected and received specialist training in order to conduct investigations of cases of whistleblowing. The Group operates an Anti-bribery & Corruption Policy to prevent bribery being committed on its behalf. All employees must follow it and there are processes in place to monitor compliance. As part of the programme, employees are required to comply with the Group's Gifts & Hospitality Policy. This permits employees to give and accept proportionate and reasonable hospitality for legitimate business purposes only. Our suppliers must comply with our Supplier Code of Conduct which explains we will not tolerate corruption, bribery or anti-competitive actions and expect suppliers to comply with applicable laws. A copy of the Group's Anti-bribery & Corruption Policy is available on request.	For more information about this and our approach to ethics and compliance, please see pages 44 to 46.
Conflicts of interest	The Board has a formal system in place to declare an actual or potential conflict of interest. A statement of Directors' interests in Company shares is set out on page 103.	Please see page 104 for further information.

2. Division of responsibilities

F. Role of the Chair	Our new Senior Independent Director, Dr Ros Rivaz, led the annual performance review of our Chairman, Larry Pentz. The outcome of that process found Larry to be an effective Chair.	For more information, see page 77 of the Nominations Committee report.
G. Composition and responsibilities	There are nine members of our Board: the Chairman, five independent non-executive Directors (one of whom is Senior Independent Director) and three executive Directors. Our Chairman was independent on appointment. Whilst the tenure of our Chairman has exceeded the recommended nine years, we have provided an explanation on page 76. All other non-executive Directors have less than nine years' service. Details of the distinct roles and responsibilities of the Chair, the Senior Independent Director and the Chief Executive Officer are summarised on page 67, with full details set out on our website. For a period of three months, the Board operated effectively without a Senior Independent Director following the departure of Dr Pamela Kirby until the appointment of Dr Ros Rivaz. During this time, there were no discussions about Chairman succession planning and the other non-executive Directors provided a sounding board for the Chairman as and when required.	Information about our individual Directors is set out on pages 60 and 61. Details about our Board and its Committees are set out on page 67.

Statement of corporate governance continued

2. Division of responsibilities continued

H. Role of the non-executive Director	The role of the non-executive Director is to provide constructive challenge and strategic guidance, offer specialist advice and hold management to account. The results of our Board and Committee evaluation supported this. Dr Ros Rivaz was appointed as Senior Independent Director with effect from 1 May 2020, replacing Dr Pamela Kirby, who did not stand for re-election at the Company's AGM on 6 February 2020. There was a short period within which the Board did not have a Senior Independent Director in place but this did not impact its operation. At the end of each Board meeting, the Chairman holds a meeting without the executive Directors present to provide feedback on papers presented, and consider and discuss any matters that have arisen during the meeting. The Chairs of the Audit and Remuneration Committees also hold regular meetings without the executive Directors and management present, at the end of certain meetings. The Chief Executive Officer holds meetings with the Chairman and the non-executive Directors to ensure they remain up to date on business matters in months when there are no scheduled Board meetings. Independence of non-executive Directors is regularly reviewed against the circumstances which are likely to impair, or could appear to impair, a non-executive Director's independence set out in the Code. Following assessment, all of the Company's non-executive Directors are considered independent. The Chairman was considered independent on appointment. A chart showing the independence of the Board is contained on page 68. It is vital that Directors have sufficient time to devote to and fulfil their duties. Non-executive Directors are expected to devote the time needed to fulfil the role and manage their diaries accordingly although the Company's historical practice has been to specify an expected time commitment range in their letter of appointment. The Board is satisfied that none of its Directors are overcommitted and unable to fulfil their duties to Victrex. Each individual's circumstances are different, as is their ability to take on the responsibilities of a non-executive directorship role. If a Director was unable to attend meetings on a regular basis, or was not preparing or contributing appropriately to Board discussions, the Chairman would be responsible for discussing the matter with them and agreeing a course of action. The Nominations Committee also reviewed the time required from each non-executive Director and any other significant commitments of the Chairman. The 2020 review found the non-executive Directors' time commitments to be sufficient to discharge their responsibilities effectively. Prior to the Board approving a Board member taking on any new external appointment or significant commitment, he or she is required to confirm sufficient time remains available to discharge his or her responsibilities to Victrex. During the year, the Board approved additional external appointments for Jakob Sigurdsson and Richard Armitage to support their professional development. Following an assessment that each Director could continue to devote the required time commitment to Victrex and that there were no actual or potential conflicts of interest, the Board approved the appointment of Jakob Sigurdsson as a non-executive director of Coats Group plc and the appointment of Richard Armitage as a non-executive director and chair of the audit committee of NWF Group plc.	A summary of the roles and responsibilities of the Chairman and the non-executive Directors (including that of the Senior Independent Director) is contained on page 67. Other significant appointments of each individual Director are included in the Board biographies on pages 60 and 61. For more information on meeting attendance in FY 2020, please see page 68.
I. Effective and efficient Board function	The General Counsel & Company Secretary supports the Board to ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. All Directors have access to the advice of the General Counsel & Company Secretary, as well as independent advice at the Company's expense. Appropriate levels of insurance cover are obtained for all Directors and Officers of the Company. Further information on Directors' indemnities and insurance cover is given in the Directors' report on page 104.	

3. Composition, succession and evaluation

J. Board succession planning	The Nominations Committee leads the process for Board appointments, and ensures plans are in place for orderly succession to both the Board and senior management positions. It also oversees the development of a diverse pipeline for succession. The Committee also recommends candidates for appointment. It operates a formal, rigorous and transparent procedure which focuses on finding the right candidate having regard to the strategic aims of the Company, desired skills and experience, with due regard for promoting diversity. Details of how this was applied to the recent search for a Senior Independent Director, facilitated by an external search consultancy resulting in the appointment of Dr Ros Rivaz, is explained on page 76. There are written succession plans in place for the executive Directors, non-executive Directors and senior management which are reviewed by the Committee. The Chairman has served more than the recommended nine years on the Board and Chairman succession planning is explained in more detail on page 76. The Board maintains a Diversity Policy. Each Director seeks re-election on an annual basis and all Directors will seek re-election (or election in the case of Dr Ros Rivaz) at the forthcoming AGM.	The Nominations Committee report on pages 75 to 77 describes its work including an explanation of its use of external search consultancies and its succession plans. The Board's Diversity Policy is set out on page 77 and on our website. Details of the specific reasons why the contribution of each individual Director is and continues to be important to the Company's long-term sustainable success are set out in the Director biographies on pages 60 and 61, as well as in the notes accompanying the resolutions to re-elect each Director.
K. Skills, experience, knowledge and refreshment	Using a Board skills matrix, the Nominations Committee ensures that the combination of skills, experience and knowledge on the Board and its Committees is relevant to assisting the Company in delivering its purpose and strategic aims, as well as sufficient to discharge their governance and oversight responsibilities.	For more details on the skills and experience of the Board, see the individual Director biographies on pages 60 and 61, and pages 76 and 77 of the Nominations Committee report.
L. Board evaluation	In FY 2020, an internally facilitated Board and Committee evaluation took place. Using the findings, an action plan was devised for focus during FY 2021. Details of how the Board has actioned areas identified by the external Board evaluation conducted by Equity Communications in FY 2019 are set out on page 72.	For more information on the Board and Committee evaluation, please see pages 72 and 77.
Induction and Board development	The Group has enhanced its induction programme for newly appointed Directors which is capable of being personalised according to that individual's proposed role, skills and experience. Board Directors regularly receive updates to improve their knowledge and understanding about the business and are encouraged to identify any knowledge or skills gaps they would like to address. During the year, the Board has received legal and governance briefings from the General Counsel & Company Secretary, Willis Towers Watson and Korn Ferry (both remuneration) and PwC (governance changes relating to reporting requirements as part of their audit work). The Board visited our downstream pipes manufacturing facilities in Portsmouth and the production facilities of key customer, Magma.	See page 76 for a description of the induction of Dr Ros Rivaz.

4. Audit, risk and internal control

M. Independence and effectiveness of internal and external audit	The Audit Committee meets composition requirements set out in the Code as it comprises five non-executive Directors, the Chairman is not a member, at least one member has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. The Audit Committee assesses and assures the Board of the independence and effectiveness of the Group's internal audit function and the external auditors, PwC. The Audit Committee operates a policy for non-audit services which PwC are permitted to conduct.	An explanation of how the Audit Committee has assessed the effectiveness of the external audit process can be found on page 82. Further information on the work of the Audit Committee, internal audit and the external auditors, PwC, is set out on pages 78 to 83.
N. Fair, balanced and understandable assessment	The Audit Committee reviews financial and narrative statements set out in the Group's annual and half-year results and reports its findings and makes recommendations to the Board. The entire Board considers the recommendations of the Audit Committee, representations made by management and the views of internal audit and the external auditors. This process is applied so that the Board can satisfy itself on the integrity of financial and narrative statements and to determine whether when taken together, they represent a fair, balanced and understandable assessment of the Company's position and performance, business model and strategy.	See pages 81 and 82 for a description of the significant issues that the Audit Committee considered in relation to the financial statements and how these were addressed, having regard to the matters communicated to it by the external audit team.

Statement of corporate governance continued

4. Audit, risk and internal control continued

N. Fair, balanced and understandable assessment continued		Please see page 108 for the statement that the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's financial position and performance. The going concern statement is set out on page 37.
O. Risk management and internal controls	The Audit Committee monitors the internal control framework and receives regular reports on its effectiveness, reporting its findings to the Board. At least twice in each year, the Board reviews the principal and emerging risks which apply to the Group to ensure that they remain up to date. The Board also reviews the controls and mitigations in place (including financial, operational and compliance controls) to manage those risks to ensure that they are aligned to the risk appetite determined appropriate by the Board to achieve the long-term strategic aims of the Group.	For further information see the risk descriptions on pages 31 to 36, and the Audit Committee report on page 83.

5. Remuneration

P. Remuneration policy and practices	The Remuneration Committee is responsible for determining remuneration policies and practices which support the strategy and promote the long-term sustainable success of the Company. When setting executive pay, the Committee takes into account workforce remuneration and related policies as well as the alignment of incentives and rewards with culture. The Remuneration Committee meets composition requirements set out in the Code as it comprises five non-executive Directors, the Chairman is not a member and the Chair has served on a remuneration committee for longer than twelve months. The remuneration of non-executive Directors is determined by the Board, reflecting time commitment and responsibilities of the individual role. Following a robust tender process, the Company changed its remuneration advisor, from Willis Towers Watson to Korn Ferry, during FY 2020. Details of the engagement are contained on page 93.	The work of the Remuneration Committee is summarised on page 85. For more details of remuneration policy, please see pages 87 to 93.
Q. Executive remuneration	During the year, the Remuneration Committee reviewed and affirmed that the remuneration policy continued to align with corporate governance best practice which enables the attraction and retention of executive talent to achieve the Group's strategic aims and promote the delivery of the long-term sustainable strategy. No Director is involved in deciding their own remuneration outcome. Please see page 86 for details of the Company's proposal to align executive Director pension contributions with those available to the workforce.	Future policy table and notes, performance scenario charts and remuneration obligations in service contracts are set out on pages 87 to 93. Please see the Remuneration report for policy implementation (pages 86, 101 and 102), remuneration paid to service advisors (page 93), single total figure tables (page 94), Chief Executive Officer total remuneration (page 100), CEO pay ratio (page 101), alignment of Directors' remuneration (including pension contributions) with the workforce's (page 101) and relative importance of spend on pay (page 100). Please see the Remuneration Committee report for Directors' shareholdings (page 99) and variable pay awarded in the year (page 102).
R. Judgement and discretion	The Remuneration Committee determines remuneration outcomes for Directors and senior management and in doing so exercises independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, as well as wider circumstances. Details of the Committee's discretionary powers, specifically relating to malus and clawback, bonuses and LTIPs can be found in the remuneration policy from page 88. The Committee did not use discretion in relation to adjusting incentive outcomes for FY 2019/20.	For more information on remuneration outcomes, please see the Directors' remuneration report from page 94.

Leadership – Our governance framework

Chief Executive
Jakob Sigurdsson

Key responsibilities:
- Day-to-day running of the Group
- Recommending to the Board and implementing agreed strategy
- Executing Board decisions

Matters not reserved for Board decision are delegated to the CEO

Chairman
Larry Pentz

Key responsibilities:
- Leading the Board
- Creating the right Board dynamic
- Ensuring Board effectiveness, including contribution and challenge from all Directors
- Ensuring effective engagement with shareholders

Board
1 Chairman (independent on appointment)
5 independent non-executive Directors
3 executive Directors

Key responsibilities:
- Providing entrepreneurial leadership
- Setting the Company's purpose and strategic aims
- Being collectively responsible and accountable to shareholders for the long-term sustainable success of the Group and for the responsible operation of the Group in delivering its strategic objectives
- Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives
- Ensuring a sound system of risk management and internal controls which enables risk to be assessed and managed is in place
- Reviewing management performance and the operating and financial performance of the Group
- Setting the Company's culture, values and behaviours
- Ensuring good corporate governance

How the Company generates value for shareholders and other stakeholders and contributes to wider society is set out on pages 8 to 17

Executive Directors
Jakob Sigurdsson, Richard Armitage, Martin Court

Key responsibilities:
- Performing designated executive responsibilities
- Discharging duties in respect of the Group as a whole

Independent non-executive Directors
Janet Ashdown, Brendan Connolly, Ros Rivaz, David Thomas, Jane Toogood

Key responsibilities:
- Exercising independent and objective judgement in decision making
- Helping to develop corporate strategy
- Scrutinising and constructively challenging senior management

General Counsel & Company Secretary
Louise Waldek

Key responsibilities:
- Acting as secretary to the Board and its Committees
- Keeping the Board up to date on all legislative, regulatory and governance matters
- Reviewing the efficacy of and compliance with Board procedures
- Facilitating information flows between management and the Board

Senior Independent Director
Ros Rivaz

Key responsibilities:
- Acting as a sounding board to the Chairman
- Serving as an intermediary for other Directors when necessary
- Being available to meet with shareholders should they have any concerns, where contact through the normal channels may be inappropriate
- Leading the review of the Chairman's performance

Board Committees

Audit Committee
members: 5 independent non-executive Directors

Role:
- Assisting the Board in its oversight of financial reporting, internal controls and risk management
- Managing the relationship with the Group's external auditors

See the Audit Committee report from page 78 for more information

Nominations Committee
members: Company Chairman and 5 independent non-executive Directors

Role:
- Reviewing Board structure, size, composition and succession planning
- Overseeing senior management succession

See the Nominations Committee report from page 75 for more information

Disclosure Committee
members: Whole Board

Role:
- Ensuring timely and accurate disclosure of information to comply with applicable laws and regulations where it is impractical for the Board (or any other Board Committee with delegated responsibility)
- Making disclosures on behalf of the Board
- Taking advice from the Company's broker, external auditors and legal advisors, on the form and content of any disclosure under consideration

Chair: Larry Pentz, David Thomas, Jakob Sigurdsson or Richard Armitage (in that order)
Quorum: Two of Larry Pentz, David Thomas, Jakob Sigurdsson and Richard Armitage

Remuneration Committee
members: 5 independent non-executive Directors

Role:
- Setting remuneration policy for executive Directors, senior management and the Chairman
- Determining the application of remuneration policy

See the Directors' remuneration report from page 84 for more information

Audit Committee report
Pages 78 to 83

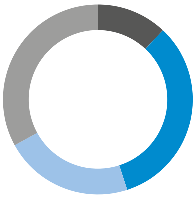
Directors' remuneration report
Pages 84 to 102

Nominations Committee report
Pages 75 to 77

Statement of corporate governance continued

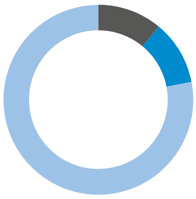
As at the date of this Annual Report

Roles and gender



Male Chair	1
Male executive Directors	3
Male non-executive Directors	2
Female non-executive Directors	3

Nationality



American	1
Icelandic	1
British	7

Tenure

0–3 years	67%
4–6 years	22%
>9 years	11% (Chair)

Independence

Chairman	1
Independent NEDs	5
Executive Directors	3

Diversity

Our Board believes that diversity is important for Board effectiveness. The merits of gender diversity at Board level are recognised and female representation on the Board as at the date of this Annual Report is 33%. The Board also recognises the importance of gender diversity amongst the workforce and is committed to ensuring an appropriate level of gender diversity, in particular at senior management level. We have 33% female representation at senior management level (two of the six members of the VMT excluding the executive Directors are female) and 41% of senior management and their direct reports (16 of 39) are female. The VMT is described on pages 70 and 71. Further details, including the updated Board Diversity Policy, can be found in the Nominations Committee report on page 77. Details of the Group's Diversity & Equal Opportunities Policy can be found on page 45.

Attendance at meetings

Directors' attendance record at the AGM and scheduled Board and Board Committee meetings for the year ended 30 September 2020 is set out below. Attendance is shown as the number of meetings attended out of the number that each Director was eligible to attend.

	Note	AGM	Board	Audit Committee	Remuneration Committee	Nominations Committee	Disclosure Committee
Number of meetings			**7**	**3**	**4**	**3**	**2**
Chairman							
L C Pentz		✓	**7/7**	**3/3***	**4/4***	**3/3**	**2/2**
Executive Directors							
J O Sigurdsson		✓	**7/7**	**3/3***	**4/4***	**3/3***	**2/2**
R J Armitage		✓	**7/7**	**3/3***	—	—	**2/2**
M L Court		✓	**7/7**	**3/3***	—	—	**2/2**
Non-executive Directors							
P J Kirby	1	✓	**3/3**	**1/1**	**2/2**	**1/1**	—
J E Ashdown		✓	**7/7**	**3/3**	**4/4**	**3/3**	**2/2**
B W D Connolly		✓	**7/7**	**3/3**	**4/4**	**3/3**	**2/2**
D Thomas		✓	**7/7**	**3/3**	**4/4**	**3/3**	**2/2**
J E Toogood		✓	**7/7**	**3/3**	**4/4**	**3/3**	**2/2**
R Rivaz	2	**N/A**	**3/3**	**2/2**	**1/2**	**2/2**	**1/1**

Notes

* Although not a Committee member, attended the Committee meetings by invitation.

1 Dr Pamela Kirby did not seek re-election at the Company's AGM held on 6 February 2020.

2 Dr Ros Rivaz was appointed with effect from 1 May 2020. Due to commitments made prior to joining Victrex, Ros could not attend one Remuneration Committee meeting and instead submitted comments to the Chair in advance of the meeting.

A summary of Board activity in 2019/20 and strategic outcomes is on pages 69 and 70. In undertaking these activities, the Board considers its legal duties and the interests of principal impacted stakeholders. The section 172 statement is located on pages 18 and 19.

SUMMARY OF BOARD ACTIVITY IN 2019/20	STRATEGIC OUTCOMES
Strategy	
→ Held the annual strategy review through an online meeting at which the Group's strategy was reviewed in detail, including the potential impact of the COVID-19 pandemic on customers, suppliers, focus industries and the Group's strategy and operations → Reviewed and approved the Group's purpose and strategy → Reviewed performance against strategy → Reviewed the Group's innovation portfolio → Reviewed business development activities → Conducted deep dives into strategic business unit and key functional strategy	→ TxV becomes wholly owned subsidiary → Approved enhanced sustainability strategy → Approved the investment in the China manufacturing subsidiary
Financial, operations and risk	
→ Reviewed operational performance → Approved debottlenecking activities subsequently delayed as a result of COVID-19 → Approved the budget and monitored financial performance → Reviewed and approved the half and full-year results and associated announcements → Reviewed and approved the going concern and viability statement → Reviewed and approved the Group's 2020/21 UK tax strategy → Reviewed and approved the Group's treasury policies → Reviewed and debated the risk profile of the Group, and in particular the principal risks and our risk appetite → Reviewed the impact of Brexit and mitigation planning for Brexit → Reviewed the effectiveness of the risk management and internal control systems including bribery prevention arrangements and Group whistleblowing policies and processes → Reviewed and discussed activities undertaken to enhance the effectiveness of the Group's IT security controls → Reviewed annual insurance arrangements	→ Detailed stress testing undertaken → Alignment of manufacturing to demand → Deferral of the interim dividend → Following visits to the Group's Stonehouse and Portsmouth sites and having received reports from management, better insight into our fibres and pipes businesses → Clear understanding of liquidity → New COVID-19 principal risk
Shareholder relations	
→ Received regular updates and discussed feedback from roadshows, presentations and (virtual) face to face meetings between the Chief Executive Officer, the Chief Financial Officer and/or the Director of Investor Relations & Corporate Communications and other engagement with large investors, prospective investors and analysts	→ Enhanced engagement and clear understanding of investor views
Leadership and employees	
→ Reviewed health and safety activities, considered health and safety incidents impacting employees and contractors and received an update on the progress of developing and implementing an enhanced health and safety culture → Considered Board succession planning in light of the retirement of Dr Pamela Kirby and the tenure of Larry Pentz → Appointed Dr Ros Rivaz to the Board → Reviewed and discussed executive Director and senior management succession plans and monitored progress on key aspects of talent and development plans, identifying general management and functional leadership potential, developing our employee value proposition and aspiration for a diverse workforce → Reviewed and updated the Board Diversity Policy → Received reports on workforce engagement from Brendan Connolly as the non-executive Director with designated responsibility for workforce engagement → Reviewed dashboard of workforce composition and conditions → Monitored culture using a combination of formal and informal methods including a dashboard of cultural indicators → Reviewed whistleblowing arrangements → Conducted annual review of stakeholder engagement arrangements	→ Enhanced SHE reporting → Enhanced insight into employee engagement → Deeper understanding of corporate culture and how it aligns to purpose, values and strategy → Regulators and government added as a key stakeholder for the Group

Statement of corporate governance continued

SUMMARY OF BOARD ACTIVITY IN 2019/20	STRATEGIC OUTCOMES
Governance → Reviewed the governance framework and the Terms of Reference for each Board Committee and received post-meeting reports from the Chairs of each Committee summarising discussions, decisions and actions → Reviewed six-monthly updates on changes and developments in corporate governance and best practice → Received refresher training in relation to disclosure obligations and MAR compliance → Implemented actions from the FY 2019 external evaluation of Board performance → Agreed the approach to the FY 2020 internal evaluation of Board performance → Determined independence of the non-executive Directors → Reviewed the performance of the external auditors and recommendation for re-appointment → Reviewed the approach and progress of work to identify areas where there is any risk of modern slavery occurring in our supply chain and approval of the 2020/21 Modern slavery and human trafficking statement	→ Increased the number of Board meetings and enhanced communication during the year to ensure adequate governance in light of COVID-19 → FY 2021 action plan agreed following 2020 Board and Committee internal evaluation → Updated Modern slavery, human trafficking and conflict minerals statements approved

Our governance, organisational resilience and agility were tested as the COVID-19 pandemic unfolded. It was critical the Board remained up to date and available to provide strategic guidance, assess the impact of the pandemic on the Group's business and operations and make quick and robust decisions. Scheduled Board and Committee meetings were held virtually, using audio-video conferencing to ensure all Board members could continue to participate in meetings. The Disclosure Committee met twice during FY 2020 to consider and approve market announcements. The Chief Executive Officer provided regular updates on how the COVID-19 pandemic was impacting our people, our customers, our suppliers and our local communities. Additional meetings were arranged and the Board's normal agenda was adapted with certain matters re-prioritised to allow sufficient time for the following key focus areas:

- The Board oversaw the measures put in place to meet, and in some cases exceed, government requirements, promoting the safety and wellbeing of our on-site workforce to ensure our manufacturing facilities could remain open. This included changing manufacturing schedules, minimising as far as possible on-site presence, increasing hygiene facilities and implementing new ways of working. The Board also monitored support given to a large proportion of our workforce to work from home. An important consideration of the Board was our key role in the long and convoluted supply chain for materials into critical or life sustaining applications and ensuring that the Group did not become the weak link in that chain.
- The Board carefully considered management's proposals to preserve cash and reduce costs. The Board deferred the planned debottlenecking project due to the restrictions in place which hampered the resourcing for the project. Having assessed shareholder interests and the anticipated impact on them, the Board took the difficult decision to defer payment of the interim dividend in May 2020.
- The Board focused on establishing the Company's liquidity position, monitoring trading performance and trends and scenario planning for the potential impact on our business and the businesses of our direct and end customers across our focus industries. The Board changed its annual review of the Group's strategy which assesses key megatrends impacting our focus industries to consider a range of extreme but conceivable scenarios to test the potential impact of the COVID-19 pandemic on our focus industries, and therefore our business. This exercise will continue and evolve as we navigate the challenges presented by the COVID-19 pandemic and the resulting economic impact and prepare for the opportunities ahead.
- It was important to the Board that the Group could provide support to struggling stakeholders, including small suppliers and local communities. Further details of our community response and support provided by some of our fantastic workforce are set out on pages 6 and 7.

Below Board support for the Chief Executive Officer to discharge his responsibilities

The Victrex Management Team ('VMT')

Representing all business functions, individual members of the VMT advise the Chief Executive Officer and the other executive Directors of the interests of all the Group's principal stakeholders and how they are likely to be impacted by how Victrex operates. They do this during VMT meetings which are chaired by the Chief Executive Officer and held twice each month or when they participate in other management meetings or Committees which have been established to assist the Chief Executive Officer in the operational management of the business – more information is set out below. The VMT works to nurture the culture, maximise employee engagement, support the business units in delivering profitable growth, ensure consistent and appropriate communications both internally and externally, and drive faster execution of business and functional activities and plans which rely on cross-functional dependencies. More details on the members of the VMT and their individual roles and responsibilities are set out on page 71.

A number of meetings are in operation to support the Chief Executive Officer to run the business of the Group on a day-to-day basis. Key meetings are described below.

Victrex Performance Day: Each month, the Chief Financial Officer chairs the Performance Day which reviews operational business performance covering supply, demand, financial and business unit performance. This meeting is attended by the Chief Executive Officer, the Chief Commercial Officer and the Group Customer Experience Director, with VMT members and other senior leaders attending relevant sessions based on their area of responsibility.

Below Board support for the Chief Executive Officer to discharge his responsibilities continued

The Victrex Management Team ('VMT') continued

Executive Risk Management Meeting: Twice each year, the Chief Financial Officer chairs the Executive Risk Management Meeting which reviews the Group's corporate and emerging risks, associated mitigations and controls. This meeting is attended by the Chief Executive Officer, the Chief Commercial Officer, the General Counsel & Company Secretary and the Director of Risk & Compliance.

VMT Risk & Compliance Meeting: Meeting six times each year, the Chief Financial Officer chairs the Executive Risk & Compliance Meeting which reviews legal compliance matters, internal audit matters, and performance in SHE, quality and regulatory matters. This meeting is attended by the Chief Executive Officer, the Chief Commercial Officer, the General Counsel & Company Secretary, the Group Operations Director, the Group HR Director, the Risk & Compliance Director and the Group Head of Internal Audit. The Group Head of SHE and Quality Director participate in relevant sessions. Industry-based risk committees meet three times a year and are chaired by the Chief Commercial Officer with support from the Director of Risk & Compliance.

The SHE Steering Committee meets quarterly and is chaired by the Group Operations Director. A description of how risk management is conducted by the Group can be found in the Strategic report on pages 31 to 36.

Currency Committee: The Board has ultimate responsibility for the annual approval of the Treasury and Cash Management Policy and continues to be supported in its work by the management-led Currency Committee. The Currency Committee is chaired by the Chief Financial Officer and meets on a monthly basis to manage the application of the policy. During FY 2020, the Currency Committee continued to monitor the Treasury Policy and in addition reviewed the Company's cash deposit strategy. Further details on this policy and the activities of the Currency Committee are included in note 15 to the financial statements.

Innovation Portfolio Review: Meeting four times and chaired by the Chief Commercial Officer, the Innovation Portfolio Review ('IPR') meeting reviews and manages the balance of the innovation portfolio, as well as ensuring the appropriate and effective allocation of resources to projects.

This meeting is attending by the Chief Executive Officer, the Chief Financial Officer, the Group Innovation Director and those in senior positions in R&D and marketing with other subject matter experts attending as necessary.

Portfolio Steering Committee: Meeting six times each year, the Group Innovation Director chairs the Portfolio Steering Committee which monitors project progress and oversight of resources with a focus on Horizon 2 projects. This meeting is attended by the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer, the General Counsel & Company Secretary, the Group HR Director, the Group Operations Director, the Group Customer Experience Director and the Director of Investor Relations & Corporate Communications, as well as those in senior positions in R&D and marketing with other subject matter experts attending as necessary.

IP Committee: Chaired by the Chief Commercial Officer and attended by the Group Innovation Director and the Head of IP as well as those in senior positions in R&D. The IP Committee manages the Group's IP portfolio.

VMT MEMBERS' ROLES AND RESPONSIBILITIES

Jakob Sigurdsson Chief Executive Officer (see page 67)	**Richard Armitage** Chief Financial Officer → Responsible for financial control → Leads the Finance, Procurement, IT and Legal teams	**Martin Court** Chief Commercial Officer → Responsible for strategic and divisional commercial performance → Oversees all science and innovation functions
Barry Andrew Group Customer Experience Director → Customer experience → Leads the Sales, Customer and Technical Service teams	**Jilly Atherton** Group HR Director → People strategy → Leads the Human Resources and Business Administration teams	**Kenny Gilmour** Group Operations Director → Manufacturing performance → Leads the SHE, Manufacturing and Supply Chain teams
Andrew Hanson Director of Investor Relations & Corporate Communications → Investor relations and corporate communications → Leads the IR & Communications team	**Ian Smith** Group Innovation Director → Innovation → Leads the Marketing, Regulatory, R&D and IP teams	**Louise Waldek** General Counsel & Company Secretary → Legal, governance and company secretarial matters → Leads the Legal, Governance and Executive PA teams

The VMT (excluding the executive Directors) is treated as senior management for the purposes of the Corporate Governance Code. The VMT (excluding the executive Directors) is treated as senior managers for the purposes of s414C(8) of the Companies Act 2006. Only the executive Directors are treated as key management personnel for the purposes of IAS 24.

Performance evaluation

The FY 2020 performance evaluation was conducted internally this year and assessed the performance of the Board, its Committees and the Chairman. Questionnaires produced sought input on how the Board, its Committees and the Chairman performed against current best practice corporate governance principles. They also assessed progress against areas identified for focus in the FY 2019 external performance evaluation. A wider range of views were invited, with Board members, members of management and advisors being asked for feedback. Please see page 77 about the effectiveness evaluations of each of the Committees and of individual Directors conducted this year.

Following the Board's discussion of the outcome of the FY 2020 internal Board evaluation, an action plan was agreed.

Topic	Action/recommendation
Meetings of the non-executive Directors	Continue holding preparation and debrief meetings for the non-executive Directors, as well as fostering openness and healthy challenge in the boardroom
Board agenda	Review the format of the Board agenda to increase the time available to the Board
Board papers and presentations	Ensure papers remain focused. Adapt the format of presentations to increase opportunity for Board discussion and idea generation
Strategic projects	Continue to review and develop reporting of progress to meet strategic objectives and project milestones

Review of the Chairman's performance

The Chairman's performance is crucial. Taking into account feedback from the internal Board evaluation, Dr Ros Rivaz, as the Senior Independent Director and in discussion with the other non-executive Directors, led the review of the Chairman's performance. The outcome was subsequently reported that Larry Pentz's leadership of the Board was effective.

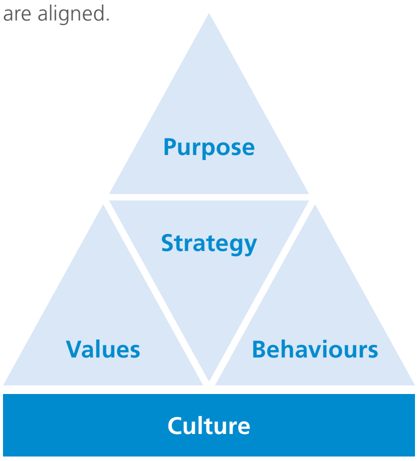
Review of the individual Directors' performance

The Chairman reviewed the performance of the individual Directors. Each of the Directors was found to be effective in discharging their responsibilities and to be making a valuable and effective contribution to the Board.

All Directors, other than Dr Ros Rivaz who is subject for election, are subject to annual election at the AGM in February 2021. The Board recommends that shareholders vote in favour of those standing at the forthcoming AGM, as they will be doing in respect of their individual shareholdings. The papers accompanying the resolutions to elect each Director contain the specific reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success.

Company purpose, values, strategy and culture

The Board has established the Company's purpose, values and strategy and monitors Company culture to ensure that these are aligned.



- Our purpose is to bring transformational solutions that address world material challenges every day.
- Our strategy is to drive core business and create and deliver future value through Polymer & Parts. We will do this by innovating in high performance polymer solutions to focus on its key strategic markets of Automotive, Aerospace, Energy and Other Industrial (including Manufacturing & Engineering), Electronics and Medical. This is with the aim of shaping future performance for our customers and creating long-term value for our shareholders, enabled by differentiation through innovation and underpinned by safety, sustainability and capability.
- Our long-term values of Passion, Innovation and Performance shape our culture and drive responsible business conduct in line with our Code of Conduct. You can find more on our Code of Conduct on pages 44 to 46.
- Our entire workforce (including our Directors) are reviewed against our core behaviours of driving results, working together, doing the right thing, continuously improving and focusing on our customers.
- Throughout its annual programme of business and meeting with employees, the Board gains an insight into the culture of Victrex. A formal review of corporate culture is conducted by the Board twice a year, using the dashboard of cultural indicators which has been developed.

Our cultural dashboard has a behavioural focus tracking cultural insights in the areas of:

Safety	Employee engagement, diversity and inclusion
Doing the right thing	Service for customers
Innovation	Sustainable business practices

- Going forward, we will continue to nurture our culture and Brendan Connolly, our non-executive Director responsible for workforce engagement, will ensure monitoring culture plays a key role in his activities.

The Board retains the power to take decisions which affect the future developments and business prospects of the Group and the authority and responsibility for planning, directing and controlling the activities of the Group. Where the matter has not been reserved for Board decision, it is delegated to the Chief Executive Officer. The Group operates a Group Authorities Manual & Matrix ('GAM') which sets out the delegation of operational decision-making authorities for certain management roles operating at different levels of the organisation.

The operational management of our business is delegated by the Board to the Chief Executive Officer who uses several teams, meetings and below Board Committees to assist him in this responsibility. Further details are set out on pages 70 and 71.

Stakeholder engagement

It is important to the Board that we develop strong and positive relationships with our employees, customers, suppliers and investors, as well as government and regulators. We also strive to make a positive contribution to the environment and local communities in which we operate. A summary of how we engage is set out on pages 18 and 19. The Board conducts a formal annual review of the Group's stakeholder engagement programme annually, considering other touchpoints throughout the year. Details of how the Board is informed about stakeholder engagement are outlined below. Our section 172 statement is set out pages 18 and 19 and cross references examples of how the Board has considered the interests of stakeholders in decision making. Following the annual stakeholder review, it was agreed to treat regulators and government as a key stakeholder group due to the increasing interaction.

Employees	The Board promotes effective engagement with the Group's workforce. The Board programme of business schedules visits to one or more of the Group's sites. This year, the Board attended the Company's sites in Stonehouse and Portsmouth, meeting local management over lunch. Board dinners with senior management have also taken place. The Board has reviewed the results of our engagement survey. It is important to the Board to meet those designated as talent, and this year 15 of the 40 people so designated have had interaction with at least one Board member. The Group has operated a range of measures to facilitate workforce engagement including works councils, employee forums, staff briefings and anonymous communication channels. This year, the Board has enhanced its engagement with the workforce through the appointment of Brendan Connolly as the non-executive Director with designated responsibility for workforce engagement. The Workforce engagement statement is set out on page 74. Usual channels have supported the regular communication of information and guidance which has taken place with employees throughout the COVID-19 pandemic supplemented by weekly emails, a dedicated intranet site and Q&A sessions. Working groups were established to review, revise and implement updated policies and practices to provide a safe working environment for our workforce who could not work from home. Risk assessments, training and support were provided to those working from home.
Customers	The Board engages with customers indirectly through the executive Directors who provide information about key customer relationships. During the year, the Board has reviewed plans to enhance our customers' experience; material customer contracts have also been reviewed and approved. Our Chief Executive Officer and our Chief Commercial Officer have remained in close contact directly and indirectly with key customers to understand their concerns and support their needs, minimising any potential disruption from the COVID-19 pandemic.
Suppliers	Information about key suppliers is provided to the Board by the executive Directors when relevant to Board deliberations. This year, the Board has reviewed and approved certain supplier contracts, as well as reviewing raw material sourcing strategies. The Board is committed to fair treatment and payment of suppliers and the Company is a signatory to the government's Prompt Payment Code. Following a review of arrangements in place, the Board approved the Group's Modern Slavery, Human Trafficking and Conflict Minerals Statement, which can be found on our website, www.victrexplc.com. Our Chief Financial Officer has remained in close contact with key suppliers indirectly to understand their concerns and support their needs, minimising any potential disruption from the COVID-19 pandemic. Financial support was also provided to certain suppliers to help alleviate the impact of the pandemic.
Investors	The Board receives monthly reports on investor engagement and sentiment, prepared by the Company's Investor Relations team which frequently interacts with key investors and investor groups. The Chief Executive Officer, the Chief Financial Officer and the Director of Investor Relations & Corporate Communications regularly meet shareholders, prospective shareholders and analysts. This year, over 150 meetings or calls were hosted with institutional investors or prospective investors. Two major UK roadshows were held, one of which was virtual. There were two major US roadshows and one in Europe. Four investor conferences were attended by our Director of Investor Relations & Corporate Communications and one Group investor site visit took place at our UK facilities. The Chairman remains available to meet institutional shareholders to discuss governance or other matters. The Senior Independent Director and other non-executive Directors attend meetings with major shareholders, where requested. The Board receives reports from sector analysts to ensure that it maintains an understanding of investor priorities. The Board believes that appropriate steps have been taken during the year so that all members of the Board and, in particular, the non-executive Directors, have an understanding of the views of major shareholders. With the impact of COVID-19, the Group has sought to further increase communication with the financial markets, which included additional trading updates, in addition to normal reporting. Taking into account the views of shareholders, as well as other factors such as the Company's liquidity and the potential impact of the COVID-19 pandemic, the Board decided to defer the interim dividend in May and delay planned debottlenecking activities. In light of the current and anticipated public health guidelines in connection with the COVID-19 pandemic, this year's Annual General Meeting will be scaled back and will focus on the formal business only. Further details can be found on page 59. Alternative shareholder engagement mechanisms will be put in place.
Communities and environment	The Board recognises its impact on local communities and its responsibility to the environment and society as a whole. The Group has a busy engagement programme with local communities which is described on pages 56 and 57 and has refreshed its sustainability programme, agreeing which of the UN Sustainable Development Goals most closely aligned with our purpose and could have the biggest impact. See pages 40 to 57 for more information. The Group broadened its engagement with communities during the COVID-19 pandemic. Please see page 7 for more information.

Stakeholder engagement continued

Government and regulators

The Board engages directly and indirectly with a wide range of government bodies and regulators. The Health and Safety Executive and the Environment Agency monitor compliance by the Group's UK sites with environmental, health and safety legislation. The Board receives regular updates on safety, health and environmental performance and material interaction with regulators. The Group receives some government funding associated with its innovation agenda.

