



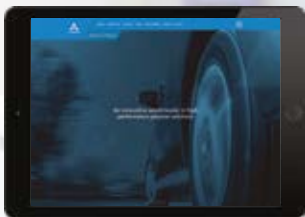
ENABLING
**ENVIRONMENTAL &
SOCIETAL BENEFITS**

VICTREX PLC
ANNUAL REPORT 2022

BRINGING TRANSFORMATIONAL & SUSTAINABLE SOLUTIONS THAT ADDRESS WORLD MATERIAL CHALLENGES EVERY DAY

WHO WE ARE: WE BRING TRANSFORMATIONAL & SUSTAINABLE SOLUTIONS THAT ADDRESS WORLD MATERIAL CHALLENGES EVERY DAY

Victrex is an innovative world leader in high performance polymer solutions, focused on the strategic markets of Automotive, Aerospace, Energy & Industrial, 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 energy production 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, enable 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



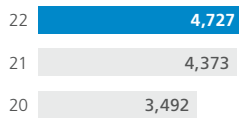


Record revenue & volume; solid underlying PBT growth, despite cost headwinds & currency

FINANCIAL HIGHLIGHTS

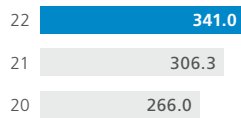
Group sales volume
tonnes

4,727 +8%



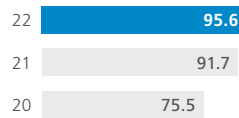
Group revenue £m

341.0 +11%



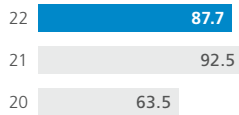
Underlying profit
before tax¹ £m

95.6 +4%



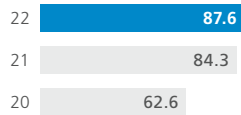
Reported profit
before tax £m

87.7 -5%



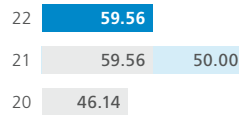
Reported earnings
per share p

87.6 +4%



Dividend per share p
(regular & special dividends)

59.56 flat (regular)



Regular dividend
Special dividend

HIGHLIGHTS:

Strong core growth; revenue up 11%, volume up 8% & better pricing

- Double-digit growth in Electronics, Energy & Industrial, Value Added Resellers ('VAR')
- Aerospace improving; Semiconductor challenges impacting Automotive
- Continued progress in Medical, revenue +14%
- Improved pricing in H2 (H2 2022: ASP up 4% vs H1 & FY 2022 ASP up 3%)

Solid underlying PBT growth, up 4% & 12% in constant currency, offset by cost inflation

- Underlying profit before tax ('PBT') up 4% at £95.6m & up 12% in constant currency
- Reported PBT £87.7m, reflecting year one ERP investment (exceptional items of £7.9m)
- Gross profit up 6% to £174.5m, despite significantly higher cost of manufacture
- Gross margin impacted by lag in inflation recovery & currency, despite efficiency gains
- Continuing action to mitigate inflation

Strong progress in 'mega-programme' growth pipeline

Medical:

- PEEK Knee clinical trial well progressed, 30 implants & 12 patients >12 months
- New development relationship with top five Knee company Aesculap
- First implants for In2Bones Trauma plates based on Victrex™ PEEK

Industrial:

- New business wins in E-mobility
- 1st prototype parts in Aerospace Structures; potential for 10-fold PEEK content increase
- Continuing support to TechnipFMC for Magma, with new scale-up facility in Brazil

Further progress on ESG: enabling environmental & societal benefits

- 100% renewable electricity at all UK sites
- Initial Scope 3 assessment completed, with opportunities identified
- Sustainable products[#] represent 48% of Group revenues

Solid cash generation underpins growth investment & returns

- FY 2022 available cash¹ of £66.0m*, post-payment of FY 2021 special dividend
- Commissioning underway for new PEEK facility in China
- Final dividend of 46.14p/share; total FY 2022 dividends 59.56p/share

1 Alternative performance measures are defined in note 25.

* Excludes £2.8m of cash ring-fenced in the Group's Chinese subsidiaries and includes £10.1m in 95-day notice deposit accounts.

Sustainable products are defined as those which offer a quantifiable environmental or societal benefits. These are primarily in Automotive, Aerospace (supporting CO₂ reduction) and Medical (supporting improved patient outcomes). Some applications are also in Energy & Industrial (e.g. wind and renewable energy applications) and Electronics (supporting energy efficiency, e.g. home appliances). Volumes from Oil & Gas are excluded, as are Value Added Resellers volumes currently, due to the lack of full clarity on exact end-market destinations.

STRATEGIC REPORT

- 1 Highlights
- 2 Victrex at a glance
- 4 2030 Sustainability Vision
- 6 Chair's statement
- 8 Our investment case
- 10 Our markets and megatrends
- 12 Our business model
- 14 Strategy
- 16 Overview of strategy
- 20 Stakeholder engagement
- 24 Strategy and key performance indicators
- 26 Financial review
- 30 Chief Commercial Officer's report
- 34 Risk
- 41 Going concern and viability statement
- 44 Sustainability report

CORPORATE GOVERNANCE

- 76 Introduction from the Chair
- 78 Board of Directors
- 80 Statement of corporate governance
- 94 Nominations Committee report
- 97 Audit Committee report
- 104 Directors' remuneration report
- 128 Directors' report – other statutory information
- 132 Statement of Directors' responsibilities in respect of the Annual Report and the financial statements
- 133 Independent auditors' report to the members of Victrex plc

FINANCIAL STATEMENTS

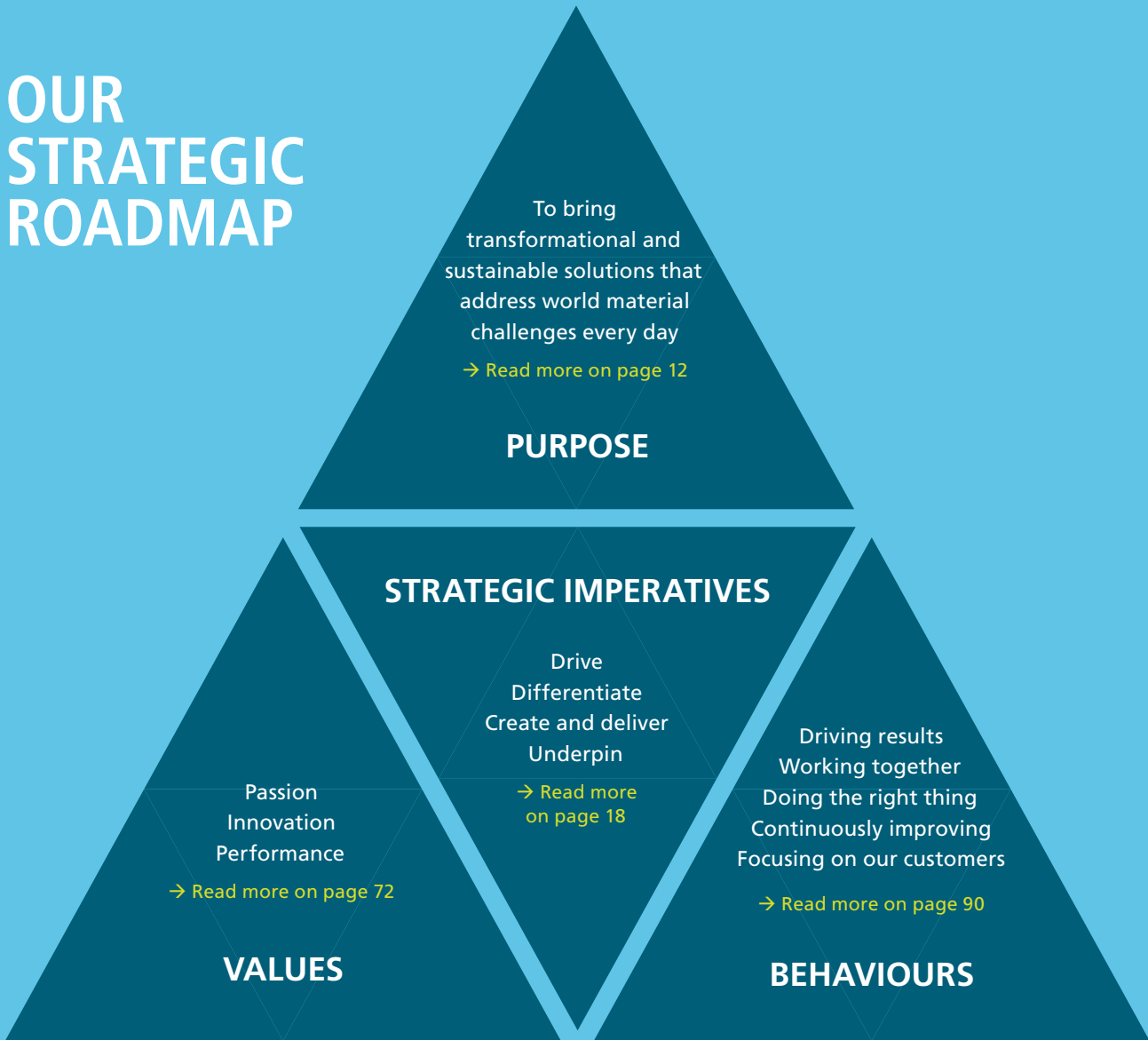
- 140 Consolidated income statement
- 141 Consolidated statement of comprehensive income
- 142 Balance sheets
- 143 Cash flow statements
- 144 Consolidated statement of changes in equity
- 145 Company statement of changes in equity
- 146 Notes to the financial statements

SHAREHOLDER INFORMATION

- 185 Five-year financial summary
- 186 Cautionary note regarding forward-looking statements
- 187 Notice of Annual General Meeting
- 192 Explanatory notes
- 197 Appendix to Notice of Annual General Meeting
- 199 Financial calendar
- 200 Advisors



OUR STRATEGIC ROADMAP



A SUSTAINABLE BUSINESS



Our sustainable products provide clear environmental and societal benefits




→ Read more on page 44



Maximise resource efficiency across the value chain



→ Read more on page 44



Enhance inclusion and diversity, support local communities and inspire STEM based careers






→ Read more on page 44

CULTURE

Safety,
sustainability &
accountability

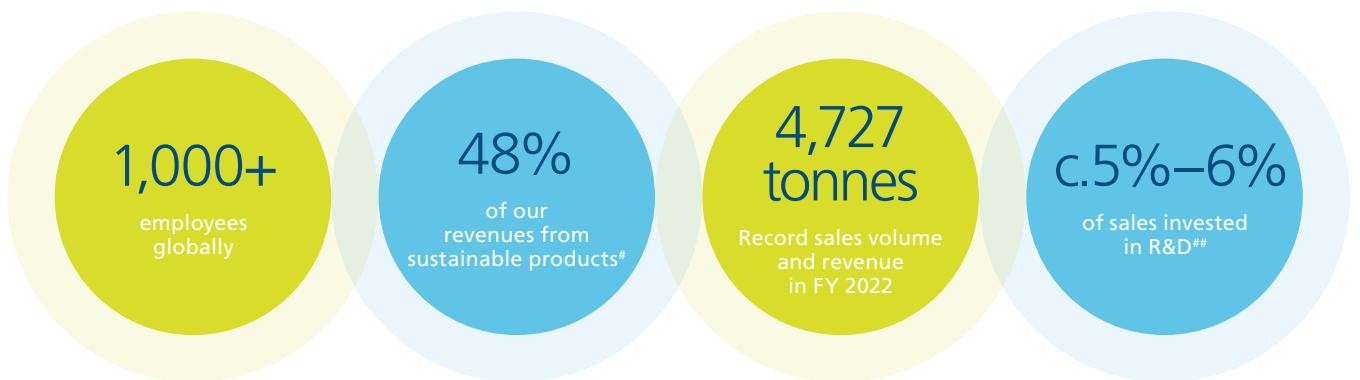
Innovation

Service for
customers

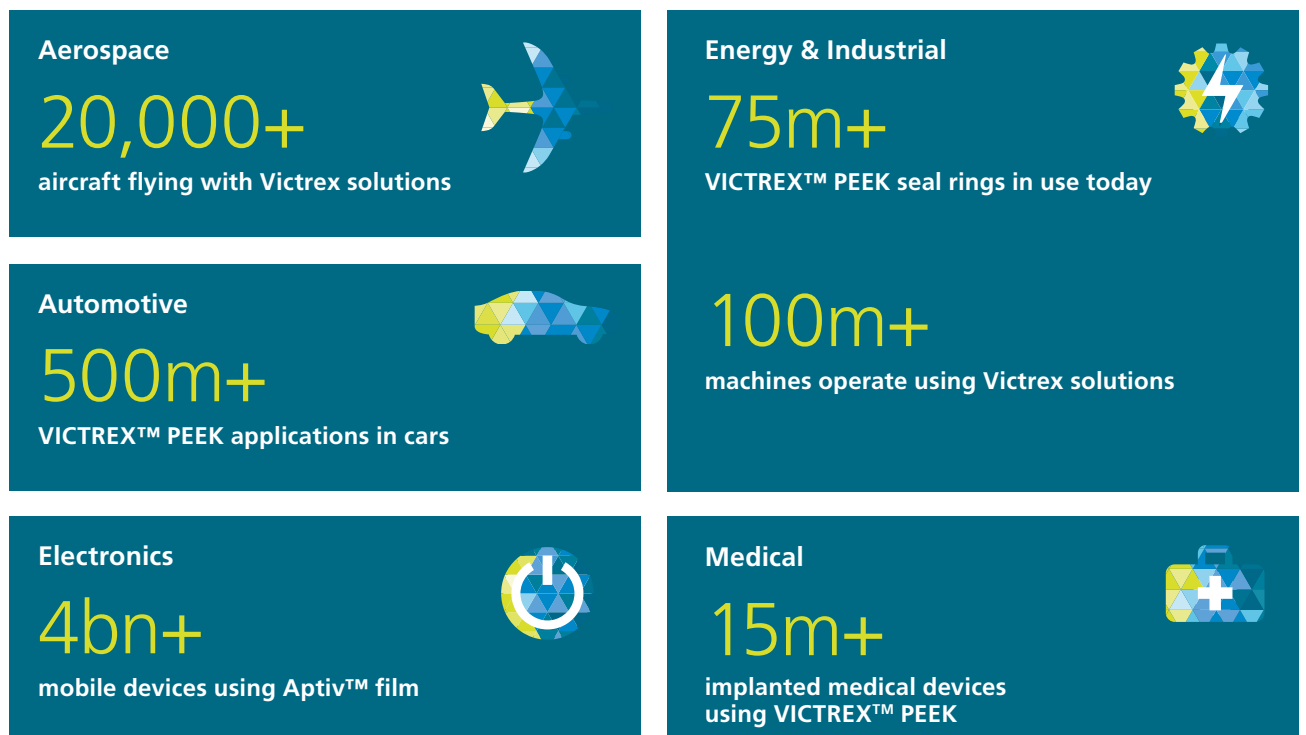
Delivering
with speed

OUR STRATEGY: POLYMER & PARTS

Victrex's strategy is based on Polymer & Parts. We have a strong core polymer business, based on PEEK & PAEK polymers, which have formed the basis of Victrex's business since its foundation in 1993. Alongside our core polymer business, we seek to grow new revenue streams through a developing portfolio of product forms and parts (our mega-programmes). Across our portfolio, our sustainable products enable environmental & societal benefits for our customers and the planet (see page 10). With UK headquarters and technical support facilities across the world, we have global reach for our customers.



Victrex solutions are found across a range of applications and end markets.



Note: Source data available on request.

Sustainable products are defined as those which offer a quantifiable environmental or societal benefits. These are primarily in Automotive, Aerospace (supporting CO₂ reduction) and Medical (supporting improved patient outcomes). Some applications are also in Energy & Industrial (e.g. wind and renewable energy applications) and Electronics (supporting energy efficiency, e.g. home appliances). Volumes from Oil & Gas are excluded, as are Value Added Resellers volumes currently, due to the lack of full clarity on exact end market destinations. Sustainable products currently represent 48% of Group revenues.

The Group targets 5–6% of Group revenues to be spent on R&D expenditure being a leading indicator of the Group's ability to innovate into new applications, supporting future growth.



HOW OUR PRODUCTS ENABLE ENVIRONMENTAL & SOCIETAL BENEFITS


Supporting CO₂ reduction, improving energy efficiency and better patient outcomes are just some of the benefits our products bring, with approximately half of our revenues now coming from sustainable products#.



Automotive

80,000 tonnes

80,000 tonne annual CO₂ saving in Europe for selected applications*



Electronics

40% lighter


Supporting improved energy efficiency in home appliance devices



Aerospace

CO₂ saving

Our annual sales to Aerospace support CO₂ savings 3x Victrex's annual Scope 1 & 2 emissions**



25% improved brain function

Using PEEK-OPTIMA™ Natural in CMF skull plates vs metal***

Enhanced union rate

Using carbon fibre PEEK trauma plate vs 85% union rate for steel plates****

* Based on European annual mileage for passenger cars using selected applications including vacuum pumps.

** Based on 10kg of PEEK replacement for metal, IATA carbon reduction & climate change 2018.

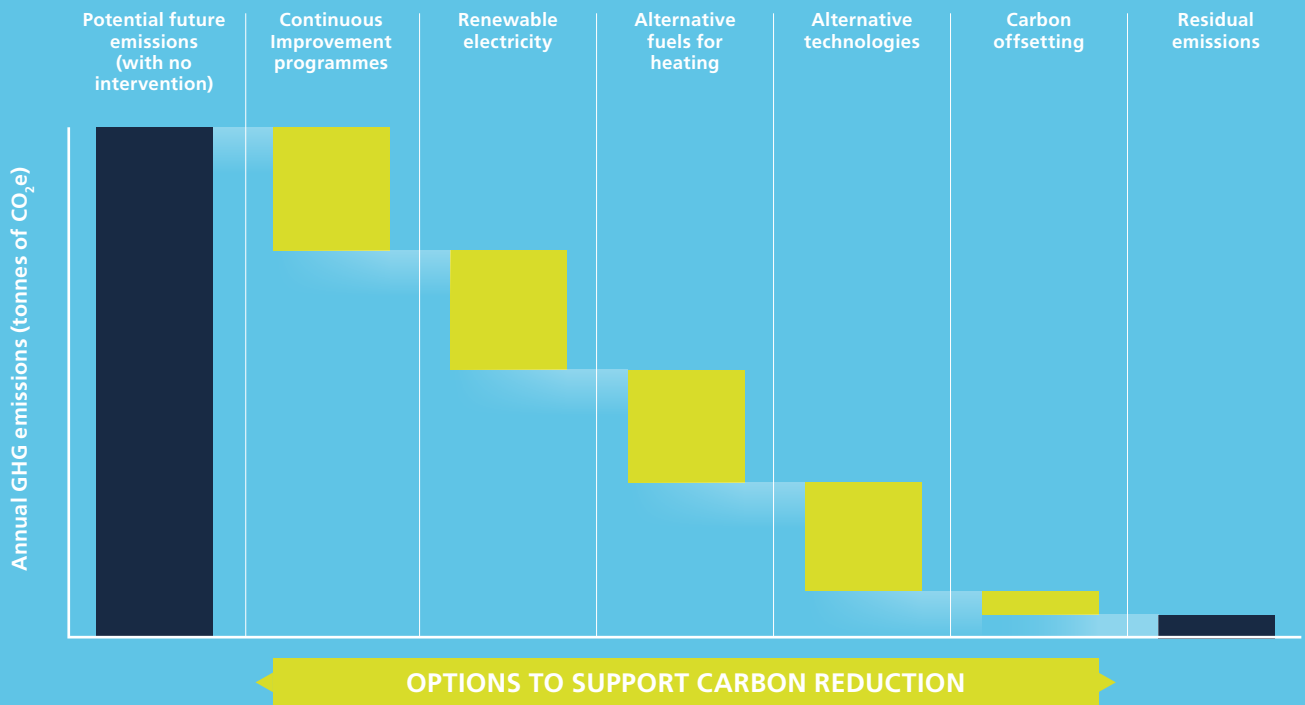
*** 25% improved brain function based on paper by Zhang Q, Yuan Y, Li X, et al, World Neurosurgeon 2018.

**** Data on file, refers to Trauma outcomes in high risk patients using PEEK carbon fibre trauma plates vs metal.

Sustainable products are defined as those which offer a quantifiable environmental or societal benefits. These are primarily in Automotive, Aerospace (supporting CO₂ reduction) and Medical (supporting improved patient outcomes). Some applications are also in Energy & Industrial (e.g. wind and renewable energy applications) and Electronics (supporting energy efficiency, e.g. home appliances). Volumes from Oil & Gas are excluded, as are Value Added Resellers volumes currently, due to the lack of full clarity on exact end market destinations. Sustainable products currently represent 48% of Group revenues.

OUR OPTIONS TOWARDS NET ZERO

In 2020, we established our Net Zero aspiration for 2030 for our own operations (Scope 1 & 2 emissions).



→ Sustainability report [Pages 44 to 74](#)

1. Improvement programmes

With a Continuous Improvement ('CI') team in place, we continue to assess opportunities across our resource efficiency area that haven't already been implemented. These include in recycling, energy usage, waste and water. Several improvement programmes have already delivered ongoing benefits, with examples including our water usage per unit of revenue decreasing by 5% in the prior five years and waste per unit of revenue decreasing by 48% since we first set reduction goals back in 2013.

2. Renewable electricity

Victrex has made strong progress, with an aspiration of using 100% renewable electricity from all of our global sites by the end of 2024. Currently, 100% of electricity for our UK sites is from renewable sources, with 97% globally. This is partly in the form of Renewable Certificates, with our own solar generation, which we have the opportunity to expand. We note that with the current significant inflation in energy costs, and the premium already existing in the market for renewable procured electricity, the cost to Victrex of continuing to purchase renewable energy will only increase on a medium-term view. Our energy usage is approximately 50/50 between gas and electricity for UK sites, with annual energy usage (globally) of 171,362MWh in FY 2022.

3. Alternative fuels & technologies

A key focus area will be the use of alternative process technology or alternative fuels to reduce GHG emissions. For example, we have been lobbying for the opportunity to gain access to hydrogen through proposed grids within the UK, including those planned in the North West of England, close to our main polymer manufacturing centre, and we are also considering greater electrification of our manufacturing assets. We have increased the capital required in our capital expenditure plans to support process change or alternative fuel use (whilst noting the increased operating expense of alternative fuels). We are also allocating a small but growing proportion of R&D investment in support of alternative processes.

4. Carbon offsetting

Whilst Victrex will consider the opportunities from carbon offsetting, we currently view this as a very small part of our pathway, with the biggest potential for change coming from alternative fuels & technologies.



Chair's statement

A record year for
revenue & volume

+11%
Revenue

+8%
Sales volume

Revenue from sustainable
products by 2030

>70%
(from c.50% today)

“ Our purpose is to bring transformational and sustainable solutions to the performance challenges faced by our customers, and our products increasingly come with environmental, technical or medical benefits. I believe this makes Victrex well placed for the future.

Dr Vivienne Cox DBE
Chair



ENABLING ENVIRONMENTAL & SOCIETAL BENEFITS

Introduction

It is a great privilege to have been appointed in February 2022 to succeed Larry Pentz as your Chair and with a strong purpose and sustainability at the heart of our business model – including products which enable environmental and societal benefits for our customers, and clear long-term goals to minimise our use of resources – I look forward to updating shareholders on our progress over the coming years.

Our innovative culture and our strategy of Polymer & Parts – with a core polymer business, complemented by our parts business to either prove new opportunities or sell into medical applications – puts us in a good position for the years ahead. We have a strong and diverse portfolio of growth opportunities; the key will be how we accelerate delivery, particularly in end markets such as Medical. Recognising this, we are investing to increase the proportion of revenues from high value Medical applications, supporting earnings stability. Alongside this, we will continue to develop our core business to generate revenue growth. Most of our parts-based 'mega-programmes' are at an early stage of commercialisation, but offer significant potential going forward.

I would like to thank Larry for supporting a smooth transition. Victrex is a unique and highly innovative Group, with a global and talented workforce. Our financial position remains strong, with high levels of cash generation and sector leading returns, allowing us to invest to support growth.

Safety is fundamental

Across Victrex, safety is fundamental to everything we do. I am pleased to report another year of progress – following a reduction in recordable injuries during the prior year – and we continue to be aligned to US Occupational Safety & Health Administration ('OSHA') based metrics, with our recordable injury frequency rate ('RIFR') improving to 0.2 (FY 2021: 0.7), better than the OSHA industry average of 1.4. Our aspiration is for a zero accidents, zero incidents culture, with a number of employee campaigns supporting this goal.

Sustainability

Most of the products that PEEK polymer goes into are replacing metal and we work across end markets and with customers to deliver performance benefits against incumbent materials. These include lightweighting, improved heat resistance or mechanical strength, faster processing and better energy efficiency. Our products enable environmental & societal benefits, with one example being if all new or replacement single aisle planes were built using 50% PEEK composites, 53 million tonnes of CO₂ could be saved over the next 15 years.

In Medical, our products support better patient outcomes in Spine, Trauma, Arthroscopy and emerging applications such as Cardio (artificial heart) and Knee. Sustainable products are nearly 50% of Group revenues, close to our 2025 goal (with an additional goal of 70% of revenues from sustainable products by 2030).

In 2020, we set out our sustainability goals for the 10 years to 2030, including an aspiration of Net Zero for our Scope 1 & 2

emissions. We are working on options to achieve that aspiration – in our UK manufacturing sites we use 100% renewable electricity, and are working with other industries around the option of hydrogen for our plants. We continue to examine capital investment opportunities that will allow us to reduce our emissions over time.

We have again increased the disclosures in our Sustainability report (pages 44 to 74), including our TCFD disclosure, a better understanding of our Scope 3 emissions and the 'full' carbon footprint of our products. Pleasingly, we have also gained further accreditations, with an improved A rating from MSCI – one of the benchmarks for ESG ratings – and are included in FTSE Russell's Green Revenues Index for sustainable products. Apple has also included us in its Clean Energy Supplier programme.

Strategy

Our Polymer & Parts strategy differentiates us from our competitors. Over 80% of Group revenue comes from the sale of core polymer materials, with a differentiated offering which is built on much more than having the capability to manufacture. With strong technical service, application development and regulatory capabilities, we have high levels of innovation to support our customers. Every year, we invest 5–6% of revenue in Research & Development. Moving downstream into new finished and semi-finished products ('parts') is allowing us to move into new end user applications. We currently have seven mega-programmes, which support development of new markets for our polymers, for example our PEEK Knee opportunity, where we estimate there

is an addressable market of around \$1bn, and where we are making good progress through clinical trials. We also secured a new collaboration with Aesculap, a top five Knee company. We are also investing in China, with a new PEEK manufacturing facility, supporting geographic growth.

Delivery of our strategy will create value for our customers and shareholders alike, and, in doing so, enable environmental & societal benefits from our sustainable products.

Results

Following the solid recovery post-pandemic that the Group delivered in FY 2021, I am pleased to report a record year for revenue and volume, with Group revenue of £341.0m up 11% on the prior year (FY 2021: £306.3m) and Group volume of 4,727 tonnes up 8% (FY 2021: 4,373 tonnes), underlining the strong demand for applications using our high performance materials, across a diverse set of end markets. Whilst reported profit before tax (PBT) was down due to exceptional items relating to our new ERP system, underlying PBT was up 4% to £95.6m (FY 2021: £91.7m), impacted by the higher cost of manufacture, as the significant and unprecedented energy and raw material inflation impacted our business. Underlying PBT was up 12% in constant currency, with underlying EPS¹ up 14% to 95.0p (FY 2021: 83.4p).

Investment for growth

We continue to invest to underpin our future growth, whether that is in Research & Development capability, in downstream manufacturing facilities, or in partnerships and alliances to drive forward our growth opportunities. At the end of FY 2022, we commenced commissioning of a new PEEK manufacturing facility in China, which will underpin our future growth in that region and is aligned to the Made in China 2025 initiative by the Chinese government. The facility is expected to deliver commercial product towards the end of FY 2023, eventually having 1,500 tonnes of PEEK and PAEK nameplate capacity, expanding our portfolio of grades and complementing our sales and technical centre presence that already exists within China. This investment formed the bulk of our capital expenditure for the year of £45.5m (FY 2021: £41.9m).

Solid cash generation

Victrex continues to operate a highly cash-generative business model, which supports investment for growth and appropriate returns to shareholders. With a good trading performance, yet higher capital expenditure, the Group's available closing cash balance reached £66.0m this year (FY 2021: £99.9m). Operating cash conversion¹ was 49% (FY 2021: 100%).

Dividends

With the recent high levels of capital expenditure expected to peak during FY 2023, we have been engaging with shareholders to assess feedback on incremental shareholder returns, whether that be through special dividends or share buybacks. We anticipate implementing an updated capital allocation policy during the year and our intention will be to continue growing the regular dividend, whilst maintaining dividend cover around 2x, alongside the potential for incremental shareholder returns.

For FY 2022, with basic earnings per share up 4%, the Group is proposing to maintain the final dividend at 46.14p/share (FY 2021: 46.14p/share). Total regular dividends for the year will be 59.56p/share (FY 2021: 59.56p/share). Dividend cover is at 1.5x (FY 2021: 1.4x), with underlying dividend cover¹ at 1.6x (FY 2021: 1.4x). No special dividend was declared for FY 2022.

Governance and the Board

Governance is strong across the Group. During the year, we formed the Corporate Responsibility Committee ('CRC'), chaired by Jane Toogood, who brings a wealth of experience in sustainability. This Committee will have oversight of our sustainability goals and progress towards them. It will also have a focus on Diversity, Equity & Inclusion ('DE&I'). We are targeting 40% of the leadership group to be female by 2030. There has been good progress this year to 19% (from 10% last year), but more needs to be done.

It has been a privilege to Chair the Board during the year. We have a talented and diverse team, with 44% of Directors being female, including our Senior Independent Director. In July, Ian Melling joined the Board as our Chief Financial Officer ('CFO'), to succeed Richard Armitage. Ian joins from Smith & Nephew, the medical devices company, and we are delighted he has joined the Company.

People, stakeholders, values & culture

On behalf of the Board I would like to thank each and every one of Victrex's employees for their continued contribution. After a challenging period with the pandemic, we saw a full Return to Site during FY 2022, with all of our global locations now active, balanced by our flexible working policy. With a good trading performance again, our employees will share in our All-Employee Bonus Scheme, an important tool in retention and recruitment. Reflecting the current cost of living challenges, we have also provided targeted support to our employees.

Victrex also seeks to inspire the next generation of employees and has long-standing support for Science, Technology, Engineering & Maths ('STEM') subjects, including working with schools in the UK and seeking to build this programme at global level. The aim is to help those considering careers built on science and innovation and we now have 52 STEM Ambassadors. We also have a long-standing apprenticeship programme, with 63 apprentices currently supporting us in a variety of roles.

All of our stakeholders remain important to us, from customers, to investors, to suppliers and, of course, local communities wherever we operate. Employee volunteering is embedded in our culture, with 4,784 employee hours supporting local communities this year (FY 2021: 3,559 hours), putting us well on track for our target of 10,000 hours by 2030. Investment in our employees is also important, with support for external awards and additional qualifications. A number of networks in support of our DE&I agenda are also working well, including a Gender Engagement Network ('GEN') and Strategic Inclusion Group ('SIG'), with further detail on pages 44 to 74 of the Sustainability report.

Brendan Connolly acts as our Workforce Engagement Non-executive Director and has been active in engaging with employees across our global locations during the year. A summary of his work is shown on pages 92 and 93. Overall, our values of Passion, Innovation and Performance and our highly innovative culture have helped us as an organisation through recent years, with resilience and optimism for the years ahead. Our culture of innovation, service for customers and delivering with speed underpinned by safety and accountability is central to our ability to commercialise our future opportunities and sustain Victrex into the future.

Outlook

Overall, we have seen a steady start to the year and are focused on modest revenue and profit growth. This includes the benefit from pricing, an improved sales mix and currency tailwinds. We will also see further investment in our long-term growth programmes, as they progress towards greater commercialisation.

Dr Vivienne Cox DBE Chair

6 December 2022

1 Alternative performance measures are defined in note 25.



OUR LONG-TERM GROWTH CREDENTIALS

By enabling environmental & societal benefits for our customers and the planet, we are aligned to global megatrends, which in turn support our long-term growth opportunities, underpinned by our strong financial position.

**An innovative world leader:
building the PEEK/PAEK market**

No.1

PEEK expert

→ Read more online www.victrexplc.com

Sustainable product goals

>70%

Group revenue from sustainable products with environmental and societal benefits by 2030 (from 48% today)

→ Financial review [Pages 26 to 29](#)

Proportion of project-based R&D investment to support sustainable products

89%

(proportion of project-based R&D expenditure to support sustainable products as a proportion of the Group's project-based R&D expenditure²)

→ Our markets and megatrends [Pages 10 and 11](#)

Strong pipeline of medium to long-term growth opportunities

7

mega-programmes

→ Our markets and megatrends [Pages 10 and 11](#)

Sector leading returns

c.17%

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

→ Financial review [Pages 26 to 29](#)

Highly cash-generative business model

£66.0m

available cash¹

→ Our business model [Pages 12 and 13](#)

1 Alternative performance measures are defined in note 25.

2 From FY 2023 we will measure against total R&D expenditure.

DELIVERING OUR GROWTH OPPORTUNITIES

Developed in the 1970s under ICI, PEEK & PAEK polymers offer a unique combination of properties, including lightweighting.

From Victrex's foundations in 1993 and less than 40 employees and £25m revenue, we have grown to a 1,000+ employee global business, with annual revenues now >£300m.

PEEK is found in many mission-critical applications, replacing metal and helping to bring environmental & societal benefits, including supporting CO₂ reduction and clinical benefit. The success of Victrex today, and into the future, is applying our sustainable products to different end markets and enabling long-term performance benefits for our customers and society.

Victrex's high performance polymers are found across a number of end markets & applications



1.

Sustainable products bringing environmental & societal benefits

- Aspiration of Net Zero Carbon emissions in our own operations (Scope 1 & 2), with an additional Scope 3 aspiration anticipated, in line with our SBTi commitment
- Sustainable products support environmental & societal benefits across our end markets, including CO₂ reduction in Aerospace & Automotive, with c.60% weight saving vs metal applications, and clinical benefit in many Medical devices

2.

High levels of innovation

- A culture of innovation, with 5–6% of Group revenue invested in Research & Development
- A strong & growing core business of existing and new applications (polymer & product forms)
- A long-term growth pipeline of seven potentially game-changing mega-programmes (parts) including PEEK Knee and E-mobility, with new business wins in E-mobility during FY 2022, and initial revenues from prototype Aerospace Composite parts for the aircraft of tomorrow

3.

Global capability

- Over 1,000 employees globally
- Manufacturing & technical centres in UK, US, China and Japan
- Partnerships with global academia, particularly in the UK
- Sales & customer service centres in UK, US, Europe and Asia

4.

Medical acceleration opportunity

- Increase proportion of Medical as a % of Group revenue (potential for >1/3 of Group revenue from Medical)
- Leverage our IP & clinical data to further expand key Medical partnerships
- Investment in innovation and capability
- Expand revenue from PEEK in new clinical applications including Ortho (Knee & Trauma), Cardio (artificial heart) and Drug Delivery devices



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



Aerospace

39,000

Source: Airbus.

new passenger and freight aircraft by 2040



Automotive

>100g

PEEK/car average (increase from current 10g over long term (Victrex internal aspiration))



Electronics

21bn+

Source: Norton.

internet of tomorrow devices by 2025



Energy & Industrial

1%

Source: IEA.

global increase every year in annual energy needs by 2040



Medical

15–20

Vision to treat a patient with Invibio solutions every 15–20 seconds by 2027 (Victrex internal aspiration)

INDUSTRIAL

MEDICAL



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 CO₂ 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 more efficient 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 of driving improved fuel efficiency and reduced emissions.
- Our composite materials can also provide more efficient manufacturing.

CO₂ reduction, durability and electrification

- Fuel efficiency, CO₂ reduction, safety and reliability improvements resulting from consumer and regulatory trends. Transition from internal combustion engines ('ICE') to electric vehicles ('EVs') as electrification is mandated in many regions.

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 in a range of applications, particularly powertrain.
- ABS braking systems, gears and transmission systems are key application areas. New business wins in next generation EVs support medium-term growth opportunities, including wire coatings, battery applications and e-motor.

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 materials that can handle 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. PEEK also has long-standing application in Semiconductor processing.

Energy transition

- Increasing demand for and depletion of existing resources drive exploration into uncharted territory, as well as the energy transition and opportunities in renewable energy.
- More efficient manufacturing processes create more data and connectivity requirements in Industrial end markets.

Increased performance requirements

- Deeper, hotter, higher pressure and chemically aggressive wells must be tapped to reach new reserves, requiring more durable materials.
- Renewable energy applications require more demanding materials to deliver performance.
- Evaluation of higher performance materials in manufacturing, including in the food industry.

Traditional and new energy

- Oil & Gas operations are enabled using VICTREX™ PEEK based solutions in exploration and production tooling, pumps and valves. Significant opportunity for Magma composite pipe (based on VICTREX™ PEEK and composite tape) to reduce installation costs through lightweight pipe solution.
- Emerging opportunities in wind, carbon capture & storage (composite pipe) and hydrogen.
- 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 and activity levels in their later years, requiring better patient outcomes.

Better patient outcomes

- Extended life expectancy and long-term demand for new solutions in core markets, such as Spine and Arthroscopy. Increasing alternatives being sought to metal in markets such as Knee, Trauma and Dental.

High performance solutions providing societal benefits

- Invibio provides solutions for the Medical market that can be used in a minimally invasive manner, helping to enhance clinical benefits. With over 15 million patients having PEEK medical implants, our solutions are in early commercialisation for Dental, Trauma and Knee (clinical trial), with emerging areas such as Cardio and Drug Delivery.



Our business model

WHO WE ARE

Victrex was formed in 1993 following a management buy-out from ICI, with our main PEEK & PAEK polymers having their roots in the 1970s when the product was developed. Today, we partner with customers in 40 countries, with a culture of innovation being part of everything we do. Every day, millions of people rely on applications which contain our sustainable products and materials, from smartphones, aeroplanes and cars, to energy production and medical devices.



Shaping future performance

Our Polymer & Parts strategy sees us develop and manufacture a range of high performance PAEK & PEEK polymers which offer sustainable performance benefits, typically replacing metal in applications, many of which are 'mission-critical'. Our sustainable products offer benefits such as lightweighting, recyclability, durability, chemical resistance, faster processing and enhanced clinical outcomes, with a focus on bringing environmental & societal benefits in everything we do.

Key to strategy

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

HOW WE CREATE VALUE FROM OUR POLYMER & PARTS STRATEGY

WHAT WE DO

1. A sustainable business model



We enable environmental & societal benefits for our customers and the planet. Our sustainable products offer a unique combination of properties, supporting CO₂ reduction in Aerospace & Automotive through lightweighting and faster processing, and with over 15 million PEEK implants in medical devices, we also support improved patient outcomes. With our 2030 ESG goals, including Carbon Net Zero in Scope 1 & 2, we seek to minimise our use of resources, with the opportunity to utilise process change or alternative fuels to support our environmental goals.

2. Align to global megatrends

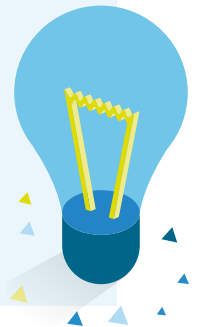


We identify megatrends such as CO₂ reduction or health benefits, where our polymers can offer a performance advantage vs metal or incumbent materials. We identify and understand customer needs, targeting industries and applications with opportunities for significant growth and attractive returns.

3. Innovation



Our culture is built on continual innovation, with a focus solely on PEEK/PAEK and the high performance materials area, beyond simply manufacturing polymers. We have a high level of technical capability, with investment in Research & Development representing c.5–6% of revenue, and we work with academia and partners to bring new and enhanced products to our customers and our end markets.



UN Sustainable Development Goals ('SDGs')

Our Business Model and Sustainability Strategy is aligned to the UN's Sustainable Development Goals 2030, including a Carbon Net Zero goal for Scope 1 & 2 emissions, and an expected Scope 3 goal to come, ensuring alignment with the Science Based Targets initiative ('SBTi').

A SUSTAINABLE BUSINESS WITH SUSTAINABLE PRODUCTS



SUPPORTED BY

HOW WE CREATE VALUE

4. Manufacturing differentiation



Our Polymer & Parts strategy and unique manufacturing process (Type 1 PEEK) differentiates us from competitors, with >200 patents in place or pending, and know-how helping us to manufacture the widest range of PEEK grades, including Type 2 PEEK. Safety is our highest priority, with efficient and well-invested assets.

We have invested in downstream manufacturing capability, to make selected 'parts' within Automotive, Aerospace, Energy & Industrial and Medical, underpinning the opportunity for our 'mega-programmes', each of which offers the potential of >£50m peak revenue opportunity.

5. Capital, cost and cash generation



Our strong financial profile enables us to invest in capital expenditure or in support of our Polymer & Parts strategy. Cost efficiency is key, with a focus on operating efficiency, supporting margin and returns. With high value products, we seek to retain a strong financial position, generating cash to support further investment and shareholder returns.

6. Sales, marketing and technical service



Our Sales & Technical Service teams ensure we can support customers with validation and certification in critical applications. We have strong regulatory & quality teams, partnering with customers or processors in development of new applications, helping to drive adoption of our materials.

OUR PEOPLE & CAPABILITY

Over 1,000 talented employees wake up every day focusing on PEEK and partnering with customers to bring environmental & societal benefits through our sustainable products.

OUR SUPPLIERS & PARTNERS

We are the only PEEK manufacturer with upstream integration into key raw materials, supporting security of supply for customers.



For customers

By partnering with customers in the development of new applications, we bring superior products that deliver long-term performance benefits vs incumbent materials.

→ Read more on pages 9 to 11

For employees

Investing in skills, apprenticeships and training brings significant opportunity for development as part of our Polymer & Parts strategy. Performance-based reward drives a strong retention rate.

→ Read more on pages 66 to 71

For investors

Continued innovation and delivering performance benefits for our customers drive strong returns and cash generation to invest and support shareholder returns.

→ Read more on page 8

For communities

Engagement with our local communities enables us to partner on a wide range of social responsibility programmes.

→ Read more on pages 66 to 71

For society & the planet

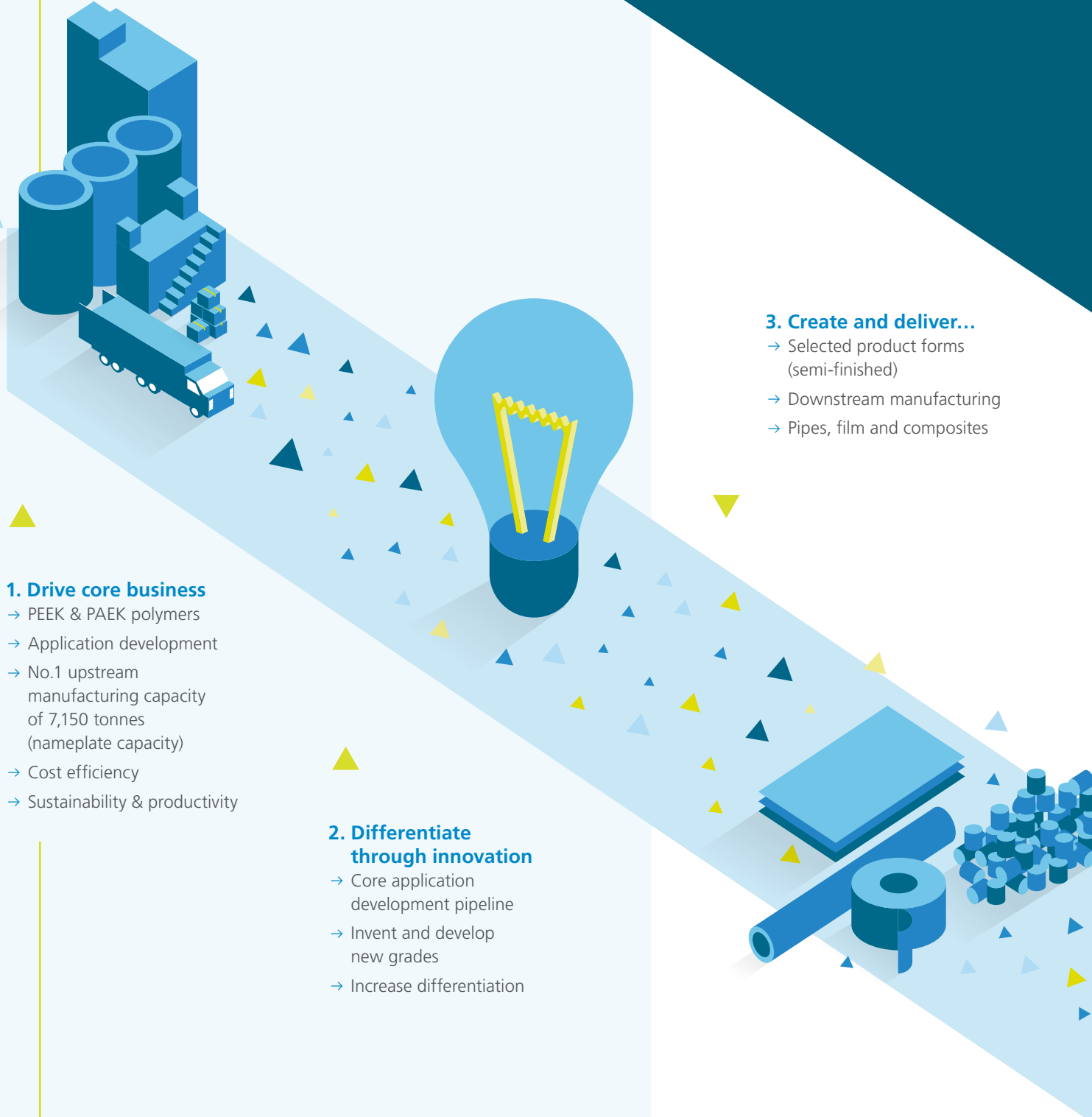
Our purpose is to bring transformational & sustainable solutions, with products which can support environmental or societal benefits.

→ Read more on pages 20 and 21





POLYMER



1. Drive core business

- PEEK & PAEK polymers
- Application development
- No.1 upstream manufacturing capacity of 7,150 tonnes (nameplate capacity)
- Cost efficiency
- Sustainability & productivity

2. Differentiate through innovation

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

3. Create and deliver...

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

A SUSTAINABLE BUSINESS

& PARTS

...future value

- Selected parts (semi-finished and finished)
- Downstream manufacturing
- Deliver mega-programmes¹
- Polymer to parts




ENERGY & INDUSTRIAL



AUTOMOTIVE



ELECTRONICS



AEROSPACE



MEDICAL

4. Underpin

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

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

WITH SUSTAINABLE PRODUCTS



Overview of strategy

Align with our purpose: grow revenues from sustainable products

70%

(target of 70% sustainable products revenue by 2030)

Potential of over 1/3 of revenues from Medical in 10 years

>1/3

(current Medical revenue <20% of Group revenue)

“ With our products aligned to long-term megatrends of CO₂ reduction, energy efficiency and improving patient outcomes, we are enabling environmental & societal benefits for our customers and the planet, and creating long-term growth opportunities for our business.

Jakob Sigurdsson
Chief Executive Officer



POLYMER & PARTS: THE RIGHT STRATEGY TO ENABLE ENVIRONMENTAL & SOCIETAL BENEFITS

Dear shareholders,

With sustainability at the heart of our business model and long-standing credentials through our products which offer up to 60% lightweighting compared to metal, faster and more energy efficient processing, or products which support enhanced patient outcomes, we are closely aligned with enabling and supporting the environmental & societal needs of our customers into the future. Our recent carbon footprint assessment – our Lifecycle Analysis of Victrex™ PEEK – also has favourable indicators against the average for PEEK manufacturers, supporting our credentials.

Only recently, through our 2030 Sustainability Vision and goals, have we started to see a greater recognition and understanding of the role our products can play in the society of the future. With new business in electric vehicles, the potential for over 100g/PEEK per vehicle compared to 10g average today is real. In Aerospace, our products are replacing metal, helping to support fuel efficiency and CO₂ reduction, with annual sales to Aerospace helping save three times the CO₂ produced in our own operations. Our solutions in Medical are also proven to bring clinical benefits. Our goal is to increase the proportion of revenues from sustainable solutions (products which enable environmental & societal benefits, including Medical), to over 50% of revenues by 2025 and 70% by 2030, from under 50% today.

Progress in FY 2022

With a record year for revenue and volume, Victrex is starting to reap the fruits of our Polymer & Parts strategy and the innovation over recent years that has yielded a strong and growing core business, together with further commercialisation in our mega-programmes.

Whilst we face current challenges of unprecedented energy and raw material inflation, the Group remains well positioned to grow over the medium to longer term, with a number of key attributes, including our high levels of innovation, our technical support to customers, an unrivalled range of polymer grades, and our desire to move downstream in selected end markets (Polymer & Parts), to capture greater revenue and margin streams, as well as further differentiating our business from competitors. All of our activities are underpinned by safety, which is fundamental to Victrex and our highest priority.

Our strategy: Polymer & Parts

Moving into manufacturing selected ‘parts’ is a way to deliver a proof of concept and develop markets and applications which drive greater adoption of PEEK polymer technology. As we note in our purpose, sustainability is embedded in our business model, and is not just how we seek to reduce our own carbon footprint, it is focused on how our high performance polymers can have a positive impact on the reduction of environmental footprint in any given industry, and bring patient benefits as they relate to our medical products.

Metal replacement remains the majority of our addressable market. As the highest performing polymer available, PEEK offers opportunities for CO₂ reduction with lighter parts, biocompatibility, faster manufacturing, durability, waste reduction, recyclability, dielectric properties, chemical and wear resistance or other performance benefits.

In summary, Polymer & Parts is about catalysing adoption of PAEK/PEEK and related technology, and capturing 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.

Long-term opportunities

Whilst we can celebrate FY 2022 with record revenue and volume, we do need to focus on mid-term improvement to our margin and returns. That is one of the reasons why we are focusing on how we can potentially accelerate adoption of our Medical opportunities, particularly those in ‘parts’ such as Trauma and Knee, the former of which is gaining good early commercialisation and the latter making good progress in clinical trials. Medical could potentially be over one third of revenues in 10 years (from <20% today), reflected by significant addressable markets, with Knee alone being a potentially \$1bn opportunity. This and our other mega-programmes (seven in total) offer the opportunity of at least £50m+ revenue in their peak sales year and the potential to change the profile of



the Group over the longer term, whilst growing our core polymer business, including geographic expansion, with the new manufacturing facility in China due to be operational in FY 2023.

Whilst the delivery of our range of growth opportunities requires high levels of innovation, I am pleased that after five years as Chief Executive, we have not only grown our revenues and application areas within our core business, but have started to gain good early commercialisation for many of our mega-programmes which are parts-based applications that Victrex will either manufacture or partner to deliver. In short, our core business remains strong, helping bridge towards greater commercialisation of our mega-programmes in parts.

Beyond our Medical programmes, progress this year also included support for the Magma opportunity in Energy, where Victrex has intellectual property for manufacturing composite pipe and tape, rather than just supplying polymer. Our main customer in this area, TechnipFMC, is gearing up a new facility in Brazil to tap into deep water oil & gas where PEEK will not only make materials lighter and with lower carbon footprint, but will offer the potential of more efficient deployment costs. We also secured new business wins in E-mobility within Automotive, whilst in Aerospace, Airbus exhibited its first large scale demonstrator parts that our materials are embedded in, offering lightweight and CO₂ reducing solutions for next generation aircraft.

Differentiation vs competitors

Whilst Victrex's unique manufacturing process (Type 1 PEEK) and our backward integration into key monomers demonstrates the unique properties of our products, we continue to strive to further differentiate our business. We are doing this in several ways. Firstly, in our core polymer business, technical service to customers as well as the broadest range of polymer grades keeps us well placed across end markets. Secondly, 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.

Moving 'downstream' into manufacturing selected parts increases risk – particularly in the likes of Medical – but we seek to address this through enhanced skills and capability, protecting our intellectual property ('IP') through patents or know-how, or in regulatory support and our contracting terms. We are also working with partners and enhancing quality control, which will help to de-risk these opportunities. At the end of FY 2022, nearly 80% of revenue was from polymer, with 'product forms' and

'parts' making up the remainder, with the opportunity to grow the latter over the years ahead.

We are also differentiated not only in our polymer manufacturing process, but by being backward integrated into key monomers, where we expect to invest in our UK monomer assets over the medium term, to enable us to provide security of supply to our customers. Finally, a new facility in China, focused on Type 2 PEEK to extend our range of polymer grades, enables us to underpin the significant growth available in that region over the longer term.

Investment to differentiate our strategy continues, particularly in innovation, including Research & Development ('R&D'), where we are investing approximately 5–6% of revenues every year – well ahead of many competitors – including the majority of project-based R&D being for sustainable products.

Sustainability

Within our own manufacturing operations, we have been assessing the options towards Net Zero (Scope 1 & 2 emissions), which includes alternative process technology, fuels or further electrification, with approximately 50/50 gas and electricity usage in our UK assets.

During the year we were accredited by Apple as part of its Clean Energy Supplier programme, whilst we saw improvement in our recognition by ESG rating agencies. MSCI, one of the leading rating agencies, rated Victrex as A. We also continue to be accredited by FTSE Russell's Green Revenues Index for our sustainable products, whilst 100% of our UK electricity needs are now from renewable sources.

Delivering for shareholders

Victrex has a history of investing to underpin future growth and whilst growth investment remains the priority, our strong financial position and highly cash-generative business model offers opportunities for good returns over the coming years. This includes both regular dividends and also the opportunity of additional returns, whether special dividends or share buybacks – which we are currently engaging with shareholders on.

Our cash position also supports our ability to invest, with £66.0m available cash at the end of FY 2022, despite a high capital expenditure year focused on completion of our China PEEK facility.

Safety, values & culture

The safety, health and wellbeing of our employees is fundamental to our success and remains our highest priority. Having aligned to the US Occupational Safety & Health Administration ('OSHA') criteria last year, we were pleased to deliver further improvement in our safety performance. Our recordable injury rate of 0.2 (FY 2021: 0.7) is now at a record low and remains better than the OSHA industry average of 1.4. Our SHE strategy is for a zero accidents and zero incidents culture and 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.

Our culture is built on innovation and collaboration. It was therefore good to see a full Return to Site in FY 2022 across our global locations – supported by our Global Flexible Working policy. Our flexibility enables us to build and further enhance our global talent base, yielding us a high performing team that has service for customers and delivering with speed and a sense of urgency as key pillars in commercialising our future growth opportunities. Diversity, Equity & Inclusion ('DE&I') is also a key focus for us, with long-term goals across this area.

Wherever we operate, the resilience of Victrex's team is a huge asset for our business and delivering our strategy. We also ensure a strong consideration for stakeholders, through community volunteering, with over 4,784 employee hours committed to local communities during the year.

Moving forward with our strategy

Overall, our progress continues in our Polymer & Parts strategy, not just through a record year for our core polymer business, but with several 'green shoots' turning into commercial revenues for our emerging parts business. Although a number of areas need to improve, including margin and operating efficiency, our 1,000+ employees continue to wake up every day focused on making a difference to our customers and our markets through PEEK and PAEK, and enabling environmental & societal benefits through our products and strong sustainability credentials.

The Strategic report on pages 1 to 74 was approved by the Board and signed on its behalf by the Chief Executive Officer.

Jakob Sigurdsson
Chief Executive Officer
6 December 2022



OUR STRATEGIC IMPERATIVES

1



2



DRIVE CORE BUSINESS

- Execute on key growth programmes in five strategic markets
- Drive growth in emerging geographies
- Continuous improvement, cost efficiency & sustainability at the core of everything we do

Strategic highlights in 2022

- FY revenue growth of 11% and volume growth +8%
- 48% of Group revenue from sustainable products which enable environmental & societal benefits
- Medical revenues up 14%, greater commercialisation of several areas: Drug Delivery, Cardio



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 2022

- 5% of sales invested in R&D including 89% of project-based R&D supporting sustainable products (to be measured against total R&D expenditure from FY 2023)
- Prototype revenue for Aerospace Structural Composites, supplying Airbus
- Support for TechnipFMC in scale up of Brazil facility for composite pipe programme

A SUSTAINABLE BUSINESS WITH SUSTAINABLE PRODUCTS

3



CREATE & DELIVER FUTURE VALUE

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

Strategic highlights in 2022

- Strong progress in clinical trial for PEEK Knee; 30 patients implanted, including 12 patients post-12-month stage; first Trauma plate implants as part of In2Bones partnership
- E-mobility: new business wins for next generation electric vehicle applications
- Commissioning commenced for new China PEEK manufacturing facility

4



UNDERPIN THROUGH SAFETY, SUSTAINABILITY AND CAPABILITY

- Safety, health and wellbeing
- Sustainable business with sustainable products; embed climate change agenda
- Talent strategy

Strategic highlights in 2022

- OSHA recordable injury rate 0.2 (down 71% from 0.7 & 86% lower than OSHA industry average of 1.4)
- 4,784 employee hours supporting local communities
- Progress in Sustainability Strategy including 100% renewable electricity at all UK sites



KEY STAKEHOLDERS AND HOW WE ENGAGE

Why we engage

With sustainable products, we enable environmental & societal benefits for our stakeholders, as well as offering recyclability through our polymers, and minimising resources through own operations (reflected in our Carbon Net Zero (Scope 1 & 2 emissions) aspiration by 2030). As a sustainable business with sustainable products, our purpose is to bring transformational and sustainable solutions that address world material challenges every day. We place and consider the needs of all our stakeholders – internal and external – high on our daily agenda, listening to and understanding the interests and concerns of all our global stakeholder groups, as well as seeking to deliver sustainable value for them.

This is assessed every year by the Board, whether that be our employees, our customers, our investors, suppliers, regulators and government, and our communities. For investors and shareholders, we have a proactive annual plan of engagement, whether that be through our financial calendar activity, investor roadshows, our AGM, site visits or investor conferences. Reflecting our increasingly diverse shareholder base (with approaching 50% of share ownership outside the UK, including nearly one third in North America), we actively engage with investors in the UK, Europe, the US and Canada. We continue to be collaborative with all stakeholder groups including customers, investors, employees, suppliers and regulators, listening to feedback and being open to change.

STAKEHOLDER

FOCUS AREAS

Employees



- Safety focus
- Innovative culture
- Sustainability embedded in our business model
- Highly motivated and talented employees
- High retention rate and appropriate reward
- High level of share ownership
- Diversity, Equity & Inclusion ('DE&I') agenda

Customers



- Solutions-driven culture
- Sustainable products supporting CO₂ reduction
- Quality and regulatory support
- Technical service offering
- Collaboration across the supply chain
 - Price increases to reflect cost inflation
 - Build-up of China commercialisation plan

Investors



- A clear and understandable Polymer & Parts strategy
- Enhanced ESG agenda and additional long-term goals
- Alignment with shareholder interests
- Capital allocation policy and understanding of dividend/buyback preferences
- Retain sector leading returns

Suppliers



- Security of supply
 - Renewable electricity sourcing now 100% for UK sites and 97% globally
- Global supply chain
- Fast lead times
- Compliance and quality
- Reliability and flexibility

Communities and environment



- Sustainability agenda
- Sustainable solutions: environmental benefits
- Resource efficiency: maximise resources
- Social responsibility: inspire future talent

Regulators and government



- Safety agenda
- Employee welfare
- Product quality
- Innovation
- Sustainability agenda

Key to strategy



Drive core business

→ Strategy and KPIs
Pages 24 and 25



Differentiate through innovation



Create and deliver future value



Underpin through safety, sustainability and capability

HOW WE ENGAGE

- Zero accidents & zero incidents safety campaigns and employee survey
- Global staff briefings (quarterly) and '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 Ownership Schemes

- New applications across end markets
- Direct Sales and On Demand teams
- Build strategic relationships
- Quality and Regulatory teams
- Supply and development contracts
 - Through sales teams and at VMT level as appropriate

- Financial calendar events
- Proactive investor relations function
 - ESG strategy feedback and enhanced materials
- Global roadshows
- AGM, site visits and conferences
- Enhanced investor website

- Supply chain risk management
- Regular supplier engagement programme (annually)
- Handbook of standards and ethical audits
- Business continuity planning
- Payment on time, typically c.30 days
- Increased oversight by Audit Committee for supplier risk including human rights

- Increasing engagement with customers and suppliers to address sustainability in the supply chain
- Solutions for supporting CO₂ reduction
- Waste impact and improvement plans
- STEM Ambassadors, schools and colleges
- Business in the Community

- Via industry regulators, e.g. HSE
- Public health organisations
- Certified bodies and trade organisations
- Cross-industry collaborations
- Environment Agency and NGOs

ENGAGEMENT OUTCOMES

- Improving safety performance since FY 2020
- 63 employees on Victrex apprenticeships
- 890 Professional Development Awards & 60 CEO Awards
- Establishment of DE&I workshops and forums, including Gender Engagement Network & Strategic Inclusion Group
- Pay rises and cost of living support (targeted employee grades)
- Annual roadshow for Workforce Engagement Non-executive Director delivered to understand 'employee voice'

- >85% On Time In Full ('OTIF') delivery through FY 2022
- Further growth in non-Spine Medical and investment to prioritise Medical acceleration
- Cost recovery and price increases ongoing
- Start of commissioning for China manufacturing facility and additional investment in capability to support customers

- Return to face-to-face investor roadshows, 200+ meetings hosted (virtual and face to face)
- Roadshows in UK, US, Canada and Europe
- Attendance at five major investor conferences
- Increasing globalisation of investor base; North American shareholding now >30%
- Increase in ethical investment funds and greater ESG dialogue with shareholders

- Dual sourcing increase
- Improved performance of third-party manufacturers
- Long-term agreements on raw materials
- Agreed charter on supplier management framework
- Robust risk management of critical suppliers

- >97% of electricity from renewable sources & 100% for all UK sites (including our own solar generation)
- Improved scoring across ESG benchmarks e.g. EcoVadis Gold, MSCI 'A' rating, FTSE Russell Green Revenues Index & Apple Clean Energy Supplier programme
- Clear and measurable sustainability goals
- Significant support for global communities including 4,784 employee hours committed

- Improved SHE performance including reduction in OSHA recordable injury rate to 0.2 (industry average 1.4)
- Differentiated products including new polymer grades
- 3D printing alliances and government funded projects
- Waste per unit of revenue 48% lower since 2013 and water usage per unit of revenue 5% lower since 2018



Stakeholder engagement continued

HOW THE BOARD CONSIDERS & ENGAGES WITH STAKEHOLDERS

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

During the year ended 30 September 2022, the Board of Victrex plc believes, 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, including financial & reputational; further detail is shown on pages 80 to 91;
- interests of the Company's employees: how we engage with employees is part of our Workforce Engagement Non-executive Director role; further detail is shown on pages 92 and 93;
- 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; engagement with local communities and our focus on the environment are shown in the Sustainability report starting on page 44;
- desirability of the Company maintaining its reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

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 page 91 of the Corporate 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 80 to 89 of the Corporate governance report. The matters we have discussed and debated during the year are set out on pages 87 and 88 of the Corporate governance report.

To provide shareholders with a better understanding of how we engage with stakeholders, we provide 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 2006 in their decision making.

Inflation recovery

With the unprecedented increase in energy and raw material costs during FY 2022 – and further inflationary costs for FY 2023 – the Group faced a difficult challenge in ensuring that significant cost inflation could be recovered, whilst balancing the often conflicting interests of key stakeholders.

The Chief Executive Officer and Chief Financial Officer provided regular updates to the Board on how the Group was progressing with its inflation recovery programme, which was principally two-fold: 1. through price recovery from customers; and 2. efficiency within the business.

With inflation not seen at these levels for 40 years, consideration for all of our stakeholders was key, particularly given the need to maintain and grow customer relationships whilst balancing the need to invest within our business and maintain appropriate pricing, as well as meeting expectations of investors. There was also the consideration of our own wage inflation and being able to recover our own costs to ensure retention and investment in our people. Overall, price recovery was delivered at a run-rate level in H2 2022, ahead of annualised recovery in FY 2023.

- The Board oversaw the need to maintain price discipline and appropriate pricing that enabled the Group to recover its costs, and continue investing in people, technical service, innovation and support for customer programmes.
 - Consideration was required to balance the pass-through of unprecedented energy and raw material costs from suppliers, and how these could be passed on to customers in the most efficient way, whilst noting often long-standing customer relationships and no automatic price pass-through mechanisms within most existing contracts.
 - Supplier management to mitigate impact of inflation through effective procurement.
 - A range of mechanisms were considered, options which remain on the table as we face ongoing inflationary costs through FY 2023, primarily UK energy costs which impact our main manufacturing facilities, as well as the knock-on effect to raw material costs.
 - Consideration was also made for contract renewal timings, meaning a 'lag' was seen in some cases, between agreement of a price increase and implementation.
 - Despite the inflationary costs seen from the Group's suppliers, Victrex has continued to support smaller suppliers by paying within agreed terms, which are typically 30 days or less and better than the industry average.

Overall, the Group achieved its aim, with careful consideration of all stakeholders, whilst ensuring price pass-through could be implemented as quickly and effectively as possible. With ongoing significant inflationary effects into FY 2023, the Board will also consider learnings on how future price recovery could be implemented, as required.

Investment to prioritise Medical

With over 15 million patient implants with PEEK since we commercialised our Medical business, we have a strong track record of supporting the medical device industry. Our Medical division has continued to diversify, with growth in non-Spine applications such as Trauma and Arthroscopy, and emerging segments such as Cardio and Drug Delivery.

The high value, high gross margin profile of our Medical division is reflective of the investment we have made over many years in capability, in data and in know-how for manufacturing. Yet Medical revenues remain less than 20% of Group revenues, despite the potential for them to become over one third of Group revenues on a 10 year view. The Board therefore considered the opportunity to prioritise investment in Medical, and in particular the Trauma plate and Knee mega-programmes, a strategic priority, to help, where possible, drive acceleration of Medical revenues in what is typically a less cyclical industry, thereby potentially supporting earnings stability.

- Board considerations focused on both the investment required but also the long-term benefits of prioritising Medical investment over other mega-programmes.
- Consideration was given to the timing profile of prioritising Medical investment, noting that adoption in Medical would remain a slower ramp-up than other Industrial-based mega-programmes, due to the typically longer certification and qualification process.
- Consideration was given to our employees through targeting talent pools and capability within another region of the UK, with the creation of a new Product Development Centre in Leeds, away from our main Hillhouse location.
- With strong progress on the PEEK Knee clinical trial, and partnerships established in Trauma, the Board considered the needs of key customers and potential customers, in being able to be in a position to support early commercialisation and ramp-up, thereby supporting our strategic goal of increasing the proportion of Group revenue coming from Medical.

Sustainability: alternative fuels & technologies



Helping the world transition to Net Zero

With positive feedback on our 2030 goals (aligned to the UN Sustainable Development Goals 2030), the Board has assessed stakeholder feedback and the actions required to deliver them. Beyond R&D investment to support our sustainable solutions (products which support environmental & societal benefits), we have included sustainability within our capital expenditure plans.

Victrex has made good progress this year in building stakeholder networks to consider the best option for our pathway. Alternative fuels or technologies are likely to have the biggest impact on reducing our CO₂ emissions from our own UK manufacturing facilities over time, but will be contingent on access to new energy sources or technologies:

- creation of stakeholder networks with partners, other organisations and interested parties was a priority and continues to be so. Over the course of the year, Victrex has joined the Lancashire Low Carbon Hub, worked with local MPs and the Chemical Industry Association and held dialogue with UK government to underline the need for access to alternative fuels;
- hydrogen remains one of the options being considered, and ongoing engagement with stakeholders in the North West of England and broader has been a key plank of progressing our chosen pathway;
- alternative technology or process change is also a consideration. Victrex has engaged with academia to assess the potential of alternative processes which could minimise or reduce CO₂ emissions, noting that whilst the Group's emissions are small in relative terms vs other Chemical companies, the multiple stages of PEEK manufacturing bring higher carbon intensity; and
- our stakeholder engagement with suppliers, customers, regulators and local communities continues – being vocal on our need for access to alternative fuels is one example, with Victrex seeking to be proactive in all of its stakeholder engagement.



Strategy and key performance indicators



DRIVE CORE BUSINESS

How we performed in FY 2022

- Further improvement in end markets, revenue +11% and volume +8%
- Strong growth in Electronics, Energy & Industrial and VAR
- Good progress on cost inflation recovery

Focus for FY 2023

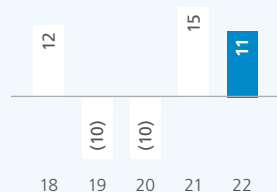
- Good revenue growth in FY 2023
- Cost and further price recovery actions in place
- Improved on time in full ('OTIF') delivery >95%
- Focus on mid-term margin improvement

Link to risks [3](#) [7](#) [8](#)

Revenue growth %



11%



Definition

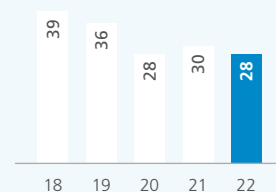
The year on year percentage change in total revenue for the Group, in live currency.

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 sales¹ %

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 2022

- Strong investment in R&D at 5% of revenue
- Growing prototype revenue for Aerospace Structural Composites, first parts for Airbus

Focus for FY 2023

- Grow new product sales above 6% of revenues
- Deliver Medical acceleration milestones; new UK centre of excellence
- Regulatory progress for Porous PEEK
- Support TechnipFMC on establishing new Brazil manufacturing facility

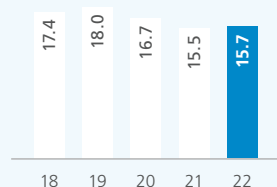
Link to risks [6](#) [7](#)

R&D spend £m



£15.7m

5% of Group revenue



Definition

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

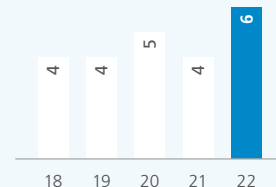
Why it's important

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 %



6%



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.

¹ Alternative performance measures are defined in note 25.

Key to KPIs

£ Financial KPI

£ Non-financial KPI

R₁ Linked to bonus objectives

Remuneration

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

→ Principal risks
Pages 34 to 40

+ CREATE & DELIVER FUTURE VALUE

How we performed in FY 2022

- Strong progress in clinical trial for PEEK Knee; 12 patients post-12-month stage; First PEEK Trauma plate implants through In2Bones partnership
- E-mobility: new business wins for next generation electric vehicle applications
- PEEK Gears revenue >£4m
- Commissioning commenced for new China PEEK manufacturing facility
- Earnings per share (reported) up 4%

Focus for FY 2023

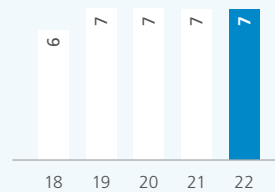
- PEEK Knee patient recruitment completed; establish platform towards commercialisation
- Further Aerospace partnerships to increase commercialisation of composite parts
- Establish partnerships for Trauma and focus on meaningful revenue >£1m
- China facilities in beneficial production and launch commercial offering
- Grow earnings per share

Link to risks [7](#) [8](#)

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.

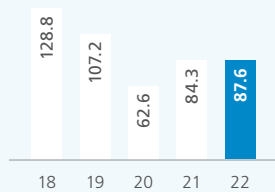
Why it's important

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

Reported earnings per share p

£ R₂

87.6p



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 2022

- 0.2 OSHA recordable injury frequency rate (71% reduction vs FY 2021 and 85% lower than OSHA industry average)
- Over 30% of revenues defined as 'green' by FTSE Russell, Gold Sustainability rating from EcoVadis, inclusion in Apple Clean Energy Supplier programme and further progress on sustainability agenda
- 100% of electricity sourced from renewables for UK sites, 97% globally

Focus for FY 2023

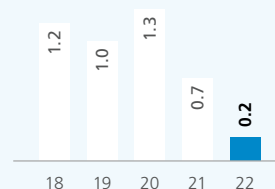
- Zero accidents and zero incidents culture, further SHE improvement
- Options for pathway to Net Zero (Scope 1 & 2) assessed and consideration of Scope 3 emissions aspiration
- Establish Lifecycle Analysis for key products

Link to risks [1](#) [2](#) [4](#) [5](#) [6](#)

OSHA recordable injury rate

£ R₁

0.2



Definition

US Occupational Safety and Health Administration ('OSHA') 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.

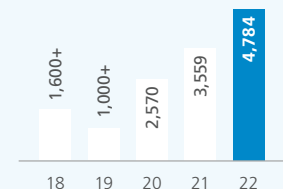
Why it's important

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

Hours worked in the community

£ R₁

4,784



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.



Group revenue

£341.0m

+11% vs FY 2021

Cash

£66.0m (available cash)

-34% vs FY 2021

“ After a strong top-line performance in 2022, we are mindful of the uncertain macro-economic outlook, but are focused on revenue & profit growth overall.

Ian Melling
Chief Financial Officer



RECORD REVENUE & VOLUME – SIGNIFICANT LONG-TERM GROWTH OPPORTUNITIES

Introduction from the CFO

It is a privilege to serve as Chief Financial Officer and the attractions of Victrex prior to my appointment are as clear now as they were then. We have a purpose to bring transformational & sustainable solutions and enable environmental & societal benefits for our customers; an innovative and can-do culture; and a strong financial profile which supports both investment and shareholder returns.

In my six months with the Group, I have been hugely impressed by the talent and capability of our people. The challenge for Victrex is to convert delivery of what are undoubtedly significant growth opportunities, both in our core business and our seven ‘mega-programmes’, and grasp our current challenge of margin and return on capital improvement. These will be my priorities for FY 2023 and beyond, and with my recent background at Smith & Nephew, we also have a real opportunity to support the Medical area of our business with prioritised investment over the coming years. Our goal is for Medical revenues to be a greater proportion of Group revenues over the next 10 years, potentially up to one third.

Finally, whilst we retain a strong financial position and healthy cash generation, we are engaging with shareholders to assess opinions on our capital allocation policy, in particular the relative benefits of share buybacks and special dividends. Although growth investment will remain the priority, at a time where our capital expenditure is set to ease after the current capacity investments, we will focus on the opportunities to create further shareholder value.

Operating review

Strong growth in Group revenue, up 11%; a range of sustainable products

Group revenue was up 11% at £341.0m (FY 2021: £306.3m), which was driven by a strong performance in most of our Industrial end markets and further improvement in Medical.

In constant currency¹ Group revenue was 10% up on the prior year.

Our measure of sustainable products, primarily for end markets which enable environmental benefit (CO₂ reduction), energy efficiency and improving patient outcomes, was stable at 48% of Group revenues (FY 2021: 49%) despite a drop in Automotive revenues. Sustainable products are defined as those which offer a quantifiable environmental or societal benefits. These are primarily in Automotive, Aerospace (supporting CO₂ reduction) and Medical, with some applications in Energy and Industrial and Electronics (e.g. wind energy applications, or those which support energy efficiency), with Oil & Gas excluded, as is VAR currently.

FY sales volume up 8%

Group sales volume of 4,727 tonnes was 8% up on the prior year (FY 2021: 4,373 tonnes), driven by a strong performance across a number of end markets, principally Electronics, Energy & Industrial and VAR, offset by ongoing weakness in Automotive.

Q4 revenue & volume

Q4 revenue of £87.6m (Q4 2021: £74.4m) was 18% ahead of the prior year, whilst Q4 sales volume of 1,140 tonnes saw 5% growth on the prior year (Q4 2021: 1,085 tonnes). The stronger revenue performance in the quarter reflects the benefit of price increases and an improved sales mix, offset by some normalisation in VAR volumes.

Strong growth in Industrial & further progress in Medical

Our Industrial division reported revenues of £282.7m, 11% up on the prior year (FY 2021: £255.2m) and 11% up in constant currency, with growth being driven by Electronics, Energy & Industrial and VAR. Within Transport, Automotive sales volume was down 2%, as a result of the current challenges in Semiconductor impacting the Automotive industry, although we note industry forecasts suggesting car production rates will improve into 2023. In Aerospace, we saw good revenue growth – volumes were up 2% – thanks to an improved sales mix and greater commercialisation of our composite business, including for next generation aircraft. We also note recent build rate increases by both of the key Aerospace manufacturers, which should support continued improvement into FY 2023.

Medical revenues were £58.3m, up 14% on the prior year (FY 2021: £51.1m) and 9% ahead in constant currency¹. We saw strong growth (revenues +40%) in Asia, despite lockdowns during the second half in China. Within Spine, which saw 2% growth in revenue, we are also moving closer to US FDA submission for Porous PEEK spinal cage, supported by our investment in Bond 3D.

¹ Alternative performance measures are defined in note 25.

Our PEEK-OPTIMA™ HA Enhanced product continues to see steady commercial traction, with an increased range of applications beyond Spine. Our non-Spine business also continues to see good growth, particularly in Trauma, Cardio and Drug Delivery. Non-Spine now represents 50% of Medical revenues (FY 2021: 45%).

ASP improvement in H2 2022, reflecting price increases and currency

Our average selling price ('ASP') of £72.1/kg was up 3% compared to FY 2021 (FY 2021: £70.0/kg), with H2 2022 ASP of £73.4/kg being 4% ahead of the first half of 2022 (H1 2022: £70.7/kg), as we saw the benefit of price increases to customers kicking in. We also saw some benefit from currency at the revenue level in the second half, as Sterling weakened. Sales mix in FY 2022 was similar to the prior year, with the Industrial-based end markets of Electronics, Energy & Industrial and VAR driving much of the growth.

In line with previous guidance, we expect to see the annualised benefit of price increases during FY 2023, with additional inflation recovery actions in progress, to reflect the unprecedented further increases in energy and raw material inflation, leading to a significantly higher cost of manufacture. Price pass-through reflected the additional costs borne by Victrex alongside our investment in technical service and innovation, whilst balancing long-term customer relationships, particularly customers who we have and continue to build a pipeline of opportunities with. As a material solutions business, the necessity of passing through non-structural costs led us to broaden the mechanisms for passing through cost inflation, which includes surcharge pricing. Whilst a typical timing lag occurs between price increases being agreed and contract renewals, we will continue to strengthen our options for passing through cost inflation.

Cost inflation for FY 2023, based on current energy and raw material prices, could be at a similar year on year level as FY 2022, at around £20m, although we welcome the benefit of the UK government's energy price cap for business, which will provide some protection during the first half.

Core business application pipeline

Our core business application pipeline is a good indicator of the health of our core business as we work with Original Equipment Manufacturers ('OEMs') and Tier 1 suppliers to develop new applications for PEEK. Our Mature Annualised Revenue (which could occur only if all targets convert) within the core application pipeline is £294m (FY 2021: £325m), which reflects conversion of previous pipeline targets, as well as some refinement of the growth opportunities we are progressing.

Good progress in mega-programme milestones

FY 2022 saw us deliver a number of key milestones in our portfolio of mega-programmes (seven mega-programmes in total) as we progress towards greater commercialisation. Whilst individual timelines remain subject to change, the long-term prospects in each programme continue to be attractive and with the technical proposition proven in each programme, our focus is on commercial adoption. Highlights include good progress in PEEK Gears, prototype revenue for our Aerospace Composites programme and ongoing revenues in support of qualification pipes for TechnipFMC (Magma).

FY 2022 also saw particularly good progress in Medical – where the PEEK Knee clinical trial saw strong progress, and we saw a 510(k) regulatory approval for PEEK composite Trauma plates in the US and patient implants. In Aerospace, we saw the first large scale PEEK demonstrator parts delivered as part of our Airbus development programme, and in Automotive, we secured new business wins in E-mobility.