During the COVID-19 pandemic, the Company was actively involved in dialogue with the UK government through its position on the Chemical Industry Association, in relation to the status of the chemical sector as essential industry.

Workforce engagement statement – hearing the employee voice

Brendan Connolly was appointed the designated non-executive Director for workforce engagement with effect from 1 October 2019 ('Employee Engagement NED'). This statement summarises the first year of the 'employee voice' programme, which, like many other initiatives, has had challenges in fulfilling its goals due to COVID-19 pandemic restrictions.

Objectives and role

The Employee Engagement NED is responsible for the following matters to support the Directors' collective responsibility to consider a wide range of stakeholder perspectives when arriving at Board decisions:

- Understand the concerns of the workforce and articulate those views and concerns in Board meetings on an ongoing basis.
- Ensure that the Board, and particularly the executive Directors, take appropriate steps to evaluate the impact of proposals and developments on the workforce.
- Where relevant and appropriate, provide feedback to the workforce on Board decisions and direction during the engagement process.
- Primarily use existing engagement mechanisms, including the employee survey, quarterly staff briefings, works council meetings, union meetings, regional forums and Q&A sessions, to gather the relevant feedback from the workforce.
- Ensure that feedback is obtained from all levels of the workforce in multi-locations.
- Organise bespoke events for additional feedback where required.

The Employee Engagement NED is not expected to take on responsibilities that are those of an executive Director or of the HR team or act as a proxy for those teams.

First year highlights

The Employee Engagement NED met with a large number of employees, representing every level and region in the organisation. A video was created explaining the role of the Employee Engagement NED which was distributed to all personnel, together with a questionnaire seeking feedback. Open and constructive sessions were held both in person and virtually, due to the COVID-19 pandemic. The Employee Engagement NED was grateful for the time given to him, insights shared through questionnaires and candour provided by those he met during a series of site tours, dinners and round tables.

The focus for FY 2021 will be continuing regular dialogue with the workforce, driving progress on those opportunities identified for improvement and developing closer alignment between the desired culture of the organisation and workforce perceptions.

> This first year has been one of learning to determine how best to represent the employees at Board level as there are many decisions that impact employees directly and indirectly. In all cases, it is important to ensure that the employee feedback is heard, whether through management sponsored initiatives and routes, other Board members or the designated NED Board member. Secondly, it is vital to assure that any Board decisions that impact employees directly are fair, consistent and explainable. And lastly, direct contact with the employees is both necessary and essential to create the 'voice'.
>
> **Brendan Connolly**

Relations with shareholders

Annual General Meetings

The Annual General Meeting is an important part of effective communication with shareholders. Due to the COVID-19 pandemic and the current and anticipated restrictions in place, the Company's Annual General Meeting will be scaled back and will focus on the formal business only. All shareholders will have the opportunity to ask questions ahead of the forthcoming Annual General Meeting, which is being held at 11am on 12 February 2021, by sending an email with your question to ir@victrex.com. A summary of all questions raised and answers given will be published on our website, www.victrexplc.com, on the day of the Annual General Meeting. Our Board welcomes the opportunity for engagement with our shareholders. Details of the arrangements for the Annual General Meeting are summarised in the Chairman's introduction on page 59 and in the Notice of Annual General Meeting. If there are any queries, please contact cosec@victrex.com.

The Notice, together with an explanation of the resolutions to be considered, is set out on pages 154 to 163 and sent out in a circular to shareholders. Proxy votes lodged on each resolution will be announced at the Annual General Meeting, published on the Company's website and announced via the Regulatory Information Service.

Outcome of the February 2020 Annual General Meeting

At the 2020 Annual General Meeting, votes were cast in relation to approximately 80.5% of the issued share capital. All 20 resolutions were passed by the required majority. In relation to the votes to re-appoint or elect Board Directors:

Votes were cast in favour of the re-appointment of the following Board Directors as follows:

- Larry Pentz: 97.83%
- Jane Toogood: 99.33%
- Janet Ashdown: 99.33%
- Brendan Connolly: 99.29%
- David Thomas: 99.29%
- Jakob Sigurdsson: 99.26%
- Martin Court: 99.31%
- Richard Armitage: 98.82%

For details of the 2021 Annual General Meeting, please refer to the Directors' report on page 103 and the Notice of the Annual General Meeting from page 154.

Share capital

Details of the Company's share capital, including the rights and obligations attached to the shares, are set out in the Directors' report on page 104.

Nominations Committee report

FY 2020 highlights

- → Search for Senior Independent Director and appointment of Dr Ros Rivaz following review of Board composition
- → Review of the Group's diversity and inclusion activities and Board Diversity Policy updated
- → Enhanced Board induction

FY 2021 priorities

- → Continuing to develop a diverse pipeline for appointments to the Board and senior management
- → Enhance capture/reporting of Company data to improve monitoring of progress in diversity and inclusion initiatives
- → Increasing focus on talent development

Main responsibilities of Committee

- → Leading the process for Board appointments and making recommendations to the Board about proposed appointments to the Board, including the Company Secretary
- → Evaluating the skills, experience and knowledge of the Board
- → Overseeing the development of a diverse pipeline for succession to Board and senior management positions
- → Working with management in relation to diversity and inclusion strategies and monitoring the impact of initiatives

Terms of Reference for all Board Committees can be found on www.victrexplc.com

Terms of Reference for the Nominations Committee can be found on www.victrexplc.com

Dear shareholders,

On behalf of the Nominations Committee, I would like to present its report for the year ended 30 September 2020.

This year, the focus for the Nominations Committee has been on conducting a search for a new Senior Independent Director, assessing the diversity of the Group and ensuring the effectiveness of the Board as a whole.

Non-executive Director with designated responsibility for workforce engagement

Following the decision by the Board to appoint a non-executive Director with designated responsibility for workforce engagement, the Committee was tasked with scoping the role and nominating a suitable candidate for the position. Brendan Connolly was recommended for the role, and the Board made the appointment. Brendan has had a busy first year and his annual statement can be found on page 74.

New Senior Independent Director

Dr Pamela Kirby stepped down from the Board at the 2020 Annual General Meeting after nine years on the Board, including five years as Senior Independent Director. During the year, the Committee recommended that the Board appoint Dr Ros Rivaz as Senior Independent Director; this recommendation was approved and took effect from 1 May 2020. Ros' appointment followed a detailed review of Board composition, skills and experience; the selection process was carried out by the Committee with the assistance of Egon Zehnder, an independent recruitment agency which has no other connection with the Company.

Diversity at and below the Board

The Committee conducted a detailed review of the Group's diversity initiatives, recommending the enhancement of data capture and reporting to improve monitoring of progress in diversity and inclusion initiatives, further details of which can be found on page 77. The Committee refreshed its Board Diversity Policy and the updated policy can be found on page 77.

Board effectiveness

Following last year's external Board and Committee evaluation by Equity Communications, this year's assessment was conducted internally and concluded that the Board and each Committee continued to operate effectively. Further details can be found on pages 72 and 77. The Company's induction for new Directors joining the Board was refreshed during the year. It is a comprehensive framework, tailored to the individual circumstances and experiences of a new Director, covering key meetings, site visits and UK corporate governance requirements. A summary of the induction programme for Dr Ros Rivaz is contained on page 76.

I will be available to answer any questions from shareholders. Please send any questions to ir@victrex.com before the Annual General Meeting.

The following Nominations Committee report was approved by the Committee at its meeting held on 7 December 2020.

Larry Pentz
Chair of the Nominations Committee
9 December 2020

Nominations Committee report continued

The Committee met three times during 2019/20 and has a programme of business reflecting its Terms of Reference.

Committee member	Meeting attendance
L C Pentz (Chair)	3/3
J E Ashdown	3/3
B W D Connolly	3/3
P J Kirby	1/1
D Thomas	3/3
J E Toogood	3/3
R Rivaz	2/2

Secretary: Louise Waldek

Other attendees:

- The Chief Executive Officer is not a member of the Committee but is invited to attend.
- The Group HR Director regularly attends meetings.

All members of the Committee are independent, thus fulfilling the Code requirement that a 'majority of members of the nomination committee should be independent non-executive directors'.

The Chairman would not chair or otherwise participate in the Committee when it is dealing with the appointment of his successor.

No Director would participate in the Committee when it is dealing with the appointment of his or her successor.

The Chairman's other significant commitments are set out in his biography on page 60.

The Committee's agenda in 2019/20

Our principal activities during the year, and up to the date of approval of this Annual Report, were as follows:

- Chairman succession (led by the Senior Independent Director);
- search for the Senior Independent Director, culminating in the appointment of Dr Ros Rivaz;
- submitting a nomination to the Board for non-executive Director with designated responsibility for workforce engagement;
- Board and senior management composition;
- Board and senior management succession planning;
- talent management framework and pipeline development;
- approval of the Nominations Committee report in the Annual Report and Accounts;
- reviewing Victrex's diversity profile and enterprise-wide activities to promote diversity and inclusion;
- reviewing and recommending the Board Diversity Policy for approval; and
- reviewing and updating Committee Terms of Reference and the Committee's annual programme of business.

Succession planning

During the year, the Committee conducted its formal review of succession planning for the Board and senior management over the short and medium term, as well as contingency plans for emergency situations. The Committee aims to ensure that the Board and senior management have the appropriate balance of skills and experience to support the Group's strategic objectives. The Board uses a succession planning tool which includes consideration of diversity and use of the Board skills matrix to help assess the Board's composition and identify any opportunities for enhancement. Together with the written succession plan, the succession planning toolkit facilitates Committee deliberations. The Committee holds regular Board succession planning discussions, taking into account potential timing for changes to key Board positions, the likely evolution of the business and its strategic needs. The Committee is mindful of current Director tenure and the importance of an orderly refreshment of the Board which factors in the Company's strategy, its current performance and its focus on enhancing diversity.

To provide ongoing stability and continuity as the Board navigates the uncertainties of the COVID-19 pandemic, it is proposed that the Chairman remains in role during this challenging time. The Committee considers that the Chairman continues to demonstrate objectivity and that he promotes constructive challenge amongst the other Board members.

At the appropriate time, the Senior Independent Director, jointly with members of the Nominations Committee (excluding the Chairman), will commence the process for the recruitment of the new Chair. Our expectation is that a new Chair will be appointed within the next year provided the right candidate can be found.

Board appointments

The Committee assesses the balance, skills, experience, diversity, knowledge and independence on the Board to identify any gaps and consider the need for refreshment. The Committee developed a candidate profile for the new Senior Independent Director and engaged Egon Zehnder, a professional search agency with no other connection with the Company. Potential candidates were interviewed by Committee members and after careful consideration, the Committee made a recommendation to the Board. Any new Directors appointed by the Board must be elected at the next AGM to continue in office. All existing Directors retire by rotation every year.

> As the new SID it was important for me to assimilate a significant amount of information in a short time. The new induction process recently developed in Victrex ensured an optimum induction. Online training modules, (remote) face to face meetings in the appropriate sequence and reading materials available through the online Board portal enabled an efficient and effective induction.
>
> **Dr Ros Rivaz**

Board induction, development and business engagement

A formal induction programme is in place for new Board members. This includes meeting with members of senior management and certain employees identified as talent individually and visiting a number of operations and sites. Despite disruption and restrictions in place due to COVID-19, Dr Rivaz has completed a full induction. As well as reading written reports through our Board portal, Dr Rivaz visited UK sites, talked to senior leaders and some of our designated talent and received briefings about our solutions, operations, projects and areas of focus.

All Directors are encouraged to keep up to date with relevant legal and governance matters, best practice and evolving areas of risk. The Board receives training and updates on relevant topics as appropriate, taking into account individual qualifications and relevant experience. The Directors are supported to undertake any other professional development identified as necessary or desirable.

Board induction, development and business engagement continued

VMT members, other senior leaders and those designated as talent are invited, as appropriate, to deliver presentations at Board meetings on their areas of responsibility. It is the Company's usual policy for all Directors to attend the AGM.

In October 2019, the Board visited the Company's composite pipe manufacturing facilities in Portsmouth and the Company's key customer, Magma. This visit provided non-executive Directors with the opportunity to meet local teams and gain first-hand knowledge about the Company's activities, opportunities and challenges related to the Magma mega-programme.

Board diversity

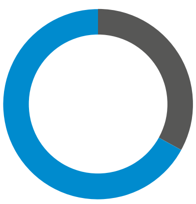
The Company is committed to diversity, inclusive practices and equality of opportunity amongst its employees and its Board members. The Company acknowledges the value of diversity in its widest sense and its contribution towards effective Board operations and decisions as different perspectives drive a broader and more detailed debate. The Group operates a Global Diversity & Equal Opportunities Policy which is reviewed each year and provides the framework for productive working relationships.

We have updated our Board Diversity Policy during the year (see blue box to the right). It is also contained on our corporate website – www.victrexplc.com. The Board Diversity Policy will remain under review to ensure it drives diversity in its broadest sense, including diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

There is continued focus on a number of key initiatives designed to promote diversity and inclusion across the business. Read more about this on pages 45, 54 and 55.

The Board has not set express gender, ethnic or other related diversity quotas or measurable objectives. The Board and the Committee seek to encourage applications from a diverse range of candidates, subject to the selection criteria being met. The Board will continue to consider the various diversity factors set out in the Corporate Governance Code and the recommendations of the Hampton-Alexander and Parker Reports.

Board diversity – gender (during FY 2020)



Board Diversity Policy

Taking account of its changing strategic needs, the Board will ensure:

1. it and its Committees have the appropriate balance, composition and mix of skills, experience, independence and knowledge to ensure their continued effectiveness, having regard to external guidance on diversity;
2. a pipeline is maintained promoting diversity for succession to the Board and senior management positions;
3. only executive search consultants which have signed up to the voluntary code of conduct for executive search firms on gender diversity on corporate boards are engaged when seeking appointments to the Board so that the selection processes provide access to a diverse range of candidates;
4. appointments to the Board are made on the basis of merit, with regard for suitability for the role, Board balance and composition and the required mix of skills, background and experience – diversity will be a consideration;
5. policies adopted by the Group promote diversity in the broadest sense;
6. adequate and appropriate disclosure of:
   a. this policy and diversity initiatives the Group has in place and the steps it is taking to promote diversity at Board level and across the Company including a description of progress made;
   b. the composition and structure of the Board;
   c. the gender balance of those in senior management and their direct reports; and
   d. the process for appointments to the Board; and
7. this policy is reviewed from time to time to monitor progress being made to assess its effectiveness.

The Board strives to broaden the diversity of the Board and senior management and pipelines. As at the date of approval of this Annual Report, we have three women on our Board, representing 33% of our Board (up from 30% during FY 2019). Two members of the VMT (excluding the executive Directors) are women (33%) and 41% of senior management and their direct reports are women (23 men; 16 women). In accordance with the Corporate Governance Code, senior management is defined as the VMT (excluding the Chief Executive, the Chief Financial Officer and the Chief Commercial Officer). See page 71 for a list of members of the VMT. For further details on diversity and inclusion across Victrex, including our Equal Opportunities Policy, see pages 45, 54 and 55.

Board, Committee and individual Director effectiveness

The Board and its Committees carry out a formal review of effectiveness each year. Following the external evaluation conducted last year by Equity Communications, this year's review was facilitated internally via questionnaires developed by the Company Chairman, the Chairs of each Committee and the General Counsel & Company Secretary. The Board and each Committee reviewed the output and determined the priorities for the 2021 financial year. The Board actions and recommendations agreed following the review are set out on page 72.

The reviews of the Audit, Nominations and Remuneration Committees confirmed that these Committees continue to provide effective support to the Board. Building on the work undertaken during the year in response to feedback from the 2019 external evaluation conducted by Equity Communications, it was agreed that the Nominations Committee should continue deepening its work on diversity and inclusion into FY 2021 with a focus on data capture and reporting to improve monitoring of progress.

Each Director receives a formal performance review process. The Chairman, Larry Pentz, led the review of each non-executive Director. The annual performance review of the Chairman is led by the Senior Independent Director, Dr Ros Rivaz. The Nominations Committee reviewed the performance of the Chief Executive Officer, the Chief Financial Officer and the Chief Commercial Officer. These reviews confirmed that each Director continues to make a valuable personal contribution to the Board. Individual contributions are summarised in the biographies on pages 60 and 61.

Audit Committee report

FY 2020 highlights

- Assessing the impact of COVID-19 and the corresponding economic consequence on:
  - Going concern and viability, including the appropriateness and level of scenarios and stress testing performed
  - Valuation of inventory, given a material reduction in the level of production across key assets
  - Impairment assessments
  - Valuation of the pension scheme assets and liabilities
- Classification and disclosure of exceptional items
- Quality of business disclosures

FY 2021 priorities

- Assessment of the COVID-19 impacted areas noted above as the impact recedes and new trends emerge
- Detailed review of project controls including those applicable to mega-programmes, the investment in China and the powder plant upgrade
- Review of internal audit function

Main responsibilities of Committee

- Reviewing financial statements and announcements relating to the financial performance of the Company, including reporting to the Board on the significant issues considered by the Committee in relation to the financial statements and how these were addressed
- Reviewing the scope and results of the annual audit and reporting to the Board on the effectiveness of the audit process and how the independence and objectivity of the auditors have been safeguarded
- Reviewing the scope, remit and effectiveness of the internal audit function and the Group's internal control and risk management systems
- Reviewing significant legal and regulatory matters
- Reviewing matters associated with the appointment, terms, remuneration, independence, objectivity and effectiveness of the external audit process and reviewing the scope and results of the audit
- Reporting to the Board on how the Committee has discharged its responsibilities

Terms of Reference for all Board Committees can be found on www.victrexplc.com

Terms of Reference for the Audit Committee can be found on www.victrexplc.com

Dear shareholders,

I am pleased to present the report of the Audit Committee for the year ended 30 September 2020. In what has been an unprecedented year in which the Company has had to address the challenges presented by the COVID-19 pandemic, I have sought to provide investors and prospective investors with an understanding of the approach we have taken as the Audit Committee to provide assurance on the integrity of the 2019/20 Annual Report and financial statements. The Directors' responsibility statement in respect of the Annual Report can be found on page 108.

The work performed by the Committee in the current year has increased, reflecting both the level of estimation and judgement created, particularly around valuation of inventory in light of significantly reduced levels of production, and disclosures required by the sudden change in economic situation. The Committee has focused particularly on the robustness of financial forecasts used by management in assessing going concern, viability and carrying value of assets, understanding the basis for preparation, correlation with the Integrated Business Planning process used to run the business and the potential range of outcomes under scenario and sensitivity analysis. The disclosures made in the Annual Report on the impact of COVID-19 on the financial performance, financial position at 30 September 2020, going concern and viability, valuation of inventory and use of alternative performance measures (including the classification and disclosure of restructuring and acquisition costs as exceptional) have all been discussed and challenged. This work has also fed into the assessment of fair, balanced and understandable undertaken by the Committee and reported to the Board.

The Committee has continued to play a key role within the Group's governance framework to support the Board in matters relating to financial reporting, internal control and risk management. It has worked closely with our external auditors, PricewaterhouseCoopers ('PwC'), over the last twelve months. It has focused on ensuring that the interests of shareholders are properly protected in relation to the Group's financial reporting and internal control arrangements and to provide challenge to the decisions and approach taken by management relating to the content and disclosures within the Company's financial reports. The Corporate Governance Code calls for the Board to 'present a fair, balanced and understandable assessment of the Company's position and prospects'. The Board asks the Audit Committee to advise on whether the Annual Report, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Committee receives from management regular reports covering the key areas of estimation and judgement underpinning the financial statements. The Committee's role is to ensure that management's disclosures reflect the supporting information or challenge them to explain and justify their interpretation. The Committee is supported in this role by the external auditors, which, in the course of the statutory audit, review the accounting records kept by the Company to test whether information is being recorded in line with agreed accounting practices. The external auditors present their findings to the shareholders and their report is set out in the Independent auditors' report. The Committee reports its findings and makes recommendations to the Board accordingly.

The Committee is responsible for ensuring that the relationship between the Committee, the external auditors and management is appropriate. The external auditors must be independent of the Company. Information on how the Committee assesses the independence of the external auditors is set out in the Audit Committee report.

Following the publication of the FRC's Audit Quality Inspection Reports of the big four firms, PwC presented their programme to address the declining trend in their FRC scores and specifically the key findings relevant to the Company, primarily in respect of challenge over future forecasts and involvement in component audits, for our 2019/20 audit. The Committee welcomes this commitment to improve and reviewed evidence of the enhancements and specific reporting from PwC at the final Committee meeting as part of the overall assessment of auditor effectiveness.

We continue to be committed to providing meaningful disclosure of the Committee's activities. As Chair, I am intent on ensuring that the Committee's agenda is kept under review and aware of relevant developments. Details of the annual evaluation process of the Committee's performance can be found in the Corporate governance report.

The following Audit Committee report was approved by the Committee at its meeting held on 7 December 2020.

The Committee has reflected upon the FRC Guidance on Audit Committees and was satisfied that the principles concerning internal audit are reflected in the responsibilities and function of the internal audit department.

I will be available to answer any questions in relation to this Audit Committee report before the Annual General Meeting. Please email your queries to ir@victrex.com.

David Thomas
Chair of the Audit Committee
9 December 2020

In accordance with the requirements of the 2018 UK Corporate Governance Code and supporting guidance issued by the Financial Reporting Guidance, in the following sections we explain how the Committee fulfils its responsibilities and highlight matters which have been addressed during the course of the year.

The Committee met three times during 2019/20 and has a programme of business reflecting the Committee's Terms of Reference.

Committee member	Meeting attendance
D Thomas (Chair)	**3/3**
J E Ashdown	**3/3**
B W D Connolly	**3/3**
P J Kirby[1]	**1/1**
J E Toogood	**3/3**
R Rivaz[2]	**2/2**

1 Dr Pamela Kirby did not seek re-election at the Company's AGM held on 6 February 2020.

2 Dr Ros Rivaz was appointed with effect from 1 May 2020.

Secretary: Louise Waldek

The following other attendees regularly attend meetings:

- → the Chairman and executive Directors;
- → the Director of Risk & Compliance;
- → the Group Financial Controller;
- → the Group Head of Internal Audit; and
- → representatives from the external auditors, PwC.

Other members of the management team may also be asked to attend meetings for discussion on specific issues. The Committee also meets with the external auditors twice each year without management being present.

The Chair meets with members of the executive and management teams and PwC outside of formal Committee meetings to discuss matters which fall within the Committee's Terms of Reference. These have included a meeting with the Group Financial Controller, the Group Head of Internal Audit and the Group's Director of Risk & Compliance in addition to meetings with the General Counsel & Company Secretary as part of reviewing relevant matters and forward planning on the business of the Committee.

The Committee is authorised to seek outside legal or other independent professional advice as it sees fit, but has not done so during the year.

The qualifications of Committee members are outlined in the Directors' biographies on pages 60 and 61. The members of the Committee are all independent non-executive Directors. The Board is satisfied that the Committee as a whole has competence relevant to the sectors in which the Group operates and its members have an appropriate level of experience in corporate and financial matters and are financially literate. The effectiveness of the Committee in fulfilling its remit was considered as part of the most recent evaluation of performance which was completed in the summer of 2020 and subsequently reported to the Board. The Chair is a member of the Institute of Chartered Accountants of England and Wales. He previously served as chief financial officer of Invensys plc. Prior to this, he was a senior partner at Ernst & Young and is a former member of the Auditing Practices Board. The Board is satisfied that he has recent and relevant financial experience as required by the Code.

Audit Committee report continued

The Committee's agenda in 2019/20

- Negotiated and agreed PwC's engagement letter and the statutory audit fee for the year ended 30 September 2020.
- Reviewed the results of the Committee's assessment of the effectiveness of the 2018/19 external audit along with receiving a presentation from PwC on the proposals for their programme to enhance audit quality.
- Reviewed PwC's proposed audit strategy and plan for the 2019/20 statutory audit, including the level of materiality applied by PwC, the final audit report from PwC on the financial statements and the areas of particular focus for the 2019/20 audit.
- Confirmed the independence of the external auditors and recommended to the Board the re-appointment of PwC as the external auditors at the upcoming AGM.
- Reviewed the basis of preparation of the financial statements as a going concern (prior to making a recommendation to the Board) as set out in the accounting policies.
- Reviewed and discussed reports on the financial statements, and considered management's significant accounting judgements and the policies being applied, and how the statutory audit contributed to the integrity of the financial reporting.
- Reviewed the long-term viability statement, prior to making a recommendation to the Board.
- Reviewed the 2019/20 Annual Report and recommended to the Board that it complied with the Code principle to be 'fair, balanced and understandable'.
- Approved the strategic internal audit planning approach and reviewed reports on the work of the internal audit function from the Director of Risk & Compliance.
- Considered the findings brought to the Committee's attention by internal audit and satisfied itself that management has resolved or is in the process of resolving any outstanding issues or concerns.
- Reviewed and approved the approach and internal audit plan for 2020/21.
- Reviewed the effectiveness of the risk management and internal control systems prior to making a recommendation to the Board.
- Reviewed the conclusions of the Committee's annual evaluation. The externally facilitated evaluation was part of the overall Board evaluation. It was concluded that the Committee continued to be effective.

How did the Committee assess whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position on performance, business model and strategy?

The Committee made this assessment by:

- reviewing key messages proposed for the Annual Report;
- reviewing copies of the Annual Report at various stages during the drafting process to ensure the key messages were being followed and were aligned with the Company's position, performance and strategy being pursued and that the narrative sections of the Annual Report were consistent with the financial statements;
- ensuring that all key events and issues which had been reported to the Board in the executive Board reports during the year had been appropriately referenced or reflected within the Annual Report;
- reviewing how alternative performance measures were used in the Annual Report, ensuring completeness and accuracy of definitions, consistency of use, relevance to users of the Annual Report and balance with statutory metrics; and
- considering reports produced by both management and the external auditors on principal matters and judgements in areas underpinning the financial statements.

How did we assess auditor independence?

- Written assurances were received from external auditors that all partners and staff involved with the audit are independent of any links to Victrex.
- PwC confirmed all partners and staff complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standard.
- PwC are required to disclose at the planning stage of the audit any significant relationships and matters that may reasonably be thought to have an impact on their objectivity and independence and that of the lead partner and audit team – no such matters were disclosed.
- PwC operate a policy requiring the change in lead audit partner every five years, with other senior audit staff rotating at regular intervals.
- The Committee is responsible for developing policy on non-audit services and associated fees that are paid to PwC.

To further safeguard the independence and objectivity of the external auditors, non-audit services provided by the external auditors are considered and where appropriate authorised by the Committee in accordance with a non-audit services policy. The policy, which has been updated for the new Ethical Standard on Non-Audit Services (effective from 15 March 2020), is outlined in an appendix to the Committee's Terms of Reference, which are published on our investor website – www.victrexplc.com. This policy limits the amount and type of services undertaken by our auditors – for the year ended 30 September 2020 and thereafter the auditors will not be asked to carry out non-audit work with the exception of the half-year review and regulatory and bank required reporting. When awarding non-audit work to PwC, the Committee is cognisant of the EU Audit Regulation, including the limit on non-audit fees of 70% of the audit fee based on a rolling three-year average.

Non-audit fees for the year ended 30 September 2020 were £22,000 representing 8% of the audit fee (2019: £21,620 representing 11% of the audit fee). The non-audit fees related to the interim review performed at the half year were £22,000 (2019: £16,120). In 2019 additional non-audit fees of £5,500 related to personal tax compliance services in respect of the US-based Chairman where it was not deemed practical in the specific circumstances to change providers. In 2020 PwC engaged directly with the Chairman for his tax services; the Chairman paid for these services directly and the Company subsequently reimbursed them. As a result PwC and the Audit Committee no longer considered these to be non-audit fees but a benefit in kind to the Chairman. Accordingly these are disclosed in the Directors' remuneration report on page 94.

Over a three-year rolling period, the level of non-audit fees has averaged 12% of the audit fee. No further non-audit fees, with the exception of the interim review, are expected to be incurred with PwC due to their revised general approach to not provide such services to listed audit clients.

Taking into account our findings in relation to the effectiveness of the audit process and in relation to the independence of PwC, the Committee is satisfied that PwC continue to be independent and free from conflicting interests with the Group.

External auditor re-appointment

We last undertook a formal tender process in compliance with the CMA Order 2014 for statutory audit services in 2017. PwC commenced their appointment as auditors and presented their first report to shareholders for the year ended 30 September 2018. Ian Morrison has completed his third year as the lead audit partner.

During the year PwC proposed a significant fee increase, to be staged over two years, which would take the fee from £191,000 in 2019 to £330,000 in 2021, an increase of 73%. This increase is attributed to external factors in the audit market resulting in an increase in cost of delivery. Key factors, predicated on regulatory changes and responses to AQRT findings, include the separation of the audit practice from other service lines, additional investment in training and technology and investment in improved risk and quality. The Committee approved the proposed fee for 2020 with the commitment from PwC to work with management to identify efficiencies in the audit approach to reduce the increase for 2021.

The Committee recommended to the Board that PwC be proposed for re-appointment at the forthcoming AGM in February 2021. There are no contractual obligations that restrict the Committee's choice of external auditors, the recommendation is free from third-party influence and no auditor liability agreement, in accordance with sections 534–538 of the Companies Act 2006, has been entered into.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditors, and report to the Board the appropriateness of, the annual and half-year financial statements, considering amongst other matters:

Clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements

Areas in which significant judgements have been applied, including discussions on such matters undertaken with the external auditors

Whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The statement incorporating the conclusion of this assessment is included on page 108

Any correspondence from regulators in relation to our financial reporting

In addition to the above, the Committee supports the Board in completing its assessment of the adoption of the going concern basis of preparing the financial statements. In addition, as part of the Committee's responsibility to provide advice to the Board on the long-term viability statement, the Committee performed a robust review of the process and underlying assessment of the Group's longer-term prospects made by management, including:

- the review period and its alignment with the Group's five-year strategic plan;
- the assessment of the prospects of the Group after consideration of the Group's principal risks, current financial position, available banking facility and ability to generate cash;
- the modelling of the financial impact of additional key scenarios which encompass the potential impact of crystallisation of one or more of the principal risks, including the impact of the economic uncertainty created by the COVID-19 pandemic; and
- ensuring transparent and enhanced disclosures, as best practice emerges, in the Annual Report as to why the viability period selected was appropriate, including what the key scenarios tested were and how the analysis was performed.

As a result of that review, the Committee was satisfied that the approach adopted was appropriate. The viability statement for the 2019/20 financial year was prepared on a consistent basis with that reported in previous years and is on pages 38 and 39. The Committee also supported the Board in its consideration of the potential impact of Brexit along with the associated disclosures in this Annual Report.

Significant issues considered by the Committee in relation to the financial statements and how these were addressed

In the preparation and final approval of the financial statements, the Committee discussed with management the key sources of estimation and critical accounting judgements outlined in note 1. The significant areas of focus considered and assessed by the Committee in relation to the 2020 financial statements and how these have been addressed are set out below. In concluding that these represented the primary areas of judgement, or a high degree of estimation, the Audit Committee considered reports by management which referenced both quantitative and qualitative judgement factors across each significant account balance, assessing the impact on the user of the financial statements.

In the current year, this assessment included consideration of the economic impact of COVID-19 on the Group's key sources of estimation and critical accounting judgements.

Other than in the recurring areas of inventory valuation and defined benefit accounting, detailed below, the primary impact is on those areas of accounting which rely on the use of future financial forecasts. This includes the carrying value of both tangible and intangible assets and the going concern and viability assessments. The Audit Committee's work on viability and going concern, including with reference to the impact of COVID-19, is detailed above with the disclosure included on pages 37 to 39. The annual impairment review performed on the Company's tangible and intangible assets is also reviewed by the Audit Committee, including the level of sensitivity analysis performed. In the cases of both carrying value of assets and going concern the level of headroom, albeit reduced by the current economic situation, remained at a level where, even under sensitivity, reasonable changes to the key sources of estimation would not cause a different outcome. PwC's report to the Committee came to the same conclusion.

The classification of costs as exceptional is inherently a judgemental area. In the current year acquisition costs and restructuring costs were classified as such. The Committee considered papers prepared by management on the rationale for such treatment and the clarity of disclosure in the Annual Report and discussed with PwC the consistency of such treatment with the approach adopted by other companies.

The areas of inventory valuation and defined benefit accounting are areas of higher audit risk and, accordingly, PwC reported to the Committee on, and the Audit Committee discussed and assessed, these judgements and estimates. During the meeting of the Committee which considered the draft of the Annual Report, the matters raised by PwC in their report were discussed with management, including how such analysis related to management's own assessment and the appropriateness of the form of disclosure provided by the Company in the Annual Report. In particular, the Committee considered the following recurring matters:

- **Valuation of inventory:** the Committee reviews the nature of the costs absorbed into inventory, the level of production over which these costs are absorbed, the variances, including in respect of material usage and purchase price, between standard cost and actual cost, and the reasons for movements in inventory value period to period. In the current year the level of production over which costs were absorbed became more judgemental, with production levels falling well below historical levels reflecting the contraction of demand caused by COVID-19. Management performed an assessment of the 'normal' level of production over which costs should be absorbed.

Significant issues considered by the Committee in relation to the financial statements and how these were addressed continued

- **Valuation of inventory** continued**:** This was reviewed by the Committee, with input from PwC, including an assessment of the level of sensitivity with the estimation. The basis for and level of provisioning, including for aged, obsolete and non-conforming product which are judgemental or require a high degree of estimation, are presented to the Committee by management. The Committee discussed and assessed the information provided by management and concluded that the valuation of inventory and level of provisioning were reasonable.
- **Defined benefit accounting:** the valuation of the defined benefit scheme obligation is dependent on a number of assumptions that are inherently judgemental, or require a high level of estimation. Following the closure of the scheme on 31 March 2016, judgement on future salary growth rates ceased, but judgement over future interest and inflation rates, together with the estimation of mortality rates, remain, with sensitivities of +/-1% having a material impact on the value of scheme liabilities and therefore the balance recognised on the Group balance sheet. The Audit Committee assesses these judgements and estimates, based on reports received from management and the Group's actuarial advisors. The Committee also considered the opinions made and benchmark provided by PwC.

How did the Committee assess the effectiveness and quality of the external audit?

The Committee actively considers the effectiveness and quality of the external audit process on an ongoing basis.

Following the process outlined below, the Committee assessed the effectiveness of the external audit. In summary, the Committee concluded that the external audit process and services provided by PwC were satisfactory and effective.

PwC present key findings from the FRC's Audit Quality Inspection Report for PwC and planned actions

PwC present the results of their annual firm-wide Audit Quality Review Team Report and any remediation implemented

Committee discusses and agrees at the planning stage the draft list of specific risks to audit effectiveness and quality (specific audit quality risks)

Committee assesses audit planning work in respect of specific audit quality risks and ensures that matters of key interest (including those listed as significant issues above) are addressed in the audit plan

PwC report against audit scope and subsequent meetings providing the Committee with an opportunity to monitor progress and raise questions

PwC report on specific audit quality risks applicable to Victrex and how these have been addressed at the planning and final stages of the audit

Committee discusses both internally and with PwC the extent to which PwC have challenged management through the audit process, particularly in areas of estimation and judgement

Private meetings are held at most Committee meetings between the Audit Committee and representatives from the external auditors without management being present in order to encourage open and transparent feedback by both parties

Committee assesses final audit work and reporting along with the overall conclusion reached regarding specific audit quality risks and the significant audit issues (as outlined above)

All Committee members, key members of management, and those who regularly provide input into the Audit Committee or have regular feedback with the external auditors are asked for feedback on how well PwC performed the year-end audit

Feedback and conclusions are discussed, along with the conclusion and transparency of reporting regarding specific audit risks and issues, with an overall conclusion on audit effectiveness and quality reached. Any opportunities for improvement brought to the attention of the external auditors

The FRC's Audit Quality Inspection Report for PwC, published in July 2020, showed a third year of declining scores across all inspections. The Committee has engaged with PwC during each year of their appointment to discuss PwC's response to weaknesses identified by the FRC in general, but particularly those relevant to the Company's audit. In the current year this covered the level of work and challenge over short-term cash flow forecasts and growth assumptions used in relation to impairment and going concern assessments and the level of involvement by the Group team in overseas component audits. PwC were asked to formally report to the Committee on the work performed. Due to the time lag between the FRC issuing findings to PwC for response and the publication of the report, evidence of PwC's revised approach was already evident during the current year audit. The Committee, as a matter of course, does seek full explanation of work undertaken in the more judgemental aspects of the accounts.

Significant issues considered by the Committee in relation to the financial statements and how these were addressed continued

- **Defined benefit accounting** continued**:** The Committee concluded that the assumptions used and the resulting valuation were reasonable. It was also noted by the Committee that the Company's approach to funding the scheme has been stable with a track record of making voluntary contributions of approximately £1m each financial year.

To aid the conduct of reviews, the Committee considers reports from the Chief Financial Officer and the Group Financial Controller and also reports from the external auditors on the outcomes of their half-year review and annual audit.

The main features of the Group's internal controls and risk management systems are summarised below:

Risk management systems and internal controls
The Audit Committee has responsibility for reviewing the risk management systems and effectiveness of these systems. The responsibilities and processes in respect of risk management are described separately on pages 31 to 36 and pages 65 and 66. The Committee receives updates and reports from the Director of Risk & Compliance on key activities relating to the Group's risk management systems and processes at every meeting. These are then reported to the Board, as appropriate. The Group designs its risk management activities in order to eliminate risk wherever possible, mitigating residual risk where practicable to within tolerance, to achieve its strategic objectives.

The Chief Financial Officer has executive responsibility for risk management and is supported in this role by the Director of Risk & Compliance and his team. The Director of Risk & Compliance manages a series of risk management committees across the business which feed into the Executive Risk Management Committee formed by the executive Directors, the Group HR Director, the General Counsel & Company Secretary and the Director of Risk & Compliance. They meet biannually and review the principal risks of the Company, emerging risks, the governance processes and their effectiveness. This review then feeds into the information and assurance processes of the Audit Committee and into the Board's assessment of risk exposures and the strategies to manage these risks. The Board has conducted a robust assessment of the principal and emerging risks facing the Group. Details of the Group's principal risks, the procedures in place to identify emerging risks and an explanation as to how they are being managed and mitigated are contained on pages 31 to 36.

The Committee also reviews the Group's internal control systems and their effectiveness, and receives updates on the findings of the internal audit's investigations at every meeting, prior to reporting any significant matters to the Board. Internal control systems are part of our business as usual activities and are documented in the Group Authorities Manual/Matrix, which covers financial, operational and compliance controls and processes. Internal control systems are the responsibility of the Chief Financial Officer.

Confirmation that the controls and processes are being adhered to throughout the business is the responsibility of managers, but is continually tested by the work of the internal audit team as part of its annual plan of work which the Committee approves each year as well as aspects being tested by other internal assurance providers.

The internal audit function
The internal audit function is a key element of the Group's corporate governance framework. The purpose of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight to the Audit Committee, the Board and management. In addition to reviewing the design and operational effectiveness of controls in managing risks, the internal audit function also considers, where relevant, the risk and control culture/environment, efficiency of controls, compliance with law/regulations, internal policies and also controls to support the safeguarding of Company assets. The internal audit team monitors the implementation of agreed audit actions to verify its completion and routinely reports the status at each Audit Committee meeting.

A three to five-year audit planning approach has been applied that has identified key areas requiring periodic assurance which is focused around financial controls and compliance of key policies. In addition, an audit planning assessment exercise is undertaken annually that identifies further areas requiring assurance that are aligned to strategic risks and/or projects. This approach results in the development of a risk-based annual internal audit plan that is endorsed by, managed and approved by the Audit Committee.

The purpose, scope and authority of internal audit are defined within its charter which is approved annually by the Audit Committee.

The in-house team is supplemented by additional resource and skills sourced from external providers, based on specialism or workload. The Committee keeps the relationship with external providers under review to ensure the independence of the internal audit function is maintained.

Assessing the effectiveness of the internal audit function
The annual internal audit plan for the internal audit function is considered and approved each year by the Committee. In reviewing the proposed plan, the Committee gives consideration to the Group's strategic priorities and specific initiatives which are being undertaken, which could impact the business and also the findings and actions arising from the assessment of the Group's risk register. Thereafter, together with findings from audits which are presented at each meeting, the Committee considers the appropriateness of the internal audit plan and the resourcing of the function to enable it to deliver it. Where appropriate to the nature of the work being undertaken, reviews are supported by other independent assurance providers.

The Group Head of Internal Audit, as appointed by the Committee, has responsibility for internal audit and independently reports to the Chair of the Audit Committee in relation to internal control matters. In addition to attendance by invitation at meetings of the Committee, the Group Head of Internal Audit has met with the Chair of the Audit Committee on a number of occasions to consider findings from internal audit and other matters relating to the internal audit function.

The effectiveness of the internal audit function's work is continually monitored:

- Ongoing audit reports are received.
- Scopes of audits are received by the Chair of the Audit Committee.
- Committee interaction with the Group Head of Internal Audit.
- Internal audit, led by the Group Head of Internal Audit, reports functionally to the Chief Financial Officer. The Group Head of Internal Audit attends all scheduled meetings of the Audit Committee and has the opportunity to raise any matters with the members of the Committee without the presence of management. He is also in regular contact with the Chair of the Committee outside of the Committee meetings.
- Progress against the internal audit plan is reviewed at each meeting.

Directors' remuneration report

FY 2020 highlights

- Oversaw the implementation of the new remuneration policy, including constructive engagement with major shareholders
- Review of Committee advisor and appointment of new advisor to the Committee
- Reviewed formulaic incentive outcomes and considered whether they were aligned to Company performance over the short and long term
- Updated the remuneration report to provide the additional disclosures required by the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019

FY 2021 priorities

- Set incentive plan performance targets that are stretching but realistic having had regard to internal planning and external performance expectations in light of COVID-19
- Oversee a review of the operation of share plans across the Company
- Ensure remuneration outcomes are reflective of the experiences of Victrex's stakeholders through FY 2020/21

Main responsibilities of Committee

- Designing and determining the remuneration for the Company Chairman, executive Directors and senior management
- Reviewing workforce remuneration and related policies
- Exercising judgement when determining remuneration awards

Terms of Reference for all Board Committees can be found on www.victrexplc.com

Terms of Reference for the Remuneration Committee can be found on www.victrexplc.com

Dear shareholders,

On behalf of the Remuneration Committee (the 'Committee') I am pleased to introduce the Directors' remuneration report for the year ended 30 September 2020. This report is divided into three sections: my statement, a summary of the Directors' remuneration policy approved by shareholders at the 2020 Annual General Meeting and our annual report on remuneration for the year ended 30 September 2020.

Background

As detailed in the Strategic report, COVID-19 presented the Board and Victrex Management Team with a unique set of challenges during the year with the timing and nature of the impact of the virus varying across our markets. In this context, profitability was materially lower than the prior year, but in line with consensus expectations due to weaker demand overall, and under-absorption of fixed costs from lower production volumes. Group volumes were down year on year by 7% but underlying profit before tax was 29% lower, reflecting the Group's relatively high fixed cost base.

Remuneration policy

Following an extensive shareholder consultation process in 2019 the Committee was pleased to receive well over 90% support for the modifications made to our remuneration policy at the 2020 Annual General Meeting. The changes largely focused on updates for changes in investors' 'best practice' expectations arising from the 2018 UK Corporate Governance Code at the same time as providing the Committee with greater flexibility to compete effectively in the global market for talent through adjusting incentive opportunity. The adjustment to incentive opportunity resulted in a heavier weighting on long-term performance which aligned with the Group's key purpose of delivering transformational solutions to address the world's material challenges which requires partnering with our customers, often over multi-year time horizons. Our revised policy also included other links to the long-term success of the Group through part deferral of annual bonus into shares and the requirement to acquire shares to the value of 200% of salary under an 'in employment' guideline and the requirement to retain shares acquired for a period post employment. The structure is considered by the Committee to remain appropriate notwithstanding the challenges presented by COVID-19.

Committee undertakings in 2020

The Committee met four times during 2019/20 and has a programme of business reflecting the Committee's Terms of Reference.

Committee member	Meeting attendance
J E Ashdown (Chair)	**4/4**
B W D Connolly	**4/4**
D Thomas	**4/4**
J E Toogood	**4/4**
R Rivaz[1]	**1/2**
P J Kirby[2]	**2/2**

1 Ros Rivaz was appointed as a non-executive Director and the Senior Independent Director of the Board on 1 May 2020. Due to commitments made prior to joining Victrex, Ros could not attend one Remuneration Committee meeting and instead submitted comments to the Chair of the meeting in advance.

2 Pamela Kirby did not seek re-election at the Company's 2020 AGM.

Secretary: Louise Waldek

Other attendees:

- The Company Chairman and the CEO are not members of the Committee but are invited to attend.
- The Group HR Director regularly attends meetings.
- Representatives from the Committee's remuneration advisors, currently Korn Ferry (previously Willis Towers Watson), regularly attend meetings.
- The Director of Investor Relations & Corporate Communications attended several meetings during FY 2020, specifically to update the Committee on engagement with major shareholders and proxy advisors in relation to the new remuneration policy.

No attendee participates in the Committee when it deals with their own remuneration.

The Committee's agenda in 2019/20

Our principal activities during the year, and up to the date of approval of this Annual Report, were as follows:

- ensuring the successful introduction of the 2019/20 Directors' remuneration policy which received over 93% shareholders' support at the 2020 AGM;
- agreeing the executive Directors' 2019/20 remuneration packages;
- assessing 2018/19 bonus and LTIP outturns; and
- preparing last year's Directors' remuneration report.

2020 remuneration outcomes

Annual bonus

As detailed in the Strategic report, Victrex delivered a solid set of results despite COVID-19 reducing demand in many of our key markets in the second half of the year. The impact of COVID-19 was such that the threshold level of profitability above which bonuses are payable was not met and so no bonuses were payable for the year under review. This was notwithstanding taking decisive action in relation to COVID-19 (e.g. achieving over 99% On Time In Full service levels through the year) and making progress against our strategy. For example, we continue to build solid foundations for future growth as evidenced by the forming of a manufacturing subsidiary in Panjin province, China, with Yingkou Xingfu to support the development of a new PEEK manufacturing facility.

LTIP

With regards to our long-term performance, our 2017 long-term incentive award was eligible to vest based on performance from 1 October 2017 to 30 September 2020. The 75% of the award subject to EPS performance will not vest, having been impacted by COVID-19 meaning that the EPS growth targets were missed. However, reflecting the strong strategic progress of the business through the period, the relative total shareholder return performance condition was met towards the maximum level with Victrex delivering a three-year total shareholder return that ranked the Company 56th out of the 173 FTSE 250 comparator companies (excluding investment trusts) over the period. Overall vesting was 19.8% of the original award with the Committee comfortable that this level of vesting was appropriate having had regard to the overall financial and strategic performance of the Company across the three-year performance period. The Committee did not use discretion in relation to adjusting incentive outcomes for FY 2019/20.

Other considerations during the year

During the year the Committee had oversight of the reward and compensation packages that operate across the Company, which are considered competitive. In reaching this conclusion, the Committee noted that of those employees participating in the Company's biannual engagement survey, the majority expressed satisfaction with their current arrangements.

The Committee also retained oversight of the impact of COVID-19 on employees and their pay. Victrex responded quickly to the impact of COVID-19 and successfully implemented appropriate plans to protect the health, safety and wellbeing of our employees, whilst continuing to serve our customers. This meant we did not furlough any of our employees or take any form of government support. However, we were not immune from the impact of COVID-19 and reacted responsibly in managing our cost base which included 100 roles being removed, primarily through voluntary severance. Employees were treated fairly, in line with our policies.

The Committee is comfortable that actions taken on pay during the year across the Company were appropriate and balanced the interests of all stakeholders.

Directors' remuneration report continued

Implementation of policy in 2021

The Committee considered how remuneration policy should be implemented for the FY 2020/21 year in light of COVID-19 and also reviewed the current level of executive Director pension provision in light of the market-wide movement to align incumbent executive Directors' pensions with those of the wider workforce. The key decisions taken by the Committee were as follows:

Base salary: executive Directors' salaries have been frozen for FY 2020/21 which is consistent with the general approach taken across the Company.

Pension: in line with current best practice expectations, the Committee has agreed with the executive Directors that the Company contribution in relation to pension provision will reduce to the rate most commonly provided to the wider UK employee population at 14% of salary with effect from 1 October 2022.

Annual bonus: the same annual bonus structure as operated in FY 2019/20 is being retained which aligns the executive Directors with delivering against challenging financial, strategic and personal targets. The financial targets are set as a challenging range of profit targets derived from the Company's budget with the strategic and personal targets linked to the Company's incremental progress in delivering against its 'mega-programmes' as well as improving internal operational and safety performance. The range of financial targets set has been recalibrated vis-à-vis those set last year to reflect the current outlook in our key markets (which includes some of the sectors most heavily impacted by COVID-19, e.g. Aerospace and Automotive) and a threshold level of profitability has been set below which no bonuses will be payable. Similar to the approach taken in FY 2019/20, the non-financial targets will be subject to an underpin equal to the threshold profit target. The Committee retains the ability to adjust bonus outcomes in the event that there is a perceived disconnect between performance and reward in the current financial year.

Long-term incentives: the FY 2020/21 performance targets will once again include a challenging range of EPS growth and relative total shareholder return targets. The EPS targets, determining vesting of 75% of the award, will measure performance based on growth in earnings of between 5% and 12.5% p.a. over the three years to FY 2022/23 (moving to test performance based on EPS in FY 2022/23 only as opposed to setting three-year cumulative targets as was the case in the year under review). The change in approach to target setting is more aligned with standard market practice and has the benefit of looking through, as far as is possible, the impact of COVID-19. The range of targets is considered similarly challenging to targets set in prior years allowing for current internal planning, external market expectations for the Company and current economic conditions. The TSR portion, to determine the vesting of 25% of the award, will again compare Victrex's relative TSR performance over the period against the FTSE 250 Index constituents less investment trusts. The actual range of targets is detailed on page 102.

With regards to the quantum of FY 2020/21 awards, the current intention is to make awards at 175% of salary for the CEO and 150% of salary for other executive Directors. These award levels are 25% of salary higher than the levels awarded in the year under review, which is consistent with the outcome of the shareholder consultation on the current policy undertaken in 2020 which concluded that increases to incentive opportunity should take place on a phased basis. This is the final phased increase. In concluding that it was appropriate to grant at these levels, the Committee considered the degree of stretch in the targets, the share price post year end and the fact that the awards will be subject to a windfall gain provision. This provision will enable the Committee to reduce the award value on vesting if there is a post-COVID-19 recovery in end markets that takes place substantially quicker than expected at the time of setting the targets and the resulting reward is considered disproportionate by the Committee in light of overall performance.

I hope it is clear from the way we are proposing to apply policy in FY 2020/21 that we continue to take account of the feedback of our shareholders provided during consultation last year and we look forward to receiving your support for the Directors' remuneration report at the upcoming Annual General Meeting. I will be available to answer any questions before the Annual General Meeting. Please email your queries to ir@victrex.com.

The following Remuneration Committee report was approved by the Committee at its meeting held on 7 December 2020.

Janet Ashdown
Chair of the Remuneration Committee
9 December 2020

Directors' remuneration policy

This part of the Directors' remuneration report sets out a summary of the remuneration policy approved by shareholders at our 2020 AGM and effective from 6 February 2020. The full remuneration policy is available in the 2019 Annual Report on our website.

Directors' remuneration policy table

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Base salary	To provide competitive and fixed remuneration. To attract and retain executives of the calibre required to deliver the Company's strategy and enhance earnings over the long term.	The basic salary for each executive Director is normally reviewed annually (effective 1 October) taking into account individual performance and the Group's financial circumstances, as well as pay for all employees in the Group and the external market. Increases in salary above those of the general workforce should only take place infrequently, for example where there has been a material increase in role responsibility, size of the Company or movement in the external market. On recruitment or promotion to executive Director, the Committee will take into account previous remuneration and pay levels for comparable companies which may lead to salary being set at a higher or lower level than for the previous incumbent.	Executive Directors will normally receive a salary increase in line with the increase awarded to the general workforce. There is no prescribed maximum. Where the Committee has set the salary of a new executive Director at a discount to the market level initially, a series of planned increases may be implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance. Current salary levels are shown in the annual report on remuneration on page 101.	None.
Benefits	To provide market-consistent benefits, including insured benefits to support the individual and their family during periods of ill health, or in the event of accidents or death. This is consistent with a culture of safety, sustainability and capability. Car allowances to facilitate effective travel.	Current benefit provision includes: → health benefits; → car allowance; → relocation assistance; → life assurance; → group income protection; → all-employee share schemes (e.g. opportunity to join the SIP or SAYE); → travel; → communication costs; and → any reasonable business related expenses can be reimbursed (and any tax thereon met if determined to be a taxable benefit). Executive Directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with market practice.	There is no defined maximum as the costs of benefits can vary year on year.	Not applicable.
Pension	To attract and retain high calibre executive Directors. To provide a level of benefits that allow for personal retirement planning.	Executive Directors are offered the choice of: → a Company contribution into a defined contribution pension scheme; → a cash allowance in lieu of pension; or → a combination of a Company contribution into a defined contribution pension scheme and a cash allowance.	The maximum Company pension contribution for an executive Director appointed after the date this policy is approved by shareholders will be limited to that available to the wider workforce which is currently 14% of base salary.	Not applicable.

Directors' remuneration policy continued

Directors' remuneration policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Bonus	To incentivise performance against personal objectives and selected financial and operational KPIs which are directly linked to business strategy. Deferral of part of bonus into shares aligns the interests of executive Directors and shareholders.	A maximum of 50% of bonus paid in cash with 50% of the bonus deferred into Company shares under the Deferred Bonus Scheme ('DBS') for a period of at least three years. DBS shares accrue dividend equivalents. Not pensionable. Bonus and DBS awards are subject to 'malus' provisions (and for up to a year following (i) in the case of a cash bonus, payment or (ii) in the case of a DBS award, the end of the relevant deferral period, clawback) in exceptional circumstances, including material misstatement of the Company's audited financial results; an error in the relevant financial information that led to the bonus or DBS award being greater than it otherwise would have been; personal misconduct; serious reputational damage; or a failure of risk management.	Maximum award of up to 150% of salary for the CEO and 125% for other executive Directors.	Payments predominantly based on financial and operational performance, with a minority based on achievement of personal objectives. Targets and weightings are set by reference to the Company's financial and operating plans and the current targets and weightings are shown on page 95. Bonus outcomes are subject to the Committee being satisfied that the Company's performance on the measures is consistent with underlying business performance and individual contribution. The Committee will exercise discretion on bonus outcomes if it deems necessary. 100% of maximum bonus opportunity for stretch performance with no more than 50% of maximum for target performance.
Victrex Long Term Incentive Plan 2019 ('LTIP')	Designed to align the strategic objective of delivering sustainable earnings growth over the longer term with the interests of shareholders.	Awards under the LTIP are rights to receive Company shares, subject to certain performance conditions. Each award is measured over at least a three-year performance period. An additional holding period applies after the end of the three-year performance period so that the total vesting and holding period is at least five years. Shares subject to awards may accrue dividend equivalents. LTIP awards are subject to 'malus' provisions (and for up to a year following the end of the relevant holding period, clawback) in exceptional circumstances including material misstatement of the Company's audited financial results; an error in the relevant financial information that led to the award being greater than it otherwise would have been; personal misconduct; serious reputational damage; or a failure of risk management.	The normal maximum award level will be up to 175% of salary per annum in respect of the CEO and 150% for other executive Directors. The overall policy limit is 200% of salary. It is not anticipated that awards above the normal level will be made to current executive Directors and any such increase on an ongoing basis will be subject to prior consultation with major shareholders.	The two performance conditions are TSR and EPS. The weighting for each of these two components is currently 25% TSR and 75% EPS. Targets based on one or more other financial measures linked to the long-term strategy of the business may also be applied, as deemed appropriate by the Committee. The Committee retains discretion to introduce a new performance condition and/or alter the weightings of the measures over the course of the policy, including to zero. 20% of the EPS element and 25% of the TSR element of an award vest at threshold performance (0% vest below this), increasing pro rata to 100% vesting for maximum performance. Any vesting is also subject to the Committee being satisfied that the Company's performance on the measures is consistent with underlying business performance and individual contribution. The Committee will exercise discretion on LTIP outcomes if it deems necessary.

Directors' remuneration policy continued

Directors' remuneration policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Share ownership guidelines (Not part of the approved policy)	To increase alignment between executive Directors and shareholders including for a period post-employment.	Awards made under the DBS on a net of tax basis shall count towards the share ownership guideline and executive Directors are required to retain 50% of the net of tax vested LTIP shares until the guideline is met. The requirement to hold shares for a period post-employment shall be implemented by contractual means.	Minimum of 200% of salary. Executive Directors will also be required to retain shares equivalent to the lower of 200% of salary or their actual shareholding at the time employment ceases. The shares must be held for two years with the Committee having discretion to allow half of the shares to be released after one year.	Not applicable.
Non-executive Directors' fees and benefits (Determined by the Board)	To attract non-executive Directors with a broad range of experience and skills to oversee the development and implementation of our strategy. Reflects anticipated time commitments and responsibilities of each role. Reflects fees paid and benefits provided by comparator companies.	The remuneration policy for the non-executive Directors (with the exception of the Chairman) is set by a separate Committee of the Board. The policy for the Chairman is determined by the Committee (of which the Chairman is not a member). Fees are paid in cash and are reviewed annually considering the salary increase for the general workforce and the level of fees paid by companies of a similar size and complexity. Any changes are normally effective from 1 October. Additional fees are paid in relation to extra responsibilities undertaken, such as chairing certain Board sub-committees, to the Senior Independent non-executive Director and the non-executive Director with designated responsibility for workforce engagement. Non-executive Directors may be eligible for such cash and non-cash benefits as the Company deems appropriate from time to time. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for non-executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload. No eligibility for bonuses, long-term incentive plans, pension schemes, healthcare arrangements or employee share schemes. The Company pays any reasonable expenses that a non-executive Director incurs in carrying out their duties as a Director, including travel, hospitality related and other modest benefits and any tax liabilities thereon, and the provision of advice relating to any such tax liabilities, if appropriate.	There is no prescribed maximum other than the Company's Articles of Association containing a limit on the fees that can be paid to non-executive Directors. The Board is guided by the general increase in the market for non-executive Director roles and for the broader employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current fee levels are set out on page 101.	Not applicable. Non-executive Directors do not participate in variable pay arrangements and do not receive retirement benefits.

Directors' remuneration policy continued

Additional notes to the policy table

Annual bonus and long-term incentives

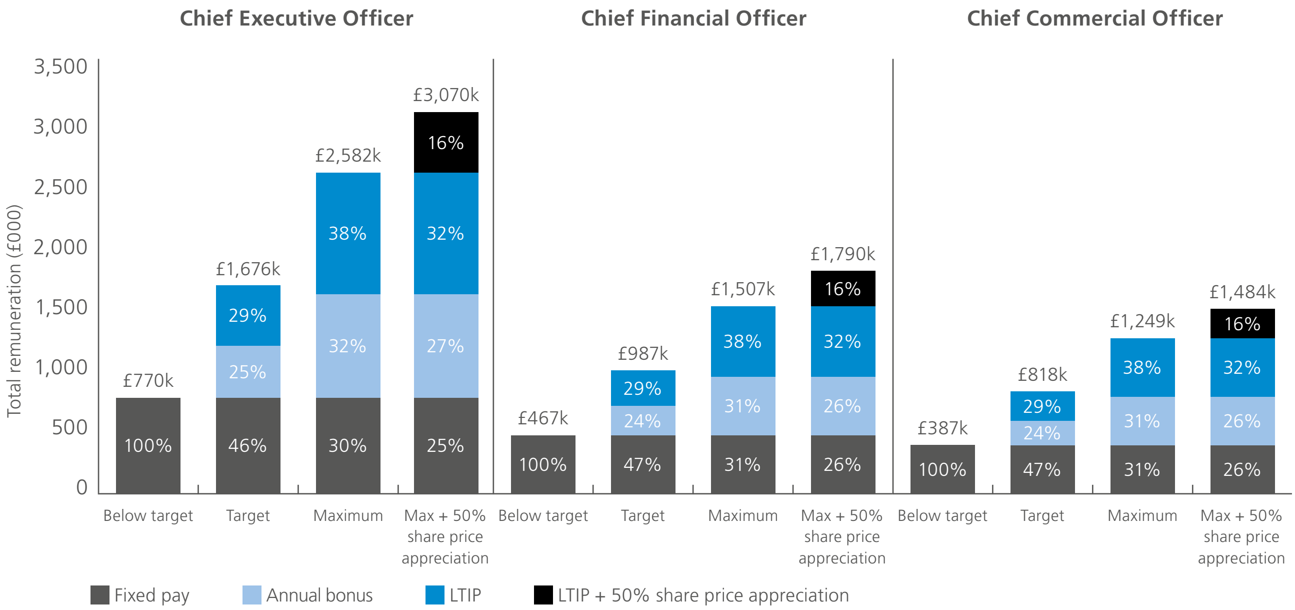
The Committee will operate the Company's incentive plans according to their respective rules as approved by shareholders and consistent with normal market practice, the Listing Rules and HMRC rules where relevant. These include making awards and setting performance criteria each year, dealing with leavers and adjustments to awards and performance criteria following acquisitions, disposals and changes in share capital and to take account of the impact of other merger and acquisition activity.

The Committee also retains discretion within policy to set different performance criteria and/or alter weightings for the annual bonus plan and long-term incentives, pay dividend equivalents on vested shares under the long-term incentives up to the date those shares can first reasonably be exercised and, in exceptional circumstances, under the rules of the long-term incentive plans to adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if a measure is no longer available). All assessments of performance are ultimately subject to the Committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the annual Remuneration report.

Legacy scheme and awards

All historical awards that were granted under any current or previous share schemes operated by the Company and remain outstanding remain eligible to vest based on their original award terms.

Illustrations of the application of remuneration policy



Notes on the scenario methodology:

The above charts give an illustrative value of the remuneration package for each of the executive Directors in the upcoming year:

- Minimum is the base salary for 2021 plus the value of pension contributions and benefits as disclosed in the 2020 single figure table.
- Annual bonus opportunity has been included in the charts at 150% of salary for the CEO and 125% of salary for other executive Directors. LTIP grant levels have been included at 175% of salary for the CEO and 150% for the other executive Directors.
- On target is the aforementioned minimum plus an assumed 50% payout of the annual bonus opportunity and 50% vesting of LTIP awards to be made in 2021.
- Maximum is the aforementioned minimum with an assumed 100% payout of the annual bonus opportunity and full vesting of LTIP awards to be made in 2021.
- Maximum + share price assumption shows maximum plus a 50% share price appreciation on the shares subject to vested LTIP awards to be made in 2021.

Statement of consideration of employment conditions elsewhere in the Company

The remuneration approach is consistently applied at levels below the executive Directors. Key features include:

- All employees are eligible for an annual bonus based on Group profit growth.
- Base salary, incentives and benefits are regularly benchmarked for employees.
- All UK roles are eligible for employer pension contributions of up to 14%.
- Employee benefits include 29 days' paid holiday, private medical insurance, group income protection, car allowance (where appropriate) and the opportunity to participate in our share plans.
- All new joiners receive share options after successful probation.
- Roles considered critical to the business are eligible for a long-term incentive award.

Directors' remuneration policy continued

Statement of consideration of employment conditions elsewhere in the Company continued

At senior levels, remuneration is increasingly long term and 'at risk' with an increased emphasis on performance related pay and share-based remuneration.

Although employees are not consulted directly on executive remuneration policy, employee engagement surveys are carried out biannually and regular discussion takes place with union representatives on matters of pay and remuneration for employees covered by collective bargaining or consultation arrangements. The Committee takes into account the general base salary increase and remuneration arrangements, including pension provision, for the wider employee population when determining remuneration policy for the executive Directors. Processes are in place for the Committee to review and consider any remuneration related matters that may arise from the activities undertaken by the Board to take account of the 'employee voice', including the non-executive Director with designated responsibility for workforce engagement reporting to the Committee any employee feedback on matters relating to pay and conditions.

Statement of consideration of shareholder views

The Committee has a standard annual agenda item whereby the feedback from shareholders and investor advisory bodies is presented and discussed following the Annual General Meeting. The Committee Chair is usually available for questions at the Annual General Meeting but in light of the ongoing need to reduce the public health risks posed by the transmission of COVID-19 and the continuing government guidance concerning the need for social distancing, the Annual General Meeting will be held as a closed meeting and members will not be permitted to attend the Annual General Meeting in person. Please see the Notice of Annual General Meeting on page 157 for more details, together with the explanation on page 103.

The Committee welcomes shareholder feedback and questions. Should you have any questions or feedback, please contact ir@victrex.com. This feedback is sought and collated by our Director of Investor Relations & Corporate Communications. The feedback that the Committee receives then informs discussions for the formulation of future policy and subsequent remuneration decisions. The Committee is also regularly updated on the collective views of shareholders and investor advisory bodies by its independent advisor.

External directorships

The Company accepts that its executive Directors may be invited to become non-executive directors of other companies outside the Company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the Company. Any external appointments are subject to Board approval (which would not be given if the proposed appointment was with a competing company, would lead to a material conflict of interest or could have a detrimental effect on a Director's performance). Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case-by-case basis.

Service contracts and letters of appointment

Each of the executive Directors' service contracts are terminable by either the employing company or the Director on twelve months' notice.

The Chairman and other non-executive Directors have letters of appointment rather than service contracts. Their appointments may be terminated without compensation at any time, subject to a three-month notice period, with the exception of Jane Toogood whose appointment is subject to a one-month notice period. All non-executive Directors are subject to re-election at each Annual General Meeting.

Copies of executive Directors' service contracts and non-executive Directors' letters of appointment are available for inspection on request; please contact the General Counsel & Company Secretary on cosec@victrex.com.

Policy on payment for loss of office

The circumstances of termination, the relevant individual's performance and an individual's duty and opportunity to mitigate losses are considered in every case. Our policy is to stop or reduce compensatory payments to former executive Directors to the extent that they receive remuneration from other employment during the compensation period. A robust line on reducing compensation is applied and payments to departing employees may be phased to mitigate loss. Our policy is shown in the table below:

Provision	Summary terms
Compensation for loss of office	→ An executive Director's service contract may be terminated without notice and without any further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain contractually specified events such as gross misconduct. → No termination payment if full notice is worked. → Otherwise, a payment in respect of the period of notice not worked of basic salary, plus pension and car allowance for that period. → The termination payment will be paid in monthly instalments over what would have been the period of notice not worked. This will be reduced by the value of any salary, pension contribution and car allowance earned in new paid employment in that period.
Treatment of annual bonus on termination	→ A time pro-rated bonus may be payable for the period of active service; however, there is no automatic entitlement to payments under the bonus scheme. Any payment is at the discretion of the Committee and is subject to recovery and withholding provisions as detailed in the policy table. → Performance targets would apply in all circumstances.

Directors' remuneration policy continued

Policy on payment for loss of office continued

Provision	Summary terms
Treatment of deferred bonus on termination	→ Determined based on the DBS rules. Full details are available on request. → Deferred bonuses are subject to recovery and withholding provisions as detailed in the policy table. → The default treatment is that any unvested awards will vest with no time pro-rating applying. Awards will normally vest at the time of cessation unless the Committee decides they will vest on a later date.
Treatment of unvested long-term incentives on termination	→ Determined based on the relevant plan rules. Full details are available on request. → Normally, any unvested awards will lapse on date of cessation of employment (if that occurs during the performance period) unless, in certain prescribed circumstances such as death, disability, mutually agreed retirement or other circumstances at the discretion of the Committee, 'good leaver' status is applied. In these circumstances, awards vest on a time pro-rated basis subject to the satisfaction of relevant performance criteria, with the balance of awards lapsing. The Committee retains the discretion not to time pro-rate if it is inappropriate to do so in particular circumstances. The Committee will consider the individual's performance and the reasons for their departure when determining whether 'good leaver' status can be applied. Awards will normally vest at the time of cessation unless the Committee decides they will vest on a later date.

Approach to recruitment remuneration

The remuneration package for a new executive Director will be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment and the Committee shall seek to recruit within the parameters of approved policy and on the principle that recruitment remuneration shall be no more than is necessary to secure the services of a preferred candidate.

Base salary

Base salary levels for new executive Directors will be set in accordance with the policy, considering the experience of the individual recruited. Where appropriate, the Committee has the flexibility to set the salary of a new appointee at a discount to the market level initially, with a series of planned increases implemented over the following years to bring the salary to the appropriate market position, subject to individual performance in the role.

Maximum level of variable pay

The maximum level of variable pay which may be awarded to a new executive Director will be 350% of salary (i.e. 150% annual bonus plus 200% LTIP award). These limits will be separate to the value of any buy out arrangement which may be necessary to secure the services of a preferred candidate.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, underlying as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on remuneration.

Annual bonus performance conditions

Where a new Director is appointed part way through a financial year, the Committee may set different annual bonus measures and targets for the new executive Director from those used for other executive Directors (for the initial part year only).

Buy out awards

The Committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the Company (and therefore shareholders). Any such payments would be limited to a reasonable estimate of value of remuneration lost when leaving the former employer and would reflect the delivery mechanism (i.e. cash and/or share based), time horizons and whether performance requirements are attached to that remuneration.

Relocation and incidental expenses

The Committee may agree that the Company will meet certain relocation and/or incidental expenses as may be necessary to recruit a preferred candidate and as deemed appropriate by the Committee.

Appointment of non-executive Directors

For the appointment of a new Chairman or non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time. Non-executive Directors' fees are set by a separate Committee of the Board; the Chairman's fees are set by the Committee.

Outplacement services, reimbursement of legal costs and any other incidental expenses may be provided where appropriate. Any statutory entitlements or compromise claims in connection with a termination of employment would be paid as necessary. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans as approved by HMRC.

Directors' remuneration policy continued

Change of control

On a change of control, executive Directors' incentive awards will be treated in accordance with the rules of the relevant plans. In summary:

- Bonus payments will consider the extent to which the performance measures have been satisfied between the start of the performance period and the date of the change of control, and the value will be pro-rated to reflect the same period.
- Deferred bonuses will generally vest on the date of a change of control, unless the Committee permits (or requires) awards to roll over into equivalent shares in the acquirer.
- LTIP awards will generally vest on the date of a change of control taking into account the extent to which any performance condition has been satisfied at that point. Time pro-rating will normally apply unless the Committee determines otherwise.

Annual report on remuneration

The Remuneration Committee (the 'Committee') presents the Directors' remuneration report, which will be put to shareholders for an advisory (non-binding) vote at the Annual General Meeting to be held on 12 February 2021. The report includes details of the Committee and the pay received during the year in accordance with our current remuneration policy as it was approved at the Annual General Meeting in February 2020 which is available in the Company's 2019 Annual Report.

Members of the Committee during the year

The role of the Committee is to determine and recommend to the Board a fair and responsible remuneration framework for the Company's Chairman and executive Directors. The members of the Committee (all of whom were independent non-executive Directors) during the year under review were as follows:

- Janet Ashdown (Remuneration Committee Chair)
- Ros Rivaz
- Jane Toogood
- Brendan Connolly
- David Thomas
- Pamela Kirby

Biographical information on the Committee members and details of attendance at the Committee's meetings during the year are set out on pages 60, 61 and 85.

External advisor

During 2020, the Committee agreed that it was appropriate to carry out a formal tender process in relation to its advisor, and following a robust process, the Committee appointed Korn Ferry as its advisor with effect from 7 May 2020.

During the year the Committee received independent advice on Directors' remuneration from Willis Towers Watson and Korn Ferry. Both companies are members of the Remuneration Consultants Group and adhere to its Code of Conduct which requires its advice to be objective and impartial.

During the year, the Committee received independent advice from Willis Towers Watson including standard advice, corporate governance work such as wider workforce dashboards and pension alignment. Willis Towers Watson were paid fees of £43,082. Korn Ferry provided advice on market practice updates and benchmarking and supported management with undertakings such as producing the Directors' remuneration report to the extent this did not impact the independence of its advice. The fees paid to Korn Ferry for providing advice to the Committee in relation to Directors' remuneration were £30,000 which included fixed fees for planned undertakings and ad-hoc support on a time and expense basis. Korn Ferry also supports the Company with global salary benchmarking and internal Hay Evaluation training for Human Resources. This support is provided by an entirely separate team independent from the team advising the Committee. As a result, the Committee is satisfied that the advice received from its advisors (both Willis Towers Watson and Korn Ferry) was objective and independent.

Annual General Meeting voting outcomes

The following table summarises the details of votes cast for and against the Directors' remuneration policy and the Directors' remuneration report in 2020 and 2019, along with the number of votes withheld. The Committee will continue to consider the views of, and feedback from, shareholders when determining and reporting on remuneration arrangements.

Voting outcome	Votes for	Votes against	Votes withheld
Directors' remuneration policy 2020	64,813,885 (93.73%)	4,337,065 (6.27%)	593,713
Directors' remuneration report 2019	66,050,731 (94.71%)	3,688,180 (5.29%)	5,753

Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2020

A summary of how the Directors' remuneration policy was applied for the year ended 30 September 2020 is set out below.

Remuneration received by Directors for the year ended 30 September 2020 (audited)

	Salary and fees[1] £	Taxable benefits[2] £	Pension[3] £	**Total fixed pay £**	Annual bonus[4] £	Long-term incentives[5] £	**Total variable pay £**	**Total £**
J O Sigurdsson								
2020	**557,535**	**95,236**	**117,505**	**770,276**	**—**	**109,913**	**109,913**	**880,189**
2019	545,000	103,677	114,995	763,672	—	—	—	763,672
R J Armitage								
2020	**378,000**	**16,585**	**72,621**	**467,206**	**—**	**58,603**	**58,603**	**525,809**
2019	360,000	16,328	68,745	445,073	—	—	—	445,073
M L Court								
2020	**313,635**	**16,585**	**56,530**	**386,750**	**—**	**51,000**	**51,000**	**437,750**
2019	298,700	16,328	53,420	368,448	—	342,181	342,181	710,629
L C Pentz								
2020	**200,593**	**5,500**	**—**	**206,093**	**—**	**—**	**—**	**206,093**
2019	196,100	5,500	—	201,600	—	—	—	201,600
J E Ashdown								
2020	**60,000**	**—**	**—**	**60,000**	**—**	**—**	**—**	**60,000**
2019	58,000	—	—	58,000	—	—	—	58,000
B W D Connolly								
2020	**58,000**	**—**	**—**	**58,000**	**—**	**—**	**—**	**58,000**
2019	48,000	—	—	48,000	—	—	—	48,000
P J Kirby								
2020	**20,400**	**—**	**—**	**20,400**	**—**	**—**	**—**	**20,400**
2019	55,500	—	—	55,500	—	—	—	55,500
D Thomas								
2020	**60,000**	**—**	**—**	**60,000**	**—**	**—**	**—**	**60,000**
2019	58,000	—	—	58,000	—	—	—	58,000
J E Toogood								
2020	**50,000**	**—**	**—**	**50,000**	**—**	**—**	**—**	**50,000**
2019	48,000	—	—	48,000	—	—	—	48,000
R Rivaz								
2020	**24,375**	**—**	**—**	**24,375**	**—**	**—**	**—**	**24,375**

The remuneration for executive and non-executive Directors comprising salary (or fees), taxable benefits and bonus was £2.1m (FY 2019: £2.1m).

The Chairman's fee was increased by 2.5% to £200,593 (FY 2019: £195,700), which aligned to the average increase for the global workforce. The base fee paid to NEDs was increased by 4% to £50,000 (FY 2019: £48,000) as there had been no increase in base fee in FY 2018. The SID fee was increased by 13% to £8,500 (FY 2019: £7,500). A new fee was introduced to recognise the extra time commitment associated with the role of the non-executive Director with designated responsibility for workforce engagement (FY 2020: £8,000).

Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2020 continued

Notes and additional information

1. Salary and fees

Dr Pamela Kirby did not seek re-election at the 2020 AGM in February and Dr Ros Rivaz was appointed as a non-executive Director and Senior Independent Director on 1 May 2020. Fees for the year have been pro-rated.

2. Taxable benefits

The taxable benefits for all executive Directors comprise eligibility for a company car and membership of a private medical scheme, covering themselves and their immediate families. The cost of relocation to the UK for Jakob Sigurdsson is also included in total taxable benefits.

In addition, Jakob Sigurdsson and Larry Pentz receive support to complete UK and overseas tax submissions in order to ensure that the Group maintains employment compliance across the jurisdictions.

3. Pensions

Members of the UK pension scheme are entitled to life assurance cover of four times salary and a retirement pension subject to the scheme rules. If a member dies whilst in pensionable service, the value of the member's retirement account will be used by the trustees to provide either or both a lump sum and a pension payable to dependants. Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group provides benefits through the provision of salary supplements.

Martin Court and Richard Armitage have opted out of the pension scheme and receive a cash supplement of 12%. Jakob Sigurdsson participates in the Company pension scheme in line with HMRC limits and receives the balance between these limits and the Company contributions as a cash supplement of 12%. The aforementioned contributions of 12% apply up to the Notional Earnings Cap ('NEC') for basic salary. Above the NEC, participants receive a cash supplement of 25% of basic pay. All supplements are subject to statutory deductions. Details of the value of pension contributions received by the executive Directors in the year under review are provided in the 'Pensions' column of the 'Remuneration received by Directors' table.

One of the Directors is accruing pension benefits under defined contribution schemes (FY 2019: two). None of the Directors are accruing pension benefits under defined benefit schemes (FY 2019: none).

4. Annual bonus payments

The annual bonus was operated on the same basis as last year with 50% subject to a stretching Group profit before tax ('PBT') target and performance against shared strategic (30% weighting) and individual personal performance objectives (20% weighting). No payment is made on any element of bonus (including strategic and personal) if the PBT threshold is not met.

Group financial targets	Maximum (% of salary)	PBT required for threshold bonus £m	PBT required for maximum bonus £m	Actual PBT £m	Actual (% of salary)
J O Sigurdsson	150%	100.0	119.8	63.5	0%
R J Armitage	125%	100.0	119.8	63.5	0%
M L Court	125%	100.0	119.8	63.5	0%

In addition to financial performance, executive Directors were set a number of stretching strategic and personal performance objectives for 2020, which account for 50% of total annual bonus opportunity. The Committee assesses performance against those objectives using a combination of quantitative and qualitative information. A summary of the strategic objectives for the executive Directors collectively and of the personal objectives along with key performance highlights is shown below.