Our **PEEK Knee** programme has now seen 30 patients having implants, including 12 who have successfully passed the primary end point of 12-month clinical stage, with no remedial intervention required. Together with our development partner Maxx Orthopaedics, we are preparing for an additional trial site in the US. We will also be working with Aesculap (a top five Knee company) in a development programme to support the route to commercialisation.

Knee remains potentially the most significant of our mega-programmes, with an addressable market of approximately \$1bn, utilising PEEK over Cobalt Chrome.

Our **Trauma** pipeline continues to build, following the agreement with US based In2Bones for composite plates and a 510(k) regulatory approval within the US. We also secured our first Asia customer product launch and are finalising development collaborations to support launches in China. The first patient implants through our In2Bones partnership for PEEK based trauma plates have now been completed.

In our **Aerospace Loaded Brackets** programme, additional orders for composite parts, reflecting megatrends aligned to lightweighting, CO₂ reduction and faster processing, offer a good mid-term opportunity, supported by ongoing recovery in this end market.

We are also working on new partner collaborations via our US composite parts facility, with Aerospace OEMs and Tier 1 companies.

In our **'Aerospace Structures'** programme, which links to our development alliance with Airbus as part of their Clean Sky II programme, we are now delivering prototype revenue via

the world's first large scale PEEK test parts. Development and commercialisation of thermoplastic composites in Aerospace continues to offer a sizeable opportunity, across larger primary and secondary Aerospace structures, such as wings and fuselage parts. Aerospace Structures builds on Victrex's Aerospace Loaded Brackets programme, with our AE™250 composites grade being integral to both of these opportunities. A number of significant demonstrator parts were exhibited during the year at the JEC Composites show in Paris, including large engine housing applications and wing ribs, all based on Victrex™ PEEK and our AE™250 composite tape. These opportunities could materially increase PEEK content in next generation aircraft – potentially 10-fold – which are planned for later this decade.

Within **PEEK Gears**, which now have several initial contracts 'on the road' following a first supply agreement in 2018, we improved on last year's milestone of delivering meaningful revenue of >£1m. This year overall PEEK Gear revenue, which includes both parts manufactured by Victrex and polymer resin based PEEK Gear sales, totalled over £4m. A number of PEEK Gear programmes involve manufacturing by our partners, but with the know-how and intellectual property ('IP') led by Victrex. PEEK Gears continue to have application uses across both traditional internal combustion engines ('ICEs') and electric vehicles ('EVs').

FY 2022 saw us secure new business wins for our next generation **E-mobility** programme and better than expected progress. This mega-programme focuses on applications across electric vehicles, in particular for high voltage next generation programmes (800 volt batteries and applications). Business wins include an Aptiv™ film based opportunity. PEEK will be used in specific applications where durability, heat resistance and lightweighting are all key. We have also increased our development programmes as we move closer to greater commercialisation. Our assessment of the potential PEEK content per vehicle is more than 100g (from approximately 10g today), as we focus on the high performance needs of next generation electric vehicles.

As part of our **Magma** composite pipe programme for the energy industry, TechnipFMC is seeking to accelerate the significant opportunities for thermoplastic composite pipe in deepwater fields in Brazil. Victrex continues to work in close collaboration with TechnipFMC as a strategic supply partner, with multi-year supply agreements in place and industry qualifications based on Victrex™ PEEK and our composite tape (Victrex supplies both the polymer resin and composite tape and holds the intellectual



Financial review continued

Operating review continued**Good progress in mega-programme milestones** continued

property for extrusion of the PEEK pipe). TechnipFMC is currently focusing on manufacturing scale up in Brazil, with a new pipe extrusion facility in Brazil under construction, to support bid programmes which have now been submitted and are awaiting outcomes. FY 2023 will see support for TechnipFMC's preparations and we expect to see continued development revenues during the year as qualification pipes progress – extruded by Victrex – through the supply chain.

Innovation investment

Our culture of innovation and to support application development means we continue to invest behind our growth programmes. R&D investment represented 5% of revenues¹ and, at £15.7m, was slightly above the prior year (FY 2021: £15.5m). Of R&D investment focused on individual projects, approximately 89% of this is now aligned to programmes supporting sustainable products. Going forward, we expect to focus primarily on our total investment in sustainable products or programmes as a proportion of total R&D investment (rather than project-based investment). For FY 2023, we will see a modest investment in a New Product Development ('NPD') Centre in Leeds, UK, to support new roles and capability as part of our Medical Acceleration programme.

Gross profit 6% ahead despite higher cost of manufacture

Our Polymer & Parts strategy seeks to deliver continued growth in our core polymer business, as well as drive an increasing contribution from our mega-programmes (parts). We have the opportunity to gain additional revenue and profit streams over the medium to long term from selling a semi-finished or finished component or part, despite the higher unit cost of manufacture and slightly lower gross margin percentage in selected parts compared to polymer.

Gross profit was 6% ahead at £174.5m (FY 2021: £165.3m), offset by the higher overall cost of manufacture driven by higher energy and raw material costs.

We made good progress during the year on operating efficiency and asset utilisation, with production volume being much closer to sales volume (compared to FY 2021 where sales volume saw a significant draw-down of inventory). Underabsorbed fixed costs continue to reduce, with lower utilisation now being primarily in our newer downstream manufacturing assets (parts, rather than our main polymer plants).

Remain focused on gross margin improvement

Full year Group gross margin of 51.2% was lower than the prior year (FY 2021: 54.0%), with good progress in operating efficiency being offset by the unprecedented energy cost inflation, which spiked in the second half. Progress in our gross margin above a mid 50% level was therefore impacted by the lag in recovery of cost inflation through price increases, as well as other efficiency programmes. Currency also impacted gross margin.

For the medium term, we remain focused on improving our gross margin, with further opportunities to enhance operating efficiency (primarily driven by asset utilisation). Key drivers of margin improvement include the full benefit of our price recovery programme, continued asset utilisation improvement – including commercialisation of our China facilities, which will be an incremental impact on margin in FY 2023 as we move through commissioning – and sales mix. We are also mindful of the potential costs associated with delivering our sustainability goals. We recently saw phase 1 of our UK debottlenecking programme completed, which should support enhanced operating efficiency over the medium term.

Gains & losses on foreign currency net hedging

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. In FY 2022, a loss of £2.8m (FY 2021: gain of £4.9m) has been recognised accordingly, largely from contracts where the deal rate obtained (placed up to 12 months in advance in accordance with the Group's hedging policy) was unfavourable to the average exchange rate prevailing at the date of the related hedged transactions, following the devaluation of Sterling during H2 2022.

Currency headwind

FY 2022 saw a currency headwind of approximately £7m at PBT level, reflecting the strengthening of Sterling in the prior year when hedging was put in place. At this early stage, currency for FY 2023 is tracking as a modest tailwind of £4m–£6m at PBT level, driven by weaker Sterling against the US Dollar and Euro, although we note ongoing volatility in currency markets.

Our hedging policy seeks to substantially protect our cash flows from currency volatility on a rolling 12-month basis. The policy requires that at least 80% of our US Dollar and Euro cash flow exposure is hedged for the first six months, then at least 75% for the second six months of any 12-month period. The implementation of the policy is overseen

by an Executive Currency Committee which approves all transactions and monitors the policy's effectiveness. With our hedging programme for FY 2023 largely covered, at more than 80%, average contracted rates for FY 2023 are 1.30 against the US Dollar and 1.16 against the Euro. Current rates imply a further modest tailwind in FY 2024.

Cost focus for operating overheads

Operating overheads¹, which excludes exceptional items of £7.9m, increased to £78.1m (FY 2021: £72.7m) primarily driven by higher innovation investment and costs associated with our pre-start up phase of our China manufacturing investments, offset by a slightly lower bonus pool compared to the prior year. Excluding exceptional items and bonus, overheads increased by 12%.

Our Group All-Employee Bonus Scheme is based on a budget-based target, with a cap in place. Last year, we also introduced ESG goals into executive remuneration targets.

For FY 2023, with wage inflation and some targeted innovation spend, we envisage at least a high single-digit percentage increase in operating overheads, with innovation investment including our NPD facility in Leeds for Medical. We will also have incremental costs for our new China manufacturing investments through the commissioning phase. From FY 2023, the Group's All-Employee Bonus & Share Schemes will start to – in the case of long-term share programmes – reflect incentive targets put in place from FY 2020, with subsequent good growth post the pandemic. Market-based share schemes issued prior to the pandemic have largely failed to vest.

Underlying PBT up 4% and up 12% in constant currency, offset by lag in cost inflation recovery

Reported PBT reduced by 5% reflecting exceptional items of £7.9m (FY 2021: credit of £0.8m), representing the cost of implementing a new ERP software system. In previous years these costs would have been capitalised but are now expensed in line with IFRIC guidance. The implementation will be completed in 2024, with an anticipated total expensed cost of approximately £15m–£20m. This will offer us greater digitalisation across functions, supporting process efficiency and ongoing relationships with customers and suppliers.

Underlying PBT of £95.6m was up 4% on the prior year (FY 2021: £91.7m), offset by currency and the timing lag from inflation recovery. Underlying PBT in constant currency was up 12%.

Earnings per share up 4%

Basic earnings per share ('EPS') of 87.6p was 4% up on the prior year (FY 2021: 84.3p per share), reflecting the impact of exceptional items on reported PBT. Underlying EPS was up 14% at 95.0p (FY 2021: 83.4p).

Taxation

Victrex continues to benefit from the reduced tax rate on profits taxed under the UK government's Patent Box scheme, which incentivises innovation and consequently highly skilled Research & Development jobs within the UK. For FY 2022, the effective tax rate was 13.9%, lower than the prior year (FY 2021: 21.3%), which is primarily a result of the remeasurement of UK deferred tax balances from 19% to 25% in FY 2021, reflecting the increase in the substantively enacted UK Corporation Tax rate applicable from 1 April 2023. Taxation paid was £10.6m (FY 2021: £8.6m). Whilst the UK corporation tax rate is currently 19%, because of the availability of the reduced rate on profits taxed under Patent Box, our mid-term guidance at this stage remains for an effective tax rate of approximately 12–15%, subject to global taxation developments, which continue to be monitored.

Strong balance sheet

With our strong balance sheet, we underpin our ability to invest and support security of supply for customers. Net assets at 30 September 2022 totalled £490.6m (FY 2021: £511.7m).

Inventory increased on raw material build and cost inflation

With the significant sales inventory unwind during FY 2021, this year has focused on ensuring raw material inventories reached safety stock levels, to support security of supply for customers. Total closing inventory was £86.8m (FY 2021: £70.3m), including the impact of higher energy and raw material costs. In FY 2023 reflecting further recovery of raw material and finished goods stocks, as well as inventory build to support us through shutdowns associated with the UK debottlenecking programme, we anticipate a total inventory position well in excess of £100m. These items, in addition to the higher unit cost of manufacture, are expected to be the key drivers of inventory movement.

Pensions

Our UK defined benefit ('DB') pension scheme closed to future accrual in 2016. The investment strategy, like many companies, has been to hedge interest and inflation risk using Liability Driven Instruments ('LDIs'). As gilt yields have risen, the pension scheme has faced cash calls from the LDI manager which have been met using existing resources within the scheme.

The scheme retains sufficient liquid investments to be able to respond to further LDI cash requirements should they be required, with management continuing to work closely with the trustee. The use of LDIs as a hedge to interest rate risk has worked effectively through to 30 September 2022, with the gross assets and liabilities of the scheme reducing by approximately £30m each with the UK net asset increasing by £0.7m to £14.9m. The medium-term target of reaching a buyout position remains, and we expect to continue making an annual voluntary contribution, where required, of £1m to the scheme to support this goal.

Investment in capacity and growth

Growth investment remains the priority, with cash capital investment of £45.5m (FY 2021: £41.9m), of which a significant proportion was to support our China manufacturing investments, which will provide additional capability to support customers in China. For our UK assets, we also commenced a multi-year investment to support efficiency improvement and gain incremental capacity. We anticipate this will be approximately £15m in total, with year 1 now completed. Year 2 has now commenced and we anticipate a further £10m spread over the next three financial years included within the annual capital budget.

Following these investments, and subject to no material large scale capacity investment for several years, our annual capital expenditure guidance is based on approximately 8–10% of sales. This also reflects some in-built investment to support process change aligned to our ESG goals (for example being able to access alternative fuels and adjustments needed to our manufacturing process).

Capital expenditure for FY 2023 is expected to be similar to FY 2022, at approximately £45m–£50m.

Healthy cash generation

The Group's business model and focus on the high performance materials area continues to support good cash generation. Cash generated from operations was £90.7m (FY 2021: £135.5m), giving an operating cash conversion¹ of 49% (FY 2021: 100%). Inventory has increased compared to the prior year period, reflecting recovery of inventory from much lower levels in the pandemic, as previously communicated. In addition, trade and other receivables have also increased due to a stronger sales performance in FY 2022.

Cash and other financial assets at 30 September 2022 was £68.8m (FY 2021: £112.4m). This includes £2.8m ring-fenced in our China subsidiaries (FY 2021: £12.5m) and other financial assets of £10.1m,

representing cash which was held on 95-day deposit (FY 2021: £37.5m). In February 2022 we paid the 2021 full year final dividend of 46.14p/share and a 50p/share special dividend at a cash cost of £83.5m combined. For our China manufacturing facilities, we also have a RMB400m borrowing facility (£45m equivalent) in China in support of our investments there, of which RMB123m (£15.7m at closing rates) was drawn down at 30 September 2022 (30 September 2021: n/a).

Dividends

Reflecting the Group's strong trading performance in FY 2022, whilst balancing the uncertain macro-economic outlook over the coming months, the Board is proposing a final dividend of 46.14p/share (FY 2021: 46.14p/share), giving total dividends for the year of 59.56p/share. The closing available cash balance of £66.0m was below the threshold to pay a special dividend.

Capital allocation update: special dividends & buybacks

Whilst growth investment remains the priority, we are engaging with shareholders as part of this results cycle, to gauge opinion on the opportunity for return options including share buybacks and special dividends within our capital allocation policy. With capital expenditure set to reduce after FY 2023, subject to no additional opportunities to support growth, the medium-term opportunity for incremental returns to shareholders remains attractive.

Outlook

Several end markets are yet to fully recover from the effects of the pandemic and we continue to see good growth opportunities across the Group. However, we are mindful of the uncertain macro-economic outlook for 2023 and some signs that VAR volumes are edging down slightly to more normalised levels. This means the opportunity to improve on last year's record Group volume is likely to be challenging. We also face further and significant year on year energy and raw material inflation this year, although additional pricing actions are in progress, with a timing lag.

Overall, we have seen a steady start to the year and are focused on modest revenue and profit growth. This includes the benefit from pricing, an improved sales mix and currency tailwinds. We will also see further investment in our long-term growth programmes, as they progress towards greater commercialisation.

Ian Melling
Chief Financial Officer
6 December 2022

¹ Alternative performance measures are defined in note 25.



Chief Commercial Officer's report

Industrial revenue

£282.7m

+11% vs FY 2021
+11%* vs FY 2021

Industrial gross profit

£124.8m

+4% vs FY 2021
+10%* vs FY 2021

* Constant currency.

“ Our divisional performance was strong, with attractive long-term growth opportunities.

Martin Court
Chief Commercial Officer



INDUSTRIAL

Divisional performance is reported through Industrial and Medical, although we continue to provide an end market-based summary of our performance and growth opportunities. Within Industrial, we have the end markets of Energy & Industrial, Value Added Resellers ('VAR'), Transport (Automotive & Aerospace) and Electronics.

The Chief Commercial Officer oversees the Industrial business, including the Industrial-based mega-programmes. A summary of all the mega-programmes, and the strong progress made during the year, is covered earlier in this report.

The Industrial division saw record revenue of £282.7m (FY 2021: £255.2m), up 11% on the prior year, with double-digit growth across Electronics, Energy & Industrial and VAR. Revenue in constant currency was up 11%.

Despite improved asset utilisation and operating efficiency, a softer sales mix, the impact of foreign currency exchange and unprecedented energy and raw material inflation meant that gross margin was down 280bps to 44.1% (FY 2021: 46.9%).

Energy & Industrial

This segment is driven by volumes for oil & gas and new energy applications, including renewables, and a wide range of applications across General Industrial. Energy & Industrial saw sales volume of 830 tonnes, which was up 9% on the prior year (FY 2021: 760 tonnes), with Energy up 19% overall, driven by global activity levels and higher capital investment for exploration and processing. Victrex™ PEEK has a long-standing track record of durability and performance benefit in many demanding applications, where the reliability of PEEK can mean less intervention or downtime, thereby supporting efficiency of operation. More recently, the introduction of cryogenic grades of PEEK – being able to withstand extreme temperatures – has helped to further broaden the portfolio, with new application opportunities in Liquefied Natural

Gas ('LNG') and some assessment of applications in hydrogen.

General Industrial focuses on applications across fluid handling, food contact materials and manufacturing robotics. PEEK's unique combination of properties has enabled us to capitalise on the application growth in this end market and metal replacement opportunity, helping drive volume growth of 4% for the Industrial proportion of Energy & Industrial, compared to the prior year. Several applications in this area are also part of our sustainable products.

Value Added Resellers ('VAR')

VAR shows a similar alignment to our Industrial end markets, with the exception of Aerospace, where sales volumes are largely direct to OEMs or tier suppliers. VAR is often a good barometer of the general health of the supply chain, with VAR customers processing high volumes of PEEK into stock shapes, or compounds.

In FY 2021, VAR saw a strong recovery, as supply chains restocked following the impact of the COVID-19 pandemic. Despite a challenging comparative, VAR saw 12% growth in volume as several end markets continued to improve. Sales volume was 2,122 tonnes (FY 2021: 1,900 tonnes), with the tailwind of good growth in end markets including Electronics and Energy & Industrial supporting VAR volume.

Transport (Automotive & Aerospace)

Victrex continues to have a strong alignment to the CO₂ reduction megatrend, with our materials offering lightweighting, durability, comfort, dielectric properties and heat resistance. As well as long-standing core business within Automotive & Aerospace across a range of application areas, we also made good progress in our Transport related mega-programmes of PEEK Gears, E-mobility, Aerospace Loaded Brackets and Aerospace Structures.

Automotive continued to suffer from the well-publicised shortage of Semiconductor chips, with volume being down 2% compared to the prior year. Latest market indicators suggest some improvement into 2023, including IHS which forecasts 3% growth in car production to 85 million cars. Whilst Aerospace volume was only up 2%, we saw much stronger revenue growth of 21%, driven by an improved sales mix as Aptiv™ film made further progress. Long-term trends remain supportive, with OEM forecast build rates and the trend towards faster processing and lightweight materials supporting increased content of PEEK (Airbus forecasts 39,000 new or replacement planes by 2040). Build rates have recently increased on models including the Airbus A320neo and Boeing 737 Max, both of which have Victrex™ PEEK content. We also note the recent indications of COMAC's C919 production plan in China, where we have qualifications.

Overall Transport sales volume fell by 1% to 913 tonnes (FY 2021: 926 tonnes), with Aerospace up 2% and Automotive down 2%.

Automotive

In Automotive, core applications include braking systems, bushings & bearings and transmission equipment, with increasing opportunities in electric vehicles, supporting a growing E-mobility business.

Pleasingly, in PEEK Gears, we saw further progress in FY 2022. 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 CO₂ emissions through weight & inertia reduction, and quicker manufacturing compared to metal. A typical PEEK Gear offers the potential of approximately 20 grams per application.

Within the growing E-mobility sector, we saw new business wins during the year, including those which utilise our Aptiv™ film. Applications include wire coatings and e-motor applications, where PEEK's inert nature, high strength, durability and ability to process faster offer key performance benefits. Our focus remains on the next generation of high voltage (800 volt) vehicles, where the stringent performance requirements make the choice of material even more critical.

Aerospace

Aerospace volumes were up 2% reflecting some recovery in the first half, with a softer second half as the supply chain was restocked. Revenue was ahead, driven by sales mix and a greater share from composite materials and applications using Aptiv™ film. The opportunity in FY 2023 looks supportive based on industry



A PEEK Gear component

indicators, as recent build rate increases on key models containing Victrex™ PEEK start to kick in and the industry continues to recover from the effects of the pandemic.

With the lightweighting and CO₂ reduction trend, long-term opportunities remain strong. Our Loaded Brackets and Aerospace Structures mega-programmes both grew revenues over the period, with Loaded Brackets exceeding £2m revenue for the full year as the use of composites and differentiated products remain in demand. We have also benefited from some retrofit opportunities for composite parts, using our AE™250 low-melt PEEK grade, which supports faster and simpler processing.

The ability to support CO₂ reduction through PEEK materials which are typically 60% lighter than metals also remains strong, with our assessment that over 53 million tonnes of CO₂ could be saved over the next 15 years if all new single aisle planes were produced with over 50% PEEK composite content.

Electronics

With a buoyant global Semiconductor sector, demand for materials used in Semiconductor manufacturing was strong. Volumes grew 10% at 662 tonnes (FY 2021: 602 tonnes).

Victrex has a broad range of PEEK applications in this end market, including Semiconductor, the internet of 5G applications, cloud computing and core applications like CMP rings and other extended application areas. Our Aptiv™ film business and small space acoustic applications showed good growth this year and we continue to see a positive outlook for this end market into FY 2023, albeit with absolute growth rates expected to be lower.

Home appliances has been an area of growth in recent years and our impeller application business in high end brands are also performing well across a number of product areas, including vacuum cleaners and hairdryers. These applications, with lighter materials and enhanced durability, also offer the opportunity for improved energy efficiency.

Regional trends & Ukraine/Russia exposure

With the lifting of many COVID-19 restrictions much later in the US, we saw further strength in this region coming through in the second half. Conversely, the impact of some further lockdowns in China meant Asia-Pacific growth was lower. More recently, Europe saw more volatility in the second half, though the strength of VAR in Europe drove good growth for the year as a whole.

Overall by region, Europe was up 5%, at 2,554 tonnes (FY 2021: 2,432 tonnes), reflecting further improvement in VAR, with North America up 18% at 952 tonnes (FY 2021: 807 tonnes), principally driven by VAR and Energy & Industrial. Asia-Pacific was up 8% at 1,221 tonnes (FY 2021: 1,134 tonnes), driven by continued growth in Electronics and VAR.

Prior to the Ukraine conflict, Victrex had no active sales to Ukraine, with Russia and Belarus sales negligible. Victrex has no employees, assets or supply chain within these countries and no direct raw material purchases.



Chief Commercial Officer's report continued

Medical revenue

£58.3m

+14% vs FY 2021
+9%* vs FY 2021

Medical gross profit

£49.7m

+9% vs FY 2021
+10%* vs FY 2021

* Constant currency.



Our Medical business continues to diversify, with continued good growth in non-Spine and geographically.

Martin Court

Chief Commercial Officer

MEDICAL

Regional trends & Ukraine/ Russia exposure continued

Revenue in Medical was up 14% at £58.3m (FY 2021: £51.1m) as elective surgeries returned in greater numbers.

In constant currency, Medical revenue was up 9%. Gross profit was £49.7m (FY 2021: £45.6m) and gross margin was down slightly at 85.2% (FY 2021: 89.2%) primarily reflecting a slightly adverse sales mix as we saw faster growth in Non-Spine. Overall Medical volume (implantable and non-implantable) was up 8%, driven by implantable, with non-implantable slightly ahead, despite the tougher year on year comparison for business gained in COVID-19 related applications. Geographically, Asia-Pacific revenues were up 40% year on year, with Medical revenues in the US up 6% and Europe up 11%.

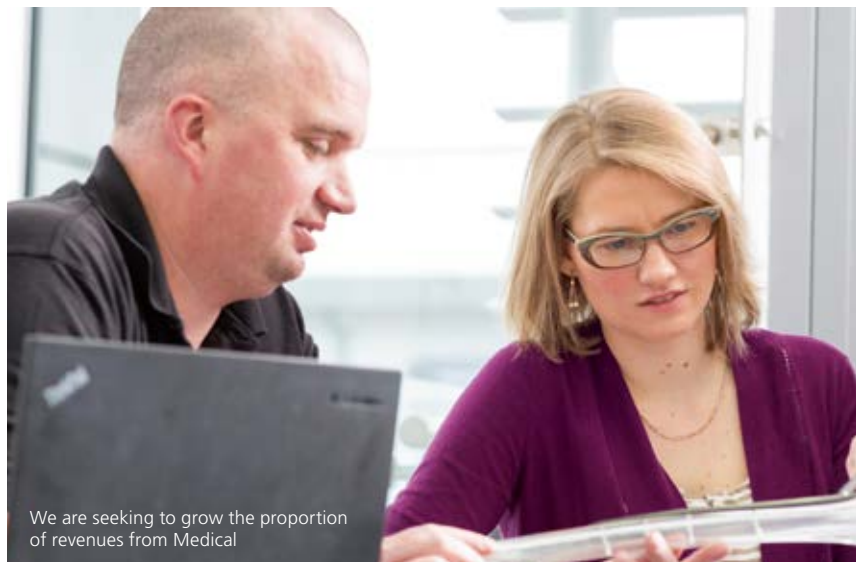
The Chief Commercial Officer oversees the Medical business, including the Medical-based mega-programmes. A summary of all the

mega-programmes, and the strong progress made during the year, is covered earlier in this report.

Medical strategy

Our Medical aspirations are for our solutions to treat a patient every 15–20 seconds by 2027 (from approximately 25–30 seconds now) and the Group is seeking to prioritise investment in Medical, with the aim of driving an increased proportion of revenue from this division over the next 10 years, potentially up to one third of Group revenues.

During the year we commenced investment in a New Product Development Centre of Excellence in Leeds, UK, part of our focus on how we can drive adoption more meaningfully in this area. This is located close to academia who we already have strong links with, together with new partners. We already have Medical manufacturing capability and innovation for our parts businesses – Trauma and Knee – and this new Centre will work to scale up



We are seeking to grow the proportion of revenues from Medical



Our PEEK Knee manufacturing involves significant know-how

our opportunities. Additionally, the benefit of our solutions lies in the data and we are seeking to utilise this in an improved way with global medical device manufacturers. This will be one of the key overhead investment items in FY 2023, as we build additional capability and skills in this area, with approximately 25 new roles. Whilst we have made good progress in being able to address what medical device customers require, we will need to continue developing new products to enable a full suite of solutions. An example is in Knee where the PEEK Knee is progressing through a clinical trial, yet opportunities within a cementless knee replacement are becoming more in focus.

Spine and non-Spine

Whilst Spine remains 50% of divisional revenue and saw 2% revenue growth, the importance of next generation Spine products will be key in maintaining PEEK's position in this segment, including the opportunity for Porous PEEK, where a spinal cage can support bone-in growth as well as bone-on growth. Whilst we continue to

innovate and develop new products for Spine, usage of 3D printed titanium cages continues to rise, especially in the US. Volume-based procurement in China could also impact revenues in Spine, which validates our goal of further growing our non-Spine business.

We also continue to focus on non-Spine areas such as Cranio Maxillo Facial ('CMF'), Arthroscopy & Sports Medicine and Drug Delivery devices, as well as emerging or incremental opportunities in Cardio, where PEEK is now used in applications within an artificial heart. Non-Spine overall now represents 50% of divisional revenues. Spine is our historic end market which, whilst it has become more mature in recent years, is one we continue to diversify through focusing on emerging geographies and new innovative products. Our premium and differentiated PEEK-OPTIMA™ HA Enhanced product ('POHAE') – to drive next generation Spine procedures – is one part of our strategy to grow our Medical business, with annualised revenues being above £1m and good opportunities globally, and in Asia particularly.

Mega-programmes

As noted elsewhere in this report, our **PEEK Knee** programme saw significant progress, with a total of 30 implants as part of the clinical trial. 12 patients have successfully passed the 12-month follow up phase with no remedial requirements. As part of the clinical trial with our partner Maxx Orthopaedics, trial sites are now operating in Belgium, India and Italy, with a US trial site also anticipated in FY 2023.

In **Trauma**, beyond our trauma mega-programme, our data shows good indicators on the union rate for PEEK based plates compared to metal plates (data on file, based on Trauma plates in high risk patients). Our solutions for CMF continue to see strong growth, particularly in Asia, with a well-regarded study showing better brain function using PEEK in CMF plates compared to metal (25% improved brain function based on paper by Zhang Q, Yuan Y, Li X, et al, World Neurosurgeon 2018).

Martin Court
Chief Commercial Officer
6 December 2022



RISK MANAGEMENT

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



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 in order to continually improve the performance of our business.

This is particularly important as the business continues to move downstream into semi-finished and finished products, further expands geographically and supports market adoption and building demand for the mega-programmes, alongside growing our core business.

We believe that Victrex is well placed to meet the demands of the increasingly prominent ESG agenda but must also consider the risks and costs associated with stricter emissions targets, lifecycle and other requirements.

Risk strategy

The Board is responsible for ensuring the effective operation of the Group’s risk management framework 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 legal, regulatory and 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

Our business areas and functional teams are responsible for the day to day management and reporting of risks. They identify risks including new and emerging issues, escalating where required and ensuring risks are managed appropriately. The causes and potential consequences of each risk are recorded in risk registers. 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. This approach allows the consistent identification and evaluation of risks and identifies the current mitigations and any further activities required to bring the risk to a tolerable level.

We operate a three lines of defence risk assurance model:

1st line of defence: The day to day operational risk management, including the systems and processes established to ensure internal controls are in place and effective.

2nd line of defence: Monitoring and Compliance activities which advise and oversee first-line controls and risk management processes, primarily through Group functions that are at least one step removed from first-line management.

3rd line of defence: Independent business assurance provided by both third parties and the Group Internal Audit team over the first and second lines of defence.

3. RISK RESPONSE

The risk registers and profiles are regularly reviewed, to keep them up to date and relevant to our strategy.

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

We continually challenge the efficiency and effectiveness of existing internal controls and seek to continually improve our risk management framework. The risk profile ensures that risk reduction activity is captured and managed, with oversight provided by the Risk and Compliance team.

When a significant new risk arises where a response is required in a timely manner such as COVID-19, raw material challenges or inflation, a dedicated working group is established to ensure that appropriately robust oversight and management are applied and mitigations implemented.

We use insurance as a mitigation tool in our response to several risks and potential financial impacts that can result. We regularly review and update the types and limits of our insurance coverage, ensuring that they are aligned to external obligations, insurance product developments and changes to our corporate risk profile. The insurance programme and levels of cover are reviewed annually by the Board.

4. 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 is responsible for approving the risk management policy and 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 review of the principal risks;
- the Audit Committee responsibilities include reviewing the Company's risk management systems to provide assurance of operational effectiveness, compliance with laws, regulations and contracts;
- the Risk & 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;
- the Group's Internal Audit function provides independent and objective 3rd line assurance to the Victrex plc Audit Committee on the adequacy and effectiveness of our risk management and key internal control processes within the business. A comprehensive 'audit universe' document defines the range of potential audit activities and the internal audit plan provides the schedule of audit work that covers specific risks, core processes (cyclical), key programmes and geographic regions. Both are approved by the Audit Committee, at least annually;
- 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 is provided directly to the Audit Committee and the Board by the Director of Risk & Compliance. The Executive Risk Management Committee comprises: the Executive Directors (CEO, CFO and CCO), Chief Operating Officer, Group HR Director, General Counsel & Company Secretary and Director of Risk & Compliance. Risk management subcommittees and Warranty Committees provide further governance for specific business areas or programmes where they are deemed necessary; for example, Transport (Automotive and Aerospace) and Medical are covered due to current business activity. These meetings and key risks are briefed into both the bi-monthly Risk and Compliance meeting and the Executive Risk Management Committee (at least half yearly) via their respective Chairs, who are all Executive Risk Management Committee members;

- the Victrex bi-monthly Risk and Compliance review meeting provides oversight for the risks, controls and assurance activity across the business including Legal, Regulatory, SHE, Quality, Security and Internal Audit. The group comprises the CEO, CFO, CCO, COO alongside a number of other senior leaders;
- as appropriate, significant incidents, issues and new risks and are reported into the Board via the relevant Executive Director; and
- risk management is also an integral aspect of Group function governance, including through the Safety, Health and Environment Steering and Quality Steering Committees, both meeting quarterly, and the ESG Steering Group, which meets twice a year.

Emerging risks

The Board has identified and assessed emerging risks as part of the established risk management and strategic planning processes. The key emerging risk areas identified were:

- raw materials – including potential longer-term issues with their continued availability, for example through climate-related impacts – has been evaluated as an area to be closely monitored;
- new legal and regulatory aspects – resulting from the changing business footprint, complexity and evolving regulatory environment; and
- future of end markets – redirecting focus and resources to sustainable end markets and products with environmental & societal benefits in line with global megatrends.

These emerging risks have been recorded and will be continually monitored through the ongoing Corporate Risk Management process so that their potential impact can be further understood and mitigated. They will also be considered as an integral part of the strategic planning process.

Climate-related risks and opportunities

We support the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD') and have made significant progress over the last year assessing and defining our climate-related risks and opportunities (see pages 52 to 57). Due to the longer-term nature of climate-related risks it has not been considered to be a principal risk in its own right at this time. There are, however, clear links to existing principal risks such as Supply Chain and Strategy Execution. As such, climate-related risks and opportunities have been a key feature of the FY 2022 strategic planning process and will continue to be reviewed and developed by the Corporate Responsibility Committee (formed in FY 2022).

COVID-19 Pandemic risk

The COVID-19 risk has reduced further over the last year with the continued progress of vaccination programmes and general relaxation of local restrictions in most of our operating geographies, with the exception of China which retains significant local and national controls. As such it is no longer deemed to be a principal risk.

COVID-19 control procedures and physical controls, where required, remain in place. In geographies where these controls are no longer needed, or where restrictions have been relaxed significantly, our procedures remain on 'standby' should they be required once more for this or other potential pandemics. Although the risk is deemed to be low at this time, the potential remains for seasonal spikes and new variants that could escalate the risk once more. As a result, the situation continues to be closely monitored.

Overall, we are not expecting to see any significant damage to our growth prospects as the impact of the pandemic has now diminished.



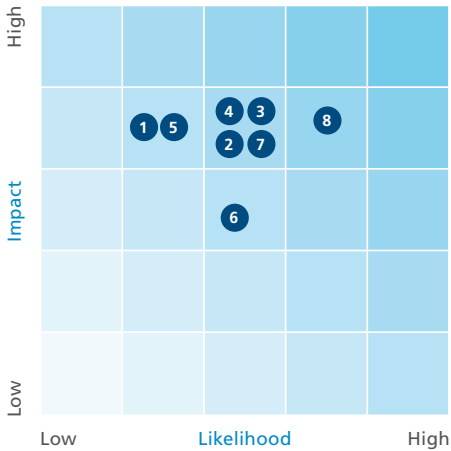
MANAGING OUR RISKS

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

Risk heatmap



1. SAFETY, HEALTH & ENVIRONMENT
2. RECRUITMENT AND RETENTION OF THE RIGHT PEOPLE
3. SUPPLY CHAIN
4. NETWORK AND IT SYSTEMS & SECURITY
5. PRODUCT LIABILITY
6. LEGAL AND REGULATORY COMPLIANCE, ETHICS AND CONTRACTS
7. STRATEGY EXECUTION
8. GEO-POLITICAL AND MACRO-ECONOMIC ENVIRONMENT (NEW)

Note: Following the latest Board Risk Management Review, Business Growth and COVID-19 Pandemic have been removed as principal risks. The COVID-19 Pandemic risk has been retained in the corporate risk register and will continue to be monitored and reviewed through the risk management process. The Business Growth risk has been realigned, now sitting under the Strategy Execution risk. In addition, the Geo-political and macro-economic environment has now been established as a new principal risk.

SAFETY, HEALTH AND ENVIRONMENT

1

Primary link to strategy



Link to climate change



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.

In addition, climate change poses a number of risks to the business. Minimising our environmental impact and ensuring future business sustainability as we transition to a low-carbon economy are fundamental objectives.

Mitigation

Safety, Health and Environment (‘SHE’) remains our number one priority. We have policies and procedures to manage our operations; protect the safety and health of our employees, contractors and visitors; and manage our environmental responsibility by reducing emissions to continually improve our resource efficiency.

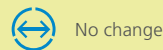
To further strengthen our SHE culture we have implemented several new programmes including the launch of our ‘Golden Rules’ initiative and the Leadership Engagement ‘toolkit’, which have both improved our awareness of, and conversations around, our SHE related behaviours.

Significant focus has been placed on process safety hazards and control procedures in FY 2022. We have partnered with external leaders to provide additional independent assessment and assurance of relevant plants and processes.

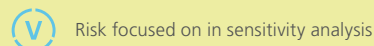
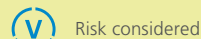
Any events that do occur are investigated to determine root causes and remedial actions are put in place to prevent re-occurrence. SHE software across all global assets has been upgraded and improved over the last year to further support this.

Additional detail of the SHE performance and progress made in the year is contained in the Sustainability report on page 65.

Change



Viability statement links



RECRUITMENT AND RETENTION OF THE RIGHT PEOPLE

2

Primary link to strategy



Link to climate change



Risk area and description

Our success depends on our ability to recruit and retain the right people. Victrex relies on the skills, knowledge, experience and competence of our people in order to drive business growth and successfully execute our downstream strategy.

Due to the nature of our business, there is an inherent requirement for highly skilled employees (for example in areas of polymer chemistry, R&D and process engineering) and the specific end market related competencies needed (for example in Medical and Aerospace parts manufacturing). Volatility in the recruitment market continues to pose a challenge. Our ability to recruit and retain talent is affected by numerous factors including: pay and benefits, culture, sustainability credentials, the nature of the working environment, regional employment levels and changing workforce behaviours.

In the post-COVID-19 recruitment market, there is a far greater expectation for flexible working arrangements and less dependency on location-based roles.

Mitigation

Enhancing workforce planning has been a key area of development. Digitalisation of recruitment and applying a future-skills perspective has been progressed via related tools, processes and the graduate programme, which has recently been established.

Our headcount and recruitment approval process has been streamlined to enable faster pace of change and more flexibility.

We have also targeted priority learning and development programmes across all levels – investing in people as an attraction and retention tool.

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

We have enhanced our Diversity and Inclusion, and flexible working policies over the last year. We have set targets and comprehensive action plans to ensure we continually increase the diversity of our workforce. We regard this as a commitment to make full use of the talents and resources available.

As our employees have returned to our sites following COVID-19, we have made full use of our flexible working policies to provide the best working environment for our existing employees and expand our reach when recruiting externally.

Change



No change

Viability statement links



Risk considered

SUPPLY CHAIN

3

Primary link to strategy



Link to climate change



Risk area and description

Failure to maintain a secure supply of high quality products to our customers globally could lead to loss of earnings and damage to reputation. This could be caused by, for example, incapacity of our production facilities, quality failure or restricted access to raw material supplies or transport links potentially leading to insufficient levels of inventory and/or manufacturing capacity.

Whilst the COVID-19 risk has reduced significantly at a Group level, China's zero-tolerance approach and the resulting control measures, including lockdowns and restrictions, still have the potential to impact our activities in the region.

In addition, climate change poses several specific supply related risks to Victrex and our suppliers, including: potential asset or production disruptions due to rising sea levels and increasingly harsh weather events or cost impacts due to changes in carbon taxation and increased energy costs.

Mitigation

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

Increases in demand are anticipated by and consistent supply is maintained through a robust integrated business planning ('IBP') process for which we have been awarded Class A Standard.

Strategic supplier sourcing, development and performance management are our key mitigations for the quality and security of supply of key raw materials. We have continued to focus on the breadth and resilience of our supplier base in response to the current and future uncertainties, particularly those associated with energy availability and energy related cost impacts including supplier assessments and regular audits. We also consider alignment with our Modern Slavery policy and human rights policies within our supplier review process.

In our own operations, we have reviewed the possible contingencies for energy interruptions affecting our manufacturing sites, including the use of alternative fuel sources.