Strategic objectives	Key performance highlights
Drive core business	→ Delivered basis for future growth in China, including the forming of a manufacturing subsidiary with Yingkou Xingfu; with growth in China above the targeted rate → Achieved improved core business pipeline quality → Delivered targeted savings in line with expectations → Reduced the complexities in business processes and streamlined offerings by increasing efficiencies
Differentiate through innovation	→ Four out of five project milestones were achieved in connection with innovation projects → Delivered progress in streamlining risk assessments as well as quality improvements
Create and deliver future value	→ Progressed the delivery on long-term projects in line with plan and budget → Reviewed approach to future growth opportunities
Underpin through safety, sustainability and capability	→ Achieved targeted year on year improvements in waste recycled → Defined and set new inclusivity standards with early evidence of improved outcomes

Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2020 continued

Notes and additional information continued

4. Annual bonus payments continued

Focus areas for personal objectives	Key performance highlights
Drive core business	→ Progressed transformation goals with cost savings and efficiencies realised in line with plans
Differentiate through innovation	→ Progressed majority of key mega-programmes against agreed milestones for Aerospace, Automotive, Energy and Medical
Create and deliver future value	→ Delivered key projects for streamlining planning, quality and operations
Underpin through safety, sustainability and capability	→ Delivered targeted progress in relation to ESG agenda which included enhancing safety awareness and established a Group Sustainability team

Notwithstanding the strong strategic progress and performance against personal targets noted above which resulted in the Committee concluding that the strategic objectives outcome was 77% and personal objective outcomes for each of the executive Directors ranged between 81% and 89%. As the threshold PBT target of £100m was not achieved no bonus is payable to executive Directors for the year ended 30 September 2020.

5. Vesting of LTIP awards

The LTIP awards granted on 8 December 2017 and 16 May 2018 were based on performance to the year ended 30 September 2020. The performance targets for these awards and actual performance against those targets were as follows:

Metric	Weighting	Performance condition	Threshold target	Stretch target	Actual	% vesting
Earnings per share	75%	Cumulative EPS to exceed 440p over the three-year period to vest in full. Vesting is reduced to 20% on a pro-rata basis if cumulative EPS is 382p over the three-year period and is reduced to nil if fails to reach 382p.	382.0p	440.0p	298.2p	0%
Total shareholder return	25%	TSR against the constituents of the FTSE 250 Index (excluding investment trusts). 25% vesting for median performance and 100% vesting for upper quartile performance or above. TSR measured over three financial years with a three-month average at the start and end of the performance period.	-15.1%	22.5%	5.9%	79.07%
Total	100%				Total vesting	19.77%

The vesting details for the executive Directors are therefore as follows:

Executive	Grant date	Vest date	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Dividend equivalent on shares to vest[1] £	Estimated value[2] £
J O Sigurdsson	8 Dec 2017	8 Dec 2020	24,742	4,890	19,852	15,227	109,913
M L Court	8 Dec 2017	8 Dec 2020	11,480	2,269	9,211	7,066	51,000
R Armitage	16 May 2018	16 May 2021	13,574	2,683	10,891	6,652	58,603

1 The stated dividend equivalent reflects the notional value, assuming the number of shares to vest are released on 8 December 2020 and 16 May 2021.

2 The estimated value is calculated applying a share price based on an average over the three-month period ended September 2020 (£19.363).

3 The share price at grant was £25.26 (or £26.52 in the case of Richard Armitage's award). As this is higher than the estimated share price at vesting, none of the value of LTIP vesting is attributable to share price growth.

Annual report on remuneration continued

Long-term incentives granted during the year (audited)

In 2019, LTIP awards at the outgoing policy level were granted on 11 December 2019. After the approval of the current remuneration policy at the 2020 AGM, the Committee granted top-up awards on 12 February 2020 so that the total value of awards granted was consistent with the new policy. The same performance conditions apply to both awards.

On 11 December 2019, the following LTIP awards were granted to executive Directors:

Executive	Type of award	Basis of award	Share price at date of grant[1]	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting determined by performance over[2]
J O Sigurdsson	Nil-cost option	125% of salary	£23.81	29,327	£698,276	21.25%	Three financial years to 30 September 2022
R J Armitage	Nil-cost option	100% of salary	£23.81	15,875	£377,984	21.25%	
M L Court	Nil-cost option	100% of salary	£23.81	13,172	£313,625	21.25%	

1 The share price at date of grant is the mid-market price quoted over a three-day average on 6, 9 and 10 December 2019 in accordance with the Plan rules.

2 An additional two-year holding period applies after the end of the three-year performance period.

On 12 February 2020, the following LTIP awards were granted to executive Directors:

Executive	Type of award	Basis of award	Share price at date of grant[1]	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting determined by performance over[2]
J O Sigurdsson	Nil-cost option	25% of salary	£23.81	5,865	£139,646	21.25%	Three financial years to 30 September 2022
R J Armitage	Nil-cost option	25% of salary	£23.81	3,968	£94,478	21.25%	
M L Court	Nil-cost option	25% of salary	£23.81	3,293	£78,406	21.25%	

1 The share price at date of grant is the mid-market price quoted over a three-day average on 6, 9 and 10 December 2019 to align with the December 2019 grant in accordance with the Plan rules.

2 An additional two-year holding period applies after the end of the three-year performance period.

The awards above were subject to stretching EPS and TSR targets. The EPS element (75% weighting) will vest in full if cumulative EPS exceeds 395.8p over the three-year period. This element of the award is reduced to 20% on a pro-rata basis if cumulative EPS is 352.9p. If cumulative EPS is below 352.9p, then this element of the award will not vest. The TSR element (25% weighting) will vest in full if the Victrex TSR ranks in the upper quartile, as measured over the three-year period, relative to the constituents of the FTSE 250 Index excluding investment trusts. This element of the award is reduced to 25% on a pro-rata basis for median performance and is reduced to nil for below median performance.

Annual report on remuneration continued

Outstanding share awards

The table below sets out details of outstanding share awards held by executive Directors. The table shows changes in the options held by each Director, taking into account grants made, options which have lapsed and any options exercised. The closing position at the end of the financial year 2020 is shown in bold.

Plan	Grant date	Exercise price	No. of share awards at 1 October 2019	Granted during the year	Vested during the year	Exercised during the year	Lapsed during the year	**No. of share awards at 30 September 2020**	End of performance period	Date from which exercisable	Expiry date
M L Court											
LTIP	15/12/2014	nil	934	—	—	934	—	**—**	30/09/2017	15/12/2017	15/12/2024
	14/12/2015	nil	7,372	—	—	3,686	—	**3,686**	30/09/2018	14/12/2018	14/12/2025
	08/12/2016	nil	14,802	—	14,550	—	252	**14,550**	30/09/2019	08/12/2021	08/12/2026
	08/12/2017	nil	11,480	—	—	—	—	**11,480**	30/09/2020	08/12/2022	08/12/2027
	10/12/2018	nil	12,972	—	—	—	—	**12,972**	30/09/2021	10/12/2023	10/12/2028
	11/12/2019	nil	—	13,172	—	—	—	**13,172**	30/09/2022	11/12/2024	11/12/2029
	12/02/2020	nil	—	3,293	—	—	—	**3,293**	30/09/2022	12/02/2025	12/02/2030
SAYE	01/04/2018	£21.64	415	—	—	—	—	**415**	n/a	01/04/2021	30/09/2021
	01/04/2020	£19.97	—	450	—	—	—	**450**	n/a	01/04/2023	30/09/2023
Deferred shares	05/12/2017	nil	2,228	—	—	—	—	**2,228**	n/a	05/12/2020	n/a
	10/12/2018	nil	2,046	—	—	—	—	**2,046**	n/a	10/12/2021	n/a
J O Sigurdsson											
LTIP	08/12/2017	nil	24,742	—	—	—	—	**24,742**	30/09/2020	08/12/2022	08/12/2027
	10/12/2018	nil	29,586	—	—	—	—	**29,586**	30/09/2021	10/12/2023	10/12/2028
	11/12/2019	nil	—	29,327	—	—	—	**29,327**	30/09/2022	11/12/2024	11/12/2029
	12/02/2020	nil	—	5,865	—	—	—	**5,865**	30/09/2022	12/02/2025	12/02/2030
SAYE	01/04/2019	£19.20	937	—	—	—	—	**937**	n/a	01/04/2022	30/09/2022
Deferred shares	10/12/2018	nil	4,410	—	—	—	—	**4,410**	n/a	10/12/2021	n/a
R J Armitage											
LTIP	16/05/2018	nil	13,574	—	—	—	—	**13,574**	30/09/2020	16/05/2023	16/05/2028
	10/12/2018	nil	15,634	—	—	—	—	**15,634**	30/09/2021	10/12/2023	10/12/2028
	11/12/2019	nil	—	15,875	—	—	—	**15,875**	30/09/2022	11/12/2024	11/12/2029
	12/02/2020	nil	—	3,968	—	—	—	**3,968**	30/09/2022	12/02/2025	12/02/2030
SAYE	01/04/2019	£19.20	1,562	—	—	—	—	**1,562**	n/a	01/04/2024	30/09/2024
Deferred shares	10/12/2018	nil	1,270	—	—	—	—	**1,270**	n/a	10/12/2021	n/a

The vesting of all LTIP awards is subject to satisfying the relevant EPS and TSR conditions.

During the year ended 30 September 2020, Martin Court was the only Director to either receive or exercise nil-cost options which had vested in previous financial years. Martin Court exercised 4,620 LTIP options totalling £112,049. The gain made by the highest paid Director in FY 2019 was £106,969.

Payments to past Directors (audited)

Tim Cooper stepped down from the Board on 30 September 2019 and full details of the payments in connection with his departure were summarised in the 2019 Directors' remuneration report. He remained employed until the end of his notice period on 20 June 2020 and summary payments during the 2020 financial year were £220,096 salary, £11,566 taxable benefits, £39,324 pension and £429,018 following the exercise of vested LTIP options.

As disclosed at the time of her departure, the 2014 LTIP award which vested following achievement of the relevant performance conditions shortly before our previous Finance Director, Louisa Burdett, ceased employment was subject to a holding period. The third tranche of the shares subject to a holding period was released during the year, with a value when released of £28,431.16.

There were no other payments to past Directors during the year.

Annual report on remuneration continued

Payments for loss of office (audited)

As above.

Statement of Directors' shareholdings and share interests (audited)

Director	Beneficially owned at 1 October 2019	**Beneficially owned at 30 September 2020[1]**	**Outstanding LTIP awards at 30 September 2020**	Outstanding deferred share awards	Outstanding share awards under all-employee share plans	**Shareholding as a % of salary at 30 September 2020[2]**
J O Sigurdsson	11,200	**13,200**	**89,520**	4,410	937	**55%**
R J Armitage	2,000	**3,980**	**49,051**	1,270	1,562	**24%**
M L Court	5,604	**8,486**	**59,153**	4,274	865	**128%**
L C Pentz	4,000	**4,000**	**—**	—	—	**n/a**
B W D Connolly	350	**350**	**—**	—	—	**n/a**
J E Ashdown	—	**—**	**—**	—	—	**n/a**
D Thomas	—	**—**	**—**	—	—	**n/a**
J E Toogood	500	**500**	**—**	—	—	**n/a**
R Rivaz	—	**—**	**—**	**—**	**—**	**n/a**

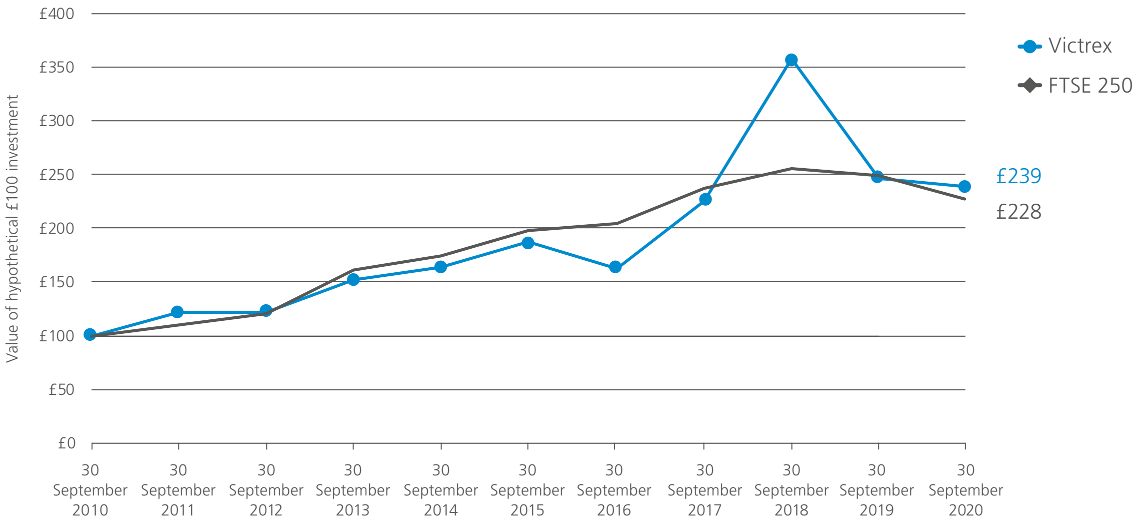
1 The table above includes the holdings of persons connected with each of the Directors. The holdings stated represent shares beneficially held and excludes share options held with the Company.

2 Executive Directors are required to hold shares in the Company worth 200% of salary and must retain 50% of the net of tax value of any vested LTIP shares until the guideline is met. The shareholding as a percentage shown above is based on the average share price during September 2020 of £19.4582.

Martin Court acquired an additional 13 shares during the period from 1 October 2020 to the date of this report through his participation in the All-Employee Share Ownership Scheme.

Total shareholder return graph

The following graph shows the cumulative total shareholder return of the Company over the last ten financial years relative to the FTSE 250 Index. The FTSE 250 Index has been selected for consistency as it is the Index against which the Company's total shareholder return is measured for the purposes of the LTIP. In addition, the Company is a constituent of the Index. TSR is a measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends. Data is averaged over three months at the end of each financial year.



Source: DataStream Return Index.

Directors' remuneration report continued

Annual report on remuneration continued

CEO total remuneration

The total remuneration figures for the Chief Executive during each of the last ten financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year's performance and LTIP awards based on three-year performance periods ending in the relevant year. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

Year ended 30 September	**2020**	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total remuneration	**£880,189**	£763,672	£1,071,351	£1,462,274	£668,211	£735,103	£832,147	£709,288	£1,532,239	£2,382,086
Annual bonus (% of maximum)	**0%**	0%	81.25%	97%	—	22.5%	53.1%	—[1]	17.3%	71.5%
LTIP vesting (% of maximum)	**19.8%**	n/a[2]	n/a[2]	22.1%	—	—	—	16.56%	100%	100%

1 There were no bonus payments made to Directors in 2013 as they waived their entitlement to receive bonus payments.

2 Jakob Sigurdsson was appointed as CEO on 1 October 2017. His first tranche of LTIPs are eligible to vest in 2020 subject to performance testing and a holding period until 2022.

Annual percentage change in Director and employee remuneration

The table below shows the percentage change in the Directors' salary, benefits and annual bonus between the financial years ended 30 September 2019 and 30 September 2020, compared to that of the total amounts for all other employees of the Group for each of these elements of pay.

	% change in salary/fees	% change in benefits	% change in bonus
J O Sigurdsson	**2.3%**	-8.1%	0%
R J Armitage	**5.0%**	1.6%	0%
M L Court	**5.0%**	1.6%	0%
L C Pentz	**2.3%**	0%	0%
J E Ashdown	**3.4%**	n/a	n/a
B W D Connolly[1]	**20.8%**	n/a	n/a
D Thomas	**3.4%**	n/a	n/a
J E Toogood	**4.2%**	n/a	n/a
R Rivaz	**n/a**	n/a	n/a
Employee average	**1.78%**	7.56%	0%

1 Brendan Connolly was appointed the designated non-executive Director for workforce engagement with effect from 1 October 2019. The significant increase in fees between 2019 and 2020 reflects the additional fee he receives in recognition of the time commitment for this role.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and profits for the year attributable to owners of the Parent:

	2020 £m	2019 £m	% change
Staff costs	**74.6**	63.9	+16.7
Dividends[1]	**39.9**	51.4	-22.4
Tax	**9.3**	12.3	-24.4
Profit for the year attributable to owners of the Parent	**54.2**	92.4	-41.3

1 2020 includes a proposed final dividend of 46.14p.

£2.1m (FY 2019: £2.8m) of the staff costs figures relate to pay for the Directors (excluding pension contributions), of which £0.8m relates to the highest paid Director (FY 2019: £0.6m). Total pension contributions were £0.2m (FY 2019: £0.3m) and for the highest paid Director were £0.1m (FY 2019: £0.1m).

The dividend figures relate to amounts payable in respect of the relevant financial year.

Annual report on remuneration continued

CEO pay ratio

Below we have calculated our UK CEO pay ratio comparing the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Regulations 2018 which first formally applied to Victrex from the financial year beginning 1 October 2019.

		CEO pay ratio		
Financial year	Calculation methodology	25th percentile pay ratio	50th percentile (median) pay ratio	75th percentile pay ratio
2020	**Option A**	**20.22**	**17.66**	**13.85**
2019	Option A	17.82	15.91	12.56

The CEO pay ratio is broadly consistent with the previous year. The slight increase in the ratio reflects the increase in the CEO's total pay due to the 2020 LTIP vesting. As Jakob Sigurdsson was appointed as CEO on 1 October 2017, this is the first year where LTIPs are eligible to vest. Flexibility is provided to adopt one of three methods for calculating the ratios. We have chosen Option A which is a calculation based on the pay of all UK employees on a full-time equivalent basis as this option is considered to be more statistically robust. The ratios are based on total pay and benefits and short-term and long-term incentives applicable for the financial year 1 October 2019 to 30 September 2020. The reference employees at the 25th, 50th and 75th percentile have been determined by reference to the last day of the financial year, 30 September 2020. The estimated value is calculated using a share price based on an average over the three-month period ended September 2020 (£19.363). All items of remuneration for employees have been calculated on the same basis as the single figure.

The regulations require the total pay and benefits and the salary component of total pay and benefits to be set out as follows:

	Base salary	Total pay and benefits
CEO remuneration	£557,535	£880,189
25th percentile employee	£36,885	£43,520
50th percentile employee	£43,975	£49,828
75th percentile employee	£53,738	£63,556

Our principles for pay setting and progression in our wider workforce are the same as for our executives – total reward being sufficiently competitive to attract and retain high calibre individuals without over-paying and providing the opportunity for individual development and career progression. The pay ratios reflect how remuneration arrangements differ as accountability increases for more senior roles within the organisation and in particular the ratios reflect the weighting towards long-term value creation and alignment with shareholder interests for the CEO.

We are satisfied that the median pay ratio voluntarily reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee has the opportunity for annual pay increases, annual performance payments and career progression and development opportunities.

Implementation of policy in 2020/21

Salaries and fees

Executive Directors

In 2020 the Remuneration Committee reviewed executive Director salaries. In light of the current economic environment and in line with the general treatment of employees across the Company, executive Directors' salaries have been frozen for FY 2020/21.

	2021	2020	% increase
J O Sigurdsson	**£557,535**	£557,535	0%
R J Armitage	**£378,000**	£378,000	0%
M L Court	**£313,635**	£313,635	0%

Non-executive Directors

The Company's approach to non-executive Directors' remuneration is set by the Board, with account taken of the time and responsibility involved in each role, including, where applicable, the chairmanship of Board Committees. In line with the general treatment of other employees, fees will not increase in 2021.

Position	**2021**	2020	% increase
Chairman	**£200,593**	£200,593	0%
Base fee	**£50,000**	£50,000	0%
Senior Independent Director	**£8,500**	£8,500	0%
Workforce Engagement Director	**£8,000**	£8,000	0%
Audit Committee Chair	**£10,000**	£10,000	0%
Remuneration Committee Chair	**£10,000**	£10,000	0%

Annual report on remuneration continued

Implementation of policy in 2020/21 continued

Annual bonus

For FY 2020/2021 the maximum annual bonus will be 150% of salary for the Chief Executive and 125% of basic salary for the other executive Directors. 50% of any bonus earned will be deferred into shares for three years.

Targets will be a combination of PBT (weighted at 50%), strategic objectives (weighted at 30%) and an executive's personal performance (weighted at 20%). Profit targets for 2020/21 will be based on PBT (pre-exceptional items) with the Committee retaining discretion to determine the impact of any exceptional items on the testing of the targets, to ensure performance outcomes are a fair reflection of underlying business performance. The range of financial targets set have been recalibrated vis-à-vis those set last year to reflect the current outlook in our key markets (which includes some of the sectors most heavily impacted by COVID-19, e.g. Aerospace and Automotive) and a threshold level of profitability has been set below which no bonuses will be payable. Similar to the approach taken in FY 2019/20, the non-financial targets will be subject to an underpin equal to the threshold profit target. The Committee retains the ability to adjust bonus outcomes in the event that there is a perceived disconnect between performance and reward in the current financial year.

The Company believes that this combination of financial, strategic and personal performance objectives reflects the strategic focus on PBT while maintaining a measurement of progression against strategic milestones and personal contribution across key operational goals for the business. The Committee will continue to run a thorough annual review of strategic and personal objectives to ensure they are measurable, robust and aligned with overall Group-wide objectives. The Committee considers certain aspects of the performance targets for the annual bonus to be commercially sensitive and, as such, they will be disclosed either at the end of the performance period or when they are no longer commercially sensitive.

Long-term incentives

The Committee intends to make LTIP awards at 175% of salary for the CEO and 150% of salary for other executive Directors. These award levels are 25% of salary higher than the levels awarded in the year under review, which is consistent with the outcome of the shareholder consultation on the current policy undertaken in 2020 which concluded that increases to incentive opportunity should take place on a phased basis. This is the final phased increase. In concluding that it was appropriate to grant at these levels it should be noted that the Committee considered the degree of stretch in the targets, the share price post year end and the fact that the awards will be subject to a windfall gain provision. This provision will enable the Committee to reduce the award value on vesting if there is a post-COVID-19 recovery that takes place substantially quicker than expected at the time of setting the targets and the resulting reward is considered disproportionate by the Committee in light of overall performance.

The extent to which the LTIP awards will vest will be determined by a challenging range of EPS growth and relative total shareholder return targets. The EPS targets, determining vesting of 75% of the award, will measure performance based on growth in earnings of between 5% and 12.5% p.a. over the three years to FY 2022/23 (moving to test performance based on EPS in FY 2022/23 only as opposed to setting three-year cumulative targets as was the case in the year under review). 20% of the EPS part of the award will vest for achieving the threshold performance condition, rising to 100% for achieving the maximum target or better. The change in approach to target setting is more aligned with standard market practice and has the benefit of looking through, as far as is possible, the impact of COVID-19. The range of targets set is considered similarly challenging to the targets set in prior years allowing for current internal planning, external market expectations for the Company and current economic conditions. The TSR portion, to determine the vesting of 25% of the award, will again compare Victrex's relative TSR performance over the period against the FTSE 250 Index constituents less investment trusts. 25% of this part of the award will vest for median performance versus the comparator group, rising to 100% for upper quartile relative performance or better.

The Remuneration Committee has the discretion to reduce the formulaic outcome of the award to ensure the outcome reflects underlying business performance. Furthermore, as set out in the Directors' remuneration policy, awards are granted subject to malus and clawback provisions.

This Directors' remuneration report was approved by the Board on 7 December 2020 and is signed on its behalf by:

Janet Ashdown
Chair of the Remuneration Committee
9 December 2020

Directors' report – other statutory information

The Directors' report required under the Companies Act 2006 comprises this Directors' report (pages 103 to 107), the Corporate governance report (pages 58 to 113) and the Sustainability report set out in the Strategic report (pages 40 to 57). The management report required under Disclosure Guidance and Transparency Rule 4.1.8R comprises the Strategic report (pages 2 to 57) and this Directors' report. This Directors' report meets the requirements of the corporate governance statement required under Disclosure Guidance and Transparency Rule 7.2. As permitted by legislation, some of the matters required to be included in the Directors' report have been included in the Strategic report by cross reference.

Annual General Meeting

The Notice of the 2021 Annual General Meeting of the Company and explanatory notes are set out on pages 154 to 163. The Annual General Meeting of the Company will be held on Friday 12 February 2021 at 11am at the Company's head offices at Victrex Technology Centre, Hillhouse International, Thornton Cleveleys FY5 4QD. In light of the current and anticipated public health guidelines in connection with the COVID-19 pandemic, this year's meeting will be scaled back and will focus on formal business only. As social distancing measures and restrictions on large gatherings are anticipated to apply on 12 February 2021, the Board proposes that a limited number of Company representatives will attend the Annual General Meeting in person to ensure that a valid meeting is held. In doing so, they will observe all relevant social distancing guidelines. Regrettably other shareholders will not be permitted to attend the Annual General Meeting in person if such measures continue to be in force. It is therefore important that you do not attend the meeting in person while the current public health measures are in place.

The Board recognises the importance of the Annual General Meeting to shareholders and is keen to ensure that you are able to participate in the meeting and to vote notwithstanding the restrictions on attendance in person. Therefore, if you wish to participate in the Annual General Meeting, you are encouraged to appoint the Chairman of the meeting as your proxy and give your instructions on how you wish the Chairman to vote on the proposed resolutions. All proposed resolutions will be put to a vote on a poll, which will result in a more accurate reflection of the views of shareholders by ensuring that every vote is recognised. If you have any questions for the Board on the business of the meeting, you can send them in advance of the Annual General Meeting to ir@victrex.com. We will aim to respond to all questions raised as quickly as possible. We will post a summary of the questions and answers on our website www.victrexplc.com on the morning of the Annual General Meeting. We look forward to hearing from you.

Public health guidance issued by the government in relation to the COVID-19 pandemic continues to evolve and the Board intends to keep the arrangements for the Annual General Meeting under close review. Circumstances may result in it being necessary to change the arrangements further in the coming weeks. The Board therefore recommends that you check the Company's website regularly and monitor Company announcements for any updates. If the public health measures and guidance change and we inform you that you are able to attend in person you may also be able to appoint one or more proxies of your choice to attend and exercise your rights at the meeting in the usual way. If you choose now to appoint a proxy other than the Chairman of the meeting, but social distancing measures or other restrictions on attendance in person continue to be in force, your appointment will be deemed to be an appointment of the Chairman of the meeting.

Results and dividends

Group profit before tax for the year was £63.5m (FY 2019: £104.7m).

Following deferral of the interim dividend, and reflecting good cash generation, the Board has chosen to reinstate dividends. The Directors recommend the payment of a final dividend of 46.14p per ordinary share that, subject to shareholder approval at the Company's Annual General Meeting being held on 12 February 2021, will be paid on 19 February 2021 to all shareholders on the register of members as at 6.30pm on 29 January 2021. This makes a total regular dividend of 46.14p per ordinary share for the year (FY 2019: 59.56p per ordinary share). Only the final dividend will be paid this year.

The Company has established employee benefit trusts ('EBTs') in connection with the obligation to satisfy future share awards under certain employee share incentive schemes. The trustees of the EBTs have waived their rights to receive dividends on those ordinary shares of the Company held in the EBTs. Such waivers represent less than 1% of the total dividend payable on the Company's ordinary shares. There are no other arrangements in place under which a shareholder has waived or agreed to waive any dividends.

Important events since 30 September 2020

There have been no important events affecting the Company or any member of the Group since 30 September 2020.

Financial instruments

Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk can be found in note 15 to the financial statements. Such information is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are set out on page 68.

Directors' interests in the Company's shares

The interests of the Directors of the Company and their connected persons at 30 September 2020 in the issued share capital of the Company (or other financial instruments) which have been notified to the Company in accordance with the Market Abuse Regulation are set out in the Remuneration report on page 99. The biographies of all Directors serving at the date of this Annual Report are shown on pages 60 and 61. Details of Directors' interests in shares are provided in the Directors' remuneration report on pages 98 and 99.

Directors' report – other statutory information continued

Major interests in shares

The following information has been disclosed to the Company on request pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and is published on a Regulatory Information Service and on the Company's website. The following has been received, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital as at 18 November 2020:

	Holding	%
Sprucegrove Investment Management (CA)	6,535,456	7.54
The Vanguard Group Inc (US)	4,973,940	5.74
M&G Investment Management Ltd (UK)	4,814,290	5.56
Troy Asset Management (UK)	4,121,713	4.76
Baillie Gifford & Co Ltd (SC)	3,743,899	4.32
Mondrian Investment Partners Ltd (UK)	3,360,468	3.88
Royal London Asset Management Ltd (UK)	3,256,581	3.76
Evenlode Investment Management Ltd (UK)	3,248,908	3.75
Columbia Threadneedle Investments (UK)	3,091,101	3.57
Invesco Advisors Inc (US)	3,026,711	3.49
Schroder Investment Management Ltd (UK)	2,958,239	3.41

The positions stated above represent the holdings in shares either in their own right or on behalf of third parties and may not represent the total voting rights (or authority to vote) as at 18 November 2020. The information provided above was correct at the date of notification. However, these holdings may have changed since the Company was notified.

Appointment and replacement of Directors

The Articles of Association of the Company, the UK Corporate Governance Code and the Companies Act 2006 govern the appointment and replacement of Directors. Our Articles of Association are available on our website (www.victrexplc.com). The Articles of Association include rules such as the limitation on the number of Directors to twelve. Directors may be appointed by an Ordinary Resolution of the shareholders or by a resolution of the Directors. A Director appointed by the Board during the year must retire at the first Annual General Meeting following their appointment and such Director is eligible to offer themselves for election by the Company's shareholders. Additionally, the Company's Articles of Association require the retirement at each Annual General Meeting of (i) any Director who has held office at the time of the two preceding Annual General Meetings and who did not retire at either; and (ii) any non-executive Director who has been in office for a continuous period of nine years or more. Notwithstanding the retirement provisions in the Company's Articles of Association, it is the Company's current practice that all Directors retire from office at each Annual General Meeting in accordance with the recommendations of the UK Corporate Governance Code.

In addition to the statutory power, a Director may be removed by Special Resolution of the Company. A Director must also automatically cease to be a Director if (i) they are removed from office under the Articles of Association or they cease to be a Director by virtue of any law or they become prohibited by law from being a Director; or (ii) they become bankrupt or make any arrangement or composition with their creditors generally; or (iii) they suffer from mental or physical ill health and the Directors resolve to remove them from office; or (iv) they resign from office by notice in writing to the Company, or in the case of an executive Director, their appointment is terminated or expires and the Directors resolve that the office be vacated; or (v) they are absent for more than six consecutive months without permission of the Directors from meetings of the Directors and the Directors resolve that the office be vacated; or (vi) they are requested in writing, or by electronic form, by all the other Directors to resign.

Indemnification of Directors

The Company has granted indemnities in favour of all of its Directors under Deeds of Indemnity ('Deeds'). These Deeds were in force during the year ended 30 September 2020 (or from the date of appointment for those appointed during the year) and remain in force as at the date of this report. The Deeds and the Company's Articles of Association are available for inspection during normal business hours on Monday to Friday (excluding public holidays) at the Company's registered office. The Company has appropriate directors' and officers' liability insurance cover in place in respect of legal action brought against the Directors. The Company's Articles are also available on the Company's website (www.victrexplc.com) and an appointment can be made with the General Counsel & Company Secretary to review the Directors' deeds of indemnity. Please contact cosec@victrex.com.

Conflict of interest duties

Procedures are in place to ensure compliance with the Directors' conflict of interest duties set out in the Companies Act 2006. The Company has complied with these procedures during the year and the Board believes that these procedures operate effectively. During the year, details of any new conflicts or potential conflict matters were submitted to the Board for consideration and, where appropriate, these were approved. Authorised conflict or potential conflict matters will continue to be reviewed by the Board at least on an annual basis.

Principal activity

The Company is a public limited company, incorporated in England, registration number 2793780. The principal activity of the Company is that of a holding company. The principal activity of the Group is the manufacture and sale of high performance polymers.

Branches

The Company does not have any branches outside the UK. Victrex Manufacturing Limited is a subsidiary of the Company and has branches in Hong Kong and Korea.

Information set out in the Strategic report	Certain information required to be included in the Directors' report has been set out in the Strategic report, including information to be disclosed pursuant to section 414C(11) of the Companies Act 2006. The Strategic report required by the Companies Act 2006 can be found on pages 2 to 57. The report sets out the business model (pages 10 and 11), strategy (pages 12 and 13) and likely future developments (pages 2 to 57). It contains a review of the business and describes the development and performance of the Group's business during the financial year and the position at the end of the financial year. It also contains a description of the principal risks and uncertainties facing the Group (pages 31 to 36). Such information is incorporated into this report by reference and is deemed to form part of this Directors' report.
Employee and other stakeholder engagement	Details of the Company's arrangements for engaging with employees and actions taken during the year can be found on pages 54 to 57 of the Strategic report and pages 73 and 74 of the Corporate governance report. Details of the arrangements in place under which employees can raise any matter of concern are set out on page 45. Disclosures relating to the Group's human rights and anti-bribery policies are contained on pages 45 and 46. The Group's non-financial information statement is set out on page 47. Details of employee involvement in Company performance through share scheme participation can be found on page 57. Details of how the Directors have engaged with employees and how the Directors have had regard to employee interests and the effect of that regard on the principal decisions taken by the Company during the financial year can be found in the section 172 statement on pages 18 and 19. These are deemed to form part of this Directors' report. A summary of how the Company has engaged with suppliers, customers and other third parties can be found on pages 18, 19 and 73. Details of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard on the principal decisions taken by the Company during the financial year are contained in the section 172(1) statement on pages 18 and 19. Further information on our payment practices with suppliers can be found on the government's reporting portal. In addition, during the year, the Company supported small suppliers suffering hardship requesting early payment terms as a result of the COVID-19 pandemic. Further details can be found on pages 6 and 7. These are deemed to form part of this Directors' report.
Political donations	No contributions were made to political parties during the year ended 30 September 2020 (FY 2019: £nil).
Employment policies	The Group's policies as regards the employment of disabled persons including those who have become disabled during their employment with the Group, and a description of actions the Group has taken to encourage greater employee involvement in the business are set out on page 55. Such information is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report. Read more about the Group's diversity on pages 54 and 55.
Environmental matters	Information on our greenhouse gas emissions energy consumption and energy efficiency actions required to be disclosed by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008/410 is set out in the Sustainability report on pages 48 to 53. Such information is incorporated into this report by reference and is deemed to form part of this Directors' report.
Research & Development	Our innovative culture is reflected in high Research & Development investment (of approximately 6% of revenue), with the majority of this being on development, as we seek to move our programmes faster towards greater commercialisation. The Group's spend on Research & Development is disclosed in note 10 to the financial statements. Such information is incorporated into this report by reference and is deemed to form part of this Directors' report.
Share capital	The Company has a single class of shares in the form of ordinary shares with a nominal value of 1p per share which have a Premium Listing on the London Stock Exchange and trade as part of the FTSE 250 Index under the symbol VCT. Details of the Company's share capital and reserves for own shares are given in note 21 to the financial statements. During the year 160,094 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 20 to the financial statements. The information in notes 20 and 21 to the financial statements is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report.
Rights and obligations attaching to shares	The rights and obligations attaching to shares are set out in the Company's Articles of Association which are available on the Company's website (www.victrexplc.com). The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's Annual Report, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of ordinary shares and no requirements to obtain prior approval to any transfer except where the Company has exercised its right to suspend their voting rights, withhold a dividend or prohibit their transfer following failure by the member or any other person appearing to be interested in the shares to provide the Company with information requested under section 793 of the Companies Act 2006. The Directors may, in certain circumstances, also refuse to register the transfer of a share in certified form which is not fully paid up, where the instrument of transfer does not comply with the requirements of the Articles of Association, or if entitled to do so under the Uncertificated Securities Regulations 2001. No shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid and except also where the Company suspends voting rights as referred to above in the event of non-disclosure of an interest as permitted by the Articles of Association. There are no known agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights and no known arrangements under which financial rights are held by a person other than the holder of the shares. Shares acquired by employees under employee share schemes rank equally with the other shares in issue and have no special rights.

Directors' report – other statutory information continued

Own shares held	As at the date of this Annual Report, the Company does not hold any shares as treasury shares. Details of the Company's share capital are given in note 20 to the financial statements. A summary of the Directors' powers in relation to buying back shares is set out below in the paragraph entitled 'Powers of the Directors in relation to share capital'. As part of routine resolutions which are proposed to shareholders, the Directors will be seeking to renew the authority allowing the Company to purchase its own shares, which is set out in Resolution 19 of the Notice of Annual General Meeting and which can be found on page 156. No market purchases of the Company's own shares were made during the year ended 30 September 2020 or from 1 October 2020 up to the date on which this Annual Report was approved. A total of 130,542 ordinary shares are held by the Employee Benefit Trusts in order to satisfy the exercise of options by Directors under the Company's 2009 and 2019 Long Term Incentive Plans. No shares were purchased by the Employee Benefit Trusts in the financial year to 30 September 2020. The Directors and certain participating employees are beneficiaries of the Employee Benefit Trusts.
Related party transactions	During the year ended 30 September 2020, the Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in which any Director has or had a material interest. Details of related party transactions are given in note 22 to the financial statements.
Nominees, financial assistance and liens	During the year ended 30 September 2020, no shares in the Company were acquired by the Company's nominee or by a person with financial assistance from the Company, in either case where the Company has a beneficial interest in the shares (and no person acquired shares in the Company in any previous financial year in its capacity as the Company's nominee or with financial assistance from the Company). Furthermore, the Company did not obtain or hold a lien or other charge over its own shares.
Change of control	There are no significant agreements that take effect, alter or terminate on change of control of the Company following a takeover. None of the Directors' or employees' service contracts contain provisions providing for compensation for loss of office or employment that occurs because of a takeover bid. The rules of the Company's employee share plans set out the consequences of a change in control of the Company on participants' rights under the plans. Generally, such rights will vest and become exercisable on a change of control subject to a separate determination as to the satisfaction of performance conditions.
Amendment of Articles of Association	The Company's Articles of Association may only be amended by Special Resolution of the Company at a general meeting of its shareholders. The Board has recommended for shareholder approval that new Articles of Association are adopted. The proposed new Articles of Association are contained on our website for easy access. Please see the Notice of Annual General Meeting and the accompanying notes from page 154.

Powers of the Directors in relation to share capital	The powers of the Directors are determined by the Company's Articles of Association, UK legislation including the Companies Act 2006 and any directions given by the Company in general meeting. The Company's Directors were granted authority at the Annual General Meeting in 2020 to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company (a) up to a maximum aggregate nominal amount of £288,217 (being approximately one-third of the issued share capital prior to that Annual General Meeting) in any circumstance and (b) a further maximum aggregate nominal amount of £288,217 (being approximately one-third of the issued share capital prior to the Annual General Meeting) in connection with a rights issue only. This authority is due to lapse at the 2021 Annual General Meeting. At the 2021 Annual General Meeting, shareholders will be asked to renew the authority. Specific details of the resolution and the number of shares covered by the renewed authority can be found in Resolution 16 on page 154 of the Notice of Annual General Meeting. The Directors were empowered at the 2020 Annual General Meeting to make non-pre-emptive issues for cash up to a maximum aggregate nominal amount of £43,232 (being approximately 5% of the issued share capital prior to that Annual General Meeting). This power is also due to lapse at the 2021 Annual General Meeting and shareholders will be asked to grant a similar power (Resolution 17 of the Notice of Annual General Meeting on page 155). Resolution 18 is in addition to Resolution 17. As supported by the Pre-Emption Group's Statement of Principles, as updated in March 2015, Resolution 18 will enable the Directors to allot shares for cash or sell shares out of treasury up to a further nominal amount of £43,319, representing approximately 5% of the issued ordinary share capital as at 4 December 2020 (the latest practicable date before the publication of the Notice of Annual General Meeting), other than to existing shareholders without first having to offer them to existing shareholders in proportion to their holdings. In respect of the authority under Resolution 18, the Board confirms that it will only allot shares or sell shares out of treasury pursuant to this authority where the relevant acquisition or specified capital investment is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no current intention of exercising this authority. If this authority is used, the Company will publish details of the placing in its next Annual Report and Accounts. The Directors recommend that shareholders vote in favour of Resolutions 16 to 18 to maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities should appropriate circumstances arise. The Directors were also authorised at the 2020 Annual General Meeting under a Special Resolution to make market purchases of the Company's own ordinary shares up to a maximum aggregate number of 8,646,523 shares (being approximately 10% of the issued share capital prior to that Annual General Meeting) and subject to the conditions as to pricing set out in the authority. This authority is also due to lapse at the 2021 Annual General Meeting when it is proposed that shareholders grant a similar authority. The authority contained in Resolution 19 will expire at the earlier of 31 March 2021 or the conclusion of the 2021 Annual General Meeting. It is the current intention of the Directors to renew this authority annually. In the event that shares are purchased pursuant to the authority granted under Resolution 19, the shares would either be cancelled (and the number in issue would be reduced accordingly) or retained as treasury shares. The Directors will only make purchases after consideration of the possible effect on earnings per share and the long-term benefits to shareholders and in consultation with advisors.
Notice required for shareholder meetings	On the basis of a resolution passed at the 2020 Annual General Meeting, the Company is currently able to call general meetings (other than an Annual General Meeting) on 14 days' notice. The Company would like to preserve this ability and Resolution 20 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. In accordance with the Directive, the Company will offer an electronic voting facility for a general meeting called on 14 days' notice.
Directors' fees	The Articles of Association of the Company limit the fees that can be paid to non-executive Directors. This limit is currently at £600,000.
Information required by LR 9.8.4R	There is no information required to be disclosed under LR 9.8.4R save in respect of allotments of equity securities for cash and dividend waivers, which can be found on page 103 of this Annual Report.
Disclosure of information to auditors	The Directors in office at the date of approval of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware and that they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.
Auditors	An Ordinary Resolution will be put before the 2021 AGM to re-appoint PricewaterhouseCoopers LLP as external auditors for the 2021 financial year.

The Directors' report was approved by the Board on 8 December 2020 and is signed on its behalf by:

Richard Armitage
Chief Financial Officer
9 December 2020

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs, as adopted by the European Union, have been followed subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Group's and Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that 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 and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are set out below:

- Larry Pentz, Chairman;
- Jakob Sigurdsson, Chief Executive Officer;
- Richard Armitage, Chief Financial Officer;
- Martin Court, Chief Commercial Officer;
- Janet Ashdown, non-executive Director;
- Brendan Connolly, non-executive Director;
- Ros Rivaz, non-executive Director;
- David Thomas, non-executive Director; and
- Jane Toogood, non-executive Director,

confirm that, to the best of his or her knowledge:

- the Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

This Responsibility statement was approved by the Board on 8 December 2020 and is signed on its behalf by:

Richard Armitage
Chief Financial Officer
9 December 2020

Independent auditors' report to the members of Victrex plc

Report on the audit of the financial statements

Opinion

In our opinion, Victrex plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2020 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report 2020 (the "Annual Report"), which comprise: the Balance sheets as at 30 September 2020; the Consolidated income statement and Consolidated statement of comprehensive income, the Cash flow statements, and the Consolidated statement of changes in equity and Company statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

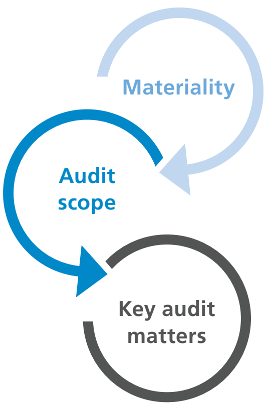
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the Group or the Company in the period from 1 October 2019 to 30 September 2020.

Our audit approach

Overview



- Overall Group materiality: £4.5 million (2019: £5.2 million), based on 5% of average profit before tax and exceptional items for the two years ended 30 September 2020.
- Overall Company materiality: £1.7 million (2019: £1.8 million), based on 1% of total assets.

- Our audit focused on those entities with the most significant contribution to the Group's profits. Of the Group's 26 reporting components we subjected five to audits for Group reporting purposes. These were Victrex Manufacturing Limited, Invibio Limited, Victrex Europa GmbH, Victrex USA Inc, Victrex plc and the consolidation journals.
- Another two reporting components were subject to audit procedures over specific balances and transactions: revenue and trade receivables for Invibio Inc., and cash and cash equivalents for Panjin VYX High Performance Materials Co.
- All audits were performed by the Group engagement with the exception of Victrex Europa GmbH, which was audited by a component team.
- The components within the scope of our work accounted for 83% of Group revenue and 92% of Group profit before tax and exceptional items.

- Valuation of the UK defined benefit pension scheme (Group) – Refer to page 82 (Audit Committee report), page 141 (Accounting Policy) and pages 141 to 143 (Financial Disclosures) of the Annual Report 2020.
- Valuation of inventories (Group) – Refer to pages 81 and 82 (Audit Committee report), page 135 (Accounting Policy) and page 135 (Financial Disclosures) of the Annual Report 2020.
- Impact of COVID-19 (Group and Company) – Refer to page 81 (Audit Committee report) and page 121 (Financial Disclosures) of the Annual Report 2020.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Environmental Permitting Regulations in respect of the chemical manufacturing facilities, international tax regulations, health and safety regulations and anti-bribery and corruption laws and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, management bias in accounting estimates and fraudulent extraction of cash.

Independent auditors' report to the members of Victrex plc continued

Report on the audit of the financial statements continued

Our audit approach continued

Capability of the audit in detecting irregularities, including fraud continued

The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Obtained an understanding of the legal and regulatory framework applicable to the Group and how the Group is complying with that framework;
- Discussions with management, internal audit and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading any key correspondence with regulatory authorities that has taken place in the year;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations that overstate revenue or understate expenses or are potential fraudulent extractions of cash from the Group; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of inventory and the UK defined benefit pension scheme (see related key audit matters below).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of the UK defined benefit pension scheme – Group **Refer to page 82 of the Audit Committee report and pages 141 to 143 of the Notes to the financial statements of the Annual Report 2020.** The measurement of the net defined benefit asset requires the application of an actuarial valuation method, the attribution of benefits to periods of service, and the use of significant actuarial assumptions including in particular the discount rate, inflation rates and the average life expectancy of members. Small changes in the assumptions used could have a significant effect on the financial position of the Group. The present value of the defined benefit obligation is deducted from the fair value of any plan assets in determining the net surplus.	Our procedures over testing pension assets included: → Vouching the assets to third party confirmations from investment managers, confirming the price and quantity of units held by the pension scheme; and → Agreeing cash balances through third party bank confirmations. Based on our audit work we found no issues with the value of the pension assets. Our procedures over pension obligation assumptions included: → Challenging, with the support of our own actuarial experts, the key assumptions applied against externally derived data and internally developed benchmarks; → Considering the adequacy of the Group's disclosures in respect of the sensitivity of the surplus to changes in these assumptions; → Assessing the appropriateness of the recognition of the surplus in line with accounting standards; and → Testing the validity of pension scheme member data used by the Group's actuary. Based on the results of our testing, we found the assumptions made in the valuation of the UK defined benefit pension scheme to be within an acceptable range.
Valuation of inventories – Group **Refer to pages 81 and 82 of the Audit Committee report and page 135 of the Notes to the financial statements of the Annual Report 2020.** A number of estimates are involved in arriving at the valuation of inventories.	To assess the appropriateness of the valuation of inventories we have performed the following: → We have reviewed the assessment of normal levels of production for standard costing purposes by comparing actual and budgeted levels of production over the past three years; → We have understood and tested the application of Group's policy for capitalisation of cost variances; → We have tested the cost of inventories, tracing standard costs to bills of material and raw material inputs to source documentation. We have understood management's approach to overhead allocation and tested the reasonableness of costs absorbed vs expensed.

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories – Group (continued) A standard costing process is adopted to value work in progress and finished goods. This process includes assessments of the extent to which actual production levels are within a normal range and the level of variations between actual and standard costs capitalised into inventory at each period end. In addition, inventory provisions are recorded based on specific policies, taking into account batch ageing, quality, and future sales expectations based on historic sales rates. Judgements are made with regard to the categorisation of stock as non-conforming and/or slow moving/obsolete, and therefore whether items should be considered for provision. Estimation is then involved in arriving at the provision percentage to apply to these identified items such that inventory is carried at the lower of cost and net realisable value.	→ We have tested post year-end sales in order to be comfortable that inventory items are held at the lower of cost and net realisable value; → We have considered the realisation of inventories categorised as non-conforming and obsolete or slow-moving at the prior year end and compared actual recoveries in the year to the Group's expected recoveries; and → We have attended year-end inventory counts at the main UK manufacturing facility to gain an understanding of management's controls over the identification of non-conforming and obsolete or slow moving product. Based on our audit work, we found the estimates made in the valuation of inventory to be acceptable.
Impact of COVID-19 – Group and Company **Refer to page 81 of the Audit Committee report and page 121 of the Notes to the financial statements of the Annual Report 2020.** As a result of the emergence of the COVID-19 pandemic in 2020 and the significant impact this has had on the UK and global economies, management have invested a significant amount of time to consider the implications on Victrex plc. Management have considered the implications across the business, including the going concern assessment, the impact on asset impairment assessments and disclosures in the Annual Report 2020. In respect of the going concern assessment, management have prepared detailed analyses to assess the potential impact on sales volumes, revenue and cash flows of a number of downside risk scenarios. In relation to the carrying value of assets, management considered whether the downturn in trading due to the impact of COVID-19 was an impairment indicator in their impairment assessments of each category of assets and made any adjustments that they consider to be required. As a result of the impact of COVID-19 on the wider financial markets we have determined that management's consideration of the potential impact of COVID-19 (including their associated assumptions) to be a key audit matter.	We have evaluated our risk assessment, including the going concern risk of the Group. Based on management's assessment and our audit procedures thereon as we described below, we consider our original risk assessment to remain appropriate and therefore consider going concern and asset impairment to be normal risks for both the Group and the Company. In assessing management's consideration of the potential impact of COVID-19 we have undertaken the following audit procedures: → We obtained from management their latest assessments that support the Board's conclusions with respect to the going concern basis of preparation of the financial statements; → We evaluated management's forecast and downside scenarios and challenged the accuracy and appropriateness of the underlying assumptions. Our evaluation included further sensitivities to management's downside scenarios; → We reviewed management accounts for the financial period to date and checked that these were consistent with the starting point of management's scenarios and supported the key assumptions included in the assessments; and Our conclusion in respect of going concern is included in the 'Going concern' section on page 112. We have reviewed management's assessment of the impact of COVID-19 on the carrying value of each category of asset and any adjustments made. We evaluated and challenged management on how the impact on future cash flows of COVID-19 impacted their impairment analyses and the consistency of their assumptions with the forecasts used in their going concern assessment. We reviewed management's disclosures in the financial statements in relation to COVID-19 and are satisfied that they are consistent with the risks affecting the Group, their impact assessment and the procedures we have performed.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is organised into 26 reporting components and the Group financial statements are a consolidation of these reporting components. The reporting components vary in size. We identified five components that required a full scope audit of their financial information due to either their size or risk characteristics. These were Victrex Manufacturing Limited, Invibio Limited, Victrex Europa GmbH, Victrex USA Inc and Victrex plc. We also audited material consolidation journals. Two reporting components were subject to audit procedures over specific balances and transactions due to their contribution to the Group's results: revenue and trade receivables for Invibio Inc. and cash and cash equivalents for Panjin VYX High Performance Materials Co. Our audit scope was determined by considering the significance of each component's contribution to profit before tax and exceptional items, and individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks.

All audit work was performed by the Group audit team, with the exception of one component which was performed by a component team. The Group audit team supervised the direction and execution of the audit procedures performed by the component team. Our involvement in their audit process, review of their reporting results and their supporting working papers, together with the additional procedures performed at Group level, gave us the evidence required for our opinion on the financial statements as a whole.

The Group engagement team also performed the audit of the Company.

Independent auditors' report to the members of Victrex plc continued

Report on the audit of the financial statements continued

Our audit approach continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£4.5 million (2019: £5.2 million).	£1.7 million (2019: £1.8 million).
How we determined it	5% of average profit before tax and exceptional items for the two years ended 30 September 2020.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report 2020, profit before tax and exceptional items is in our view the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. Given that current year profitability has been impacted by COVID-19, we consider using an average of two years to be more suitable.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark for non trading companies.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.3 million and £4.3 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (Group audit) (2019: £0.3 million) and £0.1 million (Company audit) (2019: £0.1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06) In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Report on the audit of the financial statements continued

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
We have nothing material to add or draw attention to regarding: → The directors' confirmation on page 37 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. → The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. → The directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider 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. We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)
Other Code Provisions
We have nothing to report in respect of our responsibility to report when: → The statement given by the directors, on page 108, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit. → The section of the Annual Report on page 80 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. → The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.
Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 108, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 9 February 2018 to audit the financial statements for the year ended 30 September 2018 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 30 September 2018 to 30 September 2020.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
9 December 2020

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Consolidated income statement

for the year ended 30 September

	Note	2020 £m	2019 £m
Revenue	2	**266.0**	294.0
Losses on foreign currency net hedging		**(1.5)**	(5.9)
Cost of sales	3	**(122.1)**	(111.8)
Gross profit		**142.4**	176.3
Sales, marketing and administrative expenses	3	**(78.4)**	(72.2)
Operating profit before exceptional items		**76.0**	105.6
Exceptional items	3	**(12.0)**	(1.5)
Operating profit	2	**64.0**	104.1
Financial income	6	**0.3**	0.7
Finance costs	6	**(0.3)**	—
Share of loss of associate	11	**(0.5)**	(0.1)
Profit before tax and exceptional items		**75.5**	106.2
Exceptional items	3	**(12.0)**	(1.5)
Profit before tax		**63.5**	104.7
Income tax expense	7	**(9.3)**	(12.3)
Profit for the financial year		**54.2**	92.4
Profit for the year attributable to:			
– Owners of the Company		**54.2**	92.4
– Non-controlling interests	11	**—**	—
Earnings per share			
Basic	8	**62.6p**	107.2p
Diluted	8	**62.5p**	106.9p
Dividend per ordinary share			
Interim	21	**—**	13.42p
Final	21	**46.14p**	46.14p
	21	**46.14p**	59.56p

A final dividend in respect of 2020 of 46.14p has been recommended by the Directors for approval at the Annual General Meeting on 12 February 2021.

Consolidated statement of comprehensive income

for the year ended 30 September

	Note	2020 £m	2019 £m
Profit for the financial year		**54.2**	92.4
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial losses	16	**(3.0)**	(5.9)
Income tax on items that will not be reclassified to profit or loss	7	**0.6**	1.0
		(2.4)	(4.9)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences for foreign operations		**(2.8)**	2.7
Effective portion of changes in fair value of cash flow hedges		**3.7**	(7.5)
Net change in fair value of cash flow hedges transferred to profit or loss		**1.5**	5.9
Income tax on items that may be reclassified to profit or loss	7	**(1.0)**	0.3
		1.4	1.4
Total other comprehensive expense for the year		**(1.0)**	(3.5)
Total comprehensive income for the year		**53.2**	88.9
Total comprehensive income for the year attributable to:			
– Owners of the Company		**53.2**	88.9
– Non-controlling interests		**—**	—

Balance sheets

as at 30 September

	Note	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Assets					
Non-current assets					
Property, plant and equipment	9	**273.7**	260.8	**—**	—
Intangible assets	10	**26.4**	27.4	**—**	—
Investment in subsidiaries	11	**—**	—	**131.9**	131.9
Investment in associated undertakings	11	**12.3**	8.2	**—**	—
Financial assets held at fair value through profit and loss	11	**8.0**	8.0	**—**	—
Deferred tax assets	12	**10.7**	10.5	**—**	—
Retirement benefit asset	16	**7.5**	9.1	**—**	—
		338.6	324.0	**131.9**	131.9
Current assets					
Inventories	13	**98.5**	92.2	**—**	—
Current income tax assets		**4.3**	0.7	**—**	—
Trade and other receivables	14	**32.1**	45.0	**191.6**	39.0
Derivative financial instruments	15	**2.9**	1.5	**—**	—
Other financial assets	15	**—**	0.3	**—**	—
Cash and cash equivalents	15	**73.1**	72.5	**—**	—
		210.9	212.2	**191.6**	39.0
Total assets		**549.5**	536.2	**323.5**	170.9
Liabilities					
Non-current liabilities					
Deferred tax liabilities	12	**(24.9)**	(21.6)	**—**	—
Long-term lease liabilities	18	**(5.6)**	—	**—**	—
		(30.5)	(21.6)	**—**	—
Current liabilities					
Derivative financial instruments	15	**(3.3)**	(12.6)	**—**	—
Current income tax liabilities		**(2.7)**	(10.3)	**—**	—
Trade and other payables	17	**(30.5)**	(30.1)	**—**	—
Current lease liabilities	18	**(1.5)**	—	**—**	—
		(38.0)	(53.0)	**—**	—
Total liabilities		**(68.5)**	(74.6)	**—**	—
Net assets		**481.0**	461.6	**323.5**	170.9
Equity					
Share capital	21	**0.9**	0.9	**0.9**	0.9
Share premium	21	**55.0**	52.3	**55.0**	52.3
Translation reserve	21	**3.7**	6.5	**—**	—
Hedging reserve	21	**(0.5)**	(4.7)	**—**	—
Retained earnings[1]	21	**419.0**	406.6	**267.6**	117.7
Equity attributable to owners of the Company	21	**478.1**	461.6	**323.5**	170.9
Non-controlling interest	21	**2.9**	—	**—**	—
Total equity		**481.0**	461.6	**323.5**	170.9

1 The profit for the financial year dealt with in the financial statements of the Company is £189.3m, which includes dividends from subsidiaries of £189.9m (FY 2019: profit of £101.8m, which includes dividends from subsidiaries of £103.5m).

These financial statements of Victrex plc on pages 115 to 151, registered number 2793780, were approved by the Board of Directors on 9 December 2020 and were signed on its behalf by:

Jakob Sigurdsson
Chief Executive Officer

Richard Armitage
Chief Financial Officer

Cash flow statements

for the year ended 30 September

	Note	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Profit after tax for the year		**54.2**	92.4	**189.3**	101.8
Income tax expense	7	**9.3**	12.3	**—**	—
Financial income		**(0.3)**	(0.7)	**—**	—
Finance costs		**0.1**	—	**—**	—
Interest on lease liabilities		**0.2**	—	**—**	—
Share of post-tax loss of associate		**0.5**	0.1	**—**	—
Dividends received from subsidiaries		**—**	—	**(189.9)**	(103.5)
Operating profit/(loss)		**64.0**	104.1	**(0.6)**	(1.7)
Adjustments for:					
Depreciation	9	**17.9**	15.1	**—**	—
Amortisation	10	**2.8**	2.3	**—**	—
Loss on disposal of property, plant and equipment	9	**0.2**	0.1	**—**	—
Increase in inventories		**(7.5)**	(21.0)	**—**	—
Decrease/(increase) in receivables		**11.7**	(2.6)	**(152.6)**	14.2
Increase/(decrease) in payables		**0.6**	(9.3)	**—**	—
Equity-settled share-based payment transactions	20	**0.5**	2.1	**0.5**	2.1
(Gains)/losses on derivatives recognised in income statement that have not yet settled	15	**(2.2)**	1.0	**—**	—
Retirement benefit obligations charge less contributions		**(1.4)**	(1.5)	**—**	—
Cash generated from operations		**86.6**	90.3	**(152.7)**	14.6
Interest received		**0.3**	0.7	**—**	—
Interest paid		**(0.3)**	—	**—**	—
Tax paid		**(17.2)**	(10.9)	**—**	—
Net cash flow generated from operating activities		**69.4**	80.1	**(152.7)**	14.6
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangible assets		**(24.9)**	(22.7)	**—**	—
Decrease in other financial assets	15	**0.3**	72.9	**—**	—
Dividends received		**—**	—	**189.9**	103.5
Investment in subsidiary	11	**(3.2)**	—	**—**	—
Cash received from non-controlling interest	11	**2.9**	—	**—**	—
Cash consideration of acquisitions of associated undertakings and unquoted investments	11	**(4.6)**	(11.8)	**—**	—
Net cash flow (used in)/generated from		**(29.5)**	38.4	**189.9**	103.5
Cash flows used in financing activities					
Proceeds from issue of ordinary shares exercised under option	21	**2.7**	4.3	**2.7**	4.3
Repayment of lease liabilities	18	**(1.5)**	—	**—**	—
Dividends paid	21	**(39.9)**	(122.4)	**(39.9)**	(122.4)
Net cash flow used in financing activities		**(38.7)**	(118.1)	**(37.2)**	(118.1)
Net increase in cash and cash equivalents		**1.2**	0.4	**—**	—
Effect of exchange rate fluctuations on cash held		**(0.6)**	0.9	**—**	—
Cash and cash equivalents at beginning of year		**72.5**	71.2	**—**	—
Cash and cash equivalents at end of year		**73.1**	72.5	**—**	—

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total attributable to owners of Parent £m	Non-controlling interest £m	Total £m
Equity at 1 October 2018		0.9	48.0	3.8	(3.4)	440.6	489.9	—	489.9
Total comprehensive income for the year									
Profit for the year		—	—	—	—	92.4	92.4	—	92.4
Other comprehensive income/(expense)									
Currency translation differences for foreign operations		—	—	2.7	—	—	2.7	—	2.7
Effective portion of changes in fair value of cash flow hedges		—	—	—	(7.5)	—	(7.5)	—	(7.5)
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	5.9	—	5.9	—	5.9
Defined benefit pension schemes' actuarial losses	16	—	—	—	—	(5.9)	(5.9)	—	(5.9)
Tax on other comprehensive income	7	—	—	—	0.3	1.0	1.3	—	1.3
Total other comprehensive income/(expense) for the year		—	—	2.7	(1.3)	(4.9)	(3.5)	—	(3.5)
Total comprehensive income/(expense) for the year		—	—	2.7	(1.3)	87.5	88.9	—	88.9
Contributions by and distributions to owners of the Company									
Share options exercised	21	—	4.3	—	—	—	4.3	—	4.3
Equity-settled share-based payment transactions	20	—	—	—	—	2.1	2.1	—	2.1
Tax on share-based payment transactions	7	—	—	—	—	(1.2)	(1.2)	—	(1.2)
Dividends to shareholders	21	—	—	—	—	(122.4)	(122.4)	—	(122.4)
Equity at 30 September 2019		0.9	52.3	6.5	(4.7)	406.6	461.6	—	461.6
Total comprehensive income for the year									
Profit for the year attributable to the Parent		—	—	—	—	**54.2**	**54.2**	—	**54.2**
Result for the year attributable to non-controlling interest		—	—	—	—	—	—	—	—
Other comprehensive (expense)/income									
Currency translation differences for foreign operations		—	—	**(2.8)**	—	—	**(2.8)**	—	**(2.8)**
Effective portion of changes in fair value of cash flow hedges		—	—	—	**3.7**	—	**3.7**	—	**3.7**
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	**1.5**	—	**1.5**	—	**1.5**
Defined benefit pension schemes' actuarial losses	16	—	—	—	—	**(3.0)**	**(3.0)**	—	**(3.0)**
Tax on other comprehensive income	7	—	—	—	**(1.0)**	**0.6**	**(0.4)**	—	**(0.4)**
Total other comprehensive (expense)/income for the year		—	—	**(2.8)**	**4.2**	**(2.4)**	**(1.0)**	—	**(1.0)**
Total comprehensive (expense)/income for the year		—	—	**(2.8)**	**4.2**	**51.8**	**53.2**	—	**53.2**
Contributions by and distributions to owners of the Company									
Adjustment arising from inception of non-controlling interest		—	—	—	—	—	—	**2.9**	**2.9**
Share options exercised	21	—	**2.7**	—	—	—	**2.7**	—	**2.7**
Equity-settled share-based payment transactions	20	—	—	—	—	**0.5**	**0.5**	—	**0.5**
Dividends to shareholders	21	—	—	—	—	**(39.9)**	**(39.9)**	—	**(39.9)**
Equity at 30 September 2020		**0.9**	**55.0**	**3.7**	**(0.5)**	**419.0**	**478.1**	**2.9**	**481.0**

Company statement of changes in equity

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Equity at 1 October 2018		0.9	48.0	136.2	185.1
Total comprehensive income for the year					
Profit for the year (includes dividends from subsidiaries of £103.5m)		—	—	101.8	101.8
Contributions by and distributions to owners of the Company					
Share options exercised	21	—	4.3	—	4.3
Equity-settled share-based payment transactions	20	—	—	2.1	2.1
Dividends to shareholders	21	—	—	(122.4)	(122.4)
Equity at 30 September 2019		0.9	52.3	117.7	170.9
Total comprehensive income for the year					
Profit for the year (includes dividends from subsidiaries of £189.9m)		**—**	**—**	**189.3**	**189.3**
Contributions by and distributions to owners of the Company					
Share options exercised	21	**—**	**2.7**	**—**	**2.7**
Equity-settled share-based payment transactions	20	**—**	**—**	**0.5**	**0.5**
Dividends to shareholders	21	**—**	**—**	**(39.9)**	**(39.9)**
Equity at 30 September 2020		**0.9**	**55.0**	**267.6**	**323.5**

Notes to the financial statements

1. Basis of preparation

General information

Victrex plc (the 'Company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, United Kingdom.

The consolidated financial statements of the Company for the year ended 30 September 2020 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Company is listed on the London Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 9 December 2020.

Basis of preparation and statement of compliance

Both the consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('endorsed IFRS') as well as IFRS Interpretations Committee ('IFRS IC') interpretations, and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost basis except for derivative financial instruments, defined benefit pension scheme assets and financial assets held at fair value through profit and loss, which are measured at their fair value.

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 12 to 17. In addition, note 15 on financial risk management details the Group's exposure to a variety of financial risks, including currency and credit risk.

Going concern

The Directors have performed a robust going concern assessment including a detailed review of the business' 24-month rolling forecast and consideration of the principal risks faced by the Group and the Company, as detailed on pages 37 to 39. This assessment has paid particular attention to the impact of the current economic situation, caused by the COVID-19 pandemic, on the aforementioned forecasts.

The Group's approach to managing the consequences of COVID-19 is detailed on pages 6 and 7 with the specific impact of COVID-19 on the Company's going concern assessment detailed below.

The Company maintains a strong balance sheet, with cash resources at 30 September 2020 of £73.1m, of which £5.6m is held in the Group's subsidiary in China for the sole purpose of funding the construction of our new PEEK production facility. Of the remaining £67.5m, three-quarters is held in the UK where the Company incurs the majority of its expenditure. All funds are held either in instant access or short-term deposit accounts with less than 35 days' notice. The Group has no debt and has unutilised banking facilities of £40m through to October 2024, of which £20m is committed and immediately available and £20m is available subject to lender approval.

COVID-19 had a material impact on second half performance with sales volumes down 19% on the same period in 2019 and 25% down on the first half; revenue was down 23% and 24% respectively. The timing and severity of the impact was felt differently across our markets and geographies with further detail provided in the Financial review on pages 22 to 26. Quarter 4 of our financial year was the weakest with revenue in July the low point of the year. Whilst too early to call this as a low point, revenues in August, September and October have all improved on the preceding month but remain well below historical levels. The assessment of going concern included conducting scenario analysis which focused on two key questions: when will a sustained recovery start and have we seen the low point of the demand cycle. The sensitivities applied considered a number of external data sources, triangulating customer conversations, trends in market and country indices as well forward-looking industry forecasts for each of the Company's key markets, for example, forecast aircraft build rates from the two major manufacturers for Aerospace and analysing IHS data for the Automotive market through previous downturns, current trends and latest 2020 and 2021 forecasts. This information is fed into the Company's Integrated Business Planning ('IBP') process, which continues meeting at a higher frequency to review the short-term order book, current levels of supply and regional inventory levels along with forecasts which have now been extended for the next 24 months.

All the Company's manufacturing assets were operational throughout the first COVID-19 wave, with revised procedures put in place to ensure social distancing was maintained along with proactive measures to protect employees such as offering the facility to conduct temperature checks each day before starting work. These measures remain in place today. The inventory holding policy of approximately three months, with the majority of finished product held outside of the UK, is a cornerstone of the Brexit contingency planning but has the added benefit of mitigating against COVID-19 impacting on manufacturing in the UK, should UK infection rates increase again.

Using the IBP data and the two key questions noted above, management has created two scenarios to model the effect of reductions to revenue at regional/market level and aggregated levels on the Company's profits and cash generation through to January 2022.

Scenario 1 – the level of sales seen in quarter 4 of financial year 2020, at c230 tonnes per month, continues throughout calendar year 2021 with the anticipated recovery delayed until 2022.

Scenario 2 – in line with scenario 1, c230 tonnes per month, until February 2021, after which volumes drop by 25% for the remainder of the going concern period. The reduced volume equates to annualised sales of c2,000 tonnes, approximately half the pre-COVID-19 level of sales. The timing of the additional drop in sales is targeted after the payment of the final dividend for financial year 2020 which represents the low point of cash in our annual cycle. The Group considers scenario 2 to be a severe but plausible scenario.

Before any mitigating actions the sensitised cash flows show the Company has significantly reduced cash headroom, particularly in the second half of 2021, although the committed facility is only required in scenario 2. However, the Company has a number of mitigating actions which are readily available in order to generate significant headroom. These include:

- use of committed facility – £20m could be drawn at short notice. Conversations with our banking partner indicate that the £20m accordion could also be readily accessed. The covenants of the facility have been successfully tested under each of the scenarios;
- deferral of capital expenditure – the base case for financial year 2021 includes c£50m of capital expenditure; this could be reduced significantly by limiting expenditure to essential projects and deferring all other projects into 2022, with the exception of the investment in China capacity which will continue as planned;
- reduction in discretionary overheads – costs would be limited to prioritise and support customer related activity; and
- deferral/cancellation of dividends – the dividends payable in February and June 2021 could be deferred or cancelled. The Company's intention is to continue payment of dividends where cash reserves facilitate but it remains a key lever in downside scenario mitigation.

1. Basis of preparation continued

Going concern continued

As a result of this detailed assessment and with reference to the Company's strong balance sheet, existing committed facilities and the cash preserving levers at the Company's disposal, but also acknowledging the inherent economic uncertainty with the COVID-19 pandemic still having a significant impact on global economies, the Board has concluded that the Company has sufficient liquidity to meet its obligations when they fall due for a period of at least twelve months after date of this report. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

On publishing the Company financial statements here together with the consolidated financial statements, the Company is taking advantage of section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the approved financial statements.

Unless a change has been required by adoption of new standards, the accounting policies set out in these notes have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been consistently applied by Group entities.

Critical judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made in applying accounting policies

Other than judgements involving the use of estimates, the Directors do not consider there are any judgements made in applying the Group's significant accounting policies which would have a material impact on the amounts recognised in the financial statements within the next twelve months.

Sources of estimation uncertainty

The Group uses estimates and assumptions in applying the critical accounting policies to value balances and transactions recorded in the financial statements. The estimate and assumption that, if revised, would have a significant risk of a material impact on the valuation of assets and liabilities within the next financial year is post-employment benefits (see note 16). The Group has considered other estimates and assumptions that, whilst not deemed to represent a significant risk of material adjustment, do represent important estimates at 30 September 2020 and are disclosed accordingly. The valuation of inventory (see note 13) is disclosed as another estimate in the current year.

The critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are included within the relevant notes. Critical judgements and key sources of estimation uncertainty can be identified throughout the notes by the following symbol. Management has discussed these with the Audit Committee. These should be read in conjunction with the significant accounting policies provided in the notes to the financial statements.

New accounting standards and amendments to existing standards

New standards and amendments to existing standards were effective for the financial year ended 30 September 2020, which included:

- IFRS 16 – Leases (additional information of the impact of this standard is described below)
- IFRIC 23 – Uncertainty over Tax Treatments
- IFRS 17 – Insurance Contracts
- Annual Improvements to IFRSs – 2015–2017 Cycle
- Amendments to IAS 28 – Long-term Investments in Associates and Joint Ventures
- Annual Improvements to IFRS 3 – Business Combinations, IAS 12 – Income Taxes and IAS 23 – Borrowing Costs
- Amendments to IFRS 9 – Financial Instruments – Prepayment Features and Negative Compensation
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

Excluding IFRS 16, none of these have had a material impact on the Group's consolidated result or financial position.

Standards effective from 1 October 2020 onwards

A number of standards, amendments and interpretations have been issued and endorsed by the EU but are not yet effective and, accordingly, the Group has not yet adopted them. These include:

- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of a Business
- Amendment to IFRS 16 – Leases – COVID-19 Related Rent Concessions
- IFRS 17 – Insurance Contracts
- Amendments to IAS 1 – Presentation of Financial Statements on Classification of Liabilities
- A number of narrow-scope amendments to IFRS 3, IAS 16 and IAS 17 and some improvements to IFRS 1, IFRS 9 and IFRS 16

1. Basis of preparation continued

New accounting standards and amendments to existing standards continued

IFRS 16 – Leases

This standard was effective for accounting periods beginning on or after 1 January 2019 and was adopted by the Group on 1 October 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. The main changes arising on the adoption of IFRS 16 will be an increase in interest-bearing borrowings and non-current assets due to obligations to make future payments under leases that are currently classified as operating leases being recognised in the Statement of financial position, along with the related 'right of use' ('ROU') asset.

There is a reduction in expenditure in operating expenses (within cost of sales and sales, marketing and administrative costs) and an increase in depreciation and finance expenses as operating lease costs are replaced with depreciation and lease interest expense. The Group has opted to use the practical expedients in respect of leases of less than twelve months duration and low-value assets and excluded them from the scope of IFRS 16. Rental payments associated with these leases will continue to be recognised in the income statement on a straight line basis over the life of the lease.

The adoption of IFRS 16 required the Group to make several judgements, estimates and assumptions, which include:

1) The approach to be adopted on transition – the Group has used the modified retrospective transition method. Lease liabilities were determined based on the appropriate incremental borrowing rates and rates of exchange at the date of transition, being 1 October 2019. ROU asset values were measured based on the respective lease liabilities.

2) Incremental borrowing rate – the rates used on transition are the Group's incremental borrowing rates which have been calculated based on the underlying lease terms and types of asset. The risk-free rate component has been based on LIBOR rates available in the same currency and over the same lease term. This incremental borrowing rate used is in the range 0.65% to 3.95%, with a weighted average of 2.44%.

3) Estimated lease term – the term of each lease will be based on the original lease term unless management is reasonably certain that it will exercise options to extend the lease or exercise termination options.

The full accounting policy is included in note 9 with the impact at 1 October 2019 included in note 25.

2. Segment reporting

The Group complies with IFRS 8 – Operating Segments, which requires operating segments to be identified and reported upon that are consistent with the level at which results are regularly reviewed by the entity's chief operating decision maker. The chief operating decision maker ('CODM') for the Group is the Victrex plc Board. Information on the business units is the primary basis of information reported to the Victrex plc Board. The performance of the business units is assessed based on segmental gross profit. Management of sales, marketing and administration functions servicing both business units is consolidated and reported at a Group level. Segmental balance sheets are not produced; instead the CODM reviews the balance sheet at a Group level which provides the necessary level of detail to make an informed assessment of the financial position of the Group on which to base key business decisions.

The Group's business is strategically organised as two business units (operating segments): Industrial, (which focuses on our Energy and Other Industrial, Value Added Reseller, Automotive, Aerospace and Electronics markets) and Medical, which focuses on providing specialist solutions for medical device manufacturers.

	Year ended 30 September 2020			Year ended 30 September 2019		
	Industrial £m	**Medical £m**	**Group £m**	Industrial £m	Medical £m	Group £m
Segment revenue	**221.1**	**49.7**	**270.8**	238.5	57.7	296.2
Internal revenue	**(4.8)**	**—**	**(4.8)**	(2.2)	—	(2.2)
Revenue from external sales	**216.3**	**49.7**	**266.0**	236.3	57.7	294.0
Segment gross profit	**99.3**	**43.1**	**142.4**	128.2	48.1	176.3
Sales, marketing and administrative expenses			**(78.4)**			(72.2)
Operating profit before exceptional items			**76.0**			105.6
Exceptional items			**(12.0)**			(1.5)
Operating profit			**64.0**			104.1
Net financing income			**—**			0.7
Share of loss of associate			**(0.5)**			(0.1)
Profit before tax and exceptional items			**75.5**			106.2
Exceptional items			**(12.0)**			(1.5)
Profit before tax			**63.5**			104.7
Income tax expense			**(9.3)**			(12.3)
Profit for the period attributable to:						
– Owners of the Company			**54.2**			92.4
– Non-controlling interests			**—**			—

Transactions between segments are at arm's length.

2. Segment reporting continued

Entity-wide disclosures

Revenue recognition

Revenue in both segments comprises the amounts receivable for the sale of goods, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue from the sale of goods is recognised when all performance obligations are met, which is when the goods are dispatched or delivered in line with Incoterms. Victrex receives Medical Unit Payments ('MUPs') from a number of medical customers. MUPs are deferred payments contingent on the customer selling their final component to the end user. Revenue from 'MUPs' is a form of variable consideration where all performance obligations have been met when the material is sold by the Group. The initial value of the MUP recognised is based on management's best estimate of the value that will flow to the Group only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This will be adjusted as appropriate, with a final adjustment being made in the period the final declaration is made.

No revenue is recognised if there is significant uncertainty regarding recovery of the consideration due or associated costs.

Volume rebates are recognised as a deduction from gross sales as qualifying sales are made throughout the period. These rebates are accrued based on the maximum amount due to customers based on annualised sales, unless it is clear that maximum rebate conditions will not be met in a particular period.

The Group has taken advantage of the expedient allowed in IFRS 15 (121b) not to disclose information about its remaining performance obligations because the Group only recognises revenue on the satisfaction of performance obligations.

Information about products

The Group derives its revenue from the sale of high performance thermoplastic polymers.

Information about geographical areas

The Group's country of domicile is the United Kingdom. Revenues are attributed to customers based on the customer's location.