Change



No change

Viability statement links



Risk considered



Risk focused on in sensitivity analysis



Risk continued

Key to strategy



Drive



Create & deliver



Differentiate



Underpin

NETWORK AND IT SYSTEMS & SECURITY

4

Primary link to strategy



Link to climate change



Risk area and description

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

Significant failure or interruption to our IT systems or services could lead to business process disruption.

The increase in homeworking could lead to an increased risk of breach or loss of key services.

Mitigation

Victrex operates a Global Information Security Management System, aligned to ISO 27001 and NIST, to provide a multi-layered approach to security and control.

We have continued to make enhancements to the control framework and layers of defence, including: using best of breed Extended Detection and Response ('XDR') and Security Incident and Event Management ('SIEM') technologies, along with next generation firewalls and Network Access Control ('NAC').

Core networks have been improved to introduce a global Software Defined ('SD') LAN and WAN.

Independent external experts are regularly engaged to conduct assessments, including penetration testing, cyber health and awareness along with ongoing certification to Cyber Essentials Plus. We also have a Global Incident Response plan, supported by third-party experts, for crisis response within both IT and OT networks.

Our recently expanded internal Security Operations Centre and team provide round the clock detection and response capabilities.

We continuously review the latest threats and trends in cyber and IT security to ensure our protection is current and effective. To support this we have implemented additional mandatory training which is applicable to all users. These measures have been further enhanced to improve protection during a period of extensive homeworking.

Change



No change

Viability statement links



Risk considered

PRODUCT LIABILITY

5

Primary link to strategy



Link to climate change



Risk area and description

Selling into highly demanding end-use applications and regulated markets such as Medical and Aerospace 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 could result in fines or damages being payable and could in turn 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.

As the business continues to move downstream into semi-finished and finished products we are dealing with increasingly onerous and complex liabilities. As a result, we have established Warranty Committees which provide additional governance over our key programme activity in the Automotive and Aerospace sectors.

We continue to utilise external experts to support with complex contract matters, where required.

We use supply contract terms and conditions to limit exposure, which includes agreed specifications and manufacturing to defined standards and processes. In addition, the Group maintains appropriate levels of product liability insurance.

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

In the past year we have strengthened several product regulatory control procedures and the governance arrangements by further expanding the Regulatory and Product Stewardship team including establishing specialists in key markets such as China.

Change



No change

Viability statement links



Risk considered



Risk focused on in sensitivity analysis

LEGAL AND REGULATORY COMPLIANCE, ETHICS AND CONTRACTS

6

Primary link to strategy



Link to climate change



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.

Our future opportunities in a number of markets, and activity in new geographies, for example into China, will bring new regulatory challenges and contractual requirements to meet.

Mitigation

Compliance policies, procedures and training are in place for key regulatory compliance risks.

Our Code of Conduct is in place, which is regularly reviewed, and mandatory training is provided. Over the last year these areas have been reviewed and refreshed. Compliance is monitored and reported to the Executive Risk Management Committee.

We continue to use internal and external subject matter experts to support risk identification, set standards and policies and provide advice and training. Over the last year an external party has been engaged to review and advise on our risk and legal framework across the business.

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

As our business activities expand, for instance into China, appropriate policies and procedures are being put in place to manage the associated regulatory requirements.

We have a dedicated Regulatory team in place which has been further strengthened over the last year, including additional resource in China.

Change



No change

Viability statement links



Risk considered



Risk focused on in sensitivity analysis

STRATEGY EXECUTION

7

Primary link to strategy



Link to climate change



Risk area and description

Our future business growth is dependent on the effective implementation of our strategy.

This risk considers the potential failure to execute the strategy effectively and generate value. Key elements include: maintaining the health of our core business, generating innovation-based growth, including the increasing importance of parts in addition to polymer, and protecting and managing intellectual property.

Successfully managing the climate-related risks (and opportunities) summarised in the TCFD section (pages 52 and 57, including the end market risks associated with internal combustion engine transportation and Oil & Gas, remain fundamental to the successful execution of the business strategy.

Mitigation

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

Our UK manufacturing improvement plans have continued and will be delivered over the coming years which will strengthen the security of supply to our customers.

We continue to offer a strong value proposition as a solutions company – unique chemistry, specification of products with end users, quality and technical service, the performance and sustainability benefits of our products and the ability to develop new applications.

We monitor 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.

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

As our intellectual property ('IP') is critical to the delivery of our strategy, robust protective controls are in place, which are supported by our dedicated IP team. Specific emphasis has been placed on our approach to IP management in China over the year, as we continue to develop our activity in the region.

Change



No change

Viability statement links



Risk considered



Risk focused on in sensitivity analysis



Risk continued

Key to strategy



Drive



Create & deliver



Differentiate



Underpin

GEO-POLITICAL AND MACRO-ECONOMIC ENVIRONMENT (NEW)

8

Primary link to strategy



Link to climate change



Risk area and description

We serve over 40 countries globally, operating in numerous geographies across a range of markets which can be affected by political and/or economic changes or uncertainties.

Risks related to the geo-political and macro-economic conditions have increased over the year primarily as a result of the ongoing war in Ukraine and both China's economic outlook and its 'zero-tolerance' approach to COVID-19.

International tensions with China may create additional challenges in doing business there.

Uncertainty in global economic outlook including inflation, potential changes in carbon taxation, energy prices and impacts on aspects such as interest rates and exchange rates have the potential to affect our profitability including end customer demand, cost pressures, competitive dynamics and other factors.

This external environment has the potential to impact a number of other principal risks and the delivery of our strategic objectives.

Mitigation

A key mitigation is close monitoring of the geo-political and macro-economic conditions and reacting accordingly through the business strategy process.

Our range of markets and geographic spread help to mitigate political and economic change.

Threats from low cost (regional) competitors are being addressed through our strategy in China. Development of PEEK production capability in China has continued and remains on track for commissioning in FY 2023.

Uncertainty in supply chains is being addressed by accelerating supply resilience activity around dual/multiple sourcing of key raw materials.

Maintaining UK production of key raw materials ensures we are not solely reliant on international routes.

Reducing the impact of potential regional changes to carbon-based taxation is being mitigated through the business carbon reduction plan, which includes transitioning to greener energy and targeting manufacturing processes to reduce absolute energy usage.

We use foreign exchange hedging to delay the impact of changes in exchange rates.

We consider longer-term options to address geo-political and macro-economic factors as part of the strategic review process.

Change

This risk is a new principal risk separating the external factors from the previous Business Growth risk. The risk has increased in the year due to factors noted above.

Viability statement links



Risk considered



Risk focused on in sensitivity analysis

Going concern and viability statement

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 34 to 40. This assessment has paid particular attention to the impact of the ongoing global economic challenges on the aforementioned forecasts.

The Company maintains a strong balance sheet providing assurance to key stakeholders, including customers, suppliers and employees. The combined cash and other financial assets balance at 30 September 2022 was £68.8m, having reduced from £112.4m at 30 September 2021 following payment of the regular and special dividends of £83.5m in February 2022. Of the £68.8m, £2.8m is held in the Group's subsidiaries in China for the sole purpose of funding the construction of our new manufacturing facilities. Of the remaining £66.0m, approximately 80% is held in the UK where the Company incurs the majority of its expenditure and 85% is held in instant access accounts. The Group has drawn debt of £15.7m in its Chinese subsidiaries (with a total facility of c.£45m available until December 2026) and has unutilised UK banking facilities of £40m through to October 2024, of which £20m is committed and immediately available and £20m is available subject to lender approval.

The 24-month rolling forecast is derived from the Company's Integrated Business Planning ('IBP') process which runs monthly. Each area of the business provides revised forecasts which consider a number of external data sources, triangulating with customer conversations, trends in market and country indices as well as forward-looking industry forecasts. For example, forecast aircraft build rates from the two major manufacturers for Aerospace, World Semiconductor Trade Statistics Semiconductor market forecasts for Electronics through to 2024 and Needham and IQVIA forecasts for Medical procedures.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which, given current economic forecasts, focused on the Group's ability to sustain a period of falling demand, whether caused by a pandemic, geo-political event(s) or other global economic challenges. In assessing the severity of the scenario analysis, the scale of the impact experienced during previous economic downturns has been used, including the differing impacts on Industrial versus Medical segments.

Using the IBP data and reference points from previous downturns 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 2024. The impact of climate change and the Group's Net Zero 2030 goal for its own operations (Scope 1 & 2 emissions) has been considered as part of this assessment. Any impact on revenue over the shorter going concern period, either positive or negative, is likely to be insignificant, with the greater risk being that of higher carbon taxes. The current elevated price of gas and electricity included in the 24-month forecast, reflecting current supply side uncertainty, and the government focus on limiting the impact of the current economic slowdown means that additional carbon taxes over the going concern period are considered unlikely, and therefore no additional costs have been included in either the base forecast or the scenarios noted below.

Scenario 1 – the global economy contracts with sales volumes reducing by 30% from the level seen over the past 12 months, to approximately 280 tonnes per month, from January 2023 for a period of six months (to mirror the length of the most recent downturn in 2020) before a partial recovery to c.330 tonnes per month for the remainder of the going concern period. Medical revenue remains unchanged from the past 12 months' run rate, with the economic situation historically having minimal impact on this segment.

Scenario 2 – in line with scenario 1, c.280 tonnes per month from January 2023; but, the economic contraction lasts for a full 12 months, i.e. throughout the going concern period. This would give an annual volume of c.3,300 tonnes, a level not seen since 2013. Prior to COVID-19, the last recession was the financial crisis in 2008 and 2009 which lasted approximately 12 months. In this scenario Medical revenue is reduced by 10% during the second six months to reflect a limited impact from a longer lasting slowdown. 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. Under scenario 2 there is minimal cash generation through the going concern period and there is potential that the committed facility would be required to manage intra-month cash flows. 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 capital investment over the next 12 months is approximately £50m as major projects are completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects, deferring all other projects later into 2024, with the exception of completing the manufacturing facilities in China 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 dividend payable in June 2023 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.

Reverse stress testing was performed to identify the level that sales would need to drop by in order for the Group to run out of cash by the end of the going concern assessment period. Sales volumes would need to consistently drop materially below the low point in scenario 2 which is not considered plausible.

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 current economic uncertainty as a number of global economies close to/in recession and the war in Ukraine continues, the Board has concluded that the Company has sufficient liquidity to meet its obligations when they fall due for a period of at least 12 months after the date of this report. For this reason, they continue 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 12 to 13) and strategy (detailed on pages 14 to 19), which are fundamental to understanding the future direction of the business, while factoring in the Group's principal risks (detailed on pages 34 to 40) and the potential opportunities and risks of climate change (detailed on pages 52 to 57). The Directors continue to consider the ongoing challenges to the global economy and the uncertainty this creates, particularly in the early years of the strategic plan. The Directors have also considered the Group's ability to generate cash and maintain a strong financial position throughout the economic cycle, including the level of available cash at 30 September 2022.

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 manufacturing capacity increases 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. The strategy was reviewed and approved by the Board in May 2022 (covering the five years to September 2027). The strategy is built market by market, geography by geography recognising the differing dynamics in each whilst also considering the longer-term impact of the Company achieving Net Zero Carbon for its own operations (Scope 1 & 2 emissions) combined with the wider global ambition to reduce carbon usage over varying time periods. The Company also operates a shorter-term rolling 24-month forecast, predicated on the IBP process, which forms the basis for the 2023 budget and key operational decisions over this shorter time frame. 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 and resulting capital investment programme. As part of our longer-term considerations, to support capacity planning, climate change modelling 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 2027, 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, primarily to the revenue growth of the Group. The risks have been assessed for their potential impact on the Group's business model, future trading and funding structure.

The continuing progress in the mega-programmes is forecast to have a material impact on the Group's revenue over the strategic period. The business case behind each of these programmes remains robust, and in most cases is enhanced by the global ambition to reduce carbon emissions and increased desire for wider societal benefits from the Medical industry. Limited delays to the mega-programmes did arise during the pandemic but progress on milestones has accelerated in the past 12 months, as evidenced by the Knee clinical trial programme and acquisition of Magma by TechnipFMC. Timing of milestone achievement and the resulting impact on revenue growth remains the key variable across the mega-programme portfolio which the Directors have incorporated into scenario 3 described below.

The impact on the strategy of both the Company achieving Net Zero Carbon by 2030 for its own operations (Scope 1 & 2 emissions) and the wider economy achieving Net Zero Carbon over a long period has been more fully assessed during 2022. The physical risks and transitional opportunities and risks have been considered in detail as described in the Sustainability report on pages 1 to 74. The physical risks presented by climate change are not expected to have a material impact on the Company's ability to manufacture product over the strategy period and therefore no sensitivity has been performed. At the revenue level the transitional opportunities are considered to outweigh the risks over both the short and longer time horizons, supporting continued revenue growth albeit the impact of this is only likely to be material outside of the five-year strategy window. The primary transitional risk relates to carbon pricing and the likely levers used by regulators and governments to drive down use of carbon – taxation and levies. The Group's manufacturing and supply chain does use significant gas, electricity and water whilst also generating hazardous waste. Work is ongoing to reduce the use of carbon in the manufacturing process, both through using green sources but also redesigning the chemical process to reduce the overall energy requirement and waste generation. Acknowledging the risk to the decarbonisation of the manufacturing process, primarily in respect of timing, an increased cost of operation from taxation and levies has been assumed in scenario 4, with annual manufacturing costs increasing by £20mpa, increasing annually by inflation, from 2024.

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

Scenario modelled	Link to principal risk
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.	Geo-political and macro-economic environment Strategy execution
2. A natural or other event impairing key manufacturing assets resulting in supply disruption for c.2 years, with associated reputational damage. Annual volume reduction of 25% for two years followed by 10%.	Supply chain
3. Mega-programmes not achieving all milestones set or investment/adoption is delayed, for example by economic conditions, therefore delaying the time to meaningful revenue (>£1m). An average of two years' delay to revenue growth versus the base case.	Geo-political and macro-economic environment Strategy execution
4. Increase to direct cost base potentially arising from: <ul style="list-style-type: none"> a. additional regulatory compliance, environmental or otherwise; b. increase in duty and tariffs; c. product liability issues; d. increased cost of manufacturing in a lower carbon way; e. the transitional risks of moving to a lower carbon economy – increases in tax/levies on utility and/or water usage, and waste generation; or f. increase in raw material and/or other input prices. Operating costs increased by £20mpa, increasing annually by inflation, over the base case in each year of the strategy.	Legal and regulatory compliance, ethics and contracts Safety, health and environment Product liability
5. A sudden period of economic contraction (in line with scenario 2 for going concern) resulting in lower sales in 2023 before returning to strategy growth rates thereafter. Annual volume reduction between 8% and 23% in each year of the strategy.	Geo-political and macro-economic environment Strategy execution
6. All of the above*, with an associated reduction in the overhead cost base and capital expenditure. Annual volume reduction between 20% and 40% in each year of the strategy (averaging 30% over the five years).	

* 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 (scenario 6) 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 through the pandemic where the impact of and recovery from the economic slowdown differed between business units, with Medical Implantable particularly severely impacted with the cancellation of elective surgery and a prolonged period where hospitals have been focused on non-elective patients, contrasting to, for example, Electronics within the Industrial segment, which has seen a sharp recovery as consumer spending habits have changed in its favour. Geographically the impact was much lower and shorter in length across Asia where demand quickly returned to pre-pandemic levels, compared to a later, deeper and longer impact in US markets which only returned to pre-pandemic levels in the second half of 2021. These differing geographical patterns have continued in 2022 with the US the fastest growing region, whilst Asia has been impacted by the return of strict COVID-19 management policies and associated lockdowns. 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 solvent and maintain liquidity over the assessment period. The Group is profitable under all scenarios, including scenario 6. The lowest cash balance was in scenario 6, in which the cash balance remains positive albeit at a level where working capital will have to be carefully controlled or the RCF (available until 2024 with covenant compliance tested under scenario 6) will be required to manage intra-month flows through FY 2024 whilst maintaining the regular dividend. Due to the severity and implausibility of scenario 6 and an outcome that may require limited use of the RCF this is considered akin to a reverse stress test.

4. Viability statement

Based on the results of this detailed analysis, 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 2027. 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 Group's ability to manufacture for a sustained period.



SUSTAINABILITY REPORT

- 45 Enabling environmental & societal benefits
- 47 Victrex's options to net zero (scope 1 & 2 emissions)
- 48 Our Sustainability Vision and goals
- 50 Our achievements & accreditations in FY 2022
- 51 How we are making progress in our sustainability goals
- 52 Task force on climate-related financial disclosures
- 58 Sustainable solutions: Improving the quality of life in patients through cutting edge medical devices
- 60 Resource efficiency
- 65 Safety, health & environment
- 66 Social responsibility
- 72 Our Code of Conduct – doing the right thing

Victrex already has a key role in enabling environmental & societal benefits for our customers and the planet, through products which support the lightweighting trend and consequently CO₂ reduction in Aerospace and Automotive, and the need for clinical benefits in the medical industry (see page 58). Across other industries, including Electronics with more energy efficient applications, and other industrial end markets, our applications also offer clear performance and sustainability benefits.

In our own operations, Victrex has a Carbon Net Zero goal by 2030 (Scope 1 & 2 emissions), with an aspiration to reduce our environmental footprint by saving water, energy and waste, and we continue to make good progress, with options being assessed.

We have been steadily gaining accreditation for our sustainability strategy, and how our products can bring environmental & societal benefits. The likes of EcoVadis and FTSE Russell already recognise us for this, with all our revenues from Transport (Automotive & Aerospace) included in FTSE Russell's assessment of products defined as part of its Green Revenues Index, equating to approximately 30% of our revenues on its definition. We look forward to continuing to play our part over the years ahead.



ENABLING ENVIRONMENTAL & SOCIETAL BENEFITS

How our products support CO₂ reduction in society

Within our own assessment of how our products – our sustainable solutions – bring environmental and societal benefits, our target is to exceed 50% of revenues by 2025 and 70% of revenues by 2030 (from <50% today). This includes products for the Medical Devices industry, where clinical benefits in terms of enhanced union rates for the likes of Trauma plates, improved brain function using PEEK based Cranio Maxillo Facial ('CMF') skull plates, or patient satisfaction from alternatives to metal are supporting surgeons globally. Today, over 15 million PEEK implants are in patients' bodies, mostly in Spine, but increasingly in applications for Arthroscopy, Dental, Cardio and Trauma. FY 2022 saw great progress in the clinical trial for a PEEK Knee, with 30 patients now having a PEEK Knee implanted, and 12 patients beyond 12 months, with no clinical intervention, supporting the potential for commercialisation and a product which could offer clear societal benefits compared to existing metal-based solutions.

As examples of how our products bring environmental and societal benefits:

→ applications in Aerospace and Automotive using PEEK polymer typically offer 60–70% weight reduction compared to metal equivalents**. We also have applications tailored for the next generation of electric vehicles ('EVs'), with new business wins through FY 2022 and a potential of over 100g of PEEK per vehicle, compared to approximately 10g today;

- our typical sales to Aerospace alone help support annual CO₂ savings 3x our own annual CO₂ footprint (based on Scope 1 & 2 emissions)*;
- even just a 10kg reduction in weight using PEEK polymer can help to save 4 tonnes of CO₂ per year, per plane*;
- based on the Aerospace industry's forecast of plane build over the next 15 years, if all single aisle planes were built from over 50% PEEK composites, a 53 million tonne CO₂ saving could be realised (over a 15-year period and based on an average weight saving of 60%)**;
- in Electronics, a typical 40% weight saving in home appliance applications supports the opportunity of improved energy efficiency**; and
- finally, in the Medical Devices industry, higher union rates using PEEK composite-based Trauma plates have been achieved, compared to metal-based solutions**.

* IATA carbon reduction and climate change 2018.

** Data on file.





Sustainability report continued

“ As a purpose led organisation, our global employees have a real motivation to enable environmental & societal benefits for our customers and the planet – through our sustainable products supporting CO₂ reduction, energy efficiency, or clinical benefit in Medical – as well as how we can minimise our own use of resources.

Jakob Sigurdsson
Chief Executive Officer



Introduction from the Chief Executive Officer – Jakob Sigurdsson

A key focus area during 2022 has been assessing the most appropriate route for delivery of our 2030 goals. This includes the assessment of alternative fuels and technologies, including potential full electrification (compared to roughly 50/50 gas & electricity usage) and access to hydrogen as a fuel source, given that the use of alternative fuels or process technology change will be contingent on how we could get to Net Zero (Scope 1 & 2 emissions) in our own operations. Through the coming years, we expect to be in a better position to have firmed up the options on how we deliver our goals. The formation of our Corporate Responsibility Committee ('CRC') this year will also oversee our goals and long-term aspirations.

Our 2030 Sustainability Vision continues to be focused on three main areas:

→ Sustainable solutions: how our sustainable products enable environmental & societal benefits, for example in supporting the reduction of CO₂ in Aerospace and Automotive markets, including in electric vehicle applications, as well as offering recyclability potential and energy efficiency in Electronics. This area also includes Medical, where over 15 million implanted devices are using PEEK-OPTIMA™ as a replacement for metal, offering clinical benefit in Spine, Trauma and Arthroscopy, with growing commercialisation or development in Cardio (Artificial Heart), Drug Delivery and Knee;

→ Resource efficiency: energy usage will continue, in the short term, to be driven by production volumes, as will water. However, pleasingly, we note that our carbon intensity decreased by 4% this year. Waste to landfill increased this year due to higher production and waste stored up during the COVID-19 pandemic. We have increased how we measure energy, waste and water usage within our business and expect to add some further quantification over the years ahead. Finally, we made great progress this year in completing a full Lifecycle Analysis of our key products, so we can track PEEK's carbon footprint from 'cradle to gate', noting that the multiple production processes typically mean PEEK has a higher carbon intensity per kg than other polymers, even if the performance properties are higher. This means we will, from FY 2023, be reporting on all relevant Scope 3 emissions (indirect emissions from formulation of and transport of goods that are supplied to us, prior to manufacture). Whilst peer data is difficult to fully track, our own internal assessment, and the fact we are using 100% renewable electricity in our own UK operations, suggests Victrex™ PEEK has a favourable sustainability profile against competitor products. Victrex™ PEEK is also more favourable than the industry average for PEEK manufacturing's global warming potential, based on GaBi materials data; and

→ Social responsibility: Victrex has a long track record of supporting local communities where we operate. Safety and wellbeing goals will seek to achieve a culture with zero accidents and zero incidents, together with enhanced Diversity, Equity & Inclusion ('DE&I') goals. Indeed, our progress here has been good, with a target of 40% of females in leadership roles by 2030. In FY 2022 we saw an improvement up to 19%, from 10% in the prior year. Much of our

community activity is focused on the next generation, including continued support of Science, Technology, Engineering and Mathematics ('STEM') learning in UK schools, with a plan to globalise this programme, including in China. Through supporting STEM activities in schools, as well as supporting 63 apprentices this year – 17% of whom are female – we committed 4,784 hours to local communities in FY 2022, with a cumulative target of 10,000 hours by 2030. Overall, our 2030 goals build on our previous targets set back in 2013, several of which we have now completed.

Further detail on our accreditations is shown on page 50, and although we do not specifically seek recognition for our sustainability performance, we saw additional progress with an A rating from MSCI; continuation within the FTSE Russell Green Revenues Index, reflecting our sales into Transport markets, where our lightweight materials support the trend of CO₂ reduction; and Apple recognising our Sustainability Vision and commitments in its Clean Energy Supplier programme. Finally, 100% of our UK electricity is now from renewable sources.

At a personal level, I remain hugely passionate about sustainability and what our products can do to help the environment and society. In a world where CO₂ reduction, electrification and lightweighting are in focus, or in Medical, where performance benefits to patients matter, Victrex can play a key part in supporting our customers, differentiating our business and ultimately bringing tangible benefits to society and the environment.

I look forward to further progress being delivered in the years ahead.

Jakob Sigurdsson
Chief Executive Officer
6 December 2022

VICTREX'S OPTIONS TO **NET ZERO** (SCOPE 1 & 2 EMISSIONS)

Our Net Zero aspiration for Scope 1 & 2 emissions is centred on reducing climate impacts from our own operations.

A 2030 vision

Our Net Zero goal by 2030 (for Scope 1 & 2 emissions) was set in 2020 and is significant and ambitious. It intentionally focuses and invests to help reduce our carbon footprint (based on 2019 manufacturing footprint).



100% global renewable electricity by 2024 (where the market exists)



Continuously improve emission & waste reductions



Multi-fuel & green backed combustion processes

Fulfilling our goals

Any minority, remaining balance will be from validated, ethical sources.



Carbon abatement opportunities



Ethical carbon offsetting





OUR SUSTAINABILITY VISION AND GOALS

Our 2030 Sustainability Vision was set out in 2020, covering a 10-year period with specific goals and milestones, which we intend to add to as appropriate. Our goals are also aligned with the UN's Sustainable Development Goals ('SDGs'), and these are shown below.

SDGs > Sustainability pillars >




SUSTAINABLE SOLUTIONS AND RESOURCE EFFICIENCY

Our sustainable products support CO₂ reduction, as well as offering recyclability, whilst we focus on minimising resources (energy, waste and water)




SOCIAL RESPONSIBILITY

Further inspire our employees and communities to positively impact sustainability development



OUR KEY IMPERATIVES:

- Goal of Carbon Net Zero (Scope 1 & 2 emissions)
- Increase revenues from our sustainable products which bring environmental and societal benefits
- Minimise resources (energy, waste and water) used in our own operations
- Enhance our Diversity, Equity & Inclusion ('DE&I') agenda

2030 goals**Milestone targets**

- **Goal of Net Zero Carbon emissions for Scope 1 & 2** by 2030 in our own operations¹
- **Increase recycling rates** of PEEK/PAEK in the supply chain
- **Increase revenue** from our sustainable products with positive environmental and societal benefits (currently 48%)
- **Sustained reduction in resources** carbon intensity, waste and water usage by 2030

- **Victrex using 100% renewable electricity by 2024²**
- **Increase % revenue** from recycled products or materials in the supply chain (by 2025)
- **Exceed 70% of Group revenue** from sustainable products with environmental and societal benefits by 2030 (and exceed 50% by 2025)
- **Commitment to a science-based emissions target³**

- **Deliver zero accidents and zero incidents culture**
- **Grow** global STEM programme
- **Increase community activity** across our global locations
- **Focus** on supporting gender Diversity, Equity & Inclusion

- **Improved safety metrics, based on OSHA standard**
- **STEM Ambassadors** in every region
- **Commit >500 employee hours** to global community activity annually
- **Embed inclusion and diversity** across global employee base

→ Read more on [pages 44 to 74](#)

1 Scope 1 & 2 emissions and science-based target. Goal based on 2019 manufacturing footprint.

2 For all countries where the market exists.

3 Includes quantifying all relevant Scope 3 emissions in our supply chain and establishing a reduction target, based on 2019 manufacturing footprint.



OUR ACHIEVEMENTS AND ACCREDITATIONS IN FY 2022

Science Based Targets initiative ('SBTi') – Victrex committed to SBTi during FY 2022 as part of its 2030 Carbon Net Zero goal, with full submission due to be completed in FY 2023, covering all Scopes in line with 1.5°C emissions scenarios of SBTi.



FTSE Russell – Part of FTSE Russell Green Revenues Index – over 30% of Victrex revenues defined as coming from sustainable solutions.



EcoVadis – EcoVadis is one of the leading organisations assessing the sustainability strategies of global companies. In FY 2022, Victrex was again awarded a Gold rating, meaning we are in the top 6% of companies assessed, out of more than 4,000 companies.



MSCI – MSCI is one of the leading organisations ranking listed companies for their sustainability performance. We saw an improvement to A rating (from BB) in 2022.



SEDEX Member – Committed to an ethical and sustainable supply chain.



Apple Clean Energy Supplier programme – We have been accredited by Apple on its Clean Energy Supplier programme, with 100% renewable electricity supply in the UK and a goal to have 100% globally by 2024.



CDP – Victrex has seen further improvement from the Carbon Disclosure Project ('CDP'), with a ranking of B- in 2021, and evidence of sustained improvement since our original D score in 2013.



Financial Times Climate Leaders – Victrex was named by the Financial Times as one of Europe's climate leaders, one of only 400 European companies selected from around 4,000 companies.



Community focus – Victrex has long-standing partnerships with the Science Industry Partnership, supporting the engineers and scientists of tomorrow; STEM learning, as part of our global STEM programme, supporting careers in Science, Technology, Engineering & Maths; and Business in the Community, where we support a range of local activities in the UK, with over 4,784 employee hours committed to volunteering in FY 2022 alone.






HOW WE ARE MAKING PROGRESS IN OUR SUSTAINABILITY GOALS

In 2013, Victrex started on its sustainability journey, with a 10-year plan through to 2023 (timed to mark the 30th anniversary of Victrex's formation), during which time we have delivered on several key milestones, including improved water usage and waste reduction. The Board is pleased with progress so far, but would like to see continued focus on challenging long-term sustainability goals.

Our 2030 goals are now our primary focus, aligned to the UN Sustainable Development Goals 2030. This year, we have added further measures over the medium and long term, as well as committing to SBTi as part of our science-based target.

As part of our sustainability strategy, we are also investing a large proportion of our Research & Development expenditure in sustainable products. Annually, approximately 89% of our project-based R&D investment is aligned to sustainable products or programmes. These include all of our Aerospace mega-programmes, our programmes supporting high performance materials in E-mobility and Automotive Gears, and all of our Medical mega-programmes which underpin clinical benefits, for example in addressing improved patient outcomes in Trauma, Dental and Knee. We also have selected applications in Energy & Industrial and Electronics which are sustainable, e.g. wind energy.

Area of focus	Progress 2013–2022	2030 goals	Milestone targets	2022 progress or new milestone target
Sustainable solutions  → Read more on page 58	→ >2 million tonnes of CO ₂ saved in Aerospace applications → Proportion of revenue from sustainable products* now 48%, reflecting growth in Transport and Medical applications since 2013 → Societal benefits through improved patient outcomes in Medical: >15 million patients implanted using PEEK-OPTIMA™	→ Increase recycling rates in the supply chain → Increase revenue from our sustainable products with positive environmental and societal benefits (currently c.50%)	→ Increase % revenue from recycled products or materials by 2025 → Exceed 70% of Group revenue from sustainable products by 2030 (and exceed 50% of Group revenue by 2025)	→ Project completed and partnership proposed with VAR customer to enable a recycling route for PEEK in the supply chain → R&D investment in sustainable products equates to 89% of project-based R&D investment (measured as a % of total R&D investment from FY 2023)
Resource efficiency  → Read more on pages 60 to 64	→ >97% renewable electricity globally and 100% in the UK → Sustained reduction in water and waste per tonne (reduction in waste per £m revenue by 48% since 2013)	→ Goal of Net Zero Carbon emissions by 2030 in our own operations (Scope 1 & 2 emissions & science-based target) → Sustained reduction in resources (carbon, waste and water) per unit/tonne by 2030	→ 100% renewable backed electricity by 2024 (globally where the market exists) → Commitment to SBTi by end of 2021 and submission in 2023	→ Completion of Lifecycle Analysis & Scope 3 emissions inventory → Achieved 100% of UK renewable electricity for UK sites
Social responsibility  → Read more on pages 66 to 71	→ Improved OSHA standard in FY 2022 of 0.2 (FY 2021: 0.7 & industry standard of 1.4) → Over 10,000 employee hours spent supporting community activity since 2013 → 45 global STEM Ambassadors in place	→ Deliver zero accidents and zero incidents culture → Increase community activity across our global locations → Grow global STEM programme → Focus on supporting Diversity, Equity & Inclusion ('DE&I') agenda	→ Continually improving safety metrics based on OSHA standard → >2,500 contacts with young people by Victrex employees by 2030 and STEM Ambassadors in every region → Cumulative employee hours supporting local communities >10,000 hours (2020–2030) → Embed Diversity, Equity & Inclusion across the employee base: 40% of females in leadership group (top two grades) by 2030 (FY 2021 baseline: 10%)	→ Further improvement in SHE performance with an RIFR of 0.2 (85% lower than industry standard of 1.4) → 4,784 employee hours supporting local communities during FY 2022 → Further progress on Diversity, Equity & Inclusion goals: FY 2022: 19% of females in leadership group (up from 10% in FY 2021)

Sustainable products are defined as those which offer a quantifiable environmental or societal benefits. These are primarily in Automotive, Aerospace (supporting CO₂ reduction) and Medical (supporting improved patient outcomes). Some applications are also in Energy & Industrial (e.g. wind and renewable energy applications) and Electronics (supporting energy efficiency, e.g. home appliances). Volumes from Oil & Gas are excluded, as are Value Added Resellers volumes currently, due to the lack of full clarity on exact end market destinations. This definition followed review by an external assurance organisation and the Board, with ongoing review by the Corporate Responsibility Committee ('CRC').



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Overview

Victrex welcomes the introduction of the Task Force on Climate-related Financial Disclosures ('TCFD') and recognises the impetus this will provide for companies and stakeholders to understand relevant climate-related opportunities and risks and to also ensure appropriate risk mitigation processes are in place. The Annual Report 2022 represents Victrex's first year of full TCFD disclosures.

Victrex recognises the impact it has on the environment, both in a positive way and negative impacts from our use of resources. On the positive side sustainability is embedded in Victrex's purpose – bringing transformational & sustainable solutions which address the world's material challenges, every day – our mega-programmes and other targeted growth areas are closely aligned to products supporting CO₂ reduction, for example in Aerospace, Automotive and Energy & Industrial end markets. This is underpinned by targeting our investment in Research & Development/innovation which is increasingly focused on sustainable products.

Our goal of being Carbon Net Zero by 2030 (Scope 1 & 2 emissions) also recognises the environmental impact of our manufacturing processes which create emissions, utilise water and generate waste. Our CO₂ metrics are included on pages 61 to 63 with our path to lower emissions included on page 5. We continue to research and invest in new technology aimed at minimising use of resources and significantly reducing our own operational carbon footprint.

As part of our commitment to sustainability, we seek to exceed 50% of Group revenue from products with positive environmental and societal benefits by 2025 and exceed 70% by 2030. We recognise the challenging nature of these targets, but this reflects our commitment to supporting a lower carbon economy and providing greater societal benefits to an increasing proportion of the population. In delivering our targets we are working closely with customers, forming partnerships with companies that share our ambition and goals.

Our sustainability strategy has gained a number of accreditations, as set out on page 50. Our sustainability strategy is also aligned directly to the UN Sustainable Development Goals 2030 and as part of our Carbon Net Zero goal (for our Scope 1 & 2 emissions), we have committed to SBTi, the Science Based Targets initiative.

TCFD has provided a useful framework for the Company to assess its climate change approach against and supported a full breadth of consideration which has been supplemented by external support with the appropriate expertise to challenge and provide guidance in evolving the strategy and approach to climate change. We recognise that developments and focus on climate change have progressed significantly in the past two years, with the 2021 United Nations Conference on Climate Change ('COP26') emphasising the need for governments and businesses to play key roles in moving from ambition to action if climate change is to be controlled, and will continue to do so. Management receives regular input from multiple stakeholders, as we keep our approach under review, supported by the Corporate Responsibility Committee. Engagement in our climate change strategy has been particularly strong amongst our employees, with not only commitment to supporting current workstreams but increasing levels of idea generation coming from all areas of the business, including energy saving measures, recycling and a #Playyourpart campaign.

Statement on TCFD

We set out below our climate-related financial disclosures. These comply with LR 9.8.6R by incorporating climate-related financial disclosures consistent with the TCFD recommendations, specifically under the four TCFD pillars and eleven recommendations. Whilst consistent with the recommendations the Company recognises that the level of granularity provided will increase over time as the

Company matures and embeds its climate change processes and approach and sets more interim targets to track progress against its Net Zero 2030 target. Significant progress has been made in the past year, including the establishment of a specific Board Committee, the Corporate Responsibility Committee, obtaining physical risk assessments and performing scenario analysis.

The below table is presented to demonstrate compliance and signpost where the specific disclosures are included in the Annual Report and Accounts where it is not within this section. It also sets out the future actions the Company is taking which will support more detailed disclosure in future years.

In making the above statement of compliance the Board has considered materiality and whether the incorporated disclosures provide sufficient detail to enable stakeholders to assess the Group's exposure to and approach to addressing climate-related issues. This includes an assessment of the level of exposure the Group has to climate-related risks and opportunities taking into account our products and manufacturing processes. Specifically on the financial disclosures incorporated in the financial statements (see note 1 for details) a materiality level consistent with that used for other financial statement disclosures, and with the level used by the external auditors, has been used, which for the current year is £4.7m.

The Board has considered the TCFD additional guidance (2021 TCFD Annex) in preparing the disclosures, including the sector specific guidance with the Company, as a chemical manufacturer, coming under the Materials and Buildings sector. The Company has included the sector specific disclosures, principally the potential impacts of stricter constraints on emissions and the related impact on costs as well as the opportunities for its products to reduce carbon emissions, with a specific metric (and target) included to measure this. The emphasis of the additional guidance is to provide more granular and explicit disclosures which as stated above is aligned with the Company's objectives for future years. Evidence of this progress will be seen in the Annual Report 2023.

The Board is supported by the Audit Committee in assessing the level of consistency of disclosure with the requirements of TCFD. Further details on the role of the Audit Committee are included on page 97.

TCFD: oversight & governance of our climate-related risks & opportunities

Victrex Board	
The Board reviewed and approved the Group's 2030 ESG goals and has oversight of how these will be embedded and reported, whilst ensuring sustainability remains at the core of our purpose, values and strategy	
Corporate Responsibility Committee ('CRC')	
Formed in FY 2022, the CRC oversees the Group's conduct with regard to its corporate societal obligations and commitments. This includes overseeing and reviewing the development and execution of the 2030 sustainability strategy and commitments including progress towards targets	
Victrex Management Team ('VMT')	
The VMT embeds sustainability strategy target reviews into the regular performance reviews they undertake with their respective teams	
Sustainability workstreams	
Head of Sustainability & ESG	
1. Sustainable solutions	2. Resource efficiency
3. Social responsibility	4. Safety, health & wellbeing



Summary of key focus areas

Recommendation	Response	Future actions	Further details (where relevant)
Governance			
a. Describe the Board's oversight of climate-related risks and opportunities	The Victrex Board is responsible for reviewing and guiding strategy, with sustainability embedded into our purpose and our Polymer & Parts strategy. Board oversight is led by the Corporate Responsibility Committee ('CRC'), which was established during FY 2022, meets quarterly and is chaired by a Non-executive Director. The CRC reviews progress against 2030 goals and action plans to deliver these. It also assesses ongoing environmental performance against key performance indicators. The CRC has overseen the process for identifying and assessing risks and opportunities associated with climate change. The Chair of the CRC provides the Board with an update at each Board meeting.	The Board and the Corporate Responsibility Committee will continue to challenge how the proposed 2030 goals and plans are embedded, whilst ensuring sustainability remains at the core of our purpose, values and strategy.	The key performance indicators and milestone targets are shown on page 51. Further information on the roles and responsibilities of the Board and CRC are included on page 85. The Board members' experience of climate change is included in their biographies starting on pages 78 and 79.
b. Describe management's role in assessing and managing climate-related risks and opportunities	The VMT (chaired by the CEO) is responsible for reviewing and guiding major plans of action to achieve the sustainability strategy, including required capital investment and investment in R&D supporting sustainable products. The VMT embeds sustainability strategy target reviews into the regular performance reviews they undertake with their respective teams.	The VMT will review and propose necessary actions in support of our 2030 goals, for example options towards our Carbon Net Zero (Scope 1 & 2 emissions) goal, which include alternative fuels and processes.	
Strategy			
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Climate change related risks and opportunities have been identified including those involving our products and solutions benefiting society (for example in quantified weight saving and CO ₂ reduction in Aerospace & Automotive), the cost of carbon intensity through taxation from our operations and the potential increase in the cost of energy. Victrex has used the TCFD framework of six risks and five opportunities along with the related examples to support the identification process, of which four are considered to have a high impact and likelihood.	Climate-related risks and opportunities are reviewed on a regular basis by the CRC. Further locations, those which are smaller and have a much lower impact on current and medium-term revenue growth, will be assessed for physical risks before the end of 2024 with updates made to existing assessments and mitigation plans as information and climate change modelling become more sophisticated.	Risks and opportunities, both physical and transitional, are presented on pages 55 and 56.
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	The potential climate-related benefits that our products offer present a strong business opportunity, which is considered to outweigh the climate-related risks from markets which will be adversely impacted by climate change. The benefits that our products bring are detailed in Enabling Environmental and Societal Benefits on page 45. Climate-related risks, both physical and transitional, are primarily assessed in the context of our own manufacturing operations.	The impact assessment of the identified risks and opportunities will be refreshed as part of the annual strategy review during 2023 with the aim of maturing our models for quantifying the impact.	The impact of risks and opportunities is presented on pages 55 and 56. Examples of the benefits our products bring to mitigating climate risk perspective are detailed on page 45.
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	The Group believes that its Polymer & Parts strategy is resilient in a 2°C or lower scenario, primarily through: → the Group's existing products, along with its mega-programmes in Transport, support applications aimed at reducing carbon dioxide emissions and therefore assist current and future customers meeting their own requirements to reduce emissions in a 2°C or lower scenario; and → the strategy of the Group includes a clear goal to decarbonise the manufacturing process as part of achieving Net Zero. This will mitigate the impact of the Group's manufacturing processes on climate change and mitigate against the likely tightening of regulatory/government restrictions and taxes to drive down the use of carbon emitting processes.	Challenge the manufacturing process and chemistry to lower the overall energy usage, water usage and waste generation. Complete the assessment of the most climate sensitive and cost effective source of green energy to meet the future manufacturing requirements, replacing gas and non-green electricity currently used.	See pages 4 and 5.
Risk management			
a. Describe the organisation's processes for identifying and assessing climate-related risks	During the last year we have conducted an initial climate-related risk assessment using external specialist support. This included a risk assessment workshop comprising senior management from across the business to review climate-related risk over the short, medium and long-term horizons. This exercise considered both the climate-related physical and transition risks under three climate scenarios and the actions that could be taken to mitigate them. A summary of the most significant climate-related risks is included on pages 55 and 56. Climate risk will continue to be part of our overall Corporate Risk Management process. Each risk is thoroughly evaluated based on the likelihood of occurrence and severity of impact.	Continue to monitor and review climate-related risks through the Corporate Risk Management process. In addition, the CRC will provide oversight to the newly established climate-related risks including action plans and progress made.	The risk management process is described on pages 34 and 35.



Sustainability report continued

Summary of key focus areas continued

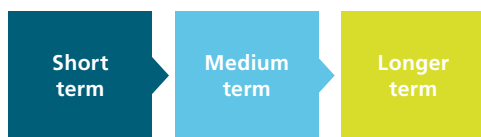
Recommendation	Response	Future actions	Further details (where relevant)
Risk management continued			
b. Describe the organisation's processes for managing climate-related risks	The CRC oversees sustainability workstreams, which includes climate-related risks. Climate-related risks are integrated into and managed alongside our corporate risk processes and principal risk profile. Each risk has a designated risk owner who is responsible for reviewing and monitoring the risk and providing the necessary oversight for the implementation and maintenance of appropriate mitigations.	Further develop the response plans for each significant climate-related risk and its interaction with the options to Net Zero by 2030 (Scope 1 & 2 emissions) and monitor progress through the CRC.	The building blocks to Net Zero (Scope 1 & 2 emissions) are included on page 5.
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Our Corporate Risk Framework (page 34) provides details of the processes used to assess and manage all risk types, including climate-related risks. We have a well-established risk impact rating methodology which we have used, along with support from external advisors, to complete initial qualitative assessments of our transitional and physical climate-related risks.	Fully establish assurance of key controls and actions related to the newly defined climate-related risks.	See pages 55 and 56 for the strategic response and resilience against the specifically identified risks.
Metrics & targets			
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	The climate-related metrics are proposed by management and agreed by the CRC. This includes the development of milestone targets on the path to Net Zero (Scope 1 & 2 emissions) by 2030.	Further refinement of metrics including setting of interim milestone targets to monitor progress towards 2030 goals, including in respect of Scope 1 & 2 emissions.	Victrex metrics and targets are set out on page 51.
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions and the related risks	We calculate and track Scope 1, 2 & 3 (all Scope 3 categories where relevant – see page 63) GHG emissions, including our absolute carbon emissions, and measures of carbon intensity according to the GHG Protocol Corporate Standard.	Finalisation of our Scope 3 goal is planned for FY 2023, for which we have committed to SBTi.	Emissions disclosed on pages 61 to 63.
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have established longer-term goals with associated near-term milestone targets related to climate change, which includes our aspiration of Carbon Net Zero for our own operations by 2030. Interim goals include our target of increasing our sustainable products to over 50% of revenues by 2025 (from less than 50% today). As set out in the Directors' remuneration report in the Annual Report for the year ended 30 September 2021, a proportion of executive remuneration will be assessed against a range of challenging carbon reduction targets.	We are committed to the SBTi to start the process of science-based targets in line with the global accord to minimise global warming to 1.5°C.	Climate-related metrics and targets are set out on page 51. Executive targets detailed are set out on page 120 and 127.

Climate-related risks and opportunities

As noted above the Group has been through a detailed process to identify climate-related risks and opportunities. As required by TCFD this has included the two major climate-related risk categories and their six subcategories along with the five major categories of opportunity.

Analysis has been undertaken against each of the subcategories to identify the key risk/opportunity relevant to the Group, the financial impact of that, the likelihood of them arising both across a range of timelines and transition climate scenarios. The time horizons and climate scenarios used for the transitional risk assessment are detailed below with those used for physical risks included on page 57. Different climate scenarios and time horizons have been used to best represent the different drivers behind transitional and physical risks and opportunities.

Time horizons:



Considered up to 3 years

Between 3 and 10 years

More than 10 years

They have also been assessed through multiple transition climate scenarios:



Global Net Zero target achieved by 2050 in line with the aim of the Paris Agreement. This would require swift and decisive action with regard to both governments and businesses.

Achieve global Net Zero by 2080, requiring a progressive ramp in policy interventions compared with today.

Global Net Zero not achieved by 2100, reflecting lack of co-ordinated global commitments with limited policy interventions.

The analysis is split into transitional and physical risks and opportunities and detailed on pages 55 and 56.

Transition-related risks and opportunities

The Group undertook a detailed exercise to identify transition risks and opportunities for consideration. Those considered to have the largest impact are included in the table below. For some risks and opportunities the time frame of impact spans multiple time horizons; where this is the case two time frames are shown to illustrate this with the impact expected to increase as the time horizon increases.

Climate-related risk/opportunity	Impact	Temperature scenario	Time frame of impact	Strategic response and resilience
Policy				
<p>Risk: The Group's energy usage is disclosed on pages 61 to 63. Increasing the pricing of carbon emissions is a key lever for governments and regulators to reduce use of hydrocarbon-based energy sources.</p> <p>Link to principal risks: Strategy execution</p>	<p>Current sources of energy, gas and electricity could increase in cost significantly as the government drives a move away from hydrocarbons to green energy sources, with alternative sources of green energy more expensive. An illustrative impact for financial modelling purposes has been made as outlined below.</p>	Accelerated/ Mid/Current	<p>Medium</p> <p>Medium – Long</p>	<p>Reducing the impact of carbon-based taxes is being mitigated by both the switch to greener energy and the chemistry of the manufacturing process to reduce absolute energy usage. The Group's strategy for reducing carbon emissions is outlined on page 5. The approval of new capital projects includes consideration of the source of energy and an assessment of green energy options.</p>
Policy, market and technology				
<p>Risk: A proportion of the Group's sales go into industries expected to decline due to climate change (driven by both government policy and consumer behaviours), including Oil & Gas and internal combustion engine based transportation.</p> <p>Link to principal risks: Strategy execution/ Geo-political and macro-economic environment</p>	<p>Declining sales and profits as demand falls for Company's products. Approximately 18% of sales currently go into Oil & Gas and ICE related Automotive applications.</p>	Accelerated/ Mid/Current	<p>Medium – Long</p> <p>Long</p>	<p>Whilst Oil & Gas and ICE based transportation will reduce significantly over time, this is likely to vary by geography and take many decades. PEEK has a continuing role to play in making both industries reduce their carbon footprint in the intervening period.</p>
<p>Opportunity: PEEK's properties play favourably in a low carbon world (see pages 10 and 11) providing opportunities to grow sales significantly as the world decarbonises and governments introduce policies and regulations.</p>	<p>Delivery of the Group's growth programmes, which underpin carbon reduction, including lightweighting of aircraft, electrification of vehicles and increased use of Semiconductors, will lead to significant revenue and profit growth and cash generation.</p>	Accelerated/ Mid/Current	<p>Medium</p> <p>Medium – Long</p>	<p>The Company continues to invest heavily in its mega-programmes supporting lower carbon transportation, but also has applications in green energy and electronics which support improved energy efficiency. Within Automotive, for example, the decrease in the ICE business is expected to be slower than the increase in the EV business and will therefore provide an increased net benefit over the medium-term horizon. Success in this area is aligned to our target of growing revenue from sustainable products.</p>
Reputation				
<p>Risk: Key stakeholders, including investors and employees, become disenfranchised with the Group's failure to deliver its Net Zero target.</p> <p>Link to principal risks: Recruitment and retention of the right people</p>	<p>Reduced interest from investors will adversely impact the Company's share price and make raising capital more difficult.</p> <p>Not being able to retain and attract talent will adversely impact the Group's ability to deliver the strategy.</p>	Accelerated/ Mid/Current	Short – Medium	<p>The Company has established a Net Zero by 2030 target, identified key milestones and engaged key stakeholders, including investors and employees, in the delivery of the strategy. Demonstrating progress against these milestones will retain the interest of key stakeholders.</p>
<p>Opportunity: Achieving Net Zero by 2030 presents an attractive proposition for key stakeholders, including customers, investors and employees, with increasing interest in being associated with ambitious companies delivering their commitments on climate change.</p>	<p>Increasing interest from ESG funds may boost the Company's share price and could provide greater access to capital, with financial institutions also providing more attractive access to capital for companies with green credentials.</p> <p>Attracting and retaining talent will support delivery of the Company's strategic growth ambitions.</p>	Accelerated/ Mid/Current	Short – Medium	<p>Victrex has grown its position amongst a number of dedicated ESG funds globally. It has also broadened its position in a number of external networks or industry forums as a leading advocate of decarbonising.</p> <p>The Group has sought external accreditation for its approach to climate change providing key stakeholders with assurance of its commitments to Net Zero by 2030.</p>



Sustainability report continued

Transition-related risks and opportunities continued

The overall financial impact of the above risks and opportunities has been assessed. From a revenue perspective it has been concluded that climate change presents a net opportunity for the Company, with PEEK and its current and future applications playing strongly across a number of end markets where reductions in carbon emissions are a key driver for innovation. For financial planning and scenario modelling a cautious revenue neutral position has been assumed.

The primary adverse financial impact will come from carbon pricing, should the Company fail to identify a cost effective green energy solution to replace gas as its primary source. The Board remains confident that this will be the case but the cost of implementing and running greener energy, based on current usage, can only be an estimate at this stage. The target is to mitigate any increase through improvements in the manufacturing process which facilitate operating at lower temperatures and producing less waste; however, this remains at early stages with cost increases likely to arise before the mitigation benefit. As a result the Group has assumed a financial downside from carbon pricing (covering both the potentially higher cost of green energy, or the cost of carbon taxes if this fails). An assumed addition cost of £20mpa (from 2024), increasing annually with inflation, has been included in financial planning, including the models used for impairment testing and the viability assessment, to address this risk. Further details on how this has impacted the preparation of the financial statements is included in the basis of preparation on page 146.

Physical risks

The Group has assessed the climate-related physical risks, both acute and chronic. The primary physical risk is that of increased severity and frequency of extreme weather events:

Climate-related risk	Impact	Risk	Potential financial impact
Physical: acute and chronic			
Increased frequency and severity of extreme weather events	→ Disruption to production processes and/or loss of inventory	→ Employee welfare could be impacted by extreme weather ranging from impact of flooding through to heatwaves and droughts making working conditions harmful	→ Loss of production resulting in loss of revenue (short term and/or long term) due to being unable to supply with customers seeking more reliable alternatives
	→ Loss of assets		
	→ Harm to employees	→ Increases in the frequency and severity of flooding events could result in damage to production assets or loss of inventory	→ Cost of repairing/replacing assets not covered by insurance → Increased cost of unavailability of insurance
	→ Loss of reputation for ability to supply on time in full		

The timelines associated with the physical risk are covered in the scenario analysis below.

The Group's primary operational manufacturing assets are located in the UK, with commissioning ongoing in China on additional capacity. The Group has a network of regional warehouses, all of which are leased which affords the flexibility of being able to readily relocate these within a short time frame where elevated risks exist or emerge over time.

The Company's ability to supply its customers has been and remains a key business priority. A key mitigation of this risk is the level of inventory, with targeted levels of three to four months' cover at each warehouse. This level is kept under review depending on the risks to global supply chains and the phasing of extended plant maintenance shutdowns at any point in time as well as the volatility in demand profiles. The risk to supply from climate change is incorporated into this consideration, but at current target levels of inventory, a temporary loss of production due to extreme weather events could be absorbed without losing the ability to supply customers.

The likelihood of extreme weather events impacting key locations is considered opposite in our scenario modelling.



2022 climate scenario analysis modelling

Climate scenario analysis ('CSA') has been performed to assist in understanding the potential impact of climate change on the future of our business which in turn will support the evolution of our strategy. The CSA was carried out using a standard methodology in line with TCFD guidance.

Climate change and its impact on weather patterns may result in physical risks to the Group's assets and employees along with those of its supply chain and customers. The Group has engaged with third-party advisors to assess the exposure to the physical risk noted above. In total nine hazard types have been assessed, including flood, wind, precipitation and drought, up to 2100 in 10-year increments.

The climate-related data used to underpin this assessment was the Shared Socio-environment Pathways ('SSPs'). SSPs are a function of greenhouse gas emissions, socioeconomic metrics and expected implementation of adaptation and mitigation measures. These correspond roughly to the Representative Concentration Pathways ('RCPs') of previous versions of the Intergovernmental Panel on Climate Change ('IPCC') report. Three IPCC climate change scenarios have been used, with a baseline of 2020:

Scenario	Near term: 2021–2040		Mid term: 2041–2060		Long term: 2081–2100	
	Best estimate	Very likely range	Best estimate	Very likely range	Best estimate	Very likely range
SSP 1-2.6 (RCP 2.6)	1.5°C	1.2 to 1.8°C	1.7°C	1.3 to 2.2°C	1.8°C	1.3 to 2.4°C
SSP 2-4.5 (RCP 4.5)	1.5°C	1.2 to 1.8°C	2.0°C	1.6 to 2.5°C	2.7°C	2.1 to 3.5°C
SSP 5-8.5 (RCP 8.5)	1.6°C	1.3 to 1.9°C	2.4°C	1.9 to 3.0°C	4.4°C	3.3 to 5.7°C

For information relating to the forward-looking climate data, our third-party advisors used Jupiter Intelligence ClimateScore.

The climate data and scenarios were used to perform an initial assessment on the Group's primary operational manufacturing sites, defined as those critical to the sustainability of our current revenue streams and those which will deliver the majority of growth over our strategic planning horizon, five years. Three sites met the criteria for inclusion in the initial assessment, all based in the United Kingdom.

For each of the three sites and for each of the nine hazard types, the following outputs from the modelling were considered:

- hazard level evolution – expressed qualitatively from 'low' to 'very high' hazard levels based on physical parameters for each hazard according to our external advisors;
- hazard value relative increase/decrease – relative change in percentage compared to the baseline 2020 value; and
- hazard value – absolute hazard value, expressed in the metric relevant to the hazard, designed to provide context to the relative increase/decrease (above), but not sufficiently detailed on which to base mitigation, i.e. design of protective structures.

With reference to the SSP5-8.5 scenario (the most severe) the majority of the nine hazard types remained 'low' across each of the three sites. For those hazards which were considered 'high' or 'very high', being wind, drought and precipitation, in the majority of cases the level was consistent with the base year and the maximum increase in the hazard level to 2050 was 10% versus the base year. By 2100 the maximum increase was 25% relative to the base year which related to precipitation but that was not sufficient to increase the flood risk hazard level from that in the base year.

The conclusion from the analysis of these three sites is that there is no material financial impact from the physical risks arising from climate change through the mid-term time horizon (2041–2060) nor well into the long-term time horizon (2081–2100) (under any of the temperature scenarios), neither directly in the working conditions for our employees nor the operational cost of the business nor the cost of insuring the Group's key assets. The analysis highlights a number of factors for the Company to consider in expanding, replacing and protecting its assets and providing a safe working environment for its employees at these sites. The incorporation of these into the future plans of the business will be monitored by the CRC.

Further work is scheduled to widen the scope of this analysis to other manufacturing sites and also through the supply chain to our strategic suppliers, focusing on those suppliers in markets with limited participants.

Financial statement impact

The impact on the financial statements for the year ended 30 September 2022 of the aforementioned risks and opportunities from climate change has been detailed in the notes to the financial statements (see note 1 for further details).



SUSTAINABLE SOLUTIONS: IMPROVING THE QUALITY OF LIFE IN PATIENTS THROUGH CUTTING EDGE MEDICAL DEVICES

Societal benefits

Victrex's sustainability (ESG) strategy, which includes a Carbon Net Zero goal by 2030 (Scope 1 & 2 emissions), encapsulates a series of bold targets to increase the proportion of sustainable products (to 70% of revenues by 2030) – which in turn supports CO₂ reduction, energy efficiency, or clinical benefits in Medical – as well as minimising the use of our own resources such as energy, water and waste. In making strides towards meeting our purpose to bring transformational and sustainable products to market which address the world's material challenges, Victrex is conceiving, developing and delivering solutions that provide societal benefits, typically replacing metal-based solutions. In the medical field, Victrex Polymer & Parts are estimated, to date, since the early 2000s, to have improved clinical outcomes for more than 15 million patients, and with our Medical business, Invibio, accounting for less than 20% of Victrex revenues in FY 2022, we have a bold ambition for Medical to become a larger proportion of sales over the next 10 years, potentially up to one third of the Group.

Victrex has a rich history in enabling customers to develop a wide range of sustainable medical solutions that are delivering life-changing outcomes to millions of patients worldwide. Specifically, PEEK's unique set of characteristics offers performance advantages in even the most hostile environments within the human body, from serious bone fracture sites to strong stomach acids.

Expanding the range of applications bringing societal benefit

Whilst solutions for the Spinal applications have been the bedrock of our offering, we're further expanding the range of applications within the human body where PEEK can deliver clinical benefit, with around 50% of divisional revenues now in non-Spine, from Drug Delivery and Cardio (including applications for artificial hearts) to Trauma and the emerging and sizeable opportunity in Knee. Indeed, the addressable opportunity for a PEEK Knee is around \$1bn, with a clinical trial over halfway through patient recruitment and making strong progress, with over 30 patients currently implanted and no clinical intervention.

Faster healing in patients

Faster healing¹ in patients is one of the cornerstones of Victrex's successes in the medical field, with PEEK-OPTIMA™ polymers from Invibio demonstrating a range of life-changing benefits when implanted into the human body. PEEK-OPTIMA™ Natural polymer was the first medical-grade PEEK used in spinal fusion surgeries, and today PEEK is the most widely used biomaterial for interbody fusion. When PEEK is put under stress or strain in the body, it behaves similarly to natural human bone², which can stimulate bone healing, and help to minimise stress shielding. When the chemical makeup of PEEK is enriched with additives, such as Hydroxyapatite as in PEEK-OPTIMA™ HA Enhanced polymer, further benefits are seen, such as the formation of new bone after surgery, and improving the quality of bone bridging^{3,4}. Similarly, carbon fibre PEEK composites offer exciting potential to patients undergoing surgery for orthopaedic trauma, by offering

fixation solutions that promote faster healing compared to other materials¹. Cranio Maxillo Facial ('CMF') is one area PEEK has been increasingly used, and indeed a recent brain study showed 25% better brain function by using a PEEK implant compared to titanium⁵.

From disposable to reusable devices

As the pharmaceutical industry responds to the global agenda for sustainability, pharmaceutical companies are seeking innovative ways to move from disposable devices to drug delivery platforms that are reusable. The next generation of reusable devices require larger volumes and more complex drugs, which bring a range of engineering challenges. Victrex's family of implantable and non-implantable PEEK polymers (for example, our materials were used in ventilators during the COVID-19 pandemic) help customers to address this by enabling less waste in the manufacturing process through the consolidation of components, and by extending the lifecycle of their delivery products.

From development to commercialisation

Ten years ago, most of our medical applications were in Spine but the emerging and growing non-Spine business offers a real opportunity to bring societal benefits in other applications. Thanks to often painstaking development work, certification and following regulatory pathways, we see real demand for sustainable and clinically beneficial solutions for the wider medical industry, which offer significant opportunities over the next decade, in the US, Europe and increasingly Asia.

References:

- 1 Jo Wilson, PhD, Matthew Cantwell; Polyether Ether Ketone (PEEK) Carbon Fiber Composites May Improve Healing of Fractures Stabilized with Intramedullary Nails. (Basic Science Focus Forum, paper #4, 2014) 155. (NB: Jo Wilson and Matthew Cantwell are Victrex employees.)
- 2 Data on file at Invibio. Mechanical Benchmark of Carbon Fiber PEEK-OPTIMA™ Ultra-Reinforced vs Ti 6Al-4V Plates Undergoing Static and Dynamic Testing per ASTM F382-99 (2008).
- 3 Study evaluated the bone on growth of PEEK-OPTIMA™ Natural and PEEK-OPTIMA™ HA Enhanced in a bone defect model in sheep. Data on file at Invibio. This has not been correlated with human clinical data.
- 4 Study evaluated the in vivo response to PEEK-OPTIMA™ Natural, PEEK-OPTIMA™ HA Enhanced and allograft in a cervical spine fusion model in sheep. Data on file at Invibio. This data has not been correlated with human clinical experience.
- 5 Zhang Q, Yuan Y, Li X, et al. A Large Multicenter Retrospective Research on Embedded Cranioplasty and Covered Cranioplasty. World Neurosurg. 2018;112:e645-e651.





Sustainability report continued



RESOURCE EFFICIENCY

Resource efficiency

Beyond our products playing a role in a better society, or having recyclability potential in applications, we also have clear goals to improve our resource efficiency, including reductions in energy, waste and water usage. Energy usage will continue, in the short term, to be driven by production volumes, as will water with this year being higher due to the year on year comparisons with normalised levels of production compared to FY 2021 when significant inventory, built up for Brexit, was unwound as well as the lower production through the pandemic.

However, we note that our carbon intensity (Scope 1 & 2 emissions/tonnes of PEEK manufactured) decreased by 4% this year. Thanks to improvement programmes, water usage per unit revenue has also reduced by 5% over the past five years. We have increased how we measure energy, waste and water usage within our business and expect to add some further quantification over the years ahead. We remain focused on controlling these impacts and, as we grow, are committed to continual improvement. Our priorities remain the efficient use of energy and water and waste minimisation and we are proactively focusing on improvement in these areas.

Pleasingly, we will be reporting on all our relevant Scope 3 emissions (indirect emissions from formulation of and transport of goods that are supplied to us, prior to manufacture) from FY 2022. Whilst peer data is difficult to fully track, our own internal assessment suggests VICTREX™ PEEK, with its own upstream integrated monomers and the fact we are using 97% global renewable electricity in our own operations, has a favourable sustainability profile against competitor products, most of which operate on non-renewable electricity in other jurisdictions. Our new PEEK facility in China is also now included in our Scope 1 & 2 data.

Commissioning will take place through FY 2023, ahead of commercial operations and 'normalised' production. We will be spending most of FY 2023 commissioning this project which will add further to our GHG emissions data once fully operational.

Improvement programmes

With a Continuous Improvement ('CI') team in place, we continue to assess opportunities across our resource efficiency area that haven't already been implemented. These include in recycling, energy usage, waste and water. Several improvement programmes have already delivered ongoing benefits, saving over 200 tonnes of CO₂ during FY 2022 by:

→ increasing polymer powder batch size;

→ increasing production line speed; and

→ removing the caustic wash cycle.

We have also commenced a major project at our UK Hillhouse site to improve energy metering enabling us to have more granular energy use data.

Principal environmental impacts

The Group's main environmental impacts are set out in the charts on page 61 and are different from the Group's overall greenhouse gas ('GHG') emissions (on pages 62 and 63). These show energy use, water use and waste from our main UK production sites. These production sites have the biggest potential environmental impact (consuming 98% of energy for the Group).

We report 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. Over recent years, targeted improvement programmes have resulted in lower energy and water efficiencies per unit of plant output. Environmental indicators have 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 CO₂ 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 indirect from other sources). Absolute emissions data is reported along with Scope 1 & 2 emissions per unit revenue.

Assessment & measurement

Victrex has increased its participation in a range of external ESG benchmarks, beyond our own disclosures in this Annual Report. A selection of these are shown on page 50. For example, we have a long-standing participation in the Carbon Disclosure Project ('CDP'), which benchmarks global companies and has recognised our efforts in this area. MSCI, one of the leading ESG rating agencies, FTSE Russell and EcoVadis are other organisations that assess our performance.

Compliance

Victrex continually seeks to be compliant in our environmental and operating performance. Working with global regulatory authorities, we 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 regulatory review by the UK Environment Agency. We carry out extensive routine monitoring in line with our environmental permits, to proactively ensure our plants are well controlled with zero notifiable permit breaches during the year.

UK Emissions Trading Scheme ('UK ETS')

Whilst in absolute terms for the chemical industry, Victrex's emissions are low, the 21-stage process of manufacturing PEEK polymers compared to other polymers (typically with less than 10 stages) means Victrex holds a Greenhouse Gas Permit under the UK ETS scheme, covering the combustion of fuels at its UK Hillhouse polymer production site. Verification of emissions covering August 2021 (entry to the scheme) to December 2021 was undertaken via a registered third party and a submission made to the Competent Authority (UK Environment Agency) in April 2022. Victrex plans to make an application to join the Hospital and Small Emitter scheme in 2023 to reduce its exposure to fluctuations in carbon pricing by being granted several free allowances, backdated to cover 2021 and 2022 emissions.

During the year we successfully retained our ISO 14001:2015 certification for the environmental management system on all our UK polymer manufacturing plants, melt filtration, compounding, film, tape, pipe, dispersion and innovation plants, validating our high level of commitment to environmental improvement. Victrex has an effective system for reporting and investigating incidents and near misses. In the period there was one reportable incident.

PEEK recycling

When recycled appropriately, PEEK is a valuable resource whose waste may be reused without compromising on its performance. Victrex has completed a project to identify how we can recycle PEEK (PEEK from end of life applications) even more efficiently and provide a recycling service to our customers. We have developed the potential of partnering with an existing Value Added Reseller ('VAR') customer to recycle and retrieve PEEK waste as part of its ongoing commitment to sustainability and circular economy.

Energy use

Our energy use is reported mainly from our UK manufacturing sites, in line with our 2030 goals being based on our 2019 manufacturing footprint.

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

With higher production volumes vs FY 2021 (FY 2021 saw the unwinding of sales inventory), absolute energy increased.

Primary energy per unit revenue has increased as production volumes this year are higher year on year, with revenue being impacted by a currency headwind, and the lag in recovering the higher cost

Primary energy

Thousands GJ

2022	805
2021	684
2020	657
2019	794
2018	847

Primary energy per unit revenue

Thousands GJ/£m

2022	2.4
2021	2.2
2020	2.5
2019	2.7
2018	2.6

of manufacture through customer price increases, which we expect to become annualised in FY 2023.

Water

Our main manufacturing assets within the UK and US are all located within areas of low or very low water stress*. For FY 2022, we started participation in the CDP water disclosure programme and note that our water usage per unit revenue has decreased by approximately 5% over the last five years, principally because of operational improvements to our processes and a focus on water and resource efficiency.

Water usage per unit revenue increased by 20% with water usage higher due to increased production volumes (FY 2021 saw much lower production volumes as we unwound inventory built up for Brexit).

Water usage

Thousands m³

2022	607
2021	467
2020	396
2019	499
2018	605

Water usage per unit revenue

Thousands m³/£m

2022	1.8
2021	1.5
2020	1.5
2019	1.7
2018	1.9

* UK Environment Agency Flood Risk Assessment; Rhode Island Statewide Planning and Grantsburg site 2021 Insurance Risk Assessment.

Waste

Victrex works closely with licensed waste service providers to ensure that waste is recovered, recycled or disposed of with minimal environmental impact.

Our manufacturing assets used to produce PEEK provide us and our customers with security of supply; however, using our own ingredients and raw materials means that we do produce some hazardous waste due to the nature of our processes. This is primarily in our monomer production assets within the UK (Rotherham and Seal Sands). We are currently assessing options that could reduce this type of waste within our process and have committed a small proportion of our Research & Development expense accordingly.

During FY 2022, waste disposed to landfill increased due to higher production and from the disposal of waste stored up during the COVID-19 pandemic. We completed a full waste mapping exercise and are working with our waste suppliers to identify areas of improvement. This also includes options which could reduce our

Hazardous waste produced

Tonnes

2022	27,678
2021	11,914
2020	27,430
2019	30,311
2018	33,910

Hazardous waste produced per unit revenue

Tonnes/£m

2022	81
2021	39
2020	103
2019	103
2018	104

Hazardous waste disposed to landfill (after treatment)

Tonnes

2022	15
2021	1
2020	12
2019	15
2018	7

Hazardous waste disposed to landfill (after treatment) per unit revenue

Tonnes/£m

2022	0.043
2021	0.003
2020	0.05
2019	0.05
2018	0.02

waste to landfill to zero. We also note that from our original target of 50% of hazardous waste to be reduced by 2023 (a 2013 target), we saw a 48% reduction in waste per £m revenue.



RESOURCE EFFICIENCY CONTINUED

Greenhouse gas ('GHG') emissions

Our GHG report has been completed following the guidance within the UK government regulations on Streamlined Energy and Carbon Reporting ('SECR') introduced in 2019.

Emissions have been calculated based on the GHG Protocol Corporate Standard with all emissions reported being within FY 2022. We include emissions from our owned and leased assets that we are responsible for in the UK and overseas, which includes our manufacturing plants, technical centres and offices. No material Scope 1 or Scope 2 emissions are omitted, and national and regional emission conversion factors have been used.

In FY 2022 we established a clearer view of our Scope 3 emissions by conducting a thorough analysis of the following indirect value chain emissions identified as relevant to Victrex globally:

1. purchased goods and services;
2. capital goods;
3. fuel and energy-related activities;
4. upstream transportation and distribution;
5. waste generated in operations;
6. business travel;
7. employee commuting; and
8. investments.

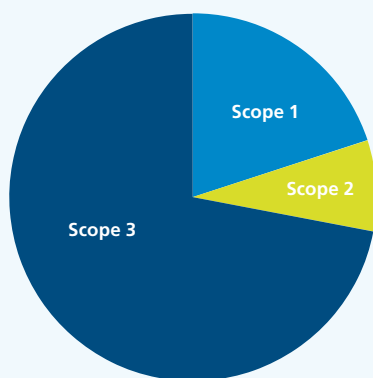
Our GHG emissions are primarily from gas combustion and electricity use on our chemical production plants in the UK, with an approximately 50/50 split. Victrex has made strong progress, with a stated aim of using 100% renewable electricity across all our global sites by the end of 2024. Currently, 100% of electricity purchased for our UK sites is from renewable sources, with 97% globally. This is in the form of Renewable Certificates or a limited amount of our own renewable (solar) generation, which we have the opportunity to expand. We note that with

the current significant inflation in energy costs, and the premium already existing in the market for renewable procured electricity, the cost to Victrex of continuing to purchase renewable energy will only increase on a medium-term view. Emissions from our downstream manufacturing facilities in the US and the UK continue to be included but are relatively immaterial. Additionally, emissions from our overseas technical facilities and offices are small compared to production activities.

Pleasingly, our Intensity Measurement, based on Scope 1 & 2 emissions/tonnes of PEEK manufactured, decreased by 4% vs FY 2021, continuing a general trend seen since FY 2018. Direct emissions (Scope 1) increased due to higher production volumes whilst indirect emissions from electricity used (Scope 2) increased, although we note a general reduction trend over the past five years.

Victrex GHG emissions based on Victrex financial year 2021/22

Tonnes of CO₂e equivalent 2022 from PEEK manufacture and downstream products.



Scope 1: 20%
 Scope 2: 8%
 Scope 3: 72%

SCOPE 1

Direct emissions resulting from combustion of fuels Tonnes CO₂e

2022	25,232
2021	20,161
2020	18,241
2019	23,820
2018	25,499

SCOPE 2

Indirect emissions resulting from electricity and steam purchased (location-based method) Tonnes CO₂e

2022	10,673
2021	8,293
2020	9,212
2019	11,065
2018	12,722

SCOPE 3**

Other indirect emissions across eight categories as listed above Tonnes CO₂e

2022	91,215
2021	Previously disclosed (limited categories)
2020	Previously disclosed (limited categories)
2019	79,747**
2018	Previously disclosed (limited categories)

INTENSITY MEASUREMENT SCOPE 1 & 2

Tonnes CO₂e/tonnes of PEEK manufactured

2022	7.79
2021	8.13
2020	9.87
2019	8.86
2018	8.32

** Scope 3 emissions for FY 2019 were the baseline for our full Scope 3 assessment covering the eight relevant categories to Victrex. FY 2022 Scope 3 emissions have been calculated on the same basis. The other years have been reported on as part of prior year disclosures based on a more limited number of Scope 3 categories, and are not shown here to minimise an inaccurate comparison. Future Scope 3 disclosures will now cover the full eight categories relevant to Victrex.

Global GHG emissions and energy use data

	2021	2022
Scope 1/tCO₂e		
Global	20,161	25,232
UK	19,953	24,978
Global (excluding UK)	208	254
Scope 2 (location based)/tCO₂e		
Global	8,293	10,673
UK	7,511	8,490
Global (excluding UK)	782	2,183
Scope 2 (market based)/tCO₂e		
Global	1,980	3,012
UK	1,088	830
Global (excluding UK)	892	2,182
Gross Scope 1 & Scope 2 (location based)/tCO₂e		
Global	28,454	35,905
UK	27,464	33,468
Global (excluding UK)	990	2,437
Energy consumption/MWh		
Global	140,843	171,362
UK	138,676	166,171
Global (excluding UK)	2,167	5,191
Intensity ratio/tCO₂e		
Gross Scope 1 & Scope 2/Tonnes of PEEK manufactured		
Global	8.13	7.79
Methodology		
Based on GHG Protocol Corporate Standard		

NOx (oxides of nitrogen reporting)

Pleasingly, our operations emit well below our environmental permits threshold levels of 100 tonnes per annum.

During the past 12 months, 11 tonnes of NOx (expressed as NO₂) were generated from our principal manufacturing sites directly in the manufacture of PEEK. This was calculated using monitoring data and assumptions around plant availability and actual operational periods.

Lifecycle Analysis

Lifecycle Analysis ('LCA') is the process of measuring the environmental impact of a product or service throughout its lifecycle – from cradle to gate – and this year we have completed LCAs on key products which represent nearly two thirds of revenues (63%). We plan to conduct LCAs on a small proportion of additional key products over the next three years, ensuring our wider portfolio is covered.

The process involves measuring the impacts of each part of the process such as energy used in production or additional processing, and in inbound logistics. This helps us compare between products, materials and methods used, providing useful information by which to make decisions that could help the environment and provides an understanding of our total carbon footprint for us and the carbon footprint of our products for our customers.

Our LCA – which followed and was compliant with ISO 14040/44 – has identified that the total global warming potential for PEEK is 13kg CO₂e/kg of PEEK. This is based on KPMG's assessment which includes production, raw materials and parts, and inbound logistics, and uses 100% Victrex made BDF (though we do purchase a minority of non-Victrex-made BDF). Our own internal assessment, particularly when considering the lower renewable energy mix in countries producing PEEK for competitors and despite the increased number of steps in our process, 21 vs 10 typically, suggests this is much more favourable than our competitors, and the average for PEEK manufacturing, though PEEK reporting by competitors is combined within their broader portfolio reporting. PEEK's global warming potential ('GWP') is also nearly three times lower than titanium*.

Overall, the LCA enables us to consider future opportunities for further environmental improvement, including:

- installation of further isolation meters to accurately record usage data;
- developing a standard approach and repository for the collation of LCA data; and
- working with suppliers as part of the indirect impacts we have on the environment.

* Norgate, Jahanshahi and Rankin – Journal of Cleaner Production 2007.

Scope 3 emissions assessment

Total carbon footprint:

28kg

CO₂ per kg of PEEK manufactured

Scope 1, 2 & 3 (8kg CO₂ per kg of PEEK based on Scope 1 & 2 only)

Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly impacts in its value chain. Scope 3 emissions include all sources not within an organisation's Scope 1 & 2 boundary.

This year we completed a Scope 3 assessment across all eight relevant categories, using pre- and post-COVID-19 FY 2019 and FY 2022 data.

This was across the eight topics identified as relevant to Victrex globally, by setting up individual workstreams for each one, gathering the data then calculating the carbon footprint for each topic to identify the total Scope 3 emissions.

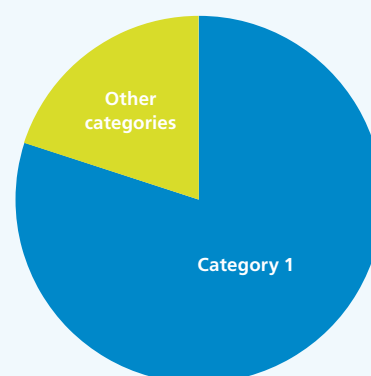
The assessment identified a Scope 3 figure of 79,747tCO₂e and gives a total pre-COVID-19 FY 2019 carbon footprint figure, Scope 1, 2 & 3, of 114,632tCO₂e. When combining this with the FY 2019 volume (production volume) this equates to a figure of 26kg CO₂e/kg. It should be noted that in FY 2019 we produced more than sales volume due to building inventory ahead of Brexit.

Our FY 2022 Scope 3 figure was 91,215tCO₂e and gives a total post-COVID-19 FY 2022 carbon footprint figure, Scope 1, 2 & 3, of 127,120tCO₂e. When combining this with the FY 2022 volume this equates to a figure of 28kg CO₂e/kg. In FY 2022, production volume was similar to sales volume, reflecting the normalisation of production.

Overall, our Scope 3 analysis has provided us with the following opportunities:

- work with key suppliers to identify carbon reduction opportunities;
- switch to biofuels as a source of energy for the combustion-based activity;
- switch to renewable electricity; and
- encourage employee commuting using electric cars with zero GHG emissions.

SCOPE 3 EMISSIONS BASED ON FY 2022:



Category 1: 80% – Purchased goods and services.

Other categories: 20% – capital goods, fuel & energy (not in Scope 1 & 2), upstream transportation, waste generation, business travel, employee commuting and investments.



Sustainability report continued



RESOURCE EFFICIENCY CONTINUED

Options to enable Carbon Net Zero

A key focus area will be the use of alternative fuels and alternative process technology to minimise our GHG emissions. For example, we have been lobbying local MPs in the UK, engaged with the UK Business Minister and been active in local enterprise partnerships for the opportunity to gain access to hydrogen through proposed grids within the UK, including those planned in the North West of England, close to our main polymer manufacturing centre.

We have also increased the capital required in our capital expenditure plans to support alternative fuel use or process technology (whilst noting the increased operating expense of alternative fuels). We are also allocating a small but growing proportion of R&D investment in support of alternative processes, including work with universities.

Several key projects have been proposed that could be of interest including:

- electrification of production equipment;
- alternative fuel to generate steam for process heating; and
- bio-methane and renewable self-generation options.