	Revenue from external sales					
	Industrial £m	**Medical £m**	**2020 £m**	Industrial £m	Medical £m	2019 £m
United Kingdom	**3.8**	**—**	**3.8**	3.9	0.1	4.0
Europe, the Middle East and Africa ('EMEA')	**100.4**	**13.2**	**113.6**	108.1	15.4	123.5
Americas	**46.6**	**27.3**	**73.9**	57.2	32.2	89.4
Asia-Pacific	**65.5**	**9.2**	**74.7**	67.1	10.0	77.1
	216.3	**49.7**	**266.0**	236.3	57.7	294.0

Information about major customers

In the current year no customer contributed more than 10% to Group revenue (FY 2019: no customer contributed more than 10% to Group revenue).

3. Expenses by nature

	Note	**2020 £m**	Restated 2019 £m
Staff costs	5	**81.5**	69.6
Depreciation of property, plant and equipment	9	**17.9**	15.1
Loss on disposal of non-current assets	9	**0.2**	0.1
Operating lease rentals	9	**—**	1.8
Amortisation of intangibles	10	**2.8**	2.3
Trade receivable impairment allowance	15	**0.4**	0.2
Research & Development expenditure	10	**16.7**	18.0
Inventory written down during the year		**4.3**	1.6
Reversal of write down of inventories		**(0.8)**	(2.6)
Fees payable to auditors		**0.3**	0.2
Other costs of manufacture		**69.2**	68.6
Other sales, marketing and administrative expenses		**8.0**	9.1
		200.5	184.0

During the year the Group wrote down inventory by £4.3m (FY 2019: £1.6m) and reversed previously written down inventory by £0.8m (FY 2019: £2.6m) resulting in a net increase of £3.2m (FY 2019: reduction £1.0m). Victrex continues to focus on driving down aged and non-conforming product by working with suppliers and customers, reworking and repackaging product to realise value from this inventory.

Exchange differences recognised in the Consolidated income statement, except for those arising on financial instruments measured at fair value through profit or loss in accordance with IAS 39, are a gain of £1.1m (FY 2019: loss of £1.1m).

Details of the FY 2019 restatement are set out in Note 5.

3. Expenses by nature continued

Exceptional items
Exceptional items are those which are, in aggregate, material in size and/or unusual or infrequent in nature.

Exceptional items were as follows:

	2020 £m	2019 £m
Included within sales, marketing and administrative expenses:		
Acquisition related costs	**2.2**	1.5
Restructuring costs	**9.8**	—
Exceptional items before tax	**12.0**	1.5
Tax on exceptional items	**(1.1)**	(0.1)
Exceptional items after tax	**10.9**	1.4

Acquisition and investment related costs
Acquisition related costs comprise legal and other non-recurring costs the Group has incurred directly in the course of acquisition and investment activity (see note 11). These costs are largely non-deductible expenses for tax purposes.

Restructuring costs
During the second half of the financial year, the Group reviewed cost actions and efficiencies required to support profitability in a lower production environment. As part of this programme, the Group commenced consultation prior to the year end which has reduced the Group's employee base by up to 100 roles, primarily through voluntary severance.

The cash outflow in the year associated with exceptional items was £9.3m with the remaining £2.7m expected to be paid in H1 FY 2021.

4. Fees payable to auditors

Auditors' remuneration was as follows:

	2020 £000	2019 £000
Audit services relating to:		
– Victrex plc and Group consolidation	**104**	77
– The Company's subsidiaries, pursuant to legislation	**168**	114
	272	191
Non-audit services relating to:		
– Interim review	**22**	16
– Other services	**—**	6
	22	22
	294	213

5. Staff costs

	Note	2020 £m	Restated 2019 £m
Wages and salaries		**68.0**	56.9
Social security costs		**7.0**	5.2
Defined contribution pension schemes		**6.2**	5.8
Defined benefit pension schemes	16	**(0.2)**	(0.4)
Equity-settled share-based payment transactions	20	**0.5**	2.1
		81.5	69.6

During FY 2020 a review has been performed of the costs included in the staff costs disclosure. Following this review, costs have increased by £6.9m in FY 2020. In order to provide a like for like comparison, the FY 2019 costs have been restated, increasing staff costs by £5.7m.

Detailed disclosures that form part of these financial statements are given in the Directors' remuneration report on pages 84 to 102. Exceptional staff costs of £9.8m are included in the table above. Further details are set out in note 3.

The monthly average number of people employed by the Group during the year (including Directors), analysed by category, was as follows:

	2020 Number	2019 Number
Make	**596**	551
Develop, market and sell	**250**	289
Support	**132**	133
	978	973

There are no people employed by the Company (FY 2019: none).

6. Finance income and costs

	2020 £m	2019 £m
Financial income/(costs):		
– Interest received	**0.3**	0.7
– Interest payable and similar charges	**(0.1)**	—
– Interest on IFRS 16 leases	**(0.2)**	—
	—	0.7

7. Income tax expense

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or equity as appropriate.

Current tax is the expected tax payable on the taxable income for the current and prior years, using tax rates (and tax laws) enacted or substantively enacted at the balance sheet date. The Group is subject to income tax in numerous jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain because it may be unclear how tax law applies to a particular transaction or circumstance. Where the Group determines that it is more likely than not that the tax authorities would accept the position taken in the tax return, amounts are recognised in the financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability based on either the Group's judgement of the most likely outcome or, where there is a wide range of possible outcomes, uses a probability weighted approach.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries except to the extent that they will probably reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable, within a reasonable timeframe, that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

	Note	2020 £m	2019 £m
Current tax			
UK corporation tax on profits for the year		**7.7**	14.7
Overseas tax on profits for the year		**1.0**	1.5
		8.7	16.2
Deferred tax			
Change in deferred tax rate		**2.3**	—
Origination and reversal of temporary differences	12	**0.5**	(3.9)
		2.8	(3.9)
Tax adjustments relating to prior years:			
– Corporation tax		**(3.1)**	0.4
– Deferred tax		**0.9**	(0.4)
Total tax expense in income statement		**9.3**	12.3

Reconciliation of effective tax rate

	2020		2019	
	%	£m	%	£m
Profit before tax		**63.5**		104.7
Tax expense at UK corporation tax rate	**19.0**	**12.1**	19.0	19.9
Effects of:				
– Expenses not deductible for tax purposes		**1.3**		1.0
– Higher rates of tax on overseas earnings		**0.2**		0.8
– UK Research & Development tax credits and other allowances		**(0.5)**		(0.5)
– Tax adjustments relating to prior years		**0.1**		—
– Difference in rates between deferred tax and corporation tax		**0.2**		(1.3)
– Deferred tax on losses not recognised		**0.7**		—
– Patent Box deduction		**(4.8)**		(7.6)
Effective tax rate and total tax expense	**14.6**	**9.3**	11.7	12.3

7. Income tax expense continued

Reconciliation of effective tax rate continued

In the Spring Budget 2020, the government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As a consequence, deferred tax assets/liabilities have been remeasured at the rate they are now expected to reverse. For UK assets/liabilities this is 19% (30 September 2019: 17%), being the UK tax rate effective from 1 April 2020. This has increased the tax charge for the period by £2.3m. For overseas assets/liabilities the corresponding overseas tax rate has been applied.

Tax components of other comprehensive income

	2020 £m	2019 £m
Tax on items that will not be reclassified to the income statement:		
Defined benefit pension schemes' actuarial losses	**0.6**	1.0
Tax on items that have or may be subsequently reclassified to the income statement:		
Fair value of cash flow hedges	**(1.0)**	0.3
	(0.4)	1.3
Current tax credit	**(1.0)**	0.3
Deferred tax credit	**0.6**	1.0
	(0.4)	1.3

Tax credit recognised directly in equity

	2020 £m	2019 £m
Equity-settled share-based payment transactions	**—**	1.2
	—	1.2

8. Earnings per share

Earnings per share is based on the Group's profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year, excluding own shares held (see note 20).

	2020	2019
Earnings per share – basic	**62.6p**	107.2p
– diluted	**62.5p**	106.9p
Profit for the financial year	**£54.2m**	£92.4m
Weighted average number of shares used:		
– Issued ordinary shares at beginning of year	**86,457,488**	86,153,196
– Effect of own shares held	**(130,542)**	(160,037)
– Effect of shares issued during the year	**143,133**	147,718
Basic weighted average number of shares	**86,470,079**	86,140,877
Effect of share options	**160,358**	277,243
Diluted weighted average number of shares	**86,630,437**	86,418,120

9. Property, plant and equipment

Owned assets

All owned items of property, plant and equipment are stated at historical cost less accumulated depreciation and provision for impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful economic lives as follows:

Buildings	25–50 years
Plant and machinery	10–30 years
Fixtures, fittings, tools and equipment	5–10 years
Computers and motor vehicles	2–5 years

Freehold land is not depreciated.

The residual values and useful lives of assets are reviewed annually for continued appropriateness and indications of impairment and adjusted if appropriate.

Depreciation on assets classified as in the course of construction commences when the assets are ready for their intended use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

9. Property, plant and equipment continued

Right of use assets

Policy applicable from 1 October 2019

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 the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as a ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition.

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

	Land and buildings £m	Plant and machinery £m	Computers and motor vehicles £m	Fixtures, fittings, tools and equipment £m	Right of use assets £m	Assets in course of construction £m	Total £m
Cost							
At 1 October 2018	58.7	314.5	7.2	3.7	—	8.8	392.9
Exchange differences	0.1	0.4	—	0.1	—	0.1	0.7
Additions	0.9	5.3	—	—	—	15.9	22.1
Disposals	—	(2.0)	(1.5)	—	—	—	(3.5)
Reclassification	0.3	12.0	0.8	—	—	(13.1)	—
At 30 September 2019	60.0	330.2	6.5	3.8	—	11.7	412.2
Adoption of IFRS 16	—	—	—	—	8.5	—	8.5
Exchange differences	(0.3)	(0.5)	—	—	—	(0.2)	(1.0)
Additions	3.5	2.4	—	—	0.1	17.3	23.3
Disposals	—	(1.0)	(4.0)	—	—	—	(5.0)
Reclassification	0.2	7.2	1.1	0.1	—	(8.6)	—
At 30 September 2020	**63.4**	**338.3**	**3.6**	**3.9**	**8.6**	**20.2**	**438.0**
Accumulated depreciation							
At 1 October 2018	11.1	119.0	6.2	3.2	—	—	139.5
Exchange differences	—	0.1	—	0.1	—	—	0.2
Disposals	—	(1.9)	(1.5)	—	—	—	(3.4)
Depreciation charge	1.7	12.5	0.7	0.2	—	—	15.1
At 30 September 2019	12.8	129.7	5.4	3.5	—	—	151.4
Exchange differences	—	(0.2)	—	—	—	—	(0.2)
Disposals	—	(0.8)	(4.0)	—	—	—	(4.8)
Depreciation charge	1.9	13.5	0.7	0.1	1.7	—	17.9
At 30 September 2020	**14.7**	**142.2**	**2.1**	**3.6**	**1.7**	**—**	**164.3**
Carrying amounts							
At 30 September 2020	**48.7**	**196.1**	**1.5**	**0.3**	**6.9**	**20.2**	**273.7**
At 30 September 2019	47.2	200.5	1.1	0.3	—	11.7	260.8
IFRS 16 opening restated	—	—	—	—	8.5	—	8.5
Adjusted at 1 October 2019	47.2	200.5	1.1	0.3	8.5	11.7	269.3
At 30 September 2018	47.6	195.5	1.0	0.5	—	8.8	253.4

9. Property, plant and equipment continued

At 30 September 2020, the Group leased a small number of assets, principally land and buildings:

	Land and buildings £m	Motor vehicles £m	Total £m
Right of use assets			
Balance at 1 October 2019	8.0	0.5	8.5
Additions	—	0.1	0.1
Depreciation charge for the period	(1.4)	(0.3)	(1.7)
Balance at 30 September 2020	**6.6**	**0.3**	**6.9**

Reclassification relates to the movement from assets in course of construction to the relevant asset category when the assets are ready for their intended use. Details of significant projects reclassified are included in the Financial review.

The fair value of property, plant and equipment is not materially different to its carrying value.

The Company has no property, plant or equipment.

Leased assets
Following adoption of IFRS 16 on 1 October 2019, the Group has recognised ROU assets and lease liabilities for the leases it has entered into (except for short-term and low-value leases) and accordingly no longer presents operating lease commitments. Having applied the modified retrospective approach to the implementation of IFRS 16, the Group has continued to present the comparative financial information for the aggregate payments, for which there were commitments under operating leases as follows as at 30 September 2019:

	Land and buildings		Other		Total	
As at 30 September	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Not later than one year	—	1.4	—	0.3	—	1.7
Later than one year but not later than five years	—	3.8	—	0.2	—	4.0
Later than five years	—	3.3	—	—	—	3.3
	—	8.5	—	0.5	—	9.0

The following table reconciles the amount disclosed as operating lease commitments at 30 September 2019 disclosed in the Group's 2019 consolidated financial statements to the amount recognised on the balance sheet in respect of lease liabilities on adoption of IFRS 16:

	£m
Operating lease commitment at 30 September 2019 as disclosed in the Group's consolidated financial statements	9.0
Discounted using the incremental borrowing rate at 1 October 2019	8.2
Adjustments relating to:	
Extensions of leases likely to be exercised	0.2
Contracts reassessed as meeting the lease definition	0.1
Lease liabilities recognised at 1 October 2019	8.5

10. Intangible assets

Goodwill
Goodwill arising on the acquisition of businesses is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment. Any impairment provisions that arose during impairment testing would not be reversed.

In respect of acquisitions prior to 1 October 2004, goodwill is included on the basis of its deemed cost, which represents the net amount recorded previously under UK GAAP. In respect of acquisitions that have occurred since 1 October 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired.

Goodwill is tested annually for impairment by reference to the estimated future cash flows of the relevant CGU, discounted to their present value using risk-adjusted discount factors to give its value in use. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Impairment losses are recognised if the carrying amount of the CGU to which goodwill has been allocated exceeds its recoverable value (the higher of value in use and fair value less costs to sell) and are recognised in the income statement.

10. Intangible assets continued

Other intangible assets
Other intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. Other intangibles are assessed for impairment only when there is an indication that they might be impaired. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets not yet ready for use are not amortised but are subject to annual impairment reviews. Other intangible assets are amortised from the time they are first ready for use.

Amortisation
Amortisation is charged to sales, marketing and administrative expenses in the income statement over the estimated useful economic lives as follows:

Computer software	3–7 years straight line
Customer relationships	10 years systematic
Brand name	5 years systematic
Know-how	10 years straight line

Amortisation on assets classified as in the course of construction commences when the assets are ready for their intended use, the point at which they are reclassified from assets in course of construction, on the same basis as other assets of that class.

	Goodwill £m	Computer software £m	Customer relationships £m	Brand name £m	Know-how £m	Assets in course of construction £m	Total £m
Cost							
At 1 October 2018	14.3	13.6	2.0	0.7	—	3.2	33.8
Additions	—	0.2	—	—	—	1.9	2.1
Disposals	—	0.4	—	—	—	(0.4)	—
At 30 September 2019	14.3	14.2	2.0	0.7	—	4.7	35.9
Additions	—	0.2	—	—	—	1.6	1.8
Reclassification	—	1.5	—	—	3.2	(4.7)	—
At 30 September 2020	**14.3**	**15.9**	**2.0**	**0.7**	**3.2**	**1.6**	**37.7**
Accumulated amortisation							
At 1 October 2018	—	5.0	1.0	0.2	—	—	6.2
Amortisation charge	—	1.9	0.3	0.1	—	—	2.3
At 30 September 2019	—	6.9	1.3	0.3	—	—	8.5
Amortisation charge	—	2.3	0.2	0.3	—	—	2.8
At 30 September 2020	**—**	**9.2**	**1.5**	**0.6**	**—**	**—**	**11.3**
Carrying amounts							
At 30 September 2020	**14.3**	**6.7**	**0.5**	**0.1**	**3.2**	**1.6**	**26.4**
At 30 September 2019	14.3	7.3	0.7	0.4	—	4.7	27.4
At 30 September 2018	14.3	8.6	1.0	0.5	—	3.2	27.6

Computer software is an internally generated intangible asset. The average remaining useful life is three years (FY 2019: four years).

As part of the TxV Aero Composites LLC ('TxV') acquisition the Group acquired know-how in respect of the hybrid over-moulding technology for brackets. Following rigorous testing the technology, at 30 September 2020, the know-how is available for use and accordingly has been transferred from assets under construction to know-how and will be amortised over a life of ten years.

Goodwill recognised is assessed for impairment against discounted future cash flow projections for the relevant CGU (value in use model). Management has prepared cash flow projections for a five-year period derived from the business' 24-month forecast and the five-year strategy. These forecasts include assumptions around volumes and sales prices, costs of manufacture, operating costs, working capital movements and capital expenditure. In measuring these assumptions, the Directors have taken into account:

→ expected demand in the markets and geographies within which the Group operates, including industry trends and external market forecasts;

→ operating profits, based on historical experience of operating margins including changes to the price of raw material and utility costs and production volumes;

→ the timing and cost of major capital projects; and

→ cash conversion, based on historical rates.

Consideration has been given to the impact of Brexit and COVID-19 on the underlying forecasts. There continues to be a wide range of possible outcomes. The sensitivity analysis performed as part of our going concern assessment on the cash-generating units of the Group demonstrated a sufficient level of headroom as noted overleaf; therefore, no specific adjustments or impairments have been made.

10. Intangible assets continued

The Group has two cash-generating units, Industrial and Medical, which are the smallest identifiable independent groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where assets and costs are shared between the two cash-generating units a reasonable apportionment of these are made for the purpose of the impairment calculation.

Goodwill is split between the two CGUs: Industrial £12.8m (FY 2019: £12.8m) and Medical £1.5m (FY 2019: £1.5m).

The goodwill and other intangible assets that relate to the Industrial cash-generating unit include Kleiss Gears Inc., Zyex Limited and TxV which have been fully integrated. These businesses are employed to generate revenue across all industrial geographies and markets.

The long-term average growth rate used was 2.0% (FY 2019: 2.0%) which reflects the long-term inflation rates in the main territories within which the Group operates, and the risk-adjusted pre-tax discount rate was 9.6% (FY 2019: 9.6%). The impairment test results in more than 100% headroom (FY 2019: more than 100% headroom) and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill or other intangibles.

Research & Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised within the income statement as an expense as incurred.

Development expenditure is recognised in the income statement as an expense as incurred unless it meets all the criteria to be capitalised under IAS 38 – Intangible Assets.

Research & Development expenditure of £16.7m (FY 2019: £18.0m) was expensed to the income statement in the year within sales, marketing and administrative expenses. No development expenditure met the criteria to be capitalised (FY 2019: same).

11. Interests in other entities

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and can affect those returns through its power over the investee. This can be determined either by the Group's ownership percentage, or by the terms of the shareholder agreement. Where there is deemed to be an ability to affect the return, investments are consolidated from the date that ability commences until the date that it ceases.

The acquisition method is used to account for business combinations. Goodwill represents the difference between the acquisition date fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any) and the net of the acquisition date fair values of the identifiable assets acquired, including intangibles, and liabilities assumed, including contingent liabilities as required by IFRS 3. If this difference is negative, the amount is recognised directly in the Consolidated income statement.

A non-controlling interest is the proportion of net assets of the subsidiary entity owned by shareholders external to the Group. The value of non-controlling interests at the acquisition date is measured as the non-controlling interests' proportionate share of net assets of the acquiree or at fair value. The choice of measurement basis is determined on an acquisition-by-acquisition basis as permitted by IFRS 3. Financial derivatives in place over the remaining equity of an entity are taken into account when calculating the proportionate share of the non-controlling interest.

Any contingent consideration is measured at fair value at the date of acquisition. Subsequent changes to the fair value of contingent consideration are recognised in the Consolidated income statement.

Costs related to the acquisition, other than those associated with the issue of debt, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests in the net assets of consolidated subsidiaries are distinguished from the equity attributable to holders of the Parent. The value of non-controlling interests comprises the value of non-controlling interests on the date control commences adjusted for the non-controlling interests' share of any subsequent changes in equity.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any impairment in the value of the investment.

Investment in associated undertakings

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but where the Group does not have control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Investments in associates are carried in the Consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Any goodwill recognised on acquisition is included in the carrying values of the investment.

The Group's share of the post-tax profits/(losses) of associates is included in the Consolidated income statement. If the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to do so or made payments on behalf of the associate. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity.

11. Interests in other entities continued

Basis of consolidation continued

Interests in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint arrangements are either joint operations or joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or other facts and circumstances indicate that this is the case. The Group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the financial statements on a line-by-line basis.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Financial assets held at fair value through the profit and loss

Investments in unquoted companies are initially carried at fair value, where neither control nor significant influence is held. The initial fair value is deemed to be cost where transactions are at arm's length. They are remeasured at subsequent reporting dates to fair value with any changes recognised directly in the income statement. For investments in unquoted companies, cost will continue to be used as a proxy for fair value where more recent information is insufficient to determine fair value or there is a wide range of possible fair value measurements, and cost represents the best estimate in that range, unless, at the balance sheet date, there is an identified change in value, which could be illustrated by significant performance variations to plan or the value implied by subsequent funding rounds or other equity transactions.

Group

Material subsidiaries and non-controlling interest ('NCI')

On 13 January 2020 the Group established two new subsidiary companies, Victrex Hong Kong Limited and Panjin VYX High Performance Materials Co. Ltd ('PVYX').

Victrex Hong Kong Limited is a wholly owned subsidiary of Victrex Manufacturing Limited, and is set up as a limited liability company for the purpose of trading with customers in Hong Kong and acting as an intermediary holding company for the Group's investments in mainland China.

PVYX is a limited liability company set up for the purpose of the manufacture of PAEK polymer powder and granules. The Group holds a 75% equity interest with the remaining 25% held by Yingkou Xingfu Chemical Co. Ltd ('YX'). With 75% of the voting equity and the majority of appointments on the board the Group is considered to have control of PVYX and therefore it is accounted for as a subsidiary. The income statement and balance sheet of PVYX are fully consolidated with the share owned by YX represented by a non-controlling interest.

The first tranche of investment of £8.6m in this company was made by the Group in March 2020. To 30 September 2020 the subsidiary incurred a loss of £107,000 in the year, of which £27,000 is attributable to the non-controlling interest.

Investments in associates and financial assets held at fair value through profit and loss

	Investment in associates £m	Financial assets held at fair value through profit and loss £m	Total £m
Cost and carrying value			
At 1 October 2019	8.2	8.0	16.2
Investment in Bond 3D High Performance Technology BV	4.6	—	4.6
Group's share of loss of Bond 3D High Performance Technology BV	(0.5)	—	(0.5)
At 30 September 2020	**12.3**	**8.0**	**20.3**
Magma Global Limited	—	4.5	4.5
Surface Generation Limited	—	3.5	3.5
Bond 3D High Performance Technology BV	12.3	—	12.3
At 30 September 2020	**12.3**	**8.0**	**20.3**

Bond 3D High Performance Technology BV

On 22 December 2018, the Group invested an initial €2.7m (£2.5m) via a convertible loan in Bond 3D High Performance Technology BV ('Bond'). Following successful completion of technical milestones, the Group made a further convertible loan of €1.2m (£1.0m) on 1 April 2019, and €5.5m (£4.8m) on 28 May 2019. Based on Technical Validation being achieved, these loans were converted into equity.

A further investment of €5.3m (£4.6m) was made on 2 January 2020, resulting in the Group's shareholding being 24.5% at 30 September 2020. As the Group is considered to have significant influence in Bond the investment continues to be accounted for as an associate, using the equity method.

Bond is a company incorporated in the Netherlands, developing unique, protectable 3D printing (additive manufacturing) processes which are capable of producing high strength parts from existing grades of PEEK and PAEK polymers. The investment offers the potential of utilising this technology to help accelerate the market adoption of 3D printed PEEK parts, with particular emphasis on the Medical market.

11. Interests in other entities continued

Company

	Shares in Group undertakings £m
Cost and carrying value	
At 1 October 2019	131.9
Investment in subsidiaries	—
At 30 September 2020	**131.9**

The Company has considered impairment of its investment in subsidiaries. The results of the impairment tests described in note 10 have been used in this consideration. Given the results of those tests, the Directors do not consider that the carrying value of the Company's investment in subsidiaries has been impaired.

The following is a full list of the Company's interests:

	Company number	Company status	Registered office address
Wholly owned subsidiary undertakings			
Victrex Manufacturing Limited[1]	2845018	Trading entity	Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, UK
Invibio Limited[1]	4088050	Trading entity	
Invibio Knees Limited	8149440	Trading entity	
Invibio Device Component Manufacturing Limited	8861250	Trading entity	
Juvora Limited	8149439	Trading entity	
Victrex Trading Limited[1]	4956435	Dormant	
Victrex Trustee Limited[1]	3075501	Dormant	
Victrex USA Holdings Limited[1]	7752971	Dormant	
Zyex Limited	2890014	Dormant	
Zyex Group Limited	2839512	Dormant	
Zyex Reclaim Limited	2890011	Dormant	
Victrex USA Holdings Inc.[1]		Intermediate holding company	300 Conshohocken State Road, Suite 120, West Conshohocken, PA 19428, USA
Victrex USA, Inc.		Trading entity	
Invibio Inc.		Trading entity	
Invibio Device Components Manufacturing Inc.		Trading entity	
Victrex Europa GmbH[1]		Trading entity	Langgasse 16, 65719 Hofheim, Germany
Victrex Japan, Inc.[1]		Trading entity	Mita Kokusai Building Annex, 1-4-28 Mita, Minato-ku, Tokyo, 108/0073, Japan
Victrex High-Performance Materials (Shanghai) Co., Ltd		Trading entity	Victrex Asian Innovation & Technology Centre, Part B Building G, No. 1688, Zhuanxing Road, Xinzhuang Industry Park, Shanghai, 201108, China
Invibio (Beijing) Trading Co., Limited		Trading entity	Room 7108, Building 7, Second Lane 5, The South of Xiang Jun, Chao Yang District, Beijing, 100020, China
Kleiss Gears, Inc.		Trading entity	390 Industrial Avenue, Grantsburg, WI 54840, USA
TxV Aerospace Composites LLC[5]		Trading entity	55 Broadcommon Road, Bristol, Rhode Island, RI 02809, USA
Victrex Hong Kong Limited[3]		Trading entity	Level 54, Hopewell Centre 183, Queen's Road East, Hong Kong
Subsidiary undertakings with non-controlling interests			
Panjin VYX High Performance Materials Co., Ltd[4]		Trading entity	Liaodong Bay New District, Panjin, Liaoning Province, PRC
Associates			
Bond 3D High Performance Technology BV		Trading entity	Institutenweg 25A, 7521 PH, Enschede, Netherlands
Joint operations			
Aghoco 1491 Limited[2]	10523749	Trading entity	Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, UK

11. Interests in other entities continued

Company continued

	Company number	Company status	Registered office address
Investments			
Magma Global Limited	6528820	Trading entity	Magma House, Trafalgar Wharf, Hamilton Road, Portsmouth, Hampshire PO6 4PX, UK
Surface Generation Limited	4379384	Trading entity	7 Brackenbury Court, Lyndon Barns, Edith Weston Road, Lyndon, Oakham LE15 8TW, UK

1 Directly held by Victrex plc.

2 On 13 December 2016, the Group, via its subsidiary Victrex Manufacturing Limited, incorporated Aghoco 1491 Limited with AGC Chemicals Europe Limited. Aghoco 1491 Limited is a joint arrangement in which the Group holds equal ownership and rights over the entity. The purpose of Aghoco 1491 Limited is to build, operate and maintain an electrical substation (cost of c£3m) for both parties' own use to ensure continuity of electrical supply. Due to the terms of the joint arrangement, Aghoco 1491 Limited meets the criteria to be accounted for as a joint operation.

3 Victrex Hong Kong Limited was incorporated in the year. It is a wholly owned subsidiary of Victrex Manufacturing Limited.

4 Panjin VYX High Performance Materials Co. Ltd was incorporated in the year. Victrex Hong Kong Limited has a 75% equity shareholding in this company whilst Yingkou Xingfu Chemical Co. Ltd holds the remaining 25% of the equity shareholding.

5 In January 2020 the Group acquired the remaining equity shares in TxV Aero Composites LLC ('TxV'). Since its acquisition in January 2017 the Group has consolidated 100% of TxV based on the level of control which the Group exerts over TxV and the existence of financial derivatives over the equity of TxV, held by both shareholders, which provided Victrex with the potential to increase its level of ownership to 100%. The value of these financial derivatives was $4.0m (equivalent to £3.2m).

Annual reports and accounts are filed with Companies House for all UK dormant companies.

All subsidiaries are wholly owned, with the exception of Panjin VYX High Performance Materials Co., Ltd ('PVYX'), and are involved in the principal activities of the Group. As noted above the results and financial position of PVYX are consolidated into the Group income statement and Group balance sheet respectively, and a non-controlling interest is recognised in respect of the 25% shareholding owned by Yingkou Xingfu Chemical Co. Ltd.

In the opinion of the Directors the investments in and amounts due from the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

12. Deferred tax assets and liabilities

	As at 30 September 2020					As at 30 September 2019				
	Property, plant and equipment £m	**Employee benefits £m**	**Inventories £m**	**Other £m**	**Total £m**	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Other £m	Total £m
Deferred tax assets	**—**	**1.4**	**7.4**	**1.9**	**10.7**	—	1.3	7.7	1.5	10.5
Deferred tax liabilities	**(22.4)**	**(1.8)**	**—**	**(0.7)**	**(24.9)**	(18.9)	(1.9)	—	(0.8)	(21.6)
Net deferred tax (liabilities)/assets	**(22.4)**	**(0.4)**	**7.4**	**1.2**	**(14.2)**	(18.9)	(0.6)	7.7	0.7	(11.1)

	Note	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Other £m	Total £m
Movement in net provision						
At 1 October 2018		(19.0)	(0.5)	3.7	0.5	(15.3)
Exchange difference		—	—	—	0.1	0.1
Prior period adjustment		0.1	0.3	—	—	0.4
Recognised in income statement	7	—	(0.2)	4.0	0.1	3.9
Recognised in statement of changes in equity		—	(1.2)	—	—	(1.2)
Recognised in other comprehensive income		—	1.0	—	—	1.0
At 30 September 2019		(18.9)	(0.6)	7.7	0.7	(11.1)
Prior period adjustment		(0.9)	—	—	—	(0.9)
Change in UK deferred tax rate		(2.2)	(0.1)	—	—	(2.3)
Recognised in income statement	7	(0.4)	(0.3)	(0.3)	0.5	(0.5)
Recognised in other comprehensive income		—	0.6	—	—	0.6
At 30 September 2020		**(22.4)**	**(0.4)**	**7.4**	**1.2**	**(14.2)**

Deferred tax liabilities of £nil (FY 2019: £nil) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested, and the Group can control the timing of any dividends. Unremitted earnings totalled £57.4m at 30 September 2020 (FY 2019: £56.3m).

Unrecognised DT assets

On 31 January 2020 the UK withdrew its membership of the EU. Depending on the outcome of final negotiations the Group could cease to benefit from the EU Parent Subsidiary Directive on dividends paid by our EU subsidiaries. In this event, additional tax of up to £0.4m could arise if the undistributed earnings of EU subsidiaries of £8.4m were to be repatriated to the UK. The Group is aiming to minimise its exposure to potential additional tax through remittance of earnings prior to the end of the transition period.

12. Deferred tax assets and liabilities continued

Unrecognised DT assets continued

In the USA, the Group has unrelieved net operating losses arising in the year ended 30 September 2020 of £4.0m (FY 2019: £0.5m), which relate to the early stage losses resulting from the readiness investment in Kleiss Gears Inc. and TxV Aerospace Composites LLC. The potential deferred tax asset on these losses amounts to £0.7m (FY 2019: £0.1m).

13. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). Cost is calculated using the standard cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Critical judgements and key sources of estimation uncertainty in relation to valuation of inventories

The carrying value of inventory, comprising raw materials, work in progress and finished goods totalling £98.5m, requires the use of estimates and judgement. Judgement is required when assessing the level of normal production over which directly attributable costs are absorbed. The judgement relating to normal operating capacity considers current year actual, prior period actual and budgeted production when concluding on the appropriate level over which to absorb production costs. The primary estimate is in respect of the level of variations, including material usage and purchase price variances, between actual and standard cost absorbed into inventory at each period end. Management uses its detailed experience in the process of forming its view on the adjustments required to record inventory at cost. Management has assessed the range of possible outcomes which might result from a change in assumptions and has determined this to be from a £1.5m increase in inventory to a £1.9m reduction in inventory at 30 September 2020 and can therefore conclude that no reasonable change in the key assumptions would have resulted in a material change to the inventory balance of £98.5m at 30 September 2020.

Inventory provisions are put in place for slow moving and potentially obsolete inventory as well as damaged and/or out of specification product where cost is considered to be higher than net realisable value. The level of provisioning is an estimate, with judgement required on ageing, customer order profiles, alternative routes to market and the option to reprocess. The estimation of the range of possible outcomes is an increase in the value of inventory of £1.9m to a decrease of £4.0m.

Consequently, none of the sources of estimation uncertainty in inventory are expected to materially impact the result of the Group in FY 2021.

As at 30 September	**2020 £m**	2019 £m
Raw materials and consumables	**25.4**	16.3
Work in progress	**17.2**	12.4
Finished goods	**55.9**	63.5
	98.5	92.2

The amount of inventory expensed in the period is £109.1m (FY 2019: £99.6m).

During the year the Group wrote down inventory by £4.0m (FY 2019: £1.6m) and reversed previously written down inventory by £0.8m (FY 2019: £2.6m) resulting in a net increase of £3.2m (FY 2019: reduction £1.0m). Victrex continues to focus on driving down aged and non-conforming product by working with suppliers and customers, reworking and repackaging product to realise value from this inventory.

14. Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less any impairment losses. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

Allowances are calculated by reference to credit losses expected to be incurred over the lifetime of the receivable using the simplified approach, as described in note 15.

	Group		Company	
As at 30 September	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Trade receivables	**20.9**	31.0	**—**	—
Amounts owed by Group undertakings	**—**	—	**191.6**	39.0
Prepayments	**6.9**	5.9	**—**	—
Sales taxes recoverable	**2.1**	2.7	**—**	—
Other receivables	**2.2**	5.4	**—**	—
	32.1	45.0	**191.6**	39.0

Amounts owed by Group undertakings are interest free, unsecured and repayable on demand. These balances have been considered for impairment and no credit losses are expected on these balances.

15. Financial instruments and risk management

Derivative financial instruments and hedging activities

Derivative financial instruments are primarily used by the Group to manage its exposure to changes in foreign exchange rates relating to overseas sales and purchases. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

The Group hedges a proportion of its net forecast sales, purchases and capital expenditure which are denominated in a foreign currency (cash flow hedge) using forward exchange contracts. The Board is responsible for setting the hedging policy which is detailed overleaf.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items including whether or not a net position is being hedged. A conclusion is reached as to whether the transaction qualifies as a cash flow hedge. Details on hedge documentation are shown below.

Cash flow hedges

As permitted by IFRS 9 B.6.6.1, the Group designates overall net positions as hedged items when:

- transactions are managed as net positions for risk management purposes;
- the hedges are for foreign currency risks; and
- the initial hedge designation and documentation set out how the items within the net position will affect the income statement.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items. See below for further details.

These foreign exchange contracts are initially recognised at fair value, with most having maturities of less than one year after the balance sheet date.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective portion of changes in fair value is recognised in equity via the Statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, through sales, marketing and administrative expenses.

The recognition of any cumulative gain or loss existing in equity is aligned to the timing of the hedged transaction impacting the income statement and is classified as follows:

- Hedging of a net position – separately on the face of the income statement within gains/(losses) on foreign currency net hedging.
- Other cash flow hedges – cumulative gain or loss existing in equity at the time when the forecast transaction occurs is recognised in the income statement in the corresponding line that the hedged item goes through being revenue, cost of sales or sales, marketing and administrative expenses.

When a forecast transaction is no longer expected to occur, and therefore does not meet the criteria for cash flow hedge accounting, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement, through sales, marketing and administrative expenses.

Hedge documentation and effectiveness testing

The documentation includes identification of the hedging item(s), the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

Hedge effectiveness is a qualitative assessment of effectiveness performed in accordance with IFRS 9. A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of the credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio of the hedging relationship is the same as that used for risk management purposes.

For financial instruments not designated in hedge accounting relationships or that do not meet the criteria for hedge accounting, the gain or loss on remeasurement to fair value is recognised immediately in the income statement through sales, marketing and administrative expenses.

Other derivative financial instruments

Other financial derivatives are stated at the present value of the exercise price which is based on the expected cash payment associated with the arrangement and are included as a liability in the Group's balance sheet. Subsequent changes in the value of the liability to fair value are recognised in the income statement.

If the financial derivative expires unexercised, the liability is derecognised and a corresponding non-controlling interest is recognised, with any difference being recognised in equity.

15. Financial instruments and risk management continued

Group

Currency risk

Currently, the Group exports in excess of 98% of sales from the UK and also makes raw material purchases overseas.

Currency risk is managed by the Currency Committee, which is chaired by the Chief Financial Officer and comprises the Chief Executive Officer and senior finance executives. It meets monthly to review and manage the Group's currency hedging activities, in line with the hedging policy approved by the Board.

Group hedging policy is to defer the impact on profits of currency movements by hedging:

- a minimum of 80% and a maximum of 100% of projected transaction exposures arising from trading in the forthcoming six-month period; and
- a minimum of 75% and a maximum of 100% of projected transaction exposures arising in the following six-month period.

During the year the Board took the decision to cease the hedging of Japanese Yen. The deals in place at the time the decision was taken are being allowed to unwind on their original profile and continue to be accounted for as cash flow hedges. The final deal is due to mature in January 2021.

Profitability can vary due to the impact of fluctuating exchange rates on the unhedged portion of the transaction exposures and from revised forecasts of future trading, which can lead to an adjustment of currency cover in place.

In addition, the Group includes a number of foreign subsidiaries. As a result of these factors, the Group's financial statements are exposed to currency fluctuations. The currencies giving rise to this risk are primarily US Dollar and Euro.

Sensitivity analysis

The impact of a 5% movement in the average Sterling/US Dollar and Sterling/Euro rates on profit for 2020 is £4.6m and £4.0m (FY 2019: £5.0m and £4.9m) respectively. The impact of a 5% movement in the average Sterling/US Dollar and Sterling/Euro rates on equity for 2020 is £3.9m and £1.4m (FY 2019: £2.8m and £1.2m) respectively.

In accordance with IFRS 9, the fair value of gains and losses recognised on cash flow hedges is recognised in the Consolidated income statement as part of gross margin.

The notional contract amount, carrying amount and fair value of the Group's forward exchange contracts and swaps are as follows:

	As at 30 September 2020		As at 30 September 2019	
	Notional contract amount £m	Carrying amount and fair value £m	Notional contract amount £m	Carrying amount and fair value £m
Current assets	**82.3**	**2.9**	22.3	1.5
Current liabilities	**81.8**	**(3.3)**	165.7	(9.3)
	164.1	**(0.4)**	188.0	(7.8)

The fair values have been calculated by applying (where relevant), for equivalent maturity profiles, the rate at which forward currency contracts with the same principal amounts could be acquired at the balance sheet date. These are categorised as Level 2 within the fair value hierarchy under IFRS 7.

The following table indicates the periods in which cash flows associated with the maturity date of the forward foreign exchange contracts for which hedge accounting is applied are expected to occur:

	As at 30 September 2020				As at 30 September 2019			
	Expected cash flows £m	6 months or less £m	6 to 12 months £m	12 to 18 months £m	Expected cash flows £m	6 months or less £m	6 to 12 months £m	12 to 18 months £m
Forward exchange contracts:								
– Assets	**82.3**	**20.6**	**48.2**	**13.5**	22.3	8.1	12.2	2.0
– Liabilities	**81.8**	**51.6**	**24.2**	**6.0**	165.7	77.1	67.6	21.0
	164.1	**72.2**	**72.4**	**19.5**	188.0	85.2	79.8	23.0

The average exchange rates on open forward currency contracts are:

	2020 6 months or less	2020 6 to 12 months	2020 12 to 18 months	2019 6 months or less	2019 6 to 12 months	2019 12 to 18 months
US Dollar	**1.30**	**1.25**	**1.30**	1.32	1.30	1.25
Euro	**1.16**	**1.10**	**1.08**	1.12	1.12	1.12

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2020 will be recognised in the income statement during the period in which the hedged forecast transaction affects the income statement, which is typically one to two months prior to the cash flow occurring. At 30 September 2020, there are a number of hedged foreign currency transactions which are expected to occur at various dates during the next twelve months. During the year, losses of £0.3m (FY 2019: losses of £1.9m) relating to forward exchange contracts on the balance sheet at 30 September 2020 were released to the income statement.

15. Financial instruments and risk management continued

Group continued

Sensitivity analysis continued

Gains and losses recognised in the income statement on contracts which are yet to settle are adjusted as a non-cash movement on the Cash flow statements. This equated to a gain of £2.2m in the year (FY 2019: loss of £1.0m).

There was no hedge ineffectiveness during the year (FY 2019: nil). The hedge ratio is 1:1 in all instances.

Credit risk

The Group manages exposure to credit risk at many levels ranging from executive Director approval being required for the credit limits of larger customers, to the use of letters of credit and cash in advance where appropriate. Internal procedures require regular consideration of credit ratings, both internally for lower value customers and recognised credit reference agencies for higher value customers, payment history, aged items and proactive debt collection. All customers are assigned a credit limit which is subject to annual review. Consideration is given to significant adverse changes in business, financial and economic conditions that may cause a significant change in the ability of customers to meet their obligations. Any adverse data relating to these factors is considered in determining whether there has been a significant increase in credit risk of a financial asset on an ongoing basis throughout each reporting period. Regardless of the analysis, an increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Group has applied the simplified approach to measuring expected credit losses, which requires lifetime expected losses to be recognised from initial recognition for trade receivables. Lifetime expected credit losses for trade receivables are calculated based on historical loss rates and adjusted where necessary for relevant forward-looking estimates. Trade receivables have been grouped for this analysis based on shared credit risk characteristics, including segment and country/region in which the customer operates. The model, which takes into account macroeconomic information, has been applied to the Group's two segments differently. For trade receivables in the Industrial sector, a different loss rate has been applied to the USA and Japan compared to the remainder of the segment's geographical markets. In the Medical sector, a single higher rate of allowance has been used to reflect the higher risk of default of the customer base.

The Group's payment terms typically range from 30 to 60 days depending on geography. Trade receivables are specifically impaired and considered in default when the amount is in dispute, when customers are believed to be in financial difficulty or if any other reason exists which implies that there is a doubt over the recoverability of the debt. They are written off when there is no reasonable expectation of recovery, based on an estimate of the financial position of the customer.

The Group has considered the impact of COVID-19 on its expected credit loss model and incorporated this into the calculation of the expected credit loss provision at 30 September 2020. However, there remains a risk in relation to this matter for the year ending 30 September 2021.

Trade receivables, being 'held to collect' assets, can be analysed as follows:

As at 30 September	**2020 £m**	2019 £m
Amounts not past due	**17.7**	26.6
Amounts past due:		
– Less than 30 days	**2.8**	3.7
– 30–60 days	**0.6**	0.8
– More than 60 days	**0.2**	0.4
Total past due	**3.6**	4.9
Lifetime expected credit losses	**(0.4)**	(0.5)
Amounts specifically impaired	**0.9**	0.4
Specific allowances for bad and doubtful debts	**(0.9)**	(0.4)
Carrying amount of impaired receivables	**—**	—
Trade receivables net of allowances	**20.9**	31.0

Movements in the allowance for impairments were:

	2020 £m	2019 £m
At beginning of year	**0.9**	0.7
On adoption of IFRS 9 – charged in the prior year	**—**	0.1
Charge in the year	**0.5**	0.2
Release of allowance	**(0.1)**	(0.1)
At end of year	**1.3**	0.9

15. Financial instruments and risk management continued

Group continued

Credit risk continued

The range of estimated credit loss allowance is as follows:

	Current £000	Less than 30 days past due £000	30 to 60 days past due £000	60 to 90 days past due £000	More than 90 days past due £000	**Total £000**
2020						
% allowance	0%–3%	0.5%–1.5%	19%–50%	50%–60%	75%–100%	
Trade receivables	17,686	2,818	551	162	1,000	**22,217**
Allowance (inclusive of specific provision)	(53)	(41)	(132)	(94)	(982)	**(1,302)**
						20,915
2019						
% allowance	0%–3%	0.5%–1.5%	19%–50%	50%–60%	75%–100%	
Trade receivables	26,640	3,662	811	178	567	31,858
Allowance (inclusive of specific provision)	(80)	(53)	(190)	(92)	(487)	(902)
						30,956

The credit risk in respect of cash and cash equivalents, other financial assets and derivative financial instruments is limited because the counterparties with significant balances are established international banks whose credit ratings are monitored on an ongoing basis. These balances are therefore considered to have low credit risk on initial recognition. The credit risk in respect of inter-company receivables at the end of FY 2020 is £nil (FY 2019: £nil).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term deposits with original maturities typically of three months or less. The cash and cash equivalents disclosed in the Group balance sheet and in the Group statement of cash flows include £5.6m which are held by Panjin VYX High Performance Materials Co. Ltd (FY 2019: £nil). These deposits are for the sole purpose of funding the construction of the new PEEK production facility in China and are therefore not available for general use by the other entities within the Group.

Other financial assets

Cash invested in term deposits greater than three months in duration does not meet the criteria to be classified as cash and cash equivalents. Accordingly, these deposits have been presented within other financial assets and are carried at amortised cost in accordance with IFRS 9.

As at 30 September 2020, the maximum exposure with a single bank for deposits (cash and cash equivalents and other financial assets) was £35.8m (FY 2019: £31.2m) for the Group. As at 30 September 2020, the largest mark to market exposure for gains on forward foreign exchange contracts to a single bank was £0.6m (FY 2019: £0.9m). The amounts on deposit at the year end represent the Group's maximum exposure to credit risk on cash and deposits.

Liquidity risk

The Group's objective in terms of funding capacity is to ensure that it always has sufficient short-term and long-term funding available, either in the form of the Group's cash resources or committed bank facilities. The Group has sufficient funds available to meet its current funding requirements for both revenue and capital expenditure. In order to further manage liquidity risk to an acceptable level, the Group has a bank facility of £40m (£20m committed and £20m accordion), which expires in October 2024, all of which was undrawn at the year end.

As at 30 September 2020, the Group had a cash and cash equivalents balance of £73.1m. The maximum deposit length utilised by the Group when cash is invested both during the year ended 30 September 2020 and up to the date of this report is one month (FY 2019: six months).

The facility contains covenant measures that are tested biannually. They consist of leverage, measuring debt to equity, and interest cover, measuring the interest charge related to profit before interest.

Price risk

The Group's products contain a number of key raw materials and its operations require energy, notably electricity and natural gas. Any increase or volatility in prices and any significant decrease in the availability of raw materials or energy could affect the Group's results. Victrex strives to obtain the best prices and uses contractual means to benefit where appropriate and possible. The Group has a significant degree of control over its supply chain which enables it to effectively manage the risk in this area.

15. Financial instruments and risk management continued

Group continued

Capital management

The Group defines the capital that it manages as the Group's total equity. The Group's policy for managing capital is to maintain a strong balance sheet with the objective of maintaining customer, supplier and investor confidence in the business and to ensure that the Group has sufficient resources to be able to invest in future development and growth of the business.

The Board does not expect to make significant share repurchases in 2021, although there is a resolution proposed at each AGM to authorise the Company to make one or more market purchases of its ordinary shares up to a maximum number of shares equal to 10% of its issued ordinary share capital as at the date of the AGM Notice.

The Group's capital and equity ratio is as follows:

As at 30 September	**2020 £m**	2019 £m
Total equity	**481.0**	461.6
Total assets	**549.5**	536.2
Equity ratio	**88%**	86%

Financial instruments

Summary of categories of financial assets and liabilities

As at 30 September	Note	Classification under IFRS 9	**Carrying amount and fair value 2020 £m**	Carrying amount and fair value 2019 £m
Financial assets				
Forward exchange contracts used for hedging (derivative instruments)		Fair value – hedging instrument	**2.9**	1.5
Unquoted investments	11	FVTPL	**8.0**	8.0
Trade and other receivables	14	Amortised cost	**25.2**	39.1
Cash and cash equivalents		Amortised cost	**73.1**	72.5
Other financial assets		Amortised cost	**—**	0.3
Financial liabilities				
Forward exchange contracts used for hedging (derivative instruments)		Fair value – hedging instrument	**(3.3)**	(9.3)
Other derivative instruments		FVTPL	**—**	(3.3)
Other financial liabilities	17	Other financial liabilities	**(30.5)**	(30.1)

All financial assets and liabilities are categorised as Level 2 within the fair value hierarchy under IFRS 7, with the exception of investments in unquoted companies which are categorised as Level 3.

The maturity profiles of the derivative instruments in designated hedge accounting relationships and trade receivables are given on pages 137 and 138 respectively.

For trade and other payables there are no amounts due after one year, the majority falling due in 30 days or less.

All fair value measurements are recurring.

Company

The only receivables of the Company are amounts owed by UK subsidiary undertakings. Under IFRS 9 these will be carried at amortised cost subsequent to initial recognition.

Future expected credit losses on amounts owed by Group undertakings are immaterial.

16. Retirement benefit asset

Employee benefits

Defined contribution pension schemes
Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Defined benefit pension schemes
The Group's net obligation in respect of defined benefit pension schemes recognised in the balance sheet is the present value of the future benefits that employees have earned in return for their service in the current and prior periods, less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability.

When the calculation results in a benefit to the Group, the recognised asset is the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply. An economic benefit is available to the Group if it is realisable during the life of the plan or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised in profit or loss.

Actuarial gains and losses are immediately recognised in full through the Statement of comprehensive income.

Critical judgements and key sources of estimation uncertainty in relation to pension scheme valuation
The valuation of pension scheme liabilities is calculated in accordance with Group policy. The valuation is prepared by independent qualified actuaries, but significant estimates are required in relation to the assumptions for pension increases, inflation, the discount rate applied, investment returns and member longevity, which underpin the valuations. Information about the assumptions relating to retirement benefit obligations and also the sensitivity of the pension liability to movements in these assumptions is presented below.

The Group operates a number of pension schemes for its employees throughout the world. Outside the UK, the Company operates defined contribution pension schemes.

The principal scheme operated by the Group is a funded UK pension scheme, which is subject to the statutory funding objective under the Pensions Act 2004, in which employees of UK subsidiary undertakings participate. The scheme has two sections. One section provides benefits on a defined benefit basis with benefits related to final pensionable pay. The defined benefit section was closed to new members from 31 December 2001. From this date new employees have been invited to join the second section that provides benefits on a defined contribution basis. The defined benefit scheme closed on 31 March 2016, with employees in the scheme eligible to join the defined contribution scheme.

The latest triennial valuation was performed to 31 March 2019 and showed a scheme surplus of £7.9m. The surplus position means the Company has no current obligation to make further contributions to the scheme, although this may change following future valuations. Additional contributions of £1.0m were made during the year ended 30 September 2020 as part of an ongoing programme with the trustees to work towards self-sufficiency, and therefore contributions of a similar level are expected in the future. The Directors have approved a voluntary contribution of £1.0m which was made in November 2020.

The trustees have agreed an investment strategy in the context of the liabilities. In particular, investments have been made that reflect the nature and term of the liabilities and the long-term nature of investment for a pension scheme.

Risks associated with the defined benefit scheme

Investment risk
The scheme holds investments in asset classes, such as equities, which have volatile market values, and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.

Interest rate risk
The scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the scheme holds assets such as equities the value of the assets and liabilities may not move in the same way, although this is mitigated to some extent by the scheme's liability-driven investment holdings which, although not based on changes in corporate bonds, would be expected to move in a similar way to the liabilities.

Inflation risk
A significant proportion of the benefits under the scheme are linked to inflation. Although the scheme's assets are expected to provide a good hedge against inflation over the long term, in particular through the scheme's liability-driven investment holdings, movements in the short term could lead to deficits emerging.

Longevity risk
In the event that members live longer than assumed, an additional deficit will emerge in the scheme, as the present value of the defined benefit liabilities is calculated with regards to a best estimate of the mortality of plan members.

Where the IAS 19 valuation shows scheme assets in excess of scheme liabilities, an asset is recognised based on the fact that under the terms of the Trust Deed agreement, the sponsoring company is entitled to any assets that remain in the scheme after the settlement of all pension liabilities. There are no restrictions on the current realisability of the surplus.

16. Retirement benefit asset continued

IAS 19 disclosures relating to defined benefits are as follows:

Principal actuarial assumptions

As at 30 September	2020	2019
Discount rate	**1.60%**	1.85%
RPI inflation	**3.10%**	3.20%
CPI inflation	**2.10%**	2.20%
Future pension increases	**3.00%**	3.10%
Mortality tables:		
– Male	**92% of S3PMA**	92% of S3PMA
– Female	**95% of S3PFA**	95% of S3PFA
Mortality improvements:		
– Model	**CMI 2019**	CMI 2018
– Long-term rate of improvement	**1.25%**	1.25%
– Initial addition	**0.5%**	1.00%
Life expectancy from age 62 of current pensioners:		
– Male	**25.8 yrs**[1]	26.0 yrs[2]
– Female	**27.9 yrs**[1]	28.1 yrs[2]
Life expectancy from age 62 of active and deferred members:		
– Male	**27.0 yrs**[3]	27.2 yrs[4]
– Female	**29.2 yrs**[3]	29.3 yrs[4]

1 Life expectancy from age 62 for members aged 62 in 2020.

2 Life expectancy from age 62 for members aged 62 in 2019.

3 Life expectancy from age 62 for members aged 45 in 2020.

4 Life expectancy from age 62 for members aged 45 in 2019.

The average duration of the benefit obligation at the end of the reporting period is 22 years (FY 2019: 22 years).

Significant actuarial assumptions for the determination of the defined benefit surplus are discount rate and inflation rate. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Change in assumption	Reduction in fund surplus as at 30 September 2020 £m	Reduction in fund surplus as at 30 September 2019 £m
Reduce discount rate by 1% p.a.	**21.4**	21.8
Increase inflation expectations by 1% p.a.	**17.3**	17.7
Increase life expectancy by 1 year	**3.2**	3.0

Interrelationships between the assumptions, especially between discount rate and expected inflation rates, are expected to exist in practice. The above analysis does not take the effect of these interrelationships into account.

Amounts recognised in the balance sheet

As at 30 September	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Present value of funded obligations	**(88.2)**	(85.8)	(72.1)	(73.6)	(82.4)
Fair value of schemes' assets	**95.7**	94.9	85.6	77.4	71.8
Net asset/(liability) before deferred taxation	**7.5**	9.1	13.5	3.8	(10.6)
Related deferred taxation (liability)/asset	**(1.4)**	(1.5)	(2.3)	(0.6)	1.8
Net asset/(liability) after deferred taxation	**6.1**	7.6	11.2	3.2	(8.8)
Change in assumptions and experience adjustments arising on schemes' liabilities	**(2.2)**	(14.8)	2.0	9.4	(22.2)
Experience adjustments arising on schemes' assets	**(0.8)**	8.9	3.6	4.2	10.6

Changes in the present value of the funded obligation

	2020 £m	2019 £m
Defined benefit obligation at beginning of year	**(85.8)**	(72.1)
Interest cost	**(1.5)**	(2.1)
Actuarial losses	**(2.2)**	(14.8)
Benefits paid	**1.3**	3.2
Defined benefit obligation at end of year	**(88.2)**	(85.8)

16. Retirement benefit asset continued

Changes in the fair value of the schemes' assets

	2020 £m	2019 £m
Fair value of schemes' assets at beginning of year	**94.9**	85.6
Interest income on assets	**1.8**	2.5
Actuarial (losses)/gains	**(0.8)**	8.9
Contributions by employer	**1.1**	1.1
Benefits paid	**(1.3)**	(3.2)
Fair value of schemes' assets at end of year	**95.7**	94.9

Major categories of schemes' assets

As at 30 September	2020 Quoted £m	2020 Unquoted £m	2020 Total £m	2019 Quoted £m	2019 Unquoted £m	2019 Total £m
UK equities	**—**	**0.4**	**0.4**	—	0.4	0.4
Non-UK equities	**—**	**10.3**	**10.3**	—	8.1	8.1
Diversified growth and absolute return funds[1]	**1.8**	**11.6**	**13.4**	1.8	11.7	13.5
Liability-driven instruments[2]	**49.3**	**—**	**49.3**	49.7	—	49.7
Debt instruments	**—**	**19.0**	**19.0**	—	20.7	20.7
Cash	**0.6**	**—**	**0.6**	0.1	—	0.1
Insurance policies	**—**	**2.7**	**2.7**	—	2.4	2.4
Fair value of schemes' assets at end of year	**51.7**	**44.0**	**95.7**	51.6	43.3	94.9

1 Diversified growth and absolute return funds are funds that invest in a wide variety of asset classes in order to deliver real capital appreciation over the medium to long term, typically aiming for a certain level of absolute return.

2 Liability-driven instruments are a portfolio of assets that are linked to the drivers of movements in pension liabilities such as inflation and interest rates. These are assets designed to deliver geared movements in the underlying liabilities as they reflect changes to inflation and interest rates.

Quoted assets are those with a quoted price in an active market. Unquoted assets are those which do not have a daily market price and are valued by Investment Managers, except for the insurance policies which are valued at surrender price.

Amounts recognised in the income statement

	Note	2020 £m	2019 £m
Interest on liabilities		**(1.6)**	(2.1)
Interest income on assets		**1.8**	2.5
Total included in 'staff costs'	5	**0.2**	0.4

Of the total included in staff costs, £nil is included within cost of sales (FY 2019: £nil) and £0.2m is included within sales, marketing and administrative expenses (FY 2019: £0.4m).

Gross amounts of actuarial gains and losses recognised in the Statement of comprehensive income

	2020 £m	2019 £m
Cumulative amount at beginning of year	**(13.3)**	(7.4)
Movement in year	**(3.0)**	(5.9)
Cumulative amount at end of year	**(16.3)**	(13.3)

Actuarial gains and losses arising from changes in demographic and financial assumptions

	2020 £m	2019 £m
Changes in demographic assumptions	**0.5**	(2.8)
Changes in financial assumptions	**(2.8)**	(14.2)
Experience gains on liabilities	**0.1**	2.2
Total actuarial losses on scheme liabilities	**(2.2)**	(14.8)
Return on assets less interest	**(0.8)**	8.9
Total actuarial losses	**(3.0)**	(5.9)

Notes to the financial statements continued

17. Trade and other payables

Trade payables are obligations to pay for goods acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

	Group		Company	
As at 30 September	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Trade payables	**5.2**	4.3	**—**	—
Accruals	**20.3**	19.3	**—**	—
Other	**5.0**	6.5	**—**	—
	30.5	30.1	**—**	—

The fair value of trade and other payables approximates to their carrying value.

18. Lease liabilities

Lease liabilities
After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in the income statement. Short-term leases are leases with a lease term of twelve months or less that do not contain a purchase option. Low-value assets mainly comprise office equipment.

Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate (using the index or rate in place at transition); amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and payments to be made under reasonably certain extension options. Lease liabilities and the corresponding right of use asset are subsequently remeasured where there is a change in future lease payments resulting from a rent review or change in index or rate.

The lease payments are discounted using the Group's incremental borrowing rate. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

Finance lease liabilities arising on the adoption of IFRS 16 are as follows:

	Current £m	Non-current £m	Total £m
Lease liabilities			
Balance at 1 October 2019	1.8	6.7	8.5
Additions	0.1	—	0.1
Payments in the period	(0.6)	(1.1)	(1.7)
Interest on lease liabilities	0.2	—	0.2
Balance at 30 September 2020	**1.5**	**5.6**	**7.1**

The maturity of these lease liabilities at 30 September 2020 is as follows:

	£m
Due within one year	1.5
Due between two and five years	2.6
Due after five years	3.0
Total	**7.1**

19. Contingent liabilities

Contingent liabilities
Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

At 30 September 2020, the Group had no contingent liabilities (FY 2019: none).

20. Share-based payments

Share-based payment transactions and employee share ownership trusts ('ESOT')
The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. Share-based payment transactions are recharged from the Company to those subsidiaries benefiting from the service of the employees to whom options are granted.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest and include employee service periods and performance targets which are not related to the Company's share price, such as earnings per share growth. The fair value of the options is measured by the Stochastic model, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Any failure to meet market conditions, which include performance targets such as share price or total shareholder return, would not result in a reversal of original estimates in the income statement and any remaining charges would be accelerated.

The proceeds received, net of any directly attributable costs, are credited to share capital (nominal value) and share premium when the options are exercised.

The Group and Company provide finance to the ESOT to purchase Company shares in the open market. Costs of running the ESOT are charged to the income statement. The cost of shares held by the ESOT is deducted in arriving at equity until they are exercised by employees.

All share-based payment costs are recharged to the trading entities.

All options are settled by the physical delivery of shares. The terms and conditions of all the grants are as follows:

Victrex 2005/2015 Executive Share Option Plan ('ESOP')
All employees are eligible to participate. The Remuneration Committee currently excludes executive Directors from participating in this plan. Option awards are based on a percentage of basic salary, not exceeding 100% of salary in each financial year. The exercise price of the options is equal to the market price of the shares on the date of grant. ESOP options are conditional on the employee completing three years' service (the vesting period) and achieving the performance condition where applicable. The level of awards vesting will vary depending on EPS growth. In order for awards to reach the threshold level of vesting, the EPS growth of the Group must exceed 2% per annum with some awards requiring this growth to be above the Retail Price Index. For awards over 33% of salary, the threshold increases to 3%, and then to 4% for awards over 66%. Straight line vesting will occur to the extent that EPS growth falls between these annual EPS growth targets. These options are exercisable from the date of vesting to the ten-year anniversary of the grant date.

Victrex 2015 Sharesave Plan
UK resident employees and full-time Directors of the Company or any designated participating subsidiary are eligible to participate. The exercise price of the granted Sharesave Plan options is equal to the market price of the ordinary shares less 20% on the date of grant.

Victrex 2015 Employee Stock Purchase Plan
US-based employees (including executive Directors) are eligible to participate. The price payable for each ordinary share shall be a price determined by the Board, if it shall not be less than 85% of the lower of the market value of an ordinary share on the date of grant or the date of purchase.

Awards may be granted over a number of ordinary shares determined by the amount employees have saved by the end of a one-year savings period.

Victrex 2009/2019 Long Term Incentive Plan
Each year executive Directors, and senior executives by invitation, are eligible to be awarded options to acquire, at no cost, market purchased ordinary shares in the Company up to a maximum equivalent of 150% of basic salary. In exceptional circumstances, such as recruitment or retention, this limit is increased to 200% of an employee's annual basic salary.

Details of the 2019 LTIP can be found within the Directors' remuneration report on page 88.

Victrex 2017 Deferred Bonus Plan ('DBS')
Adopted by the Remuneration Committee on 9 October 2017, this plan requires executive Directors to defer up to a maximum of 100% of their earned bonus into shares for three years.

20. Share-based payments continued

Number and weighted average exercise prices of share options

	ESOP		Sharesave Plan		Stock Purchase Plan		LTIP		DBS	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 October 2018	2,000p	924,194	1,439p	395,299	—	—	nil p	144,495	nil p	4,543
Granted during the year	2,178p	346,658	1,920p	191,314	1,994p	10,422	nil p	76,282	nil p	9,647
Forfeited during the year	2,269p	(22,407)	1,999p	(38,427)	—	—	nil p	(10,259)	—	—
Exercised during the year	1,785p	(79,890)	1,277p	(213,980)	1,994p	(10,422)	nil p	(14,006)	—	—
Outstanding at 30 September 2019	2,063p	1,168,555	1,753p	334,206	—	—	nil p	196,512	nil p	14,190
Granted during the year	2,358p	269,484	1,997p	83,980	1,782p	12,450	nil p	76,589	—	—
Forfeited during the year	1,658p	(41,333)	1,963p	(45,314)	—	—	nil p	(514)	—	—
Exercised during the year	1,669p	(103,670)	1,545p	(43,974)	1,782p	(12,450)	nil p	(29,125)	—	—
Outstanding at 30 September 2020	**2,150p**	**1,293,036**	**1,815p**	**328,898**	**—**	**—**	**nil p**	**243,462**	**nil p**	**14,190**
Range of exercise prices										
2020		**1,348p–2,730p**		**1,266p–2,164p**		**—**		**nil p**		**n/a**
2019		805p–2,730p		1,266p–2,164p		—		nil p		n/a
Weighted average contractual life (years)										
2020		**7.2**		**2.3**		**0.4**		**8.1**		**5.9**
2019		7.6		2.7		0.4		8.2		6.9
Exercisable at end of year										
2020	**1,829p**	**497,659**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2019	1,733p	331,967	—	—	—	—	—	—	—	—

Fair value of share options and assumptions

Fair value of share options and weighted average assumptions

	As at 30 September 2020					As at 30 September 2019				
	ESOP	**Sharesave Plan**	**Stock Purchase Plan**	**LTIP**	**DBS**	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP	DBS
Fair value at measurement date	**358p**	**450p**	**410p**	**1,745p**	**2,189p**	442p	469p	589p	1,675p	2,189p
Share price at grant	**2,159p**	**2,159p**	**2,096p**	**2,334p**	**2,355p**	2,077p	2,062p	2,346p	2,244p	2,355p
Exercise price	**2,150p**	**1,815p**	**n/a**	**nil p**	**n/a**	2,062p	1,753p	n/a	nil p	n/a
Expected volatility	**27%**	**26%**	**28%**	**25%**	**n/a**	27%	26%	29%	25%	n/a
Expected dividends	**2.5%**	**2.7%**	**2.9%**	**2.6%**	**2.5%**	2.4%	2.6%	2.5%	2.4%	2.5%
Risk-free interest rate	**0.8%**	**0.7%**	**0.0%**	**0.5%**	**n/a**	1.1%	0.8%	0.8%	0.7%	n/a

The expected volatility is based on historical volatility over the period prior to grant equal to the expected term.

All share options are granted under a service condition and, for ESOP and LTIP, a non-market condition ('EPS'). Such conditions are not taken into account in the grant date fair value measurement of services received. In addition, the LTIP has a market condition ('TSR'), which is taken into account in the grant date measurement of fair value.

Staff costs – equity-settled share-based payment transactions

	Note	**2020 £m**	2019 £m
ESOP		**0.1**	1.0
Sharesave Plan		**0.3**	0.6
LTIP and Deferred Bonus Scheme		**0.1**	0.5
	5	**0.5**	2.1

21. Share capital and reserves

Share capital

	2020		2019	
	Number	£m	Number	£m
Allotted, called up and fully paid shares of 1p each				
At beginning of year	**86,457,488**	**0.9**	86,153,196	0.9
Issued for cash	**160,094**	**—**	304,292	—
At end of year	**86,617,582**	**0.9**	86,457,488	0.9

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at meetings of the Company.

Share premium

During the year 160,094 (FY 2019: 304,292) shares were issued for cash, resulting in an increase in share premium of £2.7m (FY 2019: £4.3m).

Retained earnings

Retained earnings have been reduced by the reserve for own shares, which consists of the cost of shares of Victrex plc held by employee trusts, and are administered by independent trustees. The total number of shares held in trust as at 30 September 2020 was 130,542 (FY 2019: 160,037). Distribution of shares from the trusts is at the discretion of the trustees. Dividends attaching to these shares have been waived.

Translation reserve

The translation reserve comprises all foreign exchange differences, since 1 October 2004 (as permitted by IFRS 1), arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to forecast hedged transactions.

Dividends to shareholders

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

	2020 £m	2019 £m
Year ended 30 September 2018		
– Final dividend paid February 2019 at 46.14p per ordinary share	**—**	39.7
– Special dividend paid February 2019 at 82.68p per ordinary share	**—**	71.1
Year ended 30 September 2019		
– Interim dividend paid July 2019 at 13.42p per ordinary share	**—**	11.6
– Final dividend paid February 2020 at 46.14p per ordinary share	**39.9**	—
	39.9	122.4

No interim dividend in respect of the year ended 30 September 2020 was paid. A final dividend in respect of 2020 of £39.9m (46.14p per ordinary share) has been recommended by the Directors for approval at the Annual General Meeting in February 2021. These financial statements do not reflect these dividends.

22. Related party transactions

Identity of related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the Company's financial statements.

		Company	
	Note	2020 £m	2019 £m
Trading transactions with subsidiaries			
Administrative expenses paid on Company's behalf by subsidiaries		**0.6**	0.5
Management charge to subsidiaries		**—**	1.8
Amounts receivable from subsidiaries	14	**191.7**	39.0
Financing transactions with subsidiaries			
Dividends received from subsidiaries		**189.9**	103.5
Cash transfers received from subsidiaries		**189.9**	103.5
Cash transfers made to subsidiaries		**191.6**	117.5

22. Related party transactions continued

Identity of related parties continued

The Group's retirement benefit plans are related parties and the Group's and Company's transactions with them are disclosed in note 16.

Details of transactions during the year relating to the Company's investments in subsidiaries can be found in note 11.

Bond 3D High Performance Technology BV ('Bond'), in which the Group has a 24.5% shareholding (FY 2019: 17.2%), is an associated company. Other than the investment in and share of loss of Bond set out in note 11, there were no other transactions with Bond in the year.

Transactions with key management personnel

The key management of the Group and Company are those people having authority and responsibility for planning, directing and controlling the activities of the Group and consist of the Board of Directors.

Compensation of key management personnel is shown in the table below:

	2020 £m	2019 £m
Short-term employment benefits	**1.9**	2.1
Post-employment benefits	**0.2**	0.3
Share-based payment benefits	**0.2**	0.7
	2.3	3.1

More detailed information concerning Directors' remuneration, including non-cash benefits and contributions to post-employment defined benefit plans, is given in the Directors' remuneration report on pages 84 to 102.

Directors of the Company control 0.04% of the voting shares of the Company, details of which are given on page 99.

Details of Directors' indemnities are given on page 104.

23. Exchange rates

Foreign currency translation

Functional and presentation currency

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 operated (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation to balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. In addition, where an exchange difference arises on an intragroup monetary item that, in substance, forms part of the entity's net investment in a foreign operation, these differences are recognised in other comprehensive income in the consolidated financial statements and accumulated in equity until the disposal of the foreign operation.

Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- → assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- → income and expenses for each income statement are translated at weighted average exchange rates; and
- → all resulting exchange differences, from 1 October 2004, are recognised as a separate component of equity.

The most significant Sterling exchange rates used in the financial statements under the Group's accounting policies are:

	2020		2019	
	Average spot	**Closing**	Average spot	Closing
US Dollar	**1.27**	**1.30**	1.29	1.22
Euro	**1.13**	**1.10**	1.13	1.11

The average exchange rates in the above table are the weighted average spot rates applied to foreign currency transactions, excluding the impact of foreign currency contracts. Following adoption of IFRS 9 on 1 October 2018, any gains and losses on foreign currency contracts, where net hedging has been applied for cash flow hedges, have been separately disclosed in the income statement as required.

24. Alternative performance measures

1) Operating profit before exceptional items (referred to as **underlying operating profit**) and profit before exceptional items and tax (referred to as **underlying profit before tax**) are based on operating profit and profit before tax ('PBT') before the impact of exceptional items. These metrics are used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature. Exceptional items for 2020 are £12.0m (FY 2019: £1.5m) relating to restructuring and acquisition related costs, further details of which are disclosed in note 3.

	30 September 2020 £m	30 September 2019 £m
Operating profit	**64.0**	104.1
Exceptional items	**12.0**	1.5
Underlying operating profit	**76.0**	105.6
Profit before tax	**63.5**	104.7
Exceptional items	**12.0**	1.5
Underlying profit before tax	**75.5**	106.2

2) **Constant currency metrics** are used by the Board to assess the year on year underlying performance of the business excluding the impact of foreign currency rates, which by nature can be volatile. Constant currency metrics are reached by applying current year (FY 2020) weighted average spot rates to prior year (FY 2019) transactions. Gains and losses on foreign currency net hedging are shown separately in the income statement and are excluded from the constant currency calculation.

Group	**30 September 2020 £m**	30 September 2019 £m	% change
Revenue at constant currency	**266.0**	295.7	(10)%
Impact of FX retranslation	—	(1.7)	
At reported currency	**266.0**	294.0	(10)%

Industrial	**30 September 2020 £m**	30 September 2019 £m	% change
Revenue at constant currency	**216.3**	237.6	(9)%
Impact of FX retranslation	—	(1.3)	
At reported currency	**216.3**	236.3	(8)%

Medical	**30 September 2020 £m**	30 September 2019 £m	% change
Revenue at constant currency	**49.7**	58.1	(14)%
Impact of FX retranslation	—	(0.4)	
At reported currency	**49.7**	57.7	(14)%

3) **Operating cash conversion** is used by the Board to assess the business' ability to convert operating profit to cash effectively, excluding the impact of financing activities and non-capital expenditure related investing activities. Operating cash conversion is operating profit before exceptional items adjusted for depreciation and amortisation, working capital movements and capital expenditure/operating profit before exceptional items. This APM has changed since FY 2019 to include capital expenditure because this measure better represents the Group's ability to generate cash.

	30 September 2020 £m	30 September 2019 £m
Operating profit before tax and exceptionals	**76.0**	105.6
Depreciation, amortisation and loss on disposal	**20.9**	17.5
Change in working capital	**4.8**	(32.9)
Capital expenditure	**(24.9)**	(22.7)
Operating cash flow	**76.8**	67.5
Operating cash conversion	**101%**	64%

24. Alternative performance measures continued

4) **Available cash** is used to enable the Board to understand the true cash position of the business when determining the use of cash under the capital allocation policy. Available cash is cash and cash equivalents plus other financial assets (cash invested in term deposits greater than three months in duration) less cash ring-fenced in the Group's PVYX subsidiary. This APM has changed since FY 2019 because of the change in circumstances where cash now held by PVYX (which was incorporated during FY 2020) is treated as not being available to the wider Group. This is calculated as:

	30 September 2020 £m	30 September 2019 £m
Cash and cash equivalents	**73.1**	72.5
Cash held by PVYX	**(5.6)**	—
Other financial assets	**—**	0.3
Available cash	**67.5**	72.8

5) **Underlying dividend cover** is used by the Board to measure the affordability and sustainability of the regular dividend. Underlying dividend cover is adjusted earnings per share/total dividend per share. This excludes special dividends. This APM has changed since FY 2019 and is now based on underlying EPS (see APM 10) in order to reflect the underlying performance of the Group.

	30 September 2020 p	30 September 2019 p
Adjusted earnings per share	**75.3**	108.9
Total dividend per share	**46.14**	59.56
Dividend cover (times)	**1.6**	1.8

6) **Return on capital employed ('ROCE')** is used by the Board to assess the return on investment at a Group level. ROCE is profit after tax/total equity attributable to shareholders at the year end.

	30 September 2020 £m	30 September 2019 £m
Profit after tax	**54.2**	92.4
Total equity attributable to shareholders	**481.0**	461.6
ROCE %	**11%**	20%

7) **Return on sales** is used by the Board to assess the overall profitability of the Group. It measures underlying profit before taxation as a percentage of total sales.

	30 September 2020 £m	30 September 2019 £m
Underlying profit before tax	**75.5**	106.2
Total sales	**266.0**	294.0
Return on sales	**28%**	36%

8) **New product sales as a percentage of Group sales** is used by the Board to measure the success of driving adoption of the new product pipeline. It measures Group sales generated from mega-programmes, new differentiated polymers and other pipeline products that were not sold before FY 2014 as a percentage of total sales.

	30 September 2020 £m	30 September 2019 £m
New product sales	**12.8**	12.3
Total sales	**266.0**	294.0
New products %	**5%**	4%

9) **Research & Development expenditure as a percentage of Group sales** is used by the Board because Research & Development spend is considered to be a leading indicator of the Group's ability to innovate into new applications, supporting future growth. The Group targets spend at 5%–6% of Group revenues.

	30 September 2020 £m	30 September 2019 £m
Research & Development expenditure	**16.7**	18.0
Total sales	**266.0**	294.0
Research & Development %	**6.3%**	6.1%

24. Alternative performance measures continued

10) **Underlying EPS** is earnings per share based on profit after tax but before exceptional items divided by the weighted average number of shares in issue. This metric, which is new in FY 2020, is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature.

	30 September 2020 £m	30 September 2019 £m
Profit after tax	**54.2**	92.4
Exceptional items	**12.0**	1.5
Tax on exceptional items	**(1.1)**	(0.1)
Profit after tax after exceptionals net of tax	**65.1**	93.8
Weighted average number of shares	**86,470,079**	86,140,877
Underlying EPS (pence)	**75.3**	108.9

11) **Operating overheads** is made up of sales, marketing and administrative expenses before exceptional items. This metric, which is new in FY 2020, is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature.

	30 September 2020 £m	30 September 2019 £m
Sales, marketing and administrative expenses	**78.4**	72.2
Exceptional items	**(12.0)**	(1.5)
Operating overheads	**66.4**	70.7

25. Changes to accounting policies

New accounting policy

As outlined in note 1, IFRS 16 – Leases was adopted by the Group on 1 October 2019. The new standard eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. The Group recognised the following assets and liabilities on adoption:

	30 September 2019 reported £m	IFRS 16 £m	1 October 2019 restated £m
Assets			
Non-current assets	324.0	—	324.0
Right of use assets	—	8.5	8.5
	324.0	8.5	332.5
Current assets	212.2	—	212.2
Total assets	536.2	8.5	544.7
Liabilities			
Non-current liabilities	(21.6)	—	(21.6)
Long-term lease liability	—	(6.7)	(6.7)
	(21.6)	(6.7)	(28.3)
Current liabilities	(53.0)	—	(53.0)
Lease liability	—	(1.8)	(1.8)
	(53.0)	(1.8)	(54.8)
Net assets	461.6	—	461.6

The recognition of the right of use asset at 1 October 2019, at £8.5m, has reduced from that disclosed in the Interim Report at 31 March 2020, at £9.0m, following a remeasurement of the impact of rent reviews over the life of certain longer-term property leases. There has been a corresponding reduction in the long-term lease liability.