We have also been investigating the use of alternative fuels:

- hydrogen –
 - Green Hydrogen via PEM (Electrolysis) and renewables;
 - Blue Hydrogen via Steam Reforming and Carbon Capture; and
 - hydrogen (20%)/methane blend schemes being piloted;
- biofuels –
 - Green HVO (drop-in bio-diesel replacement);
 - Biomass (sustainable wood chip); and
 - AD Biogas Sources (Anaerobic Digestion); and
- carbon capture – a range of projects that we are currently engaged with.

**Carbon offsetting**

Whilst Victrex will consider the opportunities from carbon offsetting, we currently view this as a very small part of achieving our goals.

REACH

Following the UK's withdrawal from the EU and the subsequent transition period, the EU REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals regulations) Regulation has been brought into UK law under the European Union (Withdrawal) Act 2018. REACH, and related legislation, has been replicated in the UK with the necessary changes to make it operable in a domestic context. The key principles of the EU REACH Regulation have been retained. The new domestic regime is known as UK REACH.

UK REACH, implemented 1 January 2021, is a regulatory requirement 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.

Supply chain and energy sourcing

With increased globalisation and concerns from customers around energy sourcing, Victrex continually seeks to ensure it has robust security of supply for customers.

The majority of BDF – one of the key monomers used to manufacture PEEK – is manufactured in our own operations within the UK. The remainder is sourced from Asia through several contractual sources. With the conflict in Ukraine, we engaged with a range of stakeholders to reassure them that no raw materials were sourced from Ukraine, or Russia. Indeed, sales to those countries totalled <0.1% prior to the Ukraine conflict starting.

Currently, our raw material sourcing other than BDF is primarily from Europe, with Asia and the US also hosting our strategic suppliers. For energy supply, most of our production is in the UK, so we procure energy on UK based contracts, whilst noting the unprecedented increase in UK energy costs (primarily gas and electricity used in our heating processes), as the UK has to compete for global gas supplies at high prices. Energy and raw material hedging is one aspect of our planning, though with the conflict in Ukraine moving energy costs to unprecedented levels, the focus remains on recovering input cost inflation through efficiency and primarily price increases to customers.



SAFETY, HEALTH & ENVIRONMENT

Occupational safety, health and 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 and is fundamental to everything we do.

This year we have continued to protect our people from the COVID-19 pandemic by acting swiftly based upon our previous experience whilst always following local and national guidance and ensuring that robust controls are in place within each Victrex location. We saw a Return to Site in our global locations, with the UK, the US & Europe working at sites for our office-based employees, supported by our Flexible Working Policy. With further lockdowns during the year in China and restrictions still in place in Japan and Korea, progress to a full Return to Site has been slower. We also encouraged take-up of vaccines at local level across our geographic locations, with a continuation of COVID-19 related information via our Global COVID-19 Committee and internal communication channels.

FY 2022 saw the continuation of our zero incidents and zero accidents SHE culture improvement programme and we have:

- completed the first phase of our process safety management improvement programme and conducted external assurance across all our high hazard sites;
- launched employee toolkits to reinforce our SHE golden rules; and
- continued to embed the SHE accountability framework and improved employee awareness of mental health and wellbeing issues by completing prevention and intervention workshops.

Results from our annual SHE survey in July 2022 showed an improvement in our culture engagement score. The survey revealed that 94% of respondents (FY 2021: 82%) believe achieving zero incidents and zero accidents is possible if we all do the right thing and understand what they need to do to keep both themselves and their colleagues safe from harm.

Recordable injury frequency rate	FY 2020	FY 2021	FY 2022
Total number of recordable injuries	12	6	4
Total hours (employee and contractor)	1,854,529	1,690,374	3,854,016
Frequency rate	1.3	0.7	0.2
OSHA benchmark	1.7	1.9	1.4

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

Lost time injury frequency rate	FY 2020	FY 2021	FY 2022
Total number of lost time injuries	7	4	2
Frequency rate	0.8	0.5	0.1
Total hours (employee and contractor)	1,854,529	1,690,374	3,854,016
OSHA benchmark	0.6	0.6	0.8

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

SHE KPIs

Our FY 2022 performance continued to show a reduction in both our recordable injury frequency rate ('RIFR') and our lost time frequency rate ('LTFR'). We remain well below the OSHA industry standard RIFR rate (1.4) and LTFR rate (0.8).

Our recordable injury frequency rate has reduced by 71% from 0.7 to 0.2 and our lost time frequency rate has reduced by 80% from 0.5 to 0.1.

The success of our zero incidents, zero accidents ambition relies on us all behaving in the right way and doing the right things regardless of our role. This enables us to continue to grow a productive, successful and environmentally responsible business where we are all able to go home without harm.

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? Because for every one of us Safety Starts with Me.

China

Our new China manufacturing subsidiary in Panjin ('PVYX') has recorded over 1.7 million hours since the project commenced, with no recordable injuries in FY 2022. Data on performance during construction is shown below:

PVYX employees	FY 2022
Hours worked	181,680
Recordable injuries	0
Total RIFR	0
Reportable environmental	0
High potential incidents	2

PVYX project contractors	FY 2022
Hours worked	726,416
Recordable injuries	0
Total RIFR	0
Reportable environmental	0
High potential incidents	n/a



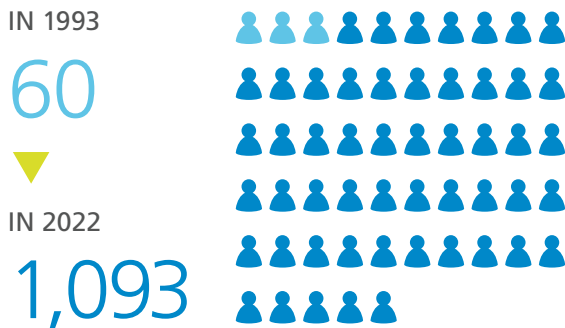
Sustainability report continued

SOCIAL RESPONSIBILITY

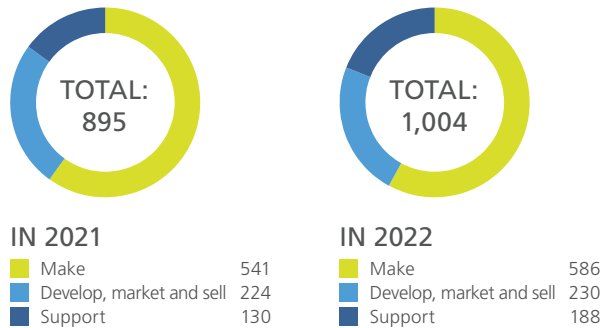
Our social responsibility area focuses on inspiring our employees and communities to positively impact our chosen UN Sustainable Development Goals:

- Good Health and Wellbeing;
- Quality Education/STEM; and
- Diversity, Equity and Inclusion.

Permanent employees (as at year end)



Average number of people employed during the year, by category



Gender pay

For Victrex, diversity, equity and inclusion are all central to our 2030 sustainability strategy, with targets specifically focused on measuring the effectiveness of interventions to support female progression within our organisation. In 2022 we established a new Corporate Responsibility Committee chaired by a Non-executive Director, Jane Toogood, to increase the focus and rigour on our efforts to drive change in the DE&I agenda.

We are striving to build a more diverse workforce in which we empower employees to bring their whole self to work, unlocking potential to draw on a wealth of skills, experiences and talent to improve our collaboration in teams, driving continuous innovation and successfully delivering our strategy and Company priorities.

Gender diversity and pay

We continue to report and publish our statutory gender pay and bonus gap each year, in line with the guidance introduced in the gender pay regulations in 2017. In addition, we look for trends and indicators of our successful implementation of targeted initiatives or identify new opportunities to support bridging the gap over time.

Gender pay explained:

'Having a gender pay gap isn't the same as having an equal pay issue. Gender pay gap is the description given to the difference in average pay of all men and all women

across an organisation regardless of role or level. Reporting a mean positive pay gap means male employees, on average, are paid more than female employees. Reporting a mean negative pay gap means female employees are paid more than male employees, on average. While this is not acceptable it is not illegal.

However, in contrast, equal pay is different as it is a direct comparison between individuals and considers whether someone is paid equivalently to others doing the same or equivalent job, regardless of gender. Unequal pay is unlawful.'

For gender pay gap reporting purposes, we took our 'snapshot' of Victrex Manufacturing Limited (as an entity employing >250 people) at 5 April 2022 and have outlined the headline statistics and analysis below. We have then set out a summary of the key improvement actions we have been taking and the positive trends emerging since we started our reporting in 2017.

Snapshot headlines

- There were 633 relevant people employed on full pay.
- 79% were male and 21% female.
 - The percentage of female employees overall has increased from 17% in 2017 to 21% in 2022.
 - The percentage of female employees in the upper middle quartile increased from 6.15% in 2017 to 15.06% in 2022.

- The percentage of female employees in the upper quartile has increased from 17.83% in 2017 to 21.82% in 2022.
- The median gender pay gap has reduced from 13.49% in 2017 to 6.52% in 2022.
- 88.05% of males were paid a bonus, compared with 80.00% of females.
- The proportion of male vs female employees in each of our pay bands was split as follows:
 - Lower quartile – 64.46% male vs 35.54% female.
 - Lower middle quartile – 89.16% male vs 10.84% female.
 - Upper middle quartile – 84.94% male vs 15.06% female.
 - Upper quartile – 78.18% male vs 21.82% female.

Analysis and insights

Mean & median hourly rate

The primary factor influencing the negative pay gap is the ratio of females overall in positions which have higher remuneration opportunity such as management and professional roles. The more senior jobs in hierarchy terms attract a higher level of variable (at risk) pay and Long Term Incentive Plans which have a tendency to fluctuate based on performance, which has a direct impact year on year on the pay gap.

There are other influencing factors that link to the general representation of women in roles where the earnings potential is higher, for example the shift roles where a differential allowance is paid. Shift premiums are paid where roles require employees to work shifts and unsocial hours, which at Victrex is predominantly those directly involved in the manufacturing operation, of which the majority are male. To put this into context 37% of our employees were paid a shift premium and 98% of those who received the shift premium were male. We continue to strive for more female representation in all roles and levels across the Company.

Quartiles

We have seen incremental progress in the three higher quartile bands although we acknowledge that we need to continue to make targeted efforts to accelerate this in the coming years through our initiatives to achieve our DE&I target by 2030, which will have a natural impact on the earnings potential of female employees.

In addition we are working to understand the representation of the lower quartile (35.5% female) as the proportion of females to males does not follow the overall male to female ratio in the Company at 78.6%/21.4%. We should expect to see a broadly similar distribution throughout the quartiles. With these insights we are building plans of action to address the imbalance.

Bonuses

Notable items impacting the bonus calculations this year:

- in the snapshot year of April 2022 (based on FY 2021 and including the bonus payout) the Company successfully achieved maximum bonus target; this is an all-employee bonus plan with tiered levels aligned to organisational levels within our global compensation structure. Therefore the bonus gap is impacted where more males occupy senior level positions where variable pay such as bonus opportunity is higher;

- the taxable gain on the sale of share options and LTIP proceeds have impacted the mean bonus calculation again in 2022 to senior members who have exercised a considerable number resulting in a notable increase in their earnings to be classified as bonus for the purpose of the bonus gap; and
- in order to attract key talent into our organisation, more now than ever in the currently challenging market, we operate discretionary 'sign-on' bonuses – these are lump sum payments made to newly hired employees, usually in niche or critical skills roles. Notably in 2021, a sign-on bonus was given to a female to attract into a senior position and had a positive impact on the bonus gap in a year when the Company bonus did not pay out, creating a negative bonus gap. As a consequence in 2022 we have reverted back to a bonus gap in favour of males following the successful maximum bonus metric being triggered.

Actions

We continue to sponsor our Diversity, Equity & Inclusion agenda ('DE&I'), with support from our Head of Learning and Inclusion. We have globally inclusive pay and bonus plans, and continue to focus our efforts to maintain a competitive total reward offering. We continue to have equitable policies and processes, regardless of gender.

We recognise that there are specific roles where we have not attracted as balanced a proportion of females as we would have wanted and we continue to work with contacts in the local area to encourage females to join the Company and consider careers in such hard to attract roles. We are actively promoting and supporting a hybrid and remote working approach to reach talented individuals; this is helping us attract a more diverse candidate pool for jobs. In addition, the apprenticeship programmes will provide the talent pipeline for the future and we measure the proportion of females within these groups.

In the past year, we have also:

- set a target to have at least 40% female representation in our senior management roles by 2030. In April 2022 we reported 17% against this target;
- rolled out #iamremarkable training to all gender engagement networks, which focuses on supporting underrepresented people with celebrating their remarkable attributes;
- introduced an applicant tracking system that has enabled us to do more detailed analysis of who is applying for jobs at Victrex and in turn enabling us to be more targeted about diverse recruitment campaigns;
- supported International Women's Day with 'break the bias' videos, stories from women about women's experiences in the workplace and women's health;
- launched our new careers site showcasing successful women in early careers at Victrex;
- created a UK gender engagement network 'Thursdate' where female and male colleagues share personal and work experiences offering internal support to women in the workplace; and
- embedded the global flexible working policy with more women taking up flexible working opportunities than before.

Trends

We continue to see positive trends in female progression through both formal programmes such as apprenticeships, increase in females in STEM roles (currently 20% in 2022), internal promotions and attracting new talent.

The positive impact of these and other changes can be seen in the statutory reported data since 2017.

Summary

We are committed to taking sustainable, positive and proactive actions to close the gender pay gap through focused interventions. We are actively reviewing, defining and developing initiatives to accelerate our progress toward our targets to becoming a more gender balanced organisation by 2030.

Over time, we are confident that the actions and initiatives we put in place, alongside our other inclusive policies, will have an impact on the balance of male vs female employees at all levels in the organisation and support our 2030 sustainability goals.





SOCIAL RESPONSIBILITY CONTINUED

Diversity, Equity & Inclusion

The progress towards our target of achieving 40% of females in our leadership group by 2030 (increasing from 10% in FY 2021 to 19% in FY 2022) has been achieved through promotions and targeted talent development, with coaching and mentoring being at the core of the support.

Through the focused direction of our Strategic Inclusion Group ('SIG'), our diversity agenda continues to develop with more employees being actively engaged. We carried out our first diversity data collection exercise globally this year, giving us insight into the diversity of our employee base. This has enabled more targeted support throughout FY 2022.

Our Global Flexible Working policy continues to embed with more employees requesting variations to their working patterns. The female take-up of flexible working hours is higher than male, with 75% of those taking up formal flexible working hours being female. This year's requests, however, had 45% of requests coming from males and 55% from females so we are seeing a greater take up. When it comes to purchasing additional holidays this year 51% of the requests have come from males.

The introduction of an applicant tracking system for recruitment has given us more detailed analysis of who is applying for jobs at Victrex. This, and the work we are doing with recruitment agencies, is ensuring that we are beginning to target more closely a diverse applicant base.

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 who become disabled during their employment, Victrex is committed to ensuring equality of opportunity for training, career development and promotion opportunities. We are registered with the UK government's 'Disability Confident' scheme and demonstrate this commitment globally.

We have rebranded from Inclusion and Diversity to Diversity, Equity & Inclusion to reflect more accurately the focus of our work and giving everyone fair and equitable treatment, access and opportunity, across all aspects of their working life at Victrex. Pleasingly our Employee Experience Survey identified a 9% increase to 77% of employees believing that Victrex appreciates individual differences.

Progress in FY 2022

- Facilitated the internal delivery of the #iamremarkable campaign, focused on empowering women and other under-represented groups to celebrate their achievements in the workplace. Over 170 employees engaged and participated in the training.
 - Continued to engage our employees globally through our Gender Engagement Networks ('GEN'), with over 120 employees now actively participating in the network as well as supporting the delivery of several workshops internally focusing across a range of Inclusion and Diversity topics: trans, unconscious bias and building your personal brand.
 - Piloted a workshop on creating an inclusive workplace which is now being rolled out to managers.
 - Created a library of resources to help support our Diversity, Equity & Inclusion by educating employees on topics such as neurodiversity, gender, menopause and allyship. This included an internal campaign throughout July to highlight 'PRIDE' and the LGBTQ+ communities.
 - Continued to support our mentoring programmes with the focus on under-represented groups; in addition, we have launched a pilot for our reverse mentoring programme.
 - Promoted several global awareness days across the business: Movember; International Women's Day; International Men's Day; and PRIDE – including a trans education session held by one of our employees.
- In addition to our internal activities, we have continued to focus on developing a diverse future workforce through activities within our local communities:
- as part of International Women's Day, we delivered a workshop aimed at breaking down gender stereotypes within STEM careers. This reached over 160 young female students. In addition, we delivered virtual and face-to-face workshops for over 60 women of different ethnic minorities, to promote STEM careers and dispel the myths around women in STEM; and
 - participated in the UK social mobility initiative 'Kickstart' bringing young people aged between 16–25 who are defined as NEET (Not in Education, Employment or Training).

Employee breakdown

At the end of FY 2022, 56% of our Board were male and 44% were female. 40% of our senior managers were female*. In the grouping of senior managers and their direct reports, 66% were male and 34% were female. Of the rest of our employees 78% were male and 22% were female.

As of 30 September 2022:

	Male	Female	Grand total
Board of Directors	5	4	9
Senior managers*	3	2	5
Senior manager and direct reports**	29	15	44
Rest of employees	811	235	1,046

Grand total	Male	Female	Grand total
Permanent employees (incl. Executive Directors)	843	250	1,093

* VMT members excluding the Board Directors. VMT members are listed on pages 88 and 89.

** VMT and direct reports.

Recognition

We continue to be proud of our recognition programmes, celebrating the achievements of our employees through 'instant' and 'functional' awards, our Above & Beyond Awards, our annual CEO Awards which recognise the global talent across Victrex and our Professional Development Awards celebrating those of our employees completing further education to gain a qualification.

In FY 2022, there were 325 Above & Beyond Awards, 83 Functional Excellence Awards, 65 CEO Awards and 89 Professional Development Awards.



Involvement and culture

We continue to offer a range of communication channels, both formal and informal, allowing us to ensure that our employees remain informed of business updates and two-way discussions take place:

- we have seen a return to face to face in addition to our virtual quarterly staff briefings this year, following the worst impact of the COVID-19 pandemic. These sessions allow our employees to 'stay in touch' with our leadership team and hear about business updates;
- Brendan Connolly, our Workforce Engagement Non-executive Director, has been meeting with our employees globally to listen to employee voice, explore views and drive employee engagement. We have had excellent feedback from our employees on the interactions with Brendan. His third annual report can be found on pages 92 and 93;
- following our 2022 Employee Experience Survey we have been focused on reviewing the results and creating and delivering action plans to drive improvements. 83% of our employees believe that they work together well as a team, which is an improvement of 28% from our 2020 survey. We have also seen an increase from our 2020 survey to 52% (+5%) of employees believing that we will act on making improvements. Our Victrex Engagement Steering Team ('VEST') continues to drive progress and action; and

→ our quarterly regional Employee Forums continue to give our employees an opportunity to feed back on broader employee experience and provide an employee view to planned business initiatives and projects.

Next year will see a continuation of our engagement activity, to continue to ensure employee voice is embedded within our culture, built on innovation and delivering with speed and service.

Development

Victrex continues to focus on digitising learning, making it easier to access for all employees. We have seen an increase in engagement through online e-learning platforms as well as an increase in the overall upskilling and training across the business. The post-COVID-19 world has seen a resurgence of more face-to-face seminar-based learning. This includes an increase in safety training within our Integrated Supply Chain team – Victrex supported over 50 employees in completing their IOSH accredited qualifications throughout FY 2022.

We continue to support apprenticeship development for new and existing employees with a total of 63 apprentices being supported in FY 2022. We have also developed and launched our new graduate development programme which sees a structured approach to bringing in graduates to the organisation.

In FY 2022 we had 49 (40M:9F) employees on apprenticeship programmes including 5 (3M:2F) employees completing their qualifications. Employees across Victrex have completed 19,274 hours of learning in FY 2022.



Sustainability report continued



SOCIAL RESPONSIBILITY CONTINUED

Wellbeing

The safety, health & wellbeing of our employees continues to be our highest priority and fundamental to everything we do at Victrex. In FY 2022, with the continued embedding of our flexible working policy we have seen many of our 'non-manufacturing' employees undertaking hybrid working. We continued to monitor and adapt to the impact of COVID-19, with sensible controls and processes to ensure continuity of daily operations at each location.

Our Employee Experience Survey in 2022 reported that employees continue to feel that Victrex is genuinely interested in their wellbeing (an increase of 11% to 76%) and that they can talk openly with their line manager about health and wellbeing issues. The survey also indicated that due to the initiatives we have introduced, our managers are more confident to recognise the signs of mental health awareness in their teams and know what to do if a team member is facing mental wellbeing challenges.

In April we held our annual Global SHE Week, which took place in line with the ILO 'World Day for Safety and Health at Work 2022'. Our employees were involved in the content and activities taking place during the week, centred around being given time to focus on healthy body, healthy mind and healthy eating. We held virtual workshops on Mental Wellness Training & Awareness for people managers, and Stress Management and Mental Health for all employees. Across our global sites we held in-person activities including engagement sessions with manufacturing teams, financial wellbeing, exercise classes, relaxation sessions, as well as providing healthy food during the week.

We continue to build digital resources and toolkits accessible year-round for all our employees which included articles which focused on a variety of topics including grief, mental health, digital wellbeing, surviving long-term illnesses and women's health, some of which were shared personal stories from our employees, which led to valued conversations and collaboration across all our sites. We continued to support Movember and in November 2021, several employees took part in a challenging long-distance endurance challenge to raise money and awareness and raised over £9,390.

In addition, we continue to provide occupational health, private medical and employee assistance programme services to all our employees. We are committed to improving employee wellbeing and engagement with a healthier and more inclusive culture and aim to continue

building on the foundations from this year to ensure improvement in the safety, health and wellbeing of all our employees.

Community volunteering

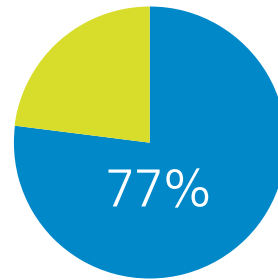
Inspiring the next generation of talent continues to be a key focus for Victrex. Throughout FY 2022 we continued to support the communities where we operate. This includes consulting and discussing with these communities on the long-term benefits from partnering with Victrex and where our support can be most valued. We continue to develop our global network of Social Responsibility Ambassadors aimed at increasing community volunteering (and consultation) across each region, as well as engaging our global workforce in our community agenda.

- Our team of STEM Ambassadors continues to increase year on year with 52 (+18%) employees now engaged in the STEM Ambassador programme.
- During FY 2022 our educational activities impacted over 3,200 young people across 102 activities with a total of 1,500+ hours focused on inspiring the next generation in STEM.
- Our employees have volunteered a record-breaking 4,784 hours in the communities where they live and work this year. Since 2020, our employees have dedicated a cumulative total of 10,913 hours to community activity, meaning we have already achieved our 2030 milestone target of 10,000 hours.

Throughout FY 2022 we have continued to support community initiatives including:

- UK government led National Apprenticeship Week 2022 – Victrex ran three 'Careers Workshops' during the week for schools in the UK;
- UK Enterprise Advisor Programme focused on engaging with local schools to help develop their career programme offerings as part of our Cornerstone Employer membership. We have five Enterprise Advisors (+67% from FY 2021);
- continued membership with Business in the Community ('BITC') focused on improving our efforts as a responsible business, including 'Pride of Place', a unique public, private and voluntary sector partnership that has come together to promote economic development and tackle deprivation;
- new and continued relationships, to develop our STEM outreach offering, with organisations such as STEM Learning, Speakers for Schools, Careers

Participation in employee share schemes



2022	2021	2020	2019	2018
77%	89%	90%	93%	95%

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



Voluntary employee turnover

2022	2021	2020	2019	2018
8%	7%	4%	5%	5%

& Enterprise Company, SIP, Career Ready and Catalyst Science Discovery Centre;

- collaboration with Speakers for Schools, SIP, Career Ready and STEM Learning to support a range of UK-wide networking groups aimed at inspiring local businesses to play an active role in supporting career outreach programmes, including additional sessions with local schools, colleges and universities to provide ongoing support and solutions to career outreach programmes;
- Victrex is a member of Science Industry Partnership ('SIP'), a UK alliance of organisations designed to generate innovation and growth within the science industries. We have two employees who sit on the SIP Task Force which is focused on increasing outreach to young people to improve the talent pipeline for science industries; and
- supporting employees taking part in a range of online and in-person initiatives to help grow the STEM workforce of the future – opportunities have included 'I'm a Scientist, Get Me out of Here!', various careers events, a range of online virtual panels and Q&A sessions and more.



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.

Community volunteering in action

Our global, employee-led, charity and community teams have continued to support the local communities where we work throughout FY 2022. Our key focus has been social mobility, global foodbank donations and a wide range of other community-led initiatives aimed at giving back.

Victrex has supported a range of charitable donations totalling £81,811 (FY 2021: £88,178). Match funding was also provided to the Red Cross in Ukraine, following donations totalling £15,000 by our global employees.

Responsible taxation policy

The Group is committed to managing its tax affairs in a responsible and transparent manner, as outlined in our Tax Strategy (www.victrexplc.com), with the Group acknowledging its corporate responsibility in this area. Taxation paid during FY 2022 was £10.6m (FY 2021: £8.6m), in relation to profit-based taxes, with an effective tax rate of 13.9%. The Group's mid-term guidance for the effective tax rate is 12%–15% compared to the current (19%) UK corporation tax rate and the OECD global minimum rate of 15%. The discount to the UK rate is due to the specific UK government reliefs, including Research & Development expenditure credit, Patent Box and accelerated capital allowances, available to UK companies which invest heavily in Research & Development, create highly skilled innovation jobs and develop unique value-generating intellectual property ('IP'). Victrex's strategy of investing in, and patenting the output of, innovative and sustainable products and processes allows the Group to benefit from these reliefs.

It is noted that the total tax contribution for the Group is significantly higher than solely the profit-related taxes, when including other taxes borne by the Group, including employee-based taxes, customs duties and elements of VAT, in addition to taxes collected on behalf of government, including VAT and taxes borne by the Group's employees.

Jakob Sigurdsson
Chief Executive Officer

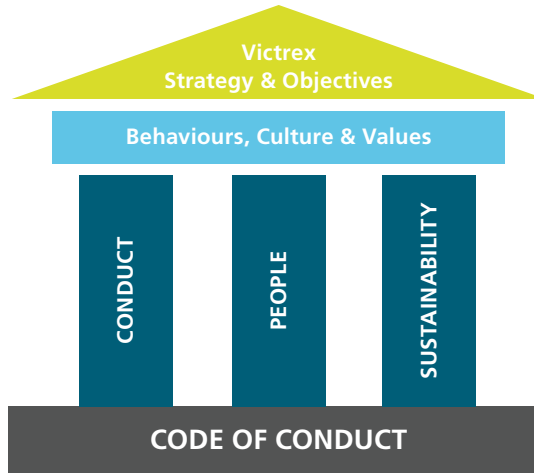
6 December 2022



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

- 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

Doing the right thing for our PEOPLE

- 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

Doing the right thing for SUSTAINABILITY

- 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 our employees, officers and Board members are responsible for following our Code of Conduct and its supporting policies. All employees are required to complete Code of Conduct e-learning on commencement of employment. 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 2022 the completion rate was 95% on a rolling annual basis. The Code of Conduct 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 at the heart

Whilst our products enable environmental and societal benefits, we also 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 36 to 40. Our Safety, Health and Environment ('SHE') Policy promotes our continuous improvement in this area.

Our employees

Our employees are a valued asset to us, and we continue to seek to retain and develop our teams as well as recruiting talent when opportunities arise, and this too is reflected as a principal risk on page 37. Ensuring we recognise the positive contribution of a diverse workforce and hold ourselves to account for delivering it is paramount. Our policies and procedures are reviewed from

time to time to ensure they remain fit for purpose and continue to enhance our employee experience, whilst also serving to support recruitment processes to ensure we attract the highest quality talent possible.

Our employees can easily access employment policies and key work-related information through one click into our HR intranet site. Our Group Diversity, Inclusion & Equal Opportunities Policy was updated in 2020 to strengthen focus on inclusion as well as diversity. We rolled out our Global Flexible Working Policy in FY 2021, with good initial take up rates.

Our gender pay gap report was published this year, details of which can be found on pages 66 and 67 and on www.victrexplc.com. In cases where the National Minimum Wage or National Living Wage applies within the UK, the Company complies in full with its obligations and meets both conditions.

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 pass through our due diligence process which involves:

- site-specific audits where appropriate;
- detailed responses to a robust onboarding process that examines all relevant areas of the business operation, with special focus on issues pertinent to legislation and CSR factors; and
- acknowledgement 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 in the regions in which we do business. This policy continues to be available on the Company's intranet on a dedicated Group Policies page. Employees who handle personal data continue to be required to complete mandatory annual training, including through e-learning. Revisions to the policy are considered as appropriate as data protection legislation in the countries in which we conduct business evolves (for example China). Enhancements continue to be implemented with respect to information security, including with the supply chain, and these support the continuing protection of personal data. As of September 2022 95% of required trainees had completed their annual data protection training which is completed on a rolling annual basis.



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 and 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 is reflected in our principal risks on page 39. 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 about bribery, made explicit through its Anti-bribery & Corruption Policy and supporting policies/guidance on gifts and hospitality, sponsorship and donations, and interactions with politically exposed persons and healthcare professionals. We maintain a manual for the management of Anti-Bribery and Corruption risk, reviewed annually. The purpose of the manual is to provide a process for assessing risk and to ensure compliance with the Victrex Code of Conduct, the Anti-bribery & Corruption Policy, applicable laws and regulations in the countries in which Victrex conducts business and the preservation and promotion of the Victrex brand and corporate reputation. The manual considers the business activities that could make Victrex vulnerable to bribery, risk factors, key recommended controls, a three

lines of defence controls assessment and an action plan for implementation of further enhancements to existing measures. 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 39 and several mitigations are in place which are reviewed regularly. 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 where the Company is conducting due diligence for a potential joint venture or acquisition. Our Code of Conduct training includes 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, gifts and hospitality and conflict of interest, supplement face-to-face or virtual training as required. We continue to 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 81.



Sustainability report continued

Non-financial information statement

This section of the Strategic report constitutes Victrex plc's non-financial information statement, produced to comply with 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 36 to 40)	Read more
Sustainability & environmental	<ul style="list-style-type: none"> → Safety, Health & Environment ('SHE') Policy → Environmental Policy (ISO system) → Code of Conduct* 	<ul style="list-style-type: none"> → Safety, Health and Environment → Legal and regulatory compliance, Ethics & Contracts 	<ul style="list-style-type: none"> → Sustainability report – Sustainable solutions and resource efficiency, pages 58 to 65 and our TCFD report on pages 52 to 57
Employees	<ul style="list-style-type: none"> → Group Diversity, Inclusion & Equal Opportunities Policy → Disciplinary Policy & Procedure → Grievance Policy & Procedure → Global Flexible Working Policy → Employee Handbook → Global Whistleblowing Policy → Share Dealing Code → Code of Conduct → Prevention of Bullying & Harassment Policy 	<ul style="list-style-type: none"> → Recruitment and retention of the right people → Legal and regulatory compliance, Ethics & Contracts 	<ul style="list-style-type: none"> → Sustainability report – Our Code of Conduct, pages 72 and 73 → Sustainability report – Social responsibility, pages 66 to 71 → Gender pay report, pages 66 and 67
Respect for human rights	<ul style="list-style-type: none"> → Modern Slavery & Human Trafficking Policy → Modern slavery statement* → Conflict minerals statement* → Global Data Protection Policy → Code of Conduct* 	<ul style="list-style-type: none"> → Legal and regulatory compliance, Ethics & Contracts 	<ul style="list-style-type: none"> → Sustainability report – Our Code of Conduct, pages 72 and 73 → Modern slavery, human trafficking and conflict minerals statements – see www.victrexplc.com
Social matters	<ul style="list-style-type: none"> → Sustainability Policy → Code of Conduct* 	<ul style="list-style-type: none"> → Recruitment and retention of the right people 	<ul style="list-style-type: none"> → Sustainability report – Social responsibility, pages 66 to 71
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> → Anti-bribery & Corruption Policy → Fraud Policy → Conflict of Interests Policy → Gifts & Hospitality Policy → Sponsorship & Donations Policy → Financial Crime Policy → Policy on Interaction with Healthcare Professionals → Procedure on Interaction with Politically Exposed People → Export Controls & Sanctions Policy → Competition & Anti-trust Policy → Code of Conduct* 	<ul style="list-style-type: none"> → Legal and regulatory compliance, Ethics & Contracts 	<ul style="list-style-type: none"> → Sustainability report – Our Code of Conduct, pages 72 and 73
Description of the business model		<ul style="list-style-type: none"> → All principal risks 	<ul style="list-style-type: none"> → Business model, pages 12 and 13
Non-financial key performance indicators		<ul style="list-style-type: none"> → All principal risks 	<ul style="list-style-type: none"> → Non-financial key performance indicators, pages 24 and 25

* 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.



CORPORATE GOVERNANCE

- 76 Introduction from the Chair
- 78 Board of Directors
- 80 Statement of corporate governance
- 94 Nominations Committee report
- 97 Audit Committee report
- 104 Directors' remuneration report
- 128 Directors' report – other statutory information
- 132 Statement of Directors' responsibilities in respect of the Annual Report and financial statements
- 133 Independent auditors' report to the members of Victrex plc





Introduction from the Chair

I was delighted to be appointed Chair of this unique Company. Our innovative culture, our purpose to bring transformational and sustainable solutions that address world material challenges every day and our clear strategy of 'Polymer & Parts', put us in a good position for the years ahead.

Dr Vivienne Cox DBE
Chair



INTRODUCTION FROM THE CHAIR

Dear shareholders,

I was delighted to be appointed Chair on 11 February 2022 and I would like to thank Larry Pentz for enabling a smooth transition. It is a privilege to Chair this unique Company.

Victrex's innovative culture, our purpose to bring transformational and sustainable solutions that address world material challenges every day and our clear strategy of 'Polymer & Parts', put us in a good position for the years ahead.

The Group delivered record revenue and volume in FY 2022 and, despite the unprecedented energy & raw material inflation, we saw solid profit growth as well as healthy cash generation. An overview of our results can be found on pages 26 to 29.

The Board and its Committees met regularly during the year and it was pleasing to be able to hold all our scheduled Board and Committee meetings, as well as our 2022 AGM, in person after navigating the challenges posed by COVID-19 during the prior two years. An outline of key topics covered by the Board in the year is set out on pages 87 and 88.

Stakeholder interests are at the centre of our decision making as we strive to meet our purpose and strategic aims. Our section 172 statement is set out on pages 20 to 23. Details of the Group's stakeholders and engagement channels can be found on page 91. The annual report from our Non-executive Director for Workforce Engagement, Brendan Connolly, can be found on pages 92 and 93. Together with my non-executive colleagues and our CEO, site visits were conducted at our manufacturing sites in Rotherham and Seal Sands. The Board conducted a 'virtual' visit to some of our locations in the Asia-Pacific region in October 2021 due to limitations on travel due to COVID-19. Both such visits, together with other engagement activities during the year, provided valuable opportunities for Board members to engage with our employees.

The Board routinely monitors culture and ensures that it is aligned to the Group's purpose, values and strategy. The Board received insights from the Employee Experience Survey which was conducted during the year. More information on the survey can be located on page 69.

We have strived to put sustainability at the heart of our business model, with many of our products used in applications which enable environmental and societal benefits. For example, in Aerospace and Automotive, our products are lighter than the alternatives, reducing fuel use and CO₂ emissions; they are also recyclable, and have attractive technical properties.

Within the medical device industry, our materials support patient outcomes in spine, trauma, arthroscopy, drug delivery, and in newer application areas under development or in early commercialisation such as cardio (artificial heart) and knee. We have a goal to increase Group revenue from products with quantifiable environmental or societal benefits (including Medical) from approximately 50% today to 70% by 2030.

With established sustainability goals for the 10 years to 2030, including our Net Zero goal on Scope 1 & 2 emissions, and alignment to the UN Sustainable Development Goals, we continue to make steady progress. We now have a better assessment of the options available to us for Net Zero, including potential greater electrification or access to hydrogen for our UK manufacturing sites. We have further increased disclosures in our Sustainability report, which includes our TCFD disclosure, a better understanding of Scope 3 emissions and the 'full' Scope 1 and 2 carbon footprint of our products through Lifecycle Analysis. We continue to receive positive accreditation for our sustainability & ESG goals, including an improved A rating from MSCI – one of the benchmarks for ESG ratings – and inclusion in FTSE Russell's Green Revenues Index for sustainable products. Further detail is shown on pages 50 and 51. During the year we established our Corporate Responsibility Committee to enhance oversight of our progress towards our sustainability goals.



FY 2022 highlights

- Further focus on our ESG agenda and establishing our Corporate Responsibility Committee
- Full Return to Site as part of living with COVID-19 including site visits by Board members
- Prioritisation of the health, safety and wellbeing of our people
- Continued focus on developing our core business and meeting our mega-programme milestones, including accelerating investment to support Medical opportunities
- Smooth transition and effective inductions for new Chair and Ian Melling, our new Chief Financial Officer
- Reviewing the results of the FY 2022 Employee Experience Survey

FY 2023 focus areas

- Navigating the Group through a potentially uncertain macro-economic outlook
- Further focus on acceleration of Medical opportunities
- Further developing the opportunity from our China investments
- Continuing focus on our ESG agenda

Our Nominations Committee led the search for a new Chief Financial Officer following the decision by Richard Armitage to step down from the Board to pursue another opportunity. Following a rigorous process, we were delighted to welcome Ian Melling as Chief Financial Officer, joining the Board on 4 July 2022. Further details about the search and appointment process can be found in the Nominations Committee report on pages 94 to 96. Ian's biographical details are set out on page 79.

Given the changes in Board composition this year, we decided that an externally led effectiveness exercise would be of most benefit in 2023. Accordingly, effectiveness has been reviewed during the year through an internal process using confidential questionnaires developed by each Committee Chair, the Company Secretary and me. 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 89 and 90.

As at year end we have 44% female representation on our Board. Below the Board, we have two women on our Victrex Management Team ('VMT') which, excluding the Executive Directors, means there is 40% female representation at senior management level. As at 30 September 2022, 15 of the 44 people who comprise senior management ('VMT') and their direct reports were women (34% 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 88 and 89. During the year the Board reviewed and approved an updated Board Inclusion & Diversity Policy – further details can be found on page 96. This is an area that the Board will continue to provide support to and challenge.

We look forward to welcoming shareholders at our Annual General Meeting ('AGM') in February 2023. Please see page 128 for more information. Whether or not you propose to attend the AGM in person, you are encouraged to vote on each of the resolutions set out in the Notice of Annual General Meeting by appointing a proxy to act on your behalf. You are strongly encouraged to appoint the Chair of the meeting as your proxy. This will ensure that your vote will be counted if you (or any other proxy you may otherwise choose to appoint) are not able to attend the AGM for any reason. If you appoint the Chair of the meeting as proxy, the Chair will vote in accordance with your instructions. If the Chair is given discretion as to how to vote, she will vote in favour of each of the resolutions in the Notice of Annual General Meeting. All proposed resolutions in the Notice of Annual General Meeting will be put to the vote on a poll.

If you have any questions for the Board on the business of the AGM, please send them in advance of the AGM to ir@victrex.com. We will aim to respond to all questions as quickly as possible. A summary and key themes of the questions and answers will be posted on our website, www.victrexplc.com, on the morning of the AGM.

Dr Vivienne Cox DBE
Chair

6 December 2022



Board of Directors

All Directors listed below were Directors throughout FY 2022 with the exception of Dr Vivienne Cox who was appointed as a Director with effect from 1 December 2021 and Ian Melling who was appointed as a Director with effect from 4 July 2022.



1. DR VIVIENNE COX DBE

Chair

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

Appointed to the Board: December 2021, Chair February 2022

Independent: Yes

Skills and experience: Vivienne has a wealth of experience in executive and non-executive roles over more than 40 years, with a particular focus on sustainability, innovation and alternative energy. Vivienne was appointed Commander of the Order of the British Empire ('CBE') in 2016 for services to the economy and sustainability and was made a Dame Commander of the Order of the British Empire ('DBE') in the 2022 New Year Honours List for services to sustainability, diversity and inclusion in business. Vivienne holds an MA (Honours) in chemistry from Oxford University, an MBA from INSEAD and honorary doctorates from the University of Hull and the University of Hertfordshire.

Previous roles: Vivienne's previous non-executive roles include serving on the boards of Eurotunnel plc, BG Group plc and Rio Tinto plc, as senior independent director of Pearson plc, as chair of Vallourec SA and as the lead non-executive director for the UK Department for International Development. She also chaired Climate Change Capital, a private asset management and advisory group developing solutions for climate change and resource depletion. Until recently she was a non-executive director of GSK as well as GSK's workforce engagement director.

Other significant appointments: Vivienne is currently a non-executive director of Haleon plc and Stena AB in Sweden, a non-executive director of Venterra Group plc (a non-listed company), chair of the Rosalind Franklin Institute and deputy chair of the Saïd Business School in Oxford.

Specific contribution to the Company's long-term success: Vivienne's extensive board, corporate governance and sector experience, as well as her leadership in and passion for sustainability and diversity matters, enables strong leadership of the Board.



2. DR ROS RIVAZ

Senior Independent Director



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 lead independent 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, is instrumental in driving growth and supporting the Chair in her role as Senior Independent Director.

3. JANE TOOGOOD

Non-executive Director



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 and a Fellow of the Royal Society of Chemistry.

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 chief executive of Catalyst Technologies at Johnson Matthey Plc and during the year was appointed as the UK government's first Hydrogen Champion.

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 growth and transformation in a portfolio of businesses to meet future market demands including decarbonisation, the energy transition and deployment of hydrogen and circularity.



Key to Committees



Audit



Nominations



Remuneration



Corporate Responsibility



Committee Chair

4. JANET ASHDOWN

Non-executive Director



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 with an additional 10+ years as a non-executive director.

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 previously non-executive director at SIG plc, Coventry Building Society and Marshalls plc.

Other significant appointments: Janet is a non-executive director, chair of the remuneration committee and chair of the corporate sustainability committee of Uthmaniyah Fertiliser NV, senior independent director and chair of the environment safety and security committee and sustainability & governance committee of the Nuclear Decommissioning Authority and non-executive director of Stolt-Nielsen Norway AS.

Specific contribution to the Company's long-term success: Janet has extensive international executive and non-executive experience. She has experience of chairing remuneration committees across different sectors for over six years and has now been chairing sustainability committees for three to four years.

5. DAVID THOMAS

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 an audit professional.

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

Other significant appointments: David is senior independent director and chair of the audit committee at Dialight plc.

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

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 Intertek 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, a non-executive director of Pepco Group N.V. and also an independent director on the board of Applus Services, S.A. as well as a member of its environment, social and governance committee and the appointments and compensations committee. Brendan is also on one private equity board.

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.

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 In vibrio 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: Martin is a non-executive director at James Cropper plc.

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. IAN MELLING

Executive Director – Chief Financial Officer

Qualifications: MChem FCA **Nationality:** British

Appointed to the Board: July 2022

Independent: No

Skills and experience: Ian is a Chartered Accountant and holds a first class master's degree in chemistry from Oxford University in the UK.

Previous roles: Most recently Ian held the role of senior vice-president, corporate finance and R&D for Smith & Nephew plc, the medical technology company, having served as interim chief financial officer during 2020. Ian has worked in a number of senior finance roles in the UK and internationally for Smith & Nephew, including those with divisional and functional responsibility, having joined the Group in 2006. He was senior vice-president, group finance for five years until October 2021. Ian started his career and qualified as a Chartered Accountant at Deloitte LLP.

Other significant appointments: Ian is a member of the UK Endorsement Board Preparer Advisory Group.

Specific contribution to the Company's long-term success: Ian contributes his significant financial experience as well as his background in the medical device sector which is relevant to the Company's growth plans.

JANE BRISLEY

Company Secretary



Statement of corporate governance

This section contains details of how we have applied the principles of the 2018 UK Corporate Governance Code (the 'Code'). The Code can be found on www.frc.org.uk. For the year ended 30 September 2022, we are pleased to report that we have applied the principles and complied with the provisions of the Code except as described below.

- Regarding Provision 21 of the Code, we have not conducted an externally facilitated Board effectiveness review during the year. Please see pages 89, 90 and 96 for an explanation for this, as well as details of the annual internally managed review. The Board expects to undertake an externally facilitated review during 2023.
- Regarding pension provision for Executive Directors and Provision 38 of the Code, during the year Jakob Sigurdsson and Martin Court were eligible to receive Company pension benefits of 12% of salary up to a pre-set earnings cap and then 25% of salary above this earnings cap. With effect from 1 October 2022 their pension provision has been changed so it is aligned with the typical Company rate of pension provided to the wider workforce of 14% of salary – please see page 117.

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 85 to 88. The action plan following the 2022 internal Board and Committee effectiveness evaluation is contained on page 89.

For a description of the business model and a description of strategy, please see pages 12 to 15.

B. Purpose, values, strategy 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 twice each year, with any 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 workforce 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 2.

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 enables risk to be assessed and managed. The Group has established an Executive Risk Management 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 34 to 40.

See the Audit Committee report on pages 101 and 103 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 enhancements can be made. 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.

For more information about shareholder engagement, please see pages 90 and 91 of this section and page 106 of the Remuneration Committee report.

The relevance of each stakeholder group will depend on the particular 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.

For more information about engagement with other stakeholders including the annual report from our Non-executive Director with designated responsibility for Workforce Engagement, please see pages 92 and 93. Our section 172 statement is contained on pages 20 to 23 of the Strategic report.

The matters we have discussed and debated during the year are set out on pages 87 and 88.

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.

For more information about this and our approach to ethics and compliance, please see pages 72 and 73.

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 is also 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.

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 122.

Please see page 129 for further information.

2. Division of responsibilities

F. Role of the Chair

Our Senior Independent Director, Dr Ros Rivaz, led the annual performance review of our Chair, Vivienne Cox. The outcome of that process found Vivienne to be an effective Chair.

For more information, see page 96 of the Nominations Committee report.

G. Composition and responsibilities

As at 30 September 2022, there are nine members of our Board: the Chair, five independent Non-executive Directors (one of whom is Senior Independent Director) and three Executive Directors. During the year, Vivienne Cox was appointed Chair, succeeding Larry Pentz who had served for more than the recommended nine years. Our Chair was independent on appointment. All Non-executive Directors have less than nine years' service.

Information about our individual Directors is set out on pages 78 and 79. Details about our Board and its Committees are set out on page 85.

Details of the distinct roles and responsibilities of the Chair, the Senior Independent Director and the Chief Executive Officer are summarised on page 85, with full details set out on our website.



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. At the end of most Board meetings, the Chair 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. The Chief Executive Officer holds meetings with the Chair 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 reviewed against the circumstances which are likely to impair, or could appear to impair, a Non-executive Director's independence as set out in the Code. Following assessment, all of the Company's Non-executive Directors are considered independent. The Chair was considered independent on appointment. A chart showing the independence of the Non-executive Directors is contained on page 86.

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 Director role. If a Director was unable to attend meetings on a regular basis, or was not preparing for or contributing appropriately to Board discussions, the Chair 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 Chair. The 2022 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 Martin Court and Ian Melling 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 Martin Court as a non-executive director of James Cropper plc and the appointment of Ian Melling as a member of the UK Endorsement Board Preparer Advisory Group.

A summary of the roles and responsibilities of the Chair and the Non-executive Directors (including that of the Senior Independent Director) is contained on page 85. Other significant appointments of each individual Director are included in the Board biographies on pages 78 and 79.

For more information on meeting attendance in FY 2022, please see page 86.

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 129.

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 search for a new Chief Financial Officer, facilitated by an external search consultancy and resulting in the appointment of Ian Melling, are provided on page 95. There are written succession plans in place for the Executive Directors, Non-executive Directors and senior management which are reviewed by the Committee. The Board maintains a Diversity & Inclusion Policy. Each Director seeks re-election on an annual basis and all Directors will seek re-election (or election in the case of Ian Melling) at the forthcoming Annual General Meeting.

The Nominations Committee report on pages 94 to 96 describes its work including an explanation of its use of external search consultancies and its succession plans. The Board's Diversity & Inclusion Policy is set out on page 96 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 78 and 79, as well as in the notes accompanying the resolutions to re-elect (or elect as the case may be) each Director.

3. Composition, succession and evaluation continued

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. During the year the Board skills matrix has been reviewed and updated.

For more details on the skills and experience of the Board, see the individual Director biographies on pages 78 and 79, and page 95 of the Nominations Committee report.

L. Board evaluation

In FY 2022 an internally facilitated Board and Committee evaluation took place. Using the findings, an action plan was devised for focus during FY 2023. Details of how the Board has actioned areas identified by the internal Board evaluation conducted in 2021 are set out on page 89. The Board intends to source an externally facilitated effectiveness evaluation in 2023.

For more information on the Board and Committee evaluation, please see pages 89, 90 and 96.

Induction and Board development

The Group has in place an induction programme for newly appointed Directors which is capable of being personalised according to that individual's proposed role, skills and experience. Comprehensive induction programmes were undertaken by Vivienne Cox and Ian Melling to support their smooth transition into role.

See page 95 for a description of the induction programme.

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, Addleshaw Goddard (compliance and governance update), Korn Ferry (remuneration), PwC (corporate reporting update) and KPMG (climate risk and TCFD).

Given travel restrictions due to COVID-19 the Board conducted a 'virtual' visit to some locations in the Asia-Pacific region in October 2021 which included some site tours and employee presentations, as well as customer meetings. In March 2022, the Chair, Non-executive Directors and Chief Executive Officer conducted visits to the Group's Rotherham and Seal Sands manufacturing sites.

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 Chair 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 102. Further information on the work of the Audit Committee, internal audit and the external auditors, PwC, is set out on pages 97 to 103.

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 100 to 103 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.

Please see page 132 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 41.



Statement of corporate governance continued

4. Audit, risk and internal control continued**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 36 to 40, and the Audit Committee report on page 101.

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 Chair is not a member and the Committee Chair has served on a remuneration committee for longer than 12 months. The remuneration of Non-executive Directors is determined by the Board, reflecting the time commitment and responsibilities of the individual roles.

The Company's remuneration advisor is Korn Ferry. Details of the engagement are contained on page 115.

The work of the Remuneration Committee is summarised on page 104.

Please see pages 107 to 114 for details of remuneration policy.

Q. Executive remuneration

The executive remuneration policy is due for renewal at the 2023 AGM. During the year, the Remuneration Committee reviewed the policy and determined it was fit for purpose. Therefore, the proposed policy only includes minor amends to align with market and corporate governance best practice. No Director is involved in deciding their own remuneration outcome.

Future policy table and notes, performance scenario charts and remuneration obligations in service contracts are set out on pages 107 and 114.

Please see the Directors' remuneration report for policy implementation (pages 106 and 116 to 120), remuneration paid to service advisors (page 115), single total figure tables (page 116), Chief Executive Officer total remuneration (page 124), CEO pay ratio (page 126), alignment of Directors' remuneration (including pension contributions) with the workforce's (pages 106 and 107) and relative importance of spend on pay (page 125). Please see the Remuneration Committee report for Directors' shareholdings (page 122) and variable pay awarded in the year (pages 117 to 120).

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 108. The Committee did not use discretion in relation to adjusting incentive outcomes for FY 2022.

For more information on remuneration outcomes, please see the Directors' remuneration report from page 104.

**Leadership – Our governance framework as at 30 September 2022****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

Chair: Vivienne Cox**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

Executive Directors: Jakob Sigurdsson, Ian Melling, 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
- Scrutinising and constructively challenging senior management

General Counsel & Company Secretary: Jane Brisley**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 Chair
- 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 Chair's performance
- Deputising for the Chair if the Chair is unable to fulfil her duties

Board: One Chair (independent on appointment), five independent Non-executive Directors, three 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 the interests of all stakeholders are taken into account
- 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 6 to 17

Board Committees**Audit Committee members:
Five 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 97 for more information

**Nominations Committee members:
Company Chair and five independent Non-executive Directors****Role:**

- Reviewing Board structure, size, composition and succession planning
 - Overseeing senior management succession
- See the Nominations Committee report from page 94 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: Vivienne Cox, David Thomas, Jakob Sigurdsson or Ian Melling (in that order)

Quorum: Two of Vivienne Cox, David Thomas, Jakob Sigurdsson and Ian Melling



[Audit Committee report pages 97 to 103](#)



[Directors' remuneration report pages 104 to 127](#)



[Nominations Committee report pages 94 to 96](#)

**Remuneration Committee members: five independent
Non-executive Directors****Role:**

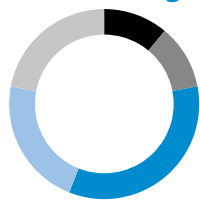
- Setting remuneration policy for Executive Directors, senior management and the Chair
 - Determining the application of remuneration policy
- See the Directors' remuneration report from page 104 for more information

**Corporate Responsibility Committee members: a minimum
of three Non-executive Directors****Role:**

- Overseeing the Company's conduct with regards to its corporate societal obligations and commitments
 - Overseeing and reviewing the development and execution of the Company's sustainability strategy and commitments including progress towards targets
- This Committee was established during FY 2022

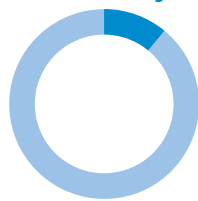


Statement of corporate governance continued

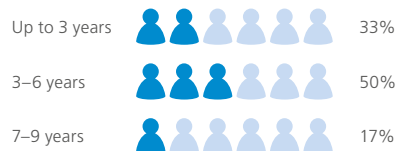
As at the date of this Annual Report
Roles and gender

Female Chair	1
Female Senior Independent Director	1
Male Executive Directors	3
Male Non-executive Directors	2
Other female	1
Non-executive Directors	2

Nationality



Icelandic	1
British	8

Chair and Non-executive
Director tenure

Independence



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 44%. 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 40% female representation at senior management level (two of the five members of the VMT excluding the Executive Directors are female) and 34% of senior management and their direct reports (15 of 44) are female. The VMT is described on pages 88 and 89. The current ethnic composition of our Board is 100% White, with a breakdown of nationalities provided above. The Board recognises the value of diversity in its widest sense, including

ethnicity, and will continue to focus on broadening the diversity of the Board and senior management. During the year the Board Diversity & Inclusion Policy has been updated. Further details, including the Board Diversity & Inclusion Policy, can be found in the Nominations Committee report on page 96. Details of the Group's Diversity, Inclusion & Equal Opportunities Policy can be found on page 72.

Attendance at meetings

The Directors' attendance record at the Annual General Meeting ('AGM') and scheduled Board and Committee meetings for the year ended 30 September 2022 is set out below. Attendance is shown as the number of scheduled meetings attended out of the number that each Director was eligible to attend. Only in exceptional circumstances would a Director not attend a Board or Committee meeting.

	AGM	Board	Audit Committee	Remuneration Committee	Nominations Committee	Corporate Responsibility Committee
Number of meetings	1	7	3	5	4	1
Chair						
V Cox ¹	✓	5/6	2/3*	3/4*	3/4	1/1*
L C Pentz ²	✓	3/3	1/1*	2/2*	1/1	—
Executive Directors						
J O Sigurdsson	✓	7/7	3/3*	5/5*	4/4*	1/1*
R J Armitage ³	✓	5/5	2/2*	—	—	—
M L Court ⁴	✓	6/7	3/3*	—	—	—
I C Melling ⁵	—	1/1	1/1*	—	—	1/1*
Non-executive Directors						
J E Ashdown ⁶	—	7/7	3/3	5/5	3/4	1/1
B W D Connolly ⁷	✓	6/7	3/3	4/5	3/4	1/1*
D Thomas	✓	7/7	3/3	5/5	4/4	1/1
J E Toogood	✓	7/7	3/3	5/5	4/4	1/1
R Rivaz ⁸	✓	7/7	3/3	5/5	3/4	1/1

Notes

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

- Vivienne Cox was appointed to the Board on 1 December 2021, becoming Chair Designate on 1 January 2022 and Chair at the close of the 2022 AGM on 11 February 2022. Vivienne could not attend one Board meeting and one Nominations Committee meeting due to illness and Ros Rivaz, the Senior Independent Director, acted as Chair for those meetings. Vivienne provided comments to Dr Rivaz in advance of those meetings.
- Larry Pentz stood down from the Board at the conclusion of the 2022 AGM on 11 February 2022.
- Richard Armitage stood down from the Board on 27 May 2022.
- Martin Court was unable to attend one Board meeting due to an important family commitment.
- Ian Melling joined Victrex on 29 June 2022 and was appointed to the Board on 4 July 2022.
- Janet Ashdown was unable to attend the 2022 AGM due to sickness and arranged for the Senior Independent Director to be available to address any questions on the Remuneration Committee report. Janet was unable to attend one ad hoc meeting of the Nominations Committee (called at short notice) and provided feedback in advance.
- Brendan Connolly was unable to attend one Board meeting and one Remuneration Committee meeting due to sickness, and one meeting of the Nominations Committee (called at short notice) and provided feedback in advance.
- Ros Rivaz was unable to attend one meeting of the Nominations Committee (called at short notice) and provided feedback in advance.

A summary of Board activity in FY 2022 and strategic outcomes is on pages 87 and 88. 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 20 to 23.



SUMMARY OF BOARD ACTIVITY IN FY 2022

STRATEGIC OUTCOMES

Strategy

- Held the annual strategy review at which the Group's strategy was reviewed in detail
- 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
- Met with a number of key customers as part of the virtual Board visit to Asia-Pacific in October 2021. In addition, the Board received a face-to-face presentation from TechnipFMC, to further develop the relationship as they progress their industrialisation and scale up in Brazil

- Strategy updated to reflect five-year financial plan and enhanced sustainability agenda
- Supporting further pace in the progression of the Medical strategy
- Further development of key customer relationships and understanding of customer priorities

Financial, operations and risk

- Reviewed operational performance
- 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 2022/23 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 and approved additional capex investments
- Approved a significant IT project (a new ERP system)
- Reviewed the effectiveness of the risk management and internal control systems including bribery prevention arrangements and Group whistleblowing policies and processes
- Reviewed annual insurance arrangements and received a briefing from the Group's insurance brokers
- Reviewed and approved changes to the Group's corporate structure and director and officer appointments to subsidiary boards
- Received briefing on cyber security matters

- Ongoing monitoring of operational and financial performance
- Approved changes to the principal risks – see pages 34 to 40
- Approval of the interim and final dividend
- Capex and IT investments to support our strategy
- Enhanced awareness of IT security controls and cyber security

Shareholder relations

- Received regular updates and discussed feedback from roadshows, presentations and meetings between the Chief Executive Officer, the Chief Financial Officer and/or the Director of Investor Relations, Corporate Communications & ESG 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 maintained focus on the progress of embedding an enhanced health and safety culture
- Approved the appointment of Ian Melling to the Board with effect from 4 July 2022
- 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, and developing our employee value proposition and aspiration for a diverse workforce
- Considered outcomes of the 2022 Employee Experience Survey
- Reviewed and approved changes to the Board Diversity & Inclusion Policy
- Considered 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

- Continued prioritisation of health and safety matters
- Refreshed Board Diversity & Inclusion Policy
- Monitoring alignment of culture with our purpose, values and strategy
- Enhanced insight into employee engagement, views of our employees and related actions
- Increased Nominations and Remuneration Committee activity due to Board changes



Statement of corporate governance continued

SUMMARY OF BOARD ACTIVITY IN FY 2022

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
- Approved the creation of the Corporate Responsibility Committee
- Reviewed six-monthly updates on changes and developments in corporate governance and best practice
- Received updates in relation to climate change and TCFD
- Implemented actions from the FY 2021 evaluation of Board performance
- Agreed the approach to the FY 2022 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 Modern Slavery Policy and approved the 2022/23 modern slavery and human trafficking statement
- Considered and approved updates to the Board Diversity & Inclusion Policy

- FY 2023 action plan agreed following 2022 Board and Committee internal evaluation
- Corporate Responsibility Committee established to support enhanced focus on ESG
- Approval of modern slavery and human trafficking statement
- Refreshed Board Diversity & Inclusion Policy in place

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 typically held at least once a 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 89.

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 Chief Operating Officer with VMT members and other senior leaders attending relevant sessions based on their area of responsibility.

Executive Risk Management Meeting:

At least 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 Chief Operating Officer, the General Counsel & Company Secretary, the Group HR Director 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, IT security matters, and performance in SHE, quality and regulatory matters. This meeting is attended by the Chief Executive Officer, the Chief Commercial Officer, the Chief Operating Officer, the General Counsel & Company Secretary, the Group HR Director and the Director of Risk & Compliance. The Group Head of SHE, Internal Audit Manager, R&D Director, Head of Regulatory Affairs and Product Stewardship and Group Head of Security 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 Chief Operating Officer. A description of how risk management is conducted by the Group can be found in the Strategic report on pages 34 and 35.

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 monthly to manage the application of the policy. Attendees include the Chief Executive Officer.

Further details on this policy and the activities of the Currency Committee are included in note 16 to the financial statements.

Innovation Portfolio Review: Meeting quarterly and chaired by the Marketing Director, the Innovation Portfolio Review 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 attended by the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer, the Chief Operating Officer 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 Chief Commercial Officer chairs the Portfolio Steering Committee which oversees the selection, prioritisation, resourcing and delivery of our mega-programmes. This meeting is attended by SBU Directors responsible for mega-programme projects, the Marketing Director, the R&D Director, the Director of Global Manufacturing and the Sales Director, as well as other subject matter experts attending as necessary.

IP Committee: Chaired by the Intellectual Property Director and attended by the Chief Commercial Officer, the Marketing Director, the R&D Director, the Chief Scientist and the Group's Intellectual Property team, as well as those in senior positions in R&D. The IP Committee meets quarterly and manages the Group's IP portfolio.

VMT MEMBERS' ROLES AND RESPONSIBILITIES

Jakob Sigurdsson¹ Chief Executive Officer (see page 85)	Ian Melling¹ Chief Financial Officer → Responsible for financial control → Leads the Finance, IT and Legal teams	Martin Court¹ Chief Commercial Officer → Responsible for strategic and divisional commercial performance → Oversees all science and innovation functions
Jeff Versterre¹ Chief Operating Officer → Responsible for overall performance and development of the integrated supply chain → Leads the Procurement, SHE and Supply Chain teams	Jilly Atherton² Group HR Director → People strategy → Leads the Human Resources and Business Administration teams	Barry Andrew¹ Group Customer Experience Director → Customer experience → Leads the Sales, Customer and Technical Service teams
Andrew Hanson¹ Director of Investor Relations, Corporate Communications & ESG → Investor relations, internal communications and corporate communications → Leads the Communications and ESG teams	Jane Brisley² General Counsel & Company Secretary → Legal, governance and company secretarial matters → Leads the Legal, Governance and Executive PA teams	

1 Male.

2 Female.

The VMT 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 section 414C(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 2022 performance evaluation was conducted internally and assessed the performance of the Board, its Committees and the Chair. Questionnaires produced sought input on how the Board, its Committees and the Chair performed against current best practice corporate governance principles. Progress against areas identified for focus in the FY 2021 internal performance evaluation was also assessed. Please see page 96 for more information. The Board intends to conduct an externally facilitated evaluation in FY 2023.

Following the Board's discussion of the outcome of the FY 2022 internal Board evaluation, an action plan was agreed which included the following key features:

Topic	Action/recommendation
Board papers and presentations	Continue evolution of materials submitted to the Board to support focus and efficiency
Engagement	Review opportunities for engagement outside of formal meetings and build on opportunities to meet with employees
Strategy	Build on the strategy decision-making process and maintain focus on strategic matters and deployment



Statement of corporate governance continued

Performance evaluation continued

Review of the Chair's performance

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 Chair's performance. Vivienne's leadership of the Board was considered effective.

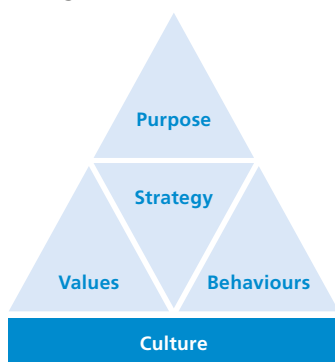
Review of the individual Directors' performance

The Chair 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. As Ian Melling joined the Board on 4 July 2022, a formal performance review for Ian was not deemed appropriate given his very short tenure prior to the evaluation process being conducted in July and August.

All Directors are subject to annual election at the AGM in February 2023. 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 and sustainable 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 our key strategic markets of Automotive, Aerospace, Energy & Industrial, 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 72 and 73.
- 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, receiving reports from Brendan Connolly, our Non-executive Director responsible for Workforce Engagement, 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 following areas:

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

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 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 88 and 89.

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 20 and 21. The Board conducts a formal 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 on page 91. Our section 172 statement is set out on pages 20 to 23 and outlines examples of how the Board has considered the interests of stakeholders in decision making.



Employees Attracting and retaining a skilled, talented, experienced and engaged workforce is key to supporting the Group in achieving our strategy. The Board promotes effective engagement with the Group's workforce and this is supported by a range of direct and indirect engagement activities. The Board programme of business typically schedules visits to one or more of the Group's sites. This year, the Chair, Chief Executive Officer and Non-executive Directors visited the Group's operations in Rotherham and Seal Sands. Due to restrictions posed by COVID-19, virtual site visits took place to two of the Group's locations in China which included presentations by some of the Group's employees. Board dinners with senior management have taken place periodically. The Board reviews the results of engagement surveys and receives regular 'people' updates throughout the year. The Group has operated a range of measures to facilitate workforce engagement including works councils, employee forums, staff briefings, regular communications from the Chief Executive Officer and anonymous communication channels. The Board has continued to enhance its engagement with the workforce through the role of Brendan Connolly as the Non-executive Director with designated responsibility for Workforce Engagement. Brendan's third annual report in this capacity is set out on pages 92 and 93.

Working groups established at the outset of the COVID-19 pandemic have continued to hold periodic meetings to review, revise and implement appropriate policies and practices to provide a safe working environment for our workforce. We have encouraged employees to be vaccinated. As we implemented our Return to Site plans supported by our Global Flexible Working Policy, the health, safety and wellbeing of employees was at the forefront of plans, and we continue to respond and adapt to COVID-19 as appropriate based on regional risk profiles.

Customers The Board engages with customers indirectly through the Executive Directors who provide information about key customer relationships. The Board receives information on key customer interactions and regularly reviews information on how the Group is performing for its customers including delivery 'on time in full' metrics and product quality statistics. During the year, Board members met with a number of key customers as part of the virtual Board visit to the Asia-Pacific region. The Board received a presentation from TechnipFMC to further develop the relationship as they progress their industrialisation and scale up plans in Brazil. Material customer contracts are reviewed and approved. Since the year end Board members have held face-to-face meetings with several key customers in Europe as part of the Board's site visit to our European base in Germany.

Suppliers Information about key suppliers is provided to the Board by the Executive Directors when relevant to Board deliberations. The Board is committed to fair treatment and payment of suppliers and the Company is a signatory to the government's Prompt Payment Code. The Board reviews proposed updates to the Group's Modern Slavery & Human Trafficking Policy as well as approving the Group's modern slavery and human trafficking statement, which can be found on our website, www.victrexplc.com. From time to time material supplier contracts are also reviewed and approved.

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 & ESG regularly meet shareholders, prospective shareholders and analysts. This year, over 190 virtual meetings or calls were hosted with institutional investors or prospective investors. Two major UK roadshows were held and there was one major US roadshow and one virtual roadshow in Europe. Five investor conferences were attended by our Director of Investor Relations, Corporate Communications & ESG with two selected 'Company Overview' Q&A sessions with North American prospective investors. Due to succeeding as Chair midway through FY 2022, the Chair has had a limited number of engagements with shareholders to date, through the Annual General Meeting and financial results. Both the Chair and Senior Independent Director remain available for engagement with shareholders. The Board receives reports from sector analysts to ensure that it maintains an understanding of investor priorities. The Board attends the Annual General Meeting so as to be available to answer any questions that may arise from investors. 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.

The Chair of the Remuneration Committee consulted with major shareholders on remuneration matters during FY 2022. Please see page 106 of the the Directors' remuneration report for more information.

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 70 and 71. The Board receives information on key community activities. During the year the Board has established an additional Board Committee, the Corporate Responsibility Committee, in order to enhance focus on ESG matters including monitoring of its standing with key stakeholder groups. See page 85 for more information.

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 Board engages directly and indirectly with a wide range of government bodies and regulators. Board engagement is primarily through the Chief Operating Officer and our Global SHE Lead to reflect our SHE focus, environmental reporting and activities aligned to our sustainability agenda. Governmental and NGO interactions occur typically through the Chemical Industry Association (of which we are an active member) via the Chief Executive Officer, with relevant functions taking the lead in responding to UK government consultations and submissions of relevant data. Engagement with MPs and regional government bodies has also been undertaken this year, via the IR, Communications & ESG team, as part of lobbying efforts to enable access to alternative fuels, including potential access to a future hydrogen grid or alternative. From time to time the Group receives some government funding associated with its innovation and Research & Development agenda. As part of a new PEEK manufacturing facility in China, engagement was held with a number of regional governmental bodies there, with the facility in commissioning since the start of FY 2023. From time to time the Group receives some government funding associated with its innovation agenda.



Statement of corporate governance continued



During my third year as Workforce Engagement Director I have welcomed the opportunity to further engage with a variety of forums and groups, in person where possible, to build on the work undertaken in the last two years. Progress has been made. It was also important to be able to create the feedback loop on the topics and questions discussed. All discussions have been open and constructive, with the forums setting the agenda on the discussion topics. The passion and interest of our people is clear, and I would like to thank everyone for their continued engagement. I look forward to continuing the dialogue in 2023.

Brendan Connolly
Workforce Engagement Director



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 (the ‘Workforce Engagement NED’). This statement summarises the third year of the ‘employee voice’ programme.

Objectives and role

The Workforce 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; and
- solicit employee views about executive remuneration and share feedback obtained with the Remuneration Committee.

The Workforce 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.

Third year highlights

During FY 2022 the focus has been on continuing regular dialogue with the workforce through a variety of means including face-to-face meetings, site visits, involving other Non-executive Directors in engagement activities and making progress on areas previously identified for enhancement including providing feedback for employees on matters raised and actions taken. Relevant Board papers contain a workforce impact statement to ensure that the interests of our employees are a central consideration in our decision making.

The Workforce Engagement NED had interactions with several groups of employees representing every level and region in the

Group through face-to-face and virtual meetings across a variety of forums:

- UK Hillhouse Operational Forum meeting (in person), together with the Chair;
- US Gender Engagement Network meeting (virtual);
- UK Employee Forum meeting (virtual);
- Strategic Inclusion Group meeting (virtual); and
- European Forum & Workshop (in person).

There was a wide range of topics discussed and employees were keen to engage. Examples of the topics covered are set out below:

On operations: Request for enhanced communications and accessibility of SHE reporting and occupational health, and wider training and development opportunities and initiatives. As a result of the matters raised a detailed programme of activity was put in place and reported to the Board.

On leadership: Employees were positive on ‘skills and promoting values’; perhaps ‘not as visible as we would like’ at times; but ‘good working relationships’.

On what motivates our employees: Good communications; access to management; recognition; success; transparency; strong brand; and good products to sell.

Workforce engagement statement – hearing the employee voice continued

On diversity: There was no difference perceived in treatment due to gender, with the same opportunities available to all. A question arose on whether all roles are published. Suggestions were made for training for leaders to ensure all voices are heard at meetings and for more female leaders or mentors. Employees were broadly satisfied with the direction of travel on diversity.

On employee survey actions – are they visible and acted on? ‘Yes, but are they effective if same areas come up every survey?’ emphasising the importance of continuing to communicate the actions taken on specific areas. There was positive feedback on the survey overall including the charitable donation aspect.

In summary, there were no major negative themes and many positive ones. What is also clear is that ESG is a key topic of interest generally and that SHE remains a priority for our employees. This is strong alignment with the Board’s continued focus on these areas.

Key focus areas for FY 2023 include continuing to involve other Non-executive Directors in employee engagement initiatives where possible, continuing to attend a cross-section of employee forums and bodies, and continuing to embed the recently established feedback loop with employees on matters raised and actions taken.

Relations with shareholders

Annual General Meetings

The Annual General Meeting (‘AGM’) is an important part of effective communication with shareholders. The forthcoming AGM will be held at 11am on 10 February 2023. All shareholders will have the opportunity to ask questions at the AGM. The Chairs of the Audit, Nominations, Remuneration and Corporate Responsibility Committees will be available to answer questions at that meeting. The details of the 2023 AGM are summarised in the Chair’s introduction on page 77 and in the Notice of Annual General Meeting from page 187. If there are any queries, please contact cosec@victrex.com.

The Notice of Annual General Meeting, together with an explanation of the resolutions to be considered, is set out on pages 187 to 196 and sent out in a circular to shareholders. Proxy votes lodged on each resolution will be announced at the AGM, published on the Company’s website and announced via the Regulatory Information Service.

Outcome of the February 2022 Annual General Meeting

At the 2022 Annual General Meeting, votes were cast in relation to approximately 83.04% of the issued share capital. All 22 resolutions were passed by the required majority. Votes were cast in favour of the re-appointment (or, in the case of Vivienne Cox, appointment) of the following Board Directors as follows:

- Vivienne Cox: 99.98%
- Jane Toogood: 98.80%
- Janet Ashdown: 98.62%
- Brendan Connolly: 97.36%
- David Thomas: 98.81%
- Ros Rivaz: 90.85%
- Jakob Sigurdsson: 99.83%
- Martin Court: 99.75%
- Richard Armitage: 98.36%

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 130.



Nominations Committee report

FY 2022 highlights

- Overseeing a full induction programme for new Chair and new Chief Financial Officer
- Leading the search process for new Chief Financial Officer
- Maintaining focus on talent development and succession planning
- Reviewing and updating our Board Diversity & Inclusion Policy

FY 2023 focus areas

- Continued focus on Diversity & Inclusion at Board, Committee and senior management level and related succession planning
- Overseeing an externally facilitated Board and Committee evaluation exercise



NOMINATIONS COMMITTEE REPORT

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

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

Dear shareholders,

On behalf of the Nominations Committee, I am pleased to present its report for the year ended 30 September 2022. I became Chair of the Committee after the Company's Annual General Meeting on 11 February 2022 when the Company's previous Chair, Larry Pentz, stood down.

This year, in addition to the Committee's regular programme of business, our focus has been on conducting the search for a new Chief Financial Officer as well as overseeing my own induction process following my appointment to the Board as Non-executive Director on 1 December 2021 and transition into the role of Board Chair.

New Chief Financial Officer search

Following the announcement by Richard Armitage that he intended to step down as Chief Financial Officer to take up another opportunity, the Nominations Committee conducted a search process for the recruitment of a new Chief Financial Officer. Following a comprehensive process, the Committee recommended the appointment of Ian Melling and this recommendation was approved by the Board. Further details can be found on page 95.

Inclusion and diversity

The Committee maintained its focus on the Group's inclusion and diversity initiatives, further details of which can be found on pages 95 and 96. Following the establishment of the Corporate Responsibility Committee ('CRC') during the year, the CRC will oversee the focus on inclusion and diversity from a business-wide perspective going forwards. The Committee reviewed and updated the Board Diversity & Inclusion Policy, which can be found on page 96.

Board effectiveness

This year's Board and Committee evaluation was conducted internally for the third year in a row and concluded that the Board and each Committee continued to operate

effectively. Further details can be found on page 96. Whilst recognising that an internal exercise was not in line with the Corporate Governance Code recommendation for an externally facilitated effectiveness review every three years, after careful consideration it was decided that it would be more appropriate and of greater value to conduct an external process in FY 2023 due to the Board changes in the current year.

The following Nominations Committee report was approved by the Committee at its meeting held on 1 December 2022.

Dr Vivienne Cox DBE
Chair of the Nominations Committee
6 December 2022

The Committee held three scheduled meetings during FY 2022 and has a programme of business reflecting its Terms of Reference. One ad hoc meeting took place at short notice and the Committee members who were unable to attend provided feedback in advance. Please see footnotes to the table on page 86.

Committee member	Meeting attendance
V Cox (Chair)*	3/4
L C Pentz**	1/1
J E Ashdown	3/4
B W D Connolly	3/4
D Thomas	4/4
J E Toogood	4/4
R Rivaz	3/4

* Vivienne Cox was appointed as a Non-executive Director on 1 December 2021, becoming Chair Designate on 1 January 2022 and Board and Nominations Committee Chair on 11 February 2022. She became a member of the Nominations Committee on 2 December 2021 and chaired two scheduled meetings during the year.

** Larry Pentz stood down from the Board at the conclusion of the 2022 Annual General Meeting on 11 February 2022. He was Chair of the Nominations Committee meeting held in December 2021 and attended all meetings for which he was eligible to attend.

Secretary: Jane Brisley

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; and
- from time to time the Chief Commercial Officer and Chief Financial Officer may be invited to attend Committee meetings to support and participate in discussions regarding inclusion and diversity initiatives.

All members of the Committee are independent, thus fulfilling the Corporate Governance Code requirement that a majority of members of the Nominations Committee should be independent Non-executive Directors.

The Chair would not chair or otherwise participate in the Committee when it is dealing with the appointment of her successor. No Director would participate in the Committee when it is dealing with the appointment of his or her successor.

The Chair's other significant commitments are set out in her biography on page 78.

The Committee's agenda in FY 2022

The Committee's principal activities during the year, and up to the date of approval of this Annual Report, were as follows:

- search for new Chief Financial Officer;
- Board and senior management composition;
- overseeing changes to senior management. Details of the composition of the Victrex Management Team are set out on page 89;
- 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 inclusion and diversity before these focus areas transitioned to the Corporate Responsibility Committee which was established during the year;
- reviewing the Board skills matrix;
- reviewing and recommending changes to the Board Diversity & Inclusion Policy for approval by the Board; and
- reviewing the Committee Terms of Reference and the Committee's annual programme of business.

Succession planning

During the year, the Committee conducted a 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 toolkit which includes consideration of diversity and use of a 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, considering 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. The tenure of Non-executive Directors is set out on page 86.

The Committee conducted a review of the Board skills matrix during the year. The skills matrix supports there being a broad balance of skills, experience and knowledge on the Board, with particular strength in chemicals, strategic direction setting, M&A, risk management and compliance, and broad experience across functional disciplines.

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.

During the year, the role of Company Chair transitioned to Dr Vivienne Cox with effect from the conclusion of the Company's AGM on 11 February 2022 when Larry Pentz stood down after serving more than the recommended nine years in the role. Vivienne has a wealth of experience in executive and non-executive roles over more than 40 years, with a particular focus on

sustainability, innovation, alternative energy and diversity & inclusion.

Following the announcement by Richard Armitage that he intended to step down as Chief Financial Officer to take up another opportunity, the Committee developed a candidate profile for the new Chief Financial Officer and engaged Russell Reynolds, a professional search agency to lead the search process. There is no personal connection between Russell Reynolds and any individual Director. Potential candidates were interviewed by Committee members. The candidates were assessed against the agreed candidate profile which included the desired experience, skills, characteristics and traits for the role. Following a thorough process and after careful consideration, the Committee made a recommendation to the Board to appoint Ian Melling. This recommendation was accepted by the Board and Ian was appointed to the Board with effect from 4 July 2022. Ian has valuable experience to support the Company in the pursuit of its strategy. His biography can be found on page 79. During the period from when Richard Armitage stood down and Ian joined, Michael Ward, Finance Director, acted as Interim CFO to facilitate a smooth transition.

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.