26. Capital commitments

Capital expenditure authorised and contracted for which has not been provided for in the financial statements amounted to £19m (FY 2019: £nil) in the Group and £nil (FY 2019: £nil) in the Company.

Five-year financial summary

for the year ended 30 September

	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Results					
Revenue	252.3	290.2	326.0	294.0	**266.0**
Profit before tax	100.3	111.0	127.5	104.7	**63.5**
Balance sheet					
Property, plant, equipment and intangible assets	279.0	289.2	281.0	288.2	**300.1**
Investments	10.0	10.0	4.5	16.2	**20.3**
Inventories	61.8	61.5	69.3	92.2	**98.5**
Net cash	64.0	120.1	71.2	72.5	**73.1**
Other financial assets	—	—	73.2	0.3	**—**
Trade receivables and other assets	57.9	53.5	51.1	57.7	**50.0**
Retirement benefit (obligation)/asset	(10.6)	3.8	13.5	9.1	**7.5**
Trade payables and other liabilities	(73.0)	(59.7)	(73.9)	(74.6)	**(68.5)**
Equity shareholders' funds	389.1	478.4	489.9	461.6	**481.0**
Cash flow					
Net cash flow from operating activities	83.4	117.6	129.0	80.1	**69.4**
Capital expenditure	(25.9)	(16.7)	(9.9)	(22.7)	**(24.9)**
Acquisitions of subsidiaries, associates and unquoted investments	(10.0)	(9.0)	—	(11.8)	**(4.9)**
(Increase)/decrease in other financial assets	—	—	(73.2)	72.9	**0.3**
Dividends and other items	(38.9)	(35.2)	(95.1)	(118.1)	**(38.7)**
Net increase/(decrease) in cash and cash equivalents	8.6	56.7	(49.2)	0.4	**1.2**
Ratios					
Earnings per ordinary share – basic	96.8p	116.4p	128.8p	107.2p	**62.6p**
Full-year dividend per ordinary share	46.82p	53.80p	59.56p	59.56p	**46.14p**
Special dividend per ordinary share	—	68.00p	82.68p	—	**—**
Sales volume					
Tonnes	3,952	3,992	4,407	3,751	**3,492**

Cautionary note regarding forward-looking statements

This Annual Report contains 'forward-looking statements' in relation to the future financial and operating performance and outlook of Victrex, as well as other future events and their potential effects on Victrex. Generally, the words 'will', 'may', 'should', 'continue', 'believes', 'targets', 'plans', 'expects', 'estimates', 'aims', 'intends', 'anticipates', or similar expressions or negatives thereof identify forward-looking statements. Forward-looking statements include statements relating to the following: expected developments in our product portfolio, expected revenues in our businesses, expected margins, expected trends, expected growth in our business (including our mega-programmes), expected operating costs savings, expected future cash generation, expected future tax rates, expected future orders and increase in market share, expected timing of product releases and expected timing of product development milestones, expected incorporation of our products into those of our customers, adoption of new technologies, the expectation of volume shipments of our products, expected product markets and their expansion or contraction, opportunities in our industry and our ability to take advantage of those opportunities, the potential success to be derived from strategic partnerships, potential acquisitions, the effect of our financial performance on our share price, the impact of government regulation, expected performance against adverse economic conditions, and other expectations and beliefs of our management.

Actual results and developments could differ materially from those expressed or implied by these forward-looking statements as a result of numerous risks and uncertainties. These factors include, but are not limited to:

- Victrex's ability to ensure development and timely delivery of new products or solutions in accordance with the requirements of customers;
- any change in demand for consumer products due to challenging and uncertain economic conditions;
- increased expenses associated with new product introductions or required capital investment;
- risks relating to forecasting demand for and market acceptance of Victrex's products and timing for the introduction of products that use Victrex's own products;
- declines in the average selling prices of Victrex's products;
- cancellation of existing orders or the failure to secure new orders;
- difficulties related to distributors which support the supply of our products to customers;
- Victrex's ability to secure sufficient capacity from the third parties and strategic partners that manufacture raw materials or product on our behalf;
- Victrex's ability to develop, acquire and protect intellectual property and other commercially sensitive information;
- the cyclicality of the chemical industry and those sectors into which we supply our products, such as Oil & Gas and Consumer Electronics;
- the potential for disruption in the supply of raw materials due to changes in business conditions, natural disasters, terrorist activities, public health concerns or other factors;
- Victrex's ability to attract and retain key personnel, including engineers and technical personnel;
- the difficulty in predicting future results; and
- other risks and uncertainties discussed in this Annual Report, including, without limitation, under the heading 'Principal risks' on pages 33 to 36.

The reader is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report.

Neither Victrex nor any other person undertakes any obligation to update or revise publicly any of the forward-looking statements set out herein, whether as a result of new information, future events or otherwise, except to the extent legally required.

Notice of Annual General Meeting

Notice is hereby given that the 28th Annual General Meeting ('AGM') of Victrex plc (the 'Company') will be held at 11am on 12 February 2021, at Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, to transact the business set out below. Resolutions 1 to 16 will be proposed as Ordinary Resolutions and Resolutions 17 to 21 will be proposed as Special Resolutions.

Ordinary Resolutions

1. To receive the Company's audited financial statements and the Auditors' and Directors' reports for the year ended 30 September 2020.
2. To approve the Directors' remuneration report, other than the part containing the Directors' remuneration policy, in the form set out in the Annual Report and Accounts for the year ended 30 September 2020.
3. To declare a final dividend of 46.14p per ordinary share in respect of the year ended 30 September 2020.
4. To re-elect Larry Pentz as a Director of the Company.
5. To re-elect Jane Toogood as a Director of the Company.
6. To re-elect Janet Ashdown as a Director of the Company.
7. To re-elect Brendan Connolly as a Director of the Company.
8. To re-elect David Thomas as a Director of the Company.
9. To re-elect Jakob Sigurdsson as a Director of the Company.
10. To re-elect Martin Court as a Director of the Company.
11. To re-elect Richard Armitage as a Director of the Company.
12. To elect Ros Rivaz as a Director of the Company.
13. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next Annual General Meeting of the Company at which accounts are laid before the meeting.
14. To authorise the Audit Committee, acting for and on behalf of the Board, to set the auditors' remuneration.
15. That, in accordance with sections 366 and 367 of the Companies Act 2006, the Company and all companies that are subsidiaries of the Company at any time during the period for which the resolution has effect, be and are hereby authorised, in aggregate, during the period beginning with the date of the passing of this resolution and ending on the conclusion of the next Annual General Meeting of the Company (unless such authority is previously renewed, varied or revoked by the Company in a general meeting), to:

    a) make political donations to political parties and/or independent election candidates not exceeding £12,500 in total;

    b) make political donations to political organisations other than political parties not exceeding £12,500 in total; and

    c) incur political expenditure not exceeding £12,500 in total,

    provided that the authorised sums referred to in paragraphs (a), (b) and (c) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating that authorised sum, shall be converted into Pounds Sterling at such rate as the Board in its absolute discretion may determine to be appropriate.

    For the purposes of this resolution the terms 'political donation', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' shall have the meanings given by sections 363 to 365 of the Companies Act 2006.
16. That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Allotment Rights'):

    a) up to a nominal amount of £288,798 (such amount to be reduced by any allotments or grants made under paragraph (b) below in excess of such sum);

    b) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £577,596 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue:

        i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        ii) to holders of other equity securities or as required by the rights of those securities as the Directors otherwise consider necessary,

        and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirement of any regulatory body or stock exchange or any other matter;

    c) this authority shall expire at the conclusion of the Company's next Annual General Meeting (or, if earlier, at the close of business on 31 March 2022); and

    d) the Company may make any offers and enter into agreements before such expiry which would, or might, require shares to be allotted or Allotment Rights to be granted after the authority expires and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not expired.

Special Resolutions

17. That, conditional upon Resolution 16 in this Notice of Annual General Meeting being passed, the Directors be and are hereby given power to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority given by that resolution (or by way of a sale of treasury shares), as if section 561 of the Companies Act 2006 did not apply to such allotment or sale, such power to be limited:

    a) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of authority granted under paragraph (b) of Resolution 16, by way of a rights issue only):

        i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

        ii) to holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary,

        and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirement of any regulatory body or stock exchange or any other matter; and

    b) in the case of the authority granted under paragraph (a) of Resolution 16 and/or in the case of any sale of treasury shares to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a maximum aggregate nominal amount of £43,319.

    Such power shall expire at the conclusion of the Company's next Annual General Meeting (or, if earlier, at the close of business on 31 March 2022), save that the Company may make offers, and enter into agreements, before such expiry which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not expired.

18. That, conditional upon Resolution 16 in this Notice of Annual General Meeting being passed, the Directors be and are hereby given power in addition to any authority granted under Resolution 17 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority given by that Resolution 16 (or by way of a sale of treasury shares), as if section 561 of the Companies Act 2006 did not apply to such allotment or sale, such power to be:

    a) limited to the allotment of equity securities or sale of treasury shares up to a maximum aggregate nominal amount of £43,319; and

    b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice.

    Such power shall expire at the conclusion of the Company's next Annual General Meeting (or, if earlier, at the close of business on 31 March 2022), save that the Company may make offers, and enter into agreements, before such expiry, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power expires to have effect and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not expired.

Special Resolutions continued

19. That the Company be and is hereby authorised generally and unconditionally pursuant to section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 1p each in the capital of the Company ('Ordinary Shares'), such power to be limited:

    a) to a maximum aggregate number of 8,663,940 Ordinary Shares;

    b) by the condition that the maximum price, exclusive of expenses, which may be paid for an Ordinary Share is the highest of:

        (i) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time; and

        (ii) an amount equal to 5% above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and

    c) by the condition that the minimum price which may be paid for an Ordinary Share is 1p (exclusive of expenses).

    Such authority shall expire at the conclusion of the Company's next Annual General Meeting (or, if earlier, at the close of business on 31 March 2022) but so that the Company may before such authority expires enter into a contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after the authority expires and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority had not expired.

20. That a general meeting of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

21. That the regulations contained in the document produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification are adopted as the Company's new Articles of Association in substitution for and to the exclusion of the Company's existing Articles of Association.

By order of the Board

Louise Waldek
Company Secretary
9 December 2020

Registered office:
Victrex Technology Centre
Hillhouse International
Thornton Cleveleys
Lancashire FY5 4QD

Registered in England and Wales 2793780

Notes

1. In light of the ongoing need to reduce the public health risks posed by the transmission of the coronavirus (COVID-19) and the continuing government guidance concerning the need for social distancing, the AGM will be held as a closed meeting and members will not be permitted to attend the AGM in person. Every eligible member does, however, have the right to appoint another person (or two or more persons in respect of different shares held by an eligible member) as their proxy to exercise all or any of the eligible member's rights in relation to the AGM. The appointment of a proxy in relation to the AGM will, however, be subject to the special arrangements referred to in these notes or any alternative arrangements that the Board considers necessary to ensure the validity of the meeting.
2. Members who wish to vote at the AGM should appoint the Chairman of the meeting as their proxy in order to do so. No other person(s) appointed as proxy will be permitted to attend the AGM in person unless the Board decides otherwise. Subject to any other decision by the Board, if a member appoints some other person or persons as proxy, such member shall be deemed to have appointed the Chairman of the meeting and note the other named person(s) as their proxy.
3. A member must be registered in the Register of Members of the Company as the holder of ordinary shares at 6.30pm on 10 February 2021 (or, in the event of any adjournment, 6.30pm on the day two days prior to the adjourned meeting) in order to be entitled to attend and vote at the meeting as a member in respect of those shares. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM. Reference in this note to the right to attend the AGM shall, as regards attendance at the meeting in person, be read subject to note 1 above and to any legislation temporarily limiting such right.
4. A hard copy form of proxy ('Form of Proxy') which may be used to appoint a proxy and give instructions accompanies this AGM Notice. To be valid, a Form of Proxy must be delivered to the Company's Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received by no later than 11am on 10 February 2021. Alternatively, shareholders may appoint a proxy online by following the instructions in note 5 below. Shareholders who hold their shares in uncertificated form may also use 'the CREST voting service' to appoint a proxy electronically as explained in notes 6 to 8 below. All resolutions to be proposed at the meeting will be put to vote on a poll, as permitted by the Company's Articles of Association. On a poll, each shareholder has one vote for every share held, which results in a more accurate reflection of the view of shareholders.
5. Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk. Full details of the procedure are given on the website. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic proxy appointment system. Alternatively, members who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and clicking on the 'Vote Online' link. The on-screen instructions give details of how to complete the proxy appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 11am on 10 February 2021.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent Equiniti (ID RA19) by 11am on 10 February 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
9. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Please note that, for the reasons given in note 1 above and unless the Board decides otherwise, a person other than the Chairman of the meeting who is appointed as a proxy will not be permitted to attend the meeting in person.

   The statement of the rights of shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. Such rights can only be exercised by shareholders of the Company.

Notice of Annual General Meeting continued

Notes continued

10. As at 4 December 2020 (being the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 86,639,401 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 4 December 2020 were 86,639,401. There were no shares in treasury as at that date.

11. Under section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:

    a) the audit of the Company's financial statements (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or

    b) any circumstance connected with auditors of the Company ceasing to hold office since the previous meeting at which annual reports were laid in accordance with section 437 of the Companies Act 2006.

    The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

12. Subject to any legislation temporarily limiting such right, each member has the right to ask questions relating to the business of the meeting. In accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause any such questions to be answered. Members who wish to ask questions relating to the business of the meeting can do so by sending them in advance of the meeting to cosec@victrex.com.

    A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.victrexplc.com.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its power as a member provided that they do so in relation to the same shares. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the AGM. Please contact our Registrars if you need any further guidance on this. Please note that, for the reasons set out in note 1 above and unless the Board decides otherwise, a person other than the Chairman of the meeting who is appointed as a representative will not be permitted to attend the meeting in person.

14. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

15. Personal data provided by shareholders at or in relation to the AGM (including, for example, names, contact details, votes and Shareholder Reference Numbers) will be processed in line with the Company's privacy policy, which can be accessed here: www.victrex.com/en/privacy-policy.

16. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted): email the General Counsel & Company Secretary at cosec@victrex.com or ir@victrex.com. You may not use any electronic address provided in either this Notice of AGM or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

17. Copies of the following documents will be available for inspection from the date of this Notice of AGM until the close of the AGM by making an appointment with the General Counsel & Company Secretary at cosec@victrex.com:

    → the executive Directors' service contracts;

    → the letters of appointment of the non-executive Directors; and

    → the Directors' Deeds of Indemnity.

18. A copy of the current Articles of Association of the Company and the proposed new Articles of Association of the Company will be available for inspection by making an appointment with the General Counsel & Company Secretary at cosec@victrex.com and can also be found on the Company's website at www.victrexplc.com from the date of this Notice of AGM until the close of the AGM.

Resolution 1 – Annual Report and Accounts

The Companies Act 2006 requires the directors of a public company to lay its annual report and accounts before the company in general meeting, giving shareholders the opportunity to ask questions on the contents. The Annual Report and Accounts comprises the audited financial statements, the Auditors' report, the Strategic report, the Directors' report and the Directors' remuneration report. In accordance with the 2018 UK Corporate Governance Code, the Company proposes, as an Ordinary Resolution, a resolution on its Annual Report and Accounts for the year ended 30 September 2020.

Resolution 2 – Approval of the Directors' remuneration report

In accordance with the Companies Act 2006, the Company proposes an Ordinary Resolution to approve the Directors' remuneration report for the financial year ended 30 September 2020. The Directors' remuneration report is set out on pages 84 to 102 of the Annual Report and Accounts and, for the purposes of this resolution, does not include the parts of the Directors' remuneration report containing the Directors' remuneration policy which is set out on pages 87 to 93. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on its being passed.

Resolution 3 – Declaration of final dividend

A final dividend of 46.14p per ordinary share has been recommended by the Directors for the year ended 30 September 2020. In accordance with the requirements of HM Revenue & Customs, all dividends are declared and paid net of income tax at the standard rate. If approved, the final dividend will be paid on 19 February 2021 to shareholders on the register at 6.30pm on 29 January 2021.

Resolutions 4 to 12 – Re-election and election of Directors

In accordance with the 2018 UK Corporate Governance Code, all Directors shall be subject to annual election by shareholders. The Chairman confirms that, following formal evaluation (as referred to on page 77 of the Annual Report and Accounts), each Director standing for re-election continues to contribute effectively to the Board and to demonstrate commitment to the role (including commitment of time for Board and Board Committee meetings).

The Company's Articles of Association state that any Director appointed by the Board during the year must stand at the next AGM following appointment. Dr Ros Rivaz was appointed as a non-executive Director and the Senior Independent Director with effect from 1 May 2020, and accordingly now stands for election by shareholders. Each of Resolutions 4 to 12 shall be proposed as an Ordinary Resolution.

The biographical details, skills and experience of each Director standing for re-election or election are set out below:

Mr Larry Pentz, Chairman
Larry Pentz was appointed to the Board in 2008 and became Chairman in 2014. Larry is Chairman of the Nominations Committee.

Larry has a strong record in M&A, strategy implementation and leading international growth businesses in the chemical industry, as well as extensive operational and general management experience.

Larry was an executive director of Johnson Matthey Plc from 2003 to 2016 and has over 30 years' service within multinational businesses in a variety of operational and general management positions. He was non-executive chairman of Scapa Group plc from 2017 to 2020.

Larry's extensive sector and board level experience enables valuable leadership of the Board, as well as delivering continuity and stability as the Company navigates the challenges of COVID-19 and reflecting significant Board changes since 2017.

Ms Jane Toogood, non-executive Director
Jane Toogood was appointed to the Board in September 2015. Jane has a wealth of experience across a number of business management, senior commercial and business development roles within the global chemical industry and holds an MA in natural sciences (chemistry) from the University of Oxford.

Jane held senior roles at Borealis, ICI and Uniqema. She was non-executive director of NHS Harrogate and District Foundation Trust.

Jane is the sector chief executive, efficient natural resources at Johnson Matthey Plc.

Jane brings strategic and industry expertise and insights drawing on her extensive international experience across multiple sectors.

Ms Janet Ashdown, non-executive Director
Janet Ashdown was appointed to the Board as a non-executive Director in February 2018.

Janet has over 30 years' experience in the international energy sector working across the value chain from customer facing through to manufacturing in increasingly senior roles.

Janet had a distinguished career working for BP plc for 30 years where her last role was head UK Fuels Business Unit. She was CEO of Harvest Energy, an international private equity backed business, from 2010 to 2012. She was non-executive director at SIG Plc and Coventry Building Society.

Janet is currently senior independent director, chair of the remuneration committee and designated non-executive director for workforce engagement at Marshalls plc. She is a non-executive director and chair of the sustainability committee of RHI Magnesita NV and she is also senior independent director and chair of the environment safety and security committee of the Nuclear Decommissioning Authority.

Janet contributes her extensive international executive and non-executive experience having served on remuneration committees across different sectors for over ten years and being a chair for five years.

Resolutions 4 to 12 – Re-election and election of Directors continued

Mr Brendan Connolly, non-executive Director
Brendan Connolly was appointed to the Board as a non-executive Director in February 2018.

Brendan has over 35 years' experience in the international oil and gas industry serving in a number of senior executive roles. Until June 2013, Brendan was a senior executive at Intertek Group plc and had previously been chief executive officer of Moody International (which was acquired by Intertek in 2011). Prior to Moody, he was managing director of Atos Origin UK, and spent more than 25 years of his career with Schlumberger in senior international roles over three continents.

Brendan is senior independent director and chair of the remuneration committee of Synthomer plc. Brendan is also on two private equity boards, one of which he chairs.

With extensive executive and non-executive experience, Brendan brings operational, commercial and strategic expertise and insights; his role as the designated non-executive Director for workforce engagement enhances the Board's understanding of the views of employees and the culture of the Company.

Mr David Thomas, non-executive Director
David Thomas was appointed to the Board in May 2018 and chairs the Audit Committee.

David was chief financial officer at Invensys plc from 2011 until his retirement in 2014, having held senior roles across the business since 2002. Prior to joining Invensys, he was a senior partner in Ernst & Young, specialising in long-term industrial contracting businesses, and is a former member of the Auditing Practices Board. David is non-executive director at Dialight plc where he is chair of the audit committee and the nominated non-executive director with responsibility for workforce liaison.

David contributes his expertise in finance and his understanding of the investment community and regulators as both a Board member and Chair of the Audit Committee, as well as his industry knowledge to enhance the risk lens for Board decision making.

Mr Jakob Sigurdsson, executive Director
Jakob Sigurdsson was appointed to the Board in October 2017 and is the Company's Chief Executive Officer. Jakob has more than 20 years' experience in large multinational companies, both listed and private, including nine years with Rohm & Haas (now part of Dow Chemical) in the US. He was chief executive at Alfesca, Promens and ViS.

Jakob holds a BSc in chemistry from the University of Iceland and a MBA from Northwestern University in the US. His executive responsibilities have spanned marketing, supply chain, business development, strategy and M&A, with particular emphasis on growth in new or developing markets. Jakob is non-executive director of Coats Group plc. Jakob brings his diverse and international background in chemicals coupled with wider business, executive and non-executive experience to inspire and lead the Group.

Dr Martin Court, executive Director
Martin Court was appointed to the Board as an executive Director in April 2015. Martin joined Victrex in February 2013 as Managing Director of Invibio, from Cytec Industries where he served as VP in-process separation and VP R&D, previously having held senior leadership roles at UCB S.A. and ICI.

Martin is an INSEAD alumnus and holds a doctorate in the field of surface chemistry and fracture mechanics and a BSc (Eng) in mineral technology from the Imperial College of Science and Technology. Martin has broad international experience in strategy, innovation-driven growth and organisational change in high performance materials and chemical industries, having held both senior commercial and technical roles.

Martin's significant diverse international experience and his focus on value creation and achieving business growth through innovation and geographic expansion enable him to drive Victrex's commercial and innovation strategies ensuring an appropriate balance between disruptive and non-disruptive change.

Mr Richard Armitage, executive Director
Richard Armitage was appointed to the Board in May 2018 and is the Company's Chief Financial Officer.

Richard has broad experience including financial management, investor relations, capital markets, M&A and commercial management, gained through roles in a number of listed and privately owned chemicals and consumer goods companies. Richard was previously CFO at Samworth Brothers from 2014 to 2018 and CFO of McBride plc from 2009 to 2014. Prior to that, Richard held senior finance roles in Courtaulds plc, ICI plc and Premier Foods plc.

Richard is non-executive director and chair of the audit committee of NWF Group plc.

Dr Ros Rivaz, Senior Independent Director
Ros Rivaz was appointed as a non-executive Director and the Senior Independent Director with effect from 1 May 2020.

Ros holds a Bachelor of Science Honours degree in chemistry and an honorary doctorate from Southampton University, and has deep international experience in the areas of supply chain management, logistics, manufacturing, IT, procurement and systems in the engineering, manufacturing and chemicals industries. Ros' executive career spans nearly 30 years. She held senior executive roles held at Exxon Chemical Corporation, Tate & Lyle, ICI, Diageo and Premier Foods. Ros served as global chief operating officer for Smith & Nephew from 2011 to 2014. Ros was non-executive director at ConvaTec plc, RPC Group plc, Boparan Holdings Limited, Rexam plc and CEVA Logistics AG.

Ros is currently senior independent director and chair of the remuneration committee of Computacenter plc. She is non-executive director and chair of the remuneration committee of Aperam SA. She is chair of the Nuclear Decommissioning Authority and non-executive director of the Ministry of Defence Equipment and Support board.

Ros' strong track record as both a non-executive and executive across a range of listed companies, particularly in the medical industry, will be instrumental in driving growth and supporting the Chairman in her role as Senior Independent Director.

Resolutions 13 and 14 – Appointment of auditors/auditors' remuneration

At each meeting at which the Annual Report and Accounts are laid, the Company is required under the Companies Act 2006 to appoint an auditor to serve until the next such meeting. PricewaterhouseCoopers ('PwC') have indicated their willingness to continue as the Company's auditors. The Audit Committee has recommended to the Board, and the Board now proposes to shareholders, that PwC be re-appointed as auditors of the Company. The Audit Committee has confirmed to the Board that its recommendation is free from third-party influence and that no restrictive contractual provisions have been imposed on the Company limiting its choice of auditors.

Resolution 14 is an Ordinary Resolution that the Audit Committee, acting for and on behalf of the Board, be authorised to set the auditors' remuneration. Under the Competition and Markets Authority's Statutory Audit Services Order, the Audit Committee has specific responsibility for negotiating and agreeing the statutory audit fee for and on behalf of the Board. Details of the remuneration paid to the auditors for 2020 and details of how the effectiveness and independence of the auditors are monitored and assessed can be found on pages 125 and 78 to 83 of the Annual Report and Accounts.

Resolution 15 – Political donations

The Companies Act 2006 requires companies to obtain shareholder authority before they can make political donations exceeding £5,000 in aggregate in any twelve-month period to political parties, other political organisations or independent election candidates or incur political expenditure. The definitions of 'political donation', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' used in the Companies Act 2006 are very broad and, as a result, a number of normal business activities or business matters affecting the Company that would not be thought to be political donations or political expenditure in the usual sense may qualify as a donation to a political party, political organisation or independent election candidate or otherwise be political expenditure. Such activities are not designed to support any political party, political organisation or independent election candidate nor to influence public support for a particular party, organisation or candidate. It remains the policy of the Company not to make political donations or incur political expenditure within the ordinary meaning of those words and the Directors have no intention of using the authority for that purpose.

To avoid any possibility of inadvertently contravening the Companies Act 2006, the Directors consider that it would be prudent to follow the procedures specified in the Companies Act 2006 to obtain shareholder approval for the Company and its subsidiaries to, in aggregate:

(i) make political donations to political parties and/or independent election candidates not exceeding £12,500 in total;

(ii) make political donations to political organisations other than political parties not exceeding £12,500 in total; and

(iii) incur political expenditure not exceeding £12,500 in total,

in each case during the period up to the conclusion of the Annual General Meeting of the Company in 2022.

As permitted by the Companies Act 2006, the resolution extends not only to the Company but also covers all companies which are subsidiaries of the Company at any time the authority is in place. The Company's policy remains that it does not, directly or through any subsidiary, make what are commonly regarded as donations to any political party, organisation or candidate, and the authority being requested from shareholders is not designed to change this policy. The authority is sought as a precaution to ensure that the Company's normal business activities are within the Companies Act 2006.

Resolution 16 – Authority to allot shares

The authority of shareholders is required to enable Directors to allot shares. The authority conferred on the Directors at the Company's 2020 Annual General Meeting to allot shares or grant rights to subscribe for or to convert any securities into shares in the Company expires at the conclusion of the forthcoming AGM. Accordingly, in line with the Company's usual procedure, which is also standard practice amongst other public companies, this Ordinary Resolution seeks authority for the Directors to allot shares or grant rights to subscribe for or to convert any securities into shares in the Company until the conclusion of the Company's next Annual General Meeting or 31 March 2022, if sooner.

In accordance with guidance issued by The Investment Association, the proposed authority will allow the Directors to allot ordinary shares in the Company ('Ordinary Shares') or grant rights to subscribe for or convert any securities into Ordinary Shares up to a maximum nominal amount of approximately, but not exceeding, one-third of the existing issued share capital as at 4 December 2020 (the latest practicable date before the publication of this Notice), plus, in the case of a rights issue only, a further amount up to an additional maximum nominal amount of approximately, but not exceeding, one-third of the Company's existing issued share capital.

The Directors have no current intention of exercising this authority. The Company held no treasury shares as at 4 December 2020.

Resolutions 17 and 18 – Permission to allot a limited number of shares other than to existing shareholders

Under the Companies Act 2006, when shares are issued for cash, they normally have to be offered first to existing shareholders in proportion to their current shareholding. Section 570 of the Companies Act 2006, however, permits the disapplication of such pre-emption rights.

Resolution 17 will enable the Directors to allot shares for cash and sell treasury shares: (i) in connection with a rights issue, open offer or other pre-emptive offer; or (ii) otherwise up to a nominal amount of £43,319 representing approximately 5% of the issued Ordinary Share capital as at 4 December 2020 (the latest practicable date before the publication of this Notice), other than to existing shareholders without first having to offer them to existing shareholders in proportion to their holdings in order to take advantage of opportunities as and when they arise. The Directors have no current intention of exercising this authority and confirm their intention, in accordance with the Pre-Emption Group's 2015 Statement of Principles ('Statement of Principles'), that not more than 7.5% of the issued Ordinary Share capital will be allotted or treasury shares sold on a non-pre-emptive basis in any rolling three-year period, other than with prior consultation with shareholders or in connection with an acquisition or specified capital investment as referred to below.

Explanatory notes continued

Resolutions 17 and 18 – Permission to allot a limited number of shares other than to existing shareholders continued

Resolution 18 is in addition to Resolution 17. As supported by the Statement of Principles, Resolution 18 will enable the Directors to allot shares for cash or sell shares out of treasury up to a further nominal amount of £43,319, representing approximately 5% of the issued Ordinary Share capital as at 4 December 2020 (the latest practicable date before the publication of this Notice), other than to existing shareholders without first having to offer them to existing shareholders in proportion to their holdings. In respect of the authority under Resolution 18, the Board confirms that it will only allot shares or sell shares out of treasury pursuant to this authority where the relevant acquisition or specified capital investment is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no current intention of exercising this authority. If this authority is used, the Company will publish details of the placing in its next Annual Report and Accounts.

The authorities under Resolutions 17 and 18 will lapse at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 March 2022, if sooner. These resolutions will be proposed as Special Resolutions, which require a 75% majority of the votes to be cast in favour.

Resolution 19 – Authority to purchase own shares

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 19 specifies the maximum number of shares which may be acquired (approximately 10% of the Company's issued Ordinary Share capital as at 4 December 2020 (the latest practicable date before the publication of this Notice)) and the maximum and minimum prices at which shares may be bought.

The Directors intend to use the authority only if, in light of market conditions prevailing at the time, they believe that the effect of such purchase would result in an increase in earnings per share and would be in the best interests of the Company and its shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account in reaching such a decision. Any shares purchased in this way will either be cancelled and the number of shares in issue will be reduced accordingly, or be held as treasury shares. Shares held as treasury shares can in the future be cancelled, resold or used to provide shares for employee share schemes. The Company currently has no Ordinary Shares in treasury.

As at 4 December 2020, options over a total of 1,519,156 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represents 1.75% of the Company's issued Ordinary Share capital at 4 December 2020. It would represent 1.95% of the issued Ordinary Share capital at that date if the authority to buy the Company's own shares given at the previous AGM and the authority now being sought by Resolution 19 were to be fully used. The authority will lapse at the earlier of the conclusion of the next Annual General Meeting of the Company or 31 March 2022, if sooner.

Resolution 20 – Authority to hold general meetings (other than Annual General Meetings) on 14 clear days' notice

This Special Resolution renews an authority given at last year's Annual General Meeting and is required as a result of section 307A of the Companies Act 2006. The Company is currently able to call general meetings (other than an Annual General Meeting) on not less than 14 clear days' notice and would like to maintain this ability. In order to do so, the Company's shareholders must approve the calling of such meetings on not less than 14 clear days' notice. Resolution 20 seeks such approval. If given, the approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Resolution 21 – Adoption of new Articles of Association

It is proposed that the Company adopt new Articles of Association ('New Articles') to update the Company's current Articles of Association, which were adopted in 2010 and amended by a Ordinary Resolution passed at the Company's Annual General Meeting on 9 February 2018. The principal changes introduced in the New Articles are summarised below:

General meetings

Convening a general meeting: The New Articles include provisions enabling the Company, at the Board's discretion, to convene a general meeting to be attended by shareholders either physically or electronically, commonly known as a 'hybrid' meeting. The current Articles of Association do not expressly permit attendance by electronic means (such as via telephone or webcast) and envisage physical-only attendance. The New Articles are intended to reflect the need for flexibility following the impact of COVID-19 on the convening of general meetings, as well as recent and future technological developments. The New Articles do not require the Company to permit electronic attendance, nor do they permit 'virtual-only' general meetings, as a physical meeting must always be held.

Changes to the time, date and place of a meeting: Under Article 49 of the current Articles of Association, where the Directors wish to change the time, date or place of a general meeting (as stated in the notice calling it), they must (where practicable) arrange for the revised details to be announced in at least two national newspapers. This requirement has been replaced by Article 20 in the New Articles, with a requirement to instead announce any changes via a Regulatory Information Service. The Board retains the discretion to place announcements in national newspapers, but they are no longer obliged to do so, thus saving the Company time and expense.

Voting: The New Articles provide that where the Board elects to permit shareholders to attend a general meeting by electronic means, any resolutions proposed at that meeting should be decided on a poll, and where shareholders are not entitled to attend by electronic means, resolutions can be decided on a show of hands (and the Chairman has the discretion to change the method of voting in either instance). The default method of voting under the current Articles of Association is a show of hands. The revisions reflect changes in technology and market trends and allow the Chairman of the meeting to decide the most appropriate method of voting in the circumstances.

Resolution 21 – Adoption of new Articles of Association continued

The Board

Director share requirements: Article 49(D) of the New Articles provides that any Director should comply with the Company's requirements as to holding Company shares as stated in the Directors' remuneration policy. The New Articles are intended to resolve ambiguity in the current Articles of Association, and to align them to the Company's current remuneration practice.

Vacation of office: The requirement, contained in the current Articles of Association, that a Director must vacate their office if they suffer from physical or mental ill health is removed due to the Mental Health (Discrimination) Act 2013. The New Articles also provide a Director's office will terminate where such Director is also an employee of the Group and that employment ceases.

Retirement of non-executive Directors: Article 79 of the current Articles of Association requires non-executive Directors who have been in office as such for a continuous period of nine years or more at the date of an Annual General Meeting to retire at that Annual General Meeting. The New Articles exclude this requirement, but retain the requirement for all Directors to retire by rotation periodically. The Board will, in accordance with the provisions of the UK Corporate Governance Code, identify in the Company's Annual Report each year which of the non-executive Directors it considers to be independent and the reasons why it considers any non-executive Director who has been in office for a continuous period of nine years or more to be independent.

Directors' expenses: The New Articles specify additional circumstances in which the Company may meet the expenditure of a Director, including expenditure incurred in taking advice for the correct discharge of their duties and in connection with any category of relief (from proceedings or investigation), both of which are in accordance with relevant legislation. These additions are considered appropriate in respect of the importance of ensuring that Directors discharge their duties for the benefit of the Company.

Borrowing powers: The New Articles do not alter the limitation on the Company's borrowing that is contained in the current Articles of Association and is set at three times its adjusted capital and reserves. The New Articles remove from that calculation any premiums payable and monies owed to a partly owned subsidiary, but add to it any amounts raised under a note purchase facility, deferred payments (more than 90 days) for the purchase of assets and any amount having the commercial effect of a borrowing. The exclusions in the definition of 'monies borrowed' have been updated in the New Articles, as well as including a clear methodology for the calculation on any particular day. These revisions are intended to resolve any ambiguities in the current Articles of Association as regards the Company's borrowing powers.

Dividends

The current Articles of Association permit the Company and/or the Board to decide which method(s) for the payment of a dividend are most appropriate in any given circumstances. Article 65(F) of the New Articles gives the Board discretion to determine that if the payee information required for the payment of a dividend is not forthcoming from the relevant shareholder or is incorrect, the dividend is to be treated as unclaimed. This change is in line with guidance published by the ICSA Registrars' Group.

Share certificates

The New Articles reduce the circumstances in which the Company is required to issue replacement share certificates to shareholders. The Company is required to issue a replacement share certificate to any shareholder whose current certificate is worn out, defaced, lost or destroyed (under Article 5 of the New Articles), but is no longer required to provide replacement certificates in the circumstances set out in Article 16 of the current Articles of Association, for example for consolidation purposes where a shareholder has two or more certificates for shares of the same class.

Overseas shareholders

The New Articles introduce the concept (at the discretion of the Board) of an overseas branch register. Article 42 of the New Articles enables all forms of communication intended to be delivered to a shareholder (including the publication of notices in a newspaper) to be delivered or notified to an overseas shareholder in such jurisdiction in which they reside. This is for the benefit of any overseas shareholders.

Article 42(C) of the New Articles also provides that where a shareholder is registered on an overseas branch register, the Board may require such member (by notice) to provide information relating to their residency. If such information is not forthcoming within 21 days or the response is unsatisfactory, the Board may decide to remove the shareholder from the overseas branch register, and register them on the UK register of members.

Undelivered documents

The New Articles reduce the number of instances in a 24-month period in which documents sent to a shareholder are returned as undelivered or marked 'returned to sender', following which the Company is not required to send any further documents to that shareholder until they provide an address for delivery, from three (under the current Articles of Association) to two consecutive undelivered documents.

Recommendation

The Directors consider that all the proposed resolutions set out in the Notice of Annual General Meeting are in the best interests of the Company and of its shareholders as a whole and they unanimously recommend that you vote in favour of them, as they intend to do so in respect of their own shares (save in respect of those matters in which they are interested).

Financial calendar

Ex-dividend date	28 January 2021
Record date[1]	29 January 2021
Annual General Meeting	12 February 2021
Payment of final dividend	19 February 2021
Announcement of 2020 half-yearly results	May 2021
Payment of interim dividend	July 2021

1 The date by which shareholders must be recorded on the share register to receive the dividend.

Advisors

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Visit www.victrexplc.com or scan with your QR code reader to visit our Group website.

This is the Annual Report of Victrex plc for the year ended 30 September 2020.

This Annual Report has been sent to shareholders who have elected to receive a copy. A Notice of the Annual General Meeting to be held on 12 February 2021 is also included within the report commencing on page 154.

In this Annual Report, references to 'Victrex', 'the Group', 'the Company', 'we' and 'our' are to Victrex plc and its subsidiaries and lines of business, or any of them as the context may require.

References to the years 2020, 2019 and 2018 are to the financial years ended 30 September 2020 (for 2020), 30 September 2019 (for 2019) and 30 September 2018 (for 2018). Unless otherwise stated, all non-financial statistics are at 30 September 2020.

This Annual Report contains forward-looking statements with respect to the Group's financial condition, operating results and business strategy, plans and objectives. Please see the discussion of our principal risks and uncertainties in the sections entitled 'Risk management' and 'Principal risks', and the section entitled 'Cautionary note regarding forward-looking statements'.

This Annual Report contains references to Victrex's website. These references are for convenience only – we are not incorporating by reference any information posted on www.victrexplc.com.

This Annual Report has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

The Directors' report – Strategic report has been prepared to inform the Company's shareholders and help them assess how the Directors have performed their duty to promote the success of the Company for the benefit of the Company's shareholders as a whole. It should not be relied upon by anyone, including the Company's shareholders, for any other reason. The Directors' report – Strategic report contains a fair review of the business of the Group and a description of the principal risks and uncertainties that the Group faces. As a consequence, the Directors' report – Strategic report only focuses on material issues and facts.

This Annual Report does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Victrex plc shares.

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Victrex plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arcoprint, an FSC® certified material. This document was printed by CPI Group using its environmental print technology, which minimises the impact of printing on the environment. Vegetable-based inks have been used and 99% of dry waste is diverted from landfill. The printer is a CarbonNeutral® company. Both the printer and the paper mill are registered to ISO 14001.

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