Board induction, development and business engagement

A formal induction programme is in place for new Board members and is tailored as appropriate depending on role, skills and experience. This typically includes meeting with members of senior management, SBU and functional leaders, and certain employees identified as talent individually, visiting a number of operations and sites, access to Board and relevant Committee papers, undertaking relevant training, meeting the external auditors, brokers and advisors and receiving briefings on pertinent matters. A comprehensive induction programme was conducted for Dr Vivienne Cox and has been completed for Ian Melling.

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.

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.

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 Group Diversity, Inclusion & Equal Opportunities Policy which is reviewed each year and provides the framework for productive working relationships.

Our Board Diversity & Inclusion Policy is set out in the blue box on page 96. It is also contained on our corporate website – www.victrexplc.com. The Board Diversity & Inclusion Policy was reviewed and updated during the year to expand its scope to our key Board Committees and in preparation for mandatory diversity disclosures for our financial year commencing 1 October 2022. Our policy reflects diversity in its broadest sense, including gender, social and ethnic backgrounds, and cognitive and personal strengths.

There is ongoing focus on the Group's initiatives designed to promote inclusion and diversity across the business. Read more about this on pages 68 and 72 which includes our target of 40% of females in the leadership group (comprising the top two grades) by 2030 (FY 2022: 19%, FY 2021: 10%). With the establishment of the Corporate Responsibility Committee



Nominations Committee report continued

Board diversity continued

(‘CRC’) during the year, going forward, business-wide initiatives designed to promote inclusion and diversity, the impact of such initiatives and progress against targets will be monitored by the CRC.

The Board has not set express gender, ethnic or other related diversity quotas or measurable objectives for the Board’s composition. The Board and the Committee seek to encourage applications from a diverse range of candidates, subject to the selection criteria being met.

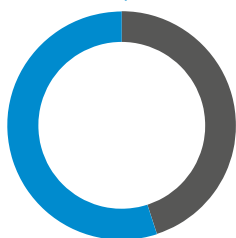
The current ethnic composition of our Board is 100% White, with a breakdown of nationalities provided on page 86. The Board will continue to consider the various diversity factors set out in the Corporate Governance Code and the recommendations of the FTSE Women Leaders Review (following on from the Hampton-Alexander Review) and the Parker Report.

The Board strives to broaden the diversity of the Board and senior management pipelines. As at the date of approval of this Annual Report, we have four women on our Board, representing 44% (FY 2021: 40%). Two members of the VMT (excluding the Executive Directors) are women (40%) and 34% of senior management and their direct reports are women (29 men, 15 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 89 for a list of members of the VMT. For further details on inclusion and diversity across Victrex, including our Group Diversity, Inclusion & Equal Opportunities Policy, see pages 68 and 72.

Board, Committee and individual Director effectiveness

The Board and its Committees carry out a formal review of effectiveness each year. An external evaluation was conducted in 2019 by Equity Communications. Due to the changes in Board composition in the year, after careful consideration it was determined that an externally facilitated

Board diversity – gender (as at 30 September 2022)



■ Female	44%
■ Male	56%

Board Diversity & Inclusion Policy

The Company acknowledges the value of diversity in its widest sense (age, gender, ethnicity, sexual orientation, disability and socio-economic background as well as educational and professional backgrounds) and its contribution towards effective Board and Committee operations and decisions.

The Group operates a Group Diversity, Inclusion and Equal Opportunities Policy which is reviewed each year and provides the framework for productive working relationships.

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 regulatory diversity targets and 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 – with diversity in its widest sense as described above being an important 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 and its Committees;
 - c. whether the Company has met regulatory diversity targets on a comply or explain basis, and the Board’s approach to such data collection*;
 - d. external reporting requirements including: (i) the ethnic background and gender identity or sex of the Board and executive management* and (ii) the gender balance of those in senior management and their direct reports; and
 - e. 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.

* With effect from financial year commencing 1 October 2022.

evaluation exercise would be of greater value in 2023. Accordingly, this year’s review was facilitated internally via questionnaires developed by the Company Chair, 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 2023 financial year. The Board actions and recommendations agreed following the review are set out on page 89.

The reviews of the Audit, Nominations and Remuneration Committees confirmed that these Committees continue to provide effective support to the Board. The effectiveness evaluation in 2023 will be expanded to cover the Corporate Responsibility Committee which was established during the year.

Each Director receives a formal performance review process. The Chair led the review of each Non-executive Director. The annual performance review of the Chair

is led by the Senior Independent Director, Dr Ros Rivaz. The Nominations Committee reviewed the performance of the Chief Executive 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 78 and 79. All Non-executive Directors are considered to have sufficient time to perform their duties at the Company. Where an Executive Director has an external appointment, the time commitment involved is kept under review and the Board is satisfied the Executive Directors devote sufficient time to discharging their responsibilities to the Company. Details of individual Executive Director appointments are included in the biographies on pages 78 and 79.



Audit Committee report

FY 2022 highlights

- Ongoing monitoring of developments regarding the BEIS Consultation and Draft Audit Reform Bill along with the Company's proposed response
- Supporting the Company in addressing the requirements of the Task Force on Climate-related Financial Disclosures ('TCFD'), including consideration of disclosure and consistency of reporting between sections of the Annual Report
- Continuing focus on operations in China where significant investment in manufacturing capacity is reaching the mechanical completion phase
- Review of the process for identification and reporting of risks and the Company's control environment including integration with the TCFD requirements noted above
- Focus on inventory valuation as input costs have increased, driven by both raw material and utility cost inflation

FY 2023 focus areas

- Continued monitoring of developments regarding the Draft Audit Reform Bill, its passage through parliament and likely implementation timelines along with the associated evolution of management's response
- Monitoring the progress of the ERP implementation project, both the level and nature of costs treated as exceptional and the use of the new system to automate the control environment ahead of the likely requirements from the aforementioned Draft Audit Reform Bill
- Supporting the transition of the new PwC audit partner and monitoring the effectiveness of the knowledge transfer plan proposed by PwC
- Supporting the evolution of reporting under TCFD
- Continuing to review and make suggestions to enhance risk management processes



AUDIT COMMITTEE REPORT

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, how these were addressed, and whether the financial statements are fair, balanced and understandable
- Reviewing the scope and results of the annual external 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 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 2022. The Directors' responsibility statement in respect of the Annual Report can be found on page 132.

During 2022 I was involved in the recruitment process for our new Chief Financial Officer ensuring that the successful candidate had the requisite financial experience and skill set to maintain the strong financial governance within the Company. Following the appointment of Ian Melling, in my role as Audit Committee Chair, I have been engaged in the induction process to ensure a smooth transition.

The Committee has maintained its focus on the robustness of financial forecasts used by management in assessing going concern, viability and the carrying value of assets and the associated disclosures. Whilst the business has recovered from COVID-19,

global economic challenges remain, particularly the uncertainty over energy prices and the knock-on impact through global supply chains and the resulting inflationary pressures. The Committee has challenged management's assumptions and judgements made in the preparation of the forecasts, their correlation with outputs from the Integrated Business Planning process used to run the business and the potential range of outcomes under scenario and sensitivity analysis. The Committee also challenged management's assumptions on the potential impact of climate change on the longer-term forecasts used in assessing the carrying value of assets and viability.

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 undertakes this role through independent review of the Annual Report, discussions with management, including assessment of Alternative Performance Measures against the regulatory guidance, consideration of FRC Thematic Review findings and reporting from PwC. The FRC undertook a review of the Annual Report for the year ended 30 September 2021. Pleasingly there were no questions or queries raised. The FRC did note a number of potential improvements to existing disclosures. The Company is grateful for the FRC's feedback with a default position being to incorporate the improvements where material. The Committee has overseen this process.



Audit Committee report continued

The Committee receives regular reports from management 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. During the year I led a subcommittee in interviewing partner candidates put forward by PwC to succeed Ian Morrison as the audit partner following completion of his fifth year. The

subcommittee's recommendation was approved by the Audit Committee with Graham Parsons, a partner with relevant sector, international and listed company experience, succeeding Ian Morrison for our financial year ending 30 September 2023. The Audit Committee has agreed a plan with PwC to transition Graham into the role.

Following the publication of the FRC's Audit Quality Inspection Reports, it is pleasing to see PwC return to the level we observed during the process to appoint them as our external auditors. The Committee challenged PwC on their response to the three key findings noted in the FRC's Quality Inspection Report (revenue testing, impairment assessments and audit of journals) and evidenced the increase in level of work performed in these areas compared to previous years. Through the Committee's programme to monitor audit quality and effectiveness, evidence has been seen over the last three years that PwC are committed to addressing the findings, with significant increases in the level of substantive testing across most areas of the audit, including the aforementioned key findings. This work, along with increased regulatory pressure and new auditing standards, is the primary driver behind the fee increase of more than 170% since 2019. The Committee reviewed further 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 well as ensuring the Committee's agenda is kept under review and that we maintain an awareness 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 1 December 2022.

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 function.

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
6 December 2022

The Committee met three times during FY 2022 and has a programme of business reflecting the Committee's Terms of Reference.

Committee member	Meeting attendance
D Thomas (Committee Chair)	3/3
J E Ashdown	3/3
B W D Connolly	3/3
J E Toogood	3/3
R Rivaz	3/3

Secretary: Jane Brisley

The following other attendees regularly attend meetings:

- the Chair and Executive Directors;
- the Director of Risk & Compliance;
- the Finance Director; 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 at least 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 Finance Director and the 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 78 and 79. 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 2022 and subsequently reported to the Board. The Committee 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.

The Committee's agenda in FY 2022

The Committee's principal activities during the year, in addition to those noted in the FY 2022 highlights, and up to the date of approval of this Annual Report, were as follows:

- negotiated and agreed PwC's engagement letter and the statutory audit fee for the year ended 30 September 2022;
- reviewed the results of the Committee's assessment of the effectiveness of the 2020/21 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 2021/22 statutory audit, including the level of materiality applied by PwC, the final audit report from PwC on the financial statements detailing their key findings from the 2021/22 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 key areas of estimation uncertainty 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 FY 2022 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 internal audit plan and approach for 2022/23;
- reviewed the effectiveness of the risk management and internal control systems prior to making a recommendation to the Board;
- reviewed the Group's linkage between the identification of risk and the control environment, including the formal evaluation of the Lines of Defence conducted by the business and the processes for testing the second line of defence; and
- reviewed the conclusions of the Committee's annual 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 financial position and 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.

External auditor independence

- Written assurances were received from the 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. During the year the Committee considered potential candidates for a new lead audit partner and approved Graham Parsons to take over this role from 2023.

→ The Committee is responsible for maintaining an appropriate 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 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. Our auditors will not be asked to carry out non-audit work with the exception of a half-year review (should it be required) and regulatory and bank required reporting. When awarding non-audit work to PwC, the Committee is cognisant of the FRC Revised Ethical Standard 2019, paragraph 4.15, 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 2022 were £nil representing 0% of the audit fee (2021: £35,000 representing 9% of the audit fee). The non-audit fee in 2021 related to the interim review performed at the half year.



Audit Committee report continued

External auditor independence continued

The Audit Committee took the decision that an interim review was not required in 2022 with the Committee able to obtain sufficient assurance over the Interim Report through internal processes. During the year, the Company's US based former Chair, Larry Pentz, stood down from the Board at the conclusion of the Company's AGM on 11 February 2022. Prior to standing down Larry Pentz received an allowance from the Group to independently procure tax filing preparation services. PwC provided such services through a direct engagement with Larry Pentz; however, these services are not considered to meet the definition of non-audit fees in relation to the Group.

Over a three-year rolling period, the level of non-audit fees has averaged 6% of the audit fee. No further non-audit fees 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 fifth year as the lead audit partner and will be succeeded in this role by Graham Parsons from 2023 following the Committee's assessment of the proposed candidates. The next formal tender process, in compliance with the CMA Order 2014, is required ahead of the 2028 audit with PwC having completed 10 years as the Group's auditors in the year ended 30 September 2027. The Group has no current plans to perform a formal tender in advance of this, a decision which is reviewed annually by the Audit Committee following the review of auditor effectiveness.

In the 2020 Annual Report we disclosed that PwC had proposed a significant fee increase, to be staged over two years, which took the fee from £191,000 in 2019 to £380,000 in 2021, an increase of 100%. 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 AQR 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 management. Despite work between PwC and

management to identify audit efficiencies, a further increase has been proposed in 2022 to £507,000 taking the total increase since 2019 to c.170%. The further increase has again been attributed to the cost of regulation and investment in audit quality, significant changes in auditing standards and the impact of inflation in a competitive job market. The Committee recognises the changing regulatory environment and the unfortunate consequence that companies, such as Victrex, are ultimately paying the price for the profession overlaying significant levels of substantive testing across all areas of the audit, including those which are considered low risk, with minimal perceived additional benefit for the key stakeholders. The Company continues to explore ways of mitigating elements of the increase through audit efficiency and smarter audit scoping.

The Committee recommended to the Board that PwC be proposed for re-appointment at the forthcoming AGM in February 2023. 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 and estimation 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 132

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 facilities 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;
- the consideration of the impact of climate change on the Group's strategic plan; and
- ensuring transparent disclosures 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 2021/22 financial year was prepared on a consistent basis with that reported in previous years and is on pages 42 and 43.

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 2022 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.

Other than in the recurring areas of inventory valuation and UK defined benefit accounting, detailed on page 101, the primary focus is on those areas of accounting which rely on the use of future financial forecasts which inherently involve higher levels of judgement and estimation. This includes the carrying value of both tangible and intangible assets and the going concern and viability assessments.

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

The Audit Committee's work on viability and going concern is detailed above with the disclosure included on pages 41 and 43. 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, which in the current year considered the impact of inflation and the longer-term impact of climate change and the Company's ambition to achieve Net Zero Carbon by 2030 in its own operations. In the cases of both the carrying value of assets and going concern, the level of headroom remained at a level where, even under sensitivity, reasonable changes to the key sources of estimation would not cause a different outcome with the reverse sensitivity scenario analysis performed considered beyond plausible. PwC's report to the Committee came to the same conclusion.

The classification of costs as exceptional is inherently a judgemental area and one where the Audit Committee also supports the Remuneration Committee in making an assessment of the treatment of exceptional costs for executive remuneration purposes. In the current year the cost of the new ERP implementation has been treated as exceptional, in line with the IFRS Interpretations Committee's agenda decision relating to the capitalisation of configuration and customisation costs in a cloud computing (Software as a Service, 'SaaS') arrangement. The Audit Committee has assessed this treatment, considered management's rationale and also taken input from PwC in reaching the conclusion that the treatment as exceptional was appropriate. The Committee will continue to monitor this position along with the level and nature of costs over the duration of the project, which is expected to complete in 2024.

The Committee considered 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 UK defined benefit pension accounting are areas of higher audit risk and, accordingly, PwC were asked to focus on and report 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. 2022 has seen inflation across key input costs, primarily raw materials and energy costs, reach levels not seen for a long time. Management has absorbed these additional costs into inventory to reflect the actual cost of production. The Committee has reviewed the increase in inventory valuation resulting from the increase in costs, assessing this for reasonableness, supported by the testing and reporting provided by PwC. The level of production over which costs were absorbed is judgemental with the higher of actual production and 'normal' production to be used. Production levels in 2022 returned to pre-COVID-19 levels to a level where actual production is considered as a reasonable approximation for 'normal', which had not been the case through 2020 and 2021 when COVID-19 impacted production requirements. This judgement 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 is judgemental or requires a high degree of estimation, are presented to the Committee by management. Management produced analysis showing the ageing profiles of inventory and analysed inventory movements over the past 12 months providing the Committee with sufficient information to challenge judgements and reach a conclusion on the level of provisioning. After discussion with management, and review of reporting from PwC, the Committee concluded that the valuation of inventory and level of provisioning were reasonable. The impact of changes in the key areas of estimation on inventory are included in note 3.

→ **UK defined benefit pension accounting:** the valuation of the UK 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. The current economic environment, with inflation running at double-digit levels and interest rates rapidly rising in the run-up to 30 September 2022, increases the level of estimation involved, particularly with the scheme using LDIs to manage interest rate risk, but 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 as the scheme worked towards self-sufficiency. The sensitivity of the scheme valuation to interest rate and inflation assumptions is disclosed in note 17.

To aid the conduct of reviews, the Committee considers reports from the Chief Financial Officer and the Finance Director and also reports from the external auditors on the outcomes of their 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 34 to 40 and page 84. 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 Chief Operating Officer, the Group HR Director, the General Counsel & Company Secretary and the Director of Risk & Compliance.



Audit Committee report continued

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 and 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.

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

The 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 provide 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.

The Committee discusses both internally and with PwC the extent to which PwC have demonstrated professional scepticism and challenged management's assumptions 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.

The 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 are brought to the attention of the external auditors.

The FRC's Audit Quality Inspection Report for PwC, published in July 2022, showed that PwC's responses to previous reviews were making a positive impact on the scores with the second consecutive year of improvement, with the FRC recognising the improvements which had been made whilst also noting there was still work to do. 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. The Committee seeks evidence in the final audit report of the work performed by PwC on those areas relevant to the Company's audit, probing the audit team on the level of professional scepticism they have demonstrated and the level of challenge they have given management. 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 has been evident across the recent audits. 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

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 34 to 40.

Over the last year, the Committee has overseen the development of climate-related risks and opportunities, ensuring that they are aligned to the requirements of TCFD and considered in the context of the principal business risks.

During FY 2023 the Committee will continue to review the Group's linkage between the identification of risk and the control environment, including the formal evaluation of the Lines of Defence conducted by the business and the processes for testing the second line of defence.

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 function 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, 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 Director of Risk & Compliance 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 Director of Risk & Compliance 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 Director of Risk & Compliance;
- internal audit, led by the Director of Risk & Compliance, reports functionally to the Chief Financial Officer. The Director of Risk & Compliance 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; and
- progress against the internal audit plan is reviewed at each meeting.



Directors' remuneration report

FY 2022 highlights

- Oversaw the implementation of the current remuneration policy
- Reviewed the remuneration policy ahead of the 2023 AGM
- Consulted with investors on the remuneration policy and the proposed implementation of the policy in FY 2023
- Engaged with the wider workforce on the alignment between executive pay and the wider workforce
- Reviewed formulaic incentive outcomes and considered whether they were aligned to Company performance over the short and long term

- Oversaw the review of the operation of share plans across the Company
- Reviewed and approved salaries for the Executive Directors and the senior leadership team
- Considered and approved the Directors' remuneration report

FY 2023 priorities

- Oversee the implementation of the new policy
- Set incentive plan performance targets for the upcoming year



DIRECTORS' REMUNERATION REPORT

Main responsibilities of Committee

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

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 2022. This report is divided into three sections: my statement, the Directors' remuneration policy being put to shareholders at the 2023 Annual General Meeting and our annual report on remuneration for the year ended 30 September 2022.

Background

Victrex delivered record revenue and volume over the year, with good progress in our medical business as elective surgeries return in greater numbers, as well as growth in emerging applications. We also saw improved average selling prices compared to FY 2021. Our attractive and differentiated portfolio includes sustainable products which enable environmental and societal benefits, with just under 50% of our revenues being from sustainable products. Cash generation remained strong, supporting growth investment and shareholder returns. We are also pleased to see good progress at our new PEEK facility in China, with construction completed at the

end of our financial year and commissioning underway. Capital expenditure remained high during the year and is expected to be similar in FY 2023, as we complete our current investment in assets and capability within China.

2022 remuneration outcomes

Annual bonus

The FY 2022 annual bonus was based on PBIT pre-exceptional items (50%), strategic (30%) and personal (20%) objectives. If the threshold PBIT target was not met, then no payment would be made under any element. The Committee retained the ability to adjust the outcome if it did not reflect the wider performance of the business.

FY 2022 was a record year for revenue and volume, underlining the strong demand for applications using high performance materials, across a diverse set of end markets. As a result, the PBIT (pre-exceptional items) achieved was £95.4m. The Executives also performed well against the personal and strategic objectives resulting in a total pay-out between 56% and 64% of maximum. Half of the bonus for the Executive Directors will be deferred into shares for three years.

The Committee is comfortable that the formulaic bonus outcome reflects the wider business performance of the Company. The Committee did consider whether it was appropriate to use its discretion to adjust the formula-based bonus assessment but noting both the financial and non-financial achievements delivered in the context of the current challenging external environment it concluded that the bonus was a fair reflection of overall performance and so it was not deemed appropriate to adjust the bonus outcome. As part of approving bonuses, the Committee also considered the bonuses payable to all employees. All Group employees were eligible to receive bonuses with the same financial targets applying to all participants.

Therefore, paying bonuses based on the formulaic outcome was consistent with the approach taken across the Group.

LTIP

The 2019/20 long-term incentive awards are eligible to vest based on performance from 1 October 2019 to 30 September 2022. Performance was based on cumulative EPS (75%) and TSR performance vs FTSE 250 excluding investment trusts (25%). Based on TSR and EPS performance over the performance period 6.73% of the LTIP award will vest. After reviewing the overall financial and strategic performance over the period, and noting that awards were granted prior to the onset of COVID-19 (i.e. there was no potential for COVID-19 related windfall gains), the Committee believes that this outcome is appropriate and has not applied discretion in relation to the incentive outcome.

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

Change in CFO

Richard Armitage stepped down from the Board on 27 May 2022. As disclosed in the 2021 Annual Report, Richard was eligible to receive salary, pension and benefits during the period of his employment. He did not receive an annual bonus or LTIP award in FY 2022. All outstanding LTIP awards lapsed on cessation of employment and he received no further payments. Richard Armitage is required to retain his shareholding of 32% of salary for two years post as the threshold of 200% of salary in accordance with the shareholding guidelines under the remuneration policy was not met.

Ian Melling joined the Company as CFO with effect from 29 June 2022 and was appointed to the Board on 4 July 2022. He was recruited on a base salary of

Committee meetings in FY 2022

The Committee met five times during FY 2022 and has a programme of business reflecting the Committee's Terms of Reference.

Committee member	Meeting attendance
J E Ashdown (Chair)	5/5
B W D Connolly*	4/5
D Thomas	5/5
J E Toogood	5/5
R Rivaz	5/5

* Please see the footnote to the table on page 86.

Secretary: Jane Brisley

Other attendees:

- the Company Chair 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, regularly attend meetings;
- the Director of Investor Relations, Corporate Communications & ESG is an occasional attendee based on engagement matters with shareholders; and
- the CFO is an occasional attendee to represent financial matters such as target setting.

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

The Committee's agenda in FY 2022

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

- reviewing the remuneration policy ahead of the 2023 AGM;
- consulting with major shareholders ahead of the AGM on the proposed remuneration policy;
- ensuring the successful implementation of the Directors' remuneration policy;
- agreeing the Executive Directors' FY 2023 remuneration packages;
- assessing FY 2022 bonus and LTIP outturns; and
- preparing the Directors' remuneration report.

£350,000. When setting Ian's salary, the Committee considered a number of factors including: (i) the salary of the outgoing CFO (£378,000); (ii) the experience and calibre of the individual; (iii) his salary at Smith & Nephew; and (iv) the market rate for the role based on Victrex's size and complexity. In line with the remuneration policy, his pension contribution was set in line with the wider workforce. Ian was eligible for a pro-rata FY 2022 bonus and will be eligible for his first LTIP grant in FY 2023. Ian did not forfeit all of his awards on leaving Smith & Nephew and so no buy-out awards were considered necessary. All other elements of remuneration are in line with the remuneration policy.

Change in Non-executive Director Chair

As disclosed in the 2021 Annual Report, Larry Pentz retired from the Board on 11 February 2022. Vivienne Cox was appointed as Non-executive Director on 1 December 2021 until she became Board Chair Designate on 1 January 2022. She then became Board Chair from 11 February 2022.

Other Board changes

During the year, the Board established a new committee, the Corporate Responsibility Committee ('CRC') to oversee and keep under review the development and execution of the Company's sustainability strategy and progress towards targets, as well as the Company's societal obligations. Effective on 1 May 2022, Jane Toogood was appointed the Chair of the Committee. To reflect the

additional time and responsibility for this role, the Chair of the CRC will be paid a fee of £11,000 per annum (pro-rated for FY 2022), in line with the other Committee Chair fees. This additional fee came into effect on 1 May 2022.

Directors' remuneration policy

Our current policy was approved at our 2020 AGM and is due for renewal at our 2023 AGM. Our current policy has served the Company well over the past three years, enabling us to be flexible in the payments to Executive Directors, to recruit a new CFO and it has provided a good overall link between pay and performance. On this basis, and having explored alternative incentive mechanisms, our review concluded that only a few minor amendments were necessary to align to market best practice. A summary of the key changes to the policy are set out on page 108.

Other considerations during the year

Wider workforce context

During the year the Committee had oversight of the reward and compensation packages that operate across the Company, which are considered competitive. As a part of the policy review, the Committee reviewed the pay alignment across the business. Victrex's pay and culture is aligned across the business, and we offer a competitive remuneration package to our employees. All employees are eligible for an annual bonus; high achievers may also receive additional awards for excellence and all new joiners receive share

options after successful probation. In addition, the LTIP is cascaded below the Board in a consistent manner. During the year the Committee also reviewed the CEO pay ratio.

In FY 2022, the CEO pay ratio has decreased slightly. This is in part due to lower long-term incentive pay-outs for the CEO and higher remuneration for employees due to increases in base pay during FY 2022. The remuneration policy and its implementation are considered appropriate as it aligns with pay across the business and the resulting ratios are considered to be consistent with our wider pay, reward and progression policies for employees.

Wider workforce engagement

Brendan Connolly, who is the appointed designated Workforce Engagement Non-executive Director and is a member of the Committee, enables employees to provide feedback on remuneration during the various engagement mechanisms he undertakes that includes attendance at several forums. Brendan shares our approach to executive remuneration, and how it aligns with wider workforce and Company strategy and invites comments and questions. The views he receives on remuneration (including executive and wider employee remuneration) are then fed back to the Committee and the wider Board as part of his membership of the Committee and his wider workforce engagement role. The executive remuneration policy and its implementation were not raised as material issues during the year. Therefore, no amendments were required to the remuneration policy or its proposed implementation as a result of this engagement.



Directors' remuneration report continued

Other considerations during the year continued

Wider workforce engagement continued

The Company's biannual Employee Experience Survey indicated a change in the perception of Victrex's total remuneration (pay and benefits) package, compared with the FY 2020 survey. Reward and performance was an emerging key theme from those discussions and as such will form a key workstream focusing on improving employee awareness in this area, as part of the enterprise-wide engagement outcomes.

Shareholder engagement

Ahead of the 2023 AGM, we engaged with our largest investors as well as Institutional Shareholder Services ('ISS'), The Investment Association ('IA') and Glass Lewis, to understand their views on our proposed new policy and the proposed implementation in FY 2023. Based on the feedback received from our engagement, investors were supportive of the changes proposed to the remuneration policy and the proposed implementation of the policy in FY 2023.

Implementation of policy in 2023

The Committee considered how remuneration should be implemented for FY 2023. Part of this process was reviewing current practice against both market and best practice, our Group reward principles and pay ratios. The outcome of the review was that our current overall approach remains appropriate with greater weighting and total remuneration opportunity for senior executives reflecting their roles and responsibilities. The key decisions taken for FY 2023 included:

Base salary: During the year the Committee reviewed the salary increases for the wider workforce taking into account high inflation and the increase in cost of living. As a result of the review, the wider workforce received an average increase of 5%. In addition, wider workforce employees (excluding senior managers) received an additional one-off payment of up to £1,200. Therefore, with a 5% budget increase applied to the wider workforce and the additional payments, the Remuneration Committee were comfortable with an increase of 4% in salary for Executive Directors. However, in recognition of the fact that Ian Melling joined the Company part way through the financial year it was agreed that a lower rate of increase of 2% should be applied notwithstanding that normal Company policy is to increase in line with the wider workforce where employment starts prior to 1 July in the year.

Pension: As of 1 October 2022, the Company pension contribution for the Executive Directors has been aligned to the rate most commonly provided to the wider UK employee population (14% of salary). This aligns Victrex with the recommendations of the 2018 UK Corporate Governance Code with effect from 1 October 2022.

Annual bonus: In line with the bonus operated in FY 2022, the annual bonus will be subject to financial, strategic objectives and personal objectives. The weighting on the financial targets will increase from 50% to 60% with a corresponding reduction to the weighting on the 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. Similar to the approach taken in FY 2022, the non-financial targets will be subject to an underpin equal to the threshold profit target. Half of any bonus paid will be deferred into shares for three years. 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: In line with the approach for FY 2022, the FY 2023 performance targets will include a challenging range of EPS growth, relative total shareholder return targets and ESG targets. For the FY 2023 awards, the weighting on TSR has been increased to 30% of the award (from 20%) with a corresponding reduction to the weighting on EPS. This reflects the Committee's objective of further aligning the executives with delivering shareholding returns.

The EPS targets, determining vesting of 60% of the award, will measure performance based on growth in earnings of between 5% and 12% p.a. over the three years ending 30 September 2025. 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 30% of the award, will again compare Victrex's relative TSR performance over the period against the FTSE 250 Index constituents less investment trusts. The remaining 10% of the LTIP will be assessed against a challenging range of carbon reduction targets. With regards to the carbon reduction targets, both the targets for the FY 2022 and FY 2023 LTIP are measured on emissions per tonne of PEEK produced (with the FY 2022 targets included on page 120 and the FY 2023 targets included on page 127). The FY 2022 targets were originally set based on intensity per £m of revenue. However, the targets were restated to be emissions per tonne of PEEK produced to avoid the artificial benefits of increased pricing on the performance target. This ensures the envisaged degree of stretch in the target operates as intended. With regard to the quantum of FY 2023 awards, the Committee intends to make awards at 175% of salary for the CEO and 150% of salary for other Executive Directors. In recognition of current share price volatility the Committee is to include the ability to adjust the number of shares vesting in the FY 2023 long-term incentive award in the event there was to be a perceived windfall gain on vesting.

Non-executive Board fees: As described on page 127, to reflect the additional time and responsibilities of the Chair of the newly formed Corporate Responsibility Committee, a Chair fee of £11,000 p.a. was introduced on 1 May 2022. An increase of 4% to the NED base fee was approved by the Board. The Remuneration Committee anticipated an increase of 4% for the Chair; however, the Chair waived this increase.

I hope it is clear from the way we are proposing to apply policy in FY 2023 that we continue to take account of the feedback of our shareholders 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 1 December 2022.

Janet Ashdown

Chair of the Remuneration Committee

6 December 2022

Directors' remuneration policy

This report has been prepared in accordance with the provisions of the Companies Act 2006, The Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 and the subsequent amendments, and the UK Listing Authority Listing Rules. In addition, the report has been prepared on a 'comply or explain' basis with regard to the UK Corporate Governance Code 2018. The remuneration policy described in this section is intended to apply for three years and will be applicable from the date of approval by shareholders at the Company's 2023 AGM.

Determining the remuneration policy

The Committee is responsible for the development, implementation and review of the Directors' remuneration policy. In addressing this responsibility, the Committee works with management and external advisors to develop proposals and recommendations. The Committee considers the source of information presented to it, takes care to understand the detail and ensures that independent judgement is exercised when making decisions. The Remuneration Committee works alongside other Board Committees as needed; for example, the Group Audit Committee confirms incentive plan performance results.

When setting the remuneration policy, the Committee considered the Company's strategic objectives over both the short and the long term, the external market and market best practice. In addition, the Committee also considered the alignment across the business as well as stakeholder views. A summary of the pay alignment across the business and how stakeholder views are taken into account in the policy is set out in the sections below.

The pay alignment across the business

The Committee has oversight of the reward and compensation packages that operate across the Company and this is taken into account when setting the remuneration policy for Executive Directors and determining the implementation of the policy.

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 a Group profit target;
- 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; and
- roles considered critical to the business are eligible for a long-term incentive award.

At senior levels, remuneration is increasingly long term and 'at risk' with an increased emphasis on performance related pay and share-based remuneration.

How employee views are taken into account

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.

The Workforce Engagement Director is responsible for explaining how executive remuneration is structured and how it aligns with wider workforce remuneration and strategy. The Workforce Engagement Director also enables employees to provide feedback on remuneration via various engagement mechanisms which is then fed back to the Remuneration Committee. The Committee then considers this feedback when designing the remuneration policy and determining the implementation of the policy.

Based on feedback during FY 2022, the executive remuneration policy and its implementation were not raised as material issues in the discussions during the year and therefore no amendments to the remuneration policy were required as a result of this engagement.

How shareholder views are taken into account

The Committee has a standard annual agenda item whereby the feedback from shareholders and investor advisory bodies is presented and discussed following the AGM. The Committee Chair is also available for questions at the AGM. This feedback is sought and collated by our Director of Investor Relations, Corporate Communications & ESG. 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.

As part of the policy renewal process the Committee Chair consulted with major shareholders, as well as proxy voting bodies and shareholder advisory groups. Based on the feedback from our engagement, shareholders welcomed the proposed changes to the remuneration policy and so no amendments were required to the proposed policy.

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 & ESG.

Other considerations

In line with the UK Corporate Governance Code, the policy has been tested against the six factors listed in Provision 40:

Clarity – the remuneration policy is transparent, and the implementation of the policy is disclosed in straightforward, concise terms to shareholders.

Simplicity – remuneration structures are simple and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance, strategy and minimising the risk of rewarding failure.



Directors' remuneration report continued

Determining the remuneration policy continued

Other considerations continued

Risk – the remuneration policy has been shaped to discourage inappropriate risk taking as remuneration is focused on long-term success through the LTIP and the Deferred Bonus Scheme ('DBS'). Awards under the remuneration policy are subject to malus and clawback provisions. The performance conditions are reviewed annually to ensure that they remain suitable and do not incentivise risk taking. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.

Predictability – examples of the caps under the remuneration policy are illustrated in the scenario charts.

Proportionality – the link between each element of policy and Company strategy is noted in the table below. Variable pay is subject to a combination of financial and non-financial measures that are linked to Company strategy.

Alignment to culture – the Remuneration Committee reviews workforce composition and remuneration across the Group every year and takes them into account when reviewing the implementation of the policy. Where possible, in support of our performance culture, we align remuneration across the Group; for example, all employees are eligible for an annual bonus and all new joiners receive share options after successful probation.

Conclusion of the review and key changes to the policy

The Committee concluded that the remuneration policy had operated as intended over the past three years, enabling us to be flexible in the payments to Executive Directors and to recruit a new CFO, and provided a good overall link between pay and performance. On this basis, and having explored alternative incentive mechanisms, the Committee concluded that the policy was fit for purpose and only the minor amendments listed below were necessary to align to market best practice.

The clarifications and changes to the policy are set out below:

→ Pension:

- All Executive Directors (incumbent and new hires) must have a pension contribution in line with the wider workforce (currently 14% of salary) rather than just new hires.

→ Annual bonus:

- Pay-out schedule: We have clarified that where financial targets are set, the maximum proportion of each target that can be paid for achieving the threshold performance target is up to 20% of that part of the bonus, rising on a graduated scale to the maximum performance level where 100% of the relevant part of the bonus becomes payable. This is in line with market practice and the current approach at Victrex for setting financial targets. Where non-financial targets are set (e.g. strategic and/or personal targets) it may not be possible to structure the target in the same way as a financial target but, in principle, the same graduated approach to target setting will apply.
- Recovery and withholding provisions: These will in future apply for up to two years following the payment of the cash bonus or the end of the share deferral period (rather than one year). The provisions have been broadened to include insolvency as a trigger.

→ LTIP:

- Performance measures and vesting schedules: The references to specific performance measures have been removed (e.g. being required to have EPS or TSR) from the policy to allow the Committee market consistent flexibility to select the most appropriate performance measures. However, at least half of an award must be subject to financial and/or shareholder return measures.
- Recovery and withholding provisions: The provisions have been broadened to include insolvency as a trigger.

Directors' remuneration policy table

The table below and the accompanying notes describe the remuneration policy for Executive Directors.

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Base salary	<p>To provide competitive and fixed remuneration.</p> <p>To attract and retain executives of the calibre required to deliver the Company's strategy and enhance earnings over the long term.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Executive Directors will normally receive a salary increase (expressed as a percentage of salary) up to the level of increase awarded to the general workforce. There is no prescribed maximum.</p> <p>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.</p> <p>Current salary levels are shown in the annual report on remuneration on page 126.</p>	None.

Directors' remuneration policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
Benefits	<p>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.</p> <p>Car allowances to facilitate effective travel.</p>	<p>Benefit provision includes the following benefits and allowances:</p> <ul style="list-style-type: none"> → 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). <p>Executive Directors will be eligible for any other benefits or allowances which are introduced for the wider workforce on broadly similar terms and additional benefits or allowances might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with market practice.</p>	There is no defined maximum as the costs of benefits can vary year on year.	Not applicable.
Pension	<p>To attract and retain high calibre Executive Directors.</p> <p>To provide a level of benefits that allow for personal retirement planning.</p>	<p>Executive Directors are offered the choice of:</p> <ul style="list-style-type: none"> → 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 will be limited to that available to the wider workforce which is currently 14% of base salary.	Not applicable.
Bonus	<p>To incentivise performance against personal objectives and selected financial and operational KPIs which are directly linked to business strategy.</p> <p>Deferral of part of bonus into shares aligns the interests of Executive Directors and shareholders.</p>	<p>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. With regards to the treatment of awards on cessation of employment, details are on page 113.</p> <p>DBS shares accrue dividend equivalents.</p> <p>Not pensionable.</p> <p>Bonus and DBS awards are subject to 'malus' and/or 'clawback' provisions (for up to two years following (i) the payment of a cash bonus or (ii) in the case of a DBS award, the end of the relevant deferral period) 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; insolvency; or a failure of risk management.</p>	Maximum award of up to 150% of salary for the CEO and 125% for other Executive Directors.	<p>At least 50% of the bonus will be based on financial and operational performance. The remainder of the bonus will be based on the achievement of other non-financial objectives such as personal objectives.</p> <p>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 117.</p> <p>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.</p> <p>Where financial targets are set, up to 20% of the relevant part of the bonus becomes payable at the threshold performance level rising on a graduated scale to the maximum performance level where 100% of the relevant part of the bonus becomes payable. Where non-financial targets are set (e.g. strategic and/or personal targets) it may not be practicable to set a pre-set percentage of the relevant part of the bonus that becomes payable at the threshold performance level (i.e. the testing of non-financial targets may be binary for the relevant part of the bonus).</p>



Directors' remuneration report continued

Directors' remuneration policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
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.	<p>Awards under the LTIP are rights to receive Company shares, subject to certain performance conditions.</p> <p>Each award is measured over at least a three-year performance period.</p> <p>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.</p> <p>Shares subject to awards may accrue dividend equivalents.</p> <p>LTIP awards are subject to 'malus' and/or 'clawback' provisions (for up to a year following the end of the relevant holding period), 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; insolvency; or a failure of risk management.</p>	<p>The normal maximum award level will be up to 175% of salary p.a. in respect of the CEO and 150% for other Executive Directors.</p> <p>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.</p>	<p>Awards will be subject to a combination of long-term measures which are aligned to the shareholder experience and may include financial metrics (such as EPS), shareholder value metrics (such as TSR), and ESG or strategic measures. At least half of the award will be subject to financial and/or shareholder return measures. The Committee will have discretion to set different measures and weightings for awards in future years to best support the strategy of the business at that time.</p> <p>Normally, below threshold performance, 0% will vest. Where practicable, no more than 25% of maximum will vest at threshold performance, increasing pro-rata to 100% vesting for maximum performance.</p> <p>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.</p>
Share ownership guidelines	To increase alignment between Executive Directors and shareholders including for a period post-employment.	<p>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.</p> <p>The requirement to hold shares for a period post-employment shall be implemented by contractual means.</p>	<p>Minimum of 200% of salary.</p> <p>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.</p>	Not applicable.

Directors' remuneration policy table continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance target
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 Chair) is set by a separate Committee of the Board. The policy for the Chair is determined by the Committee (of which the Chair is not a member). Fees are paid in cash and are reviewed annually considering the salary increase for the general workforce and the Executive Directors, 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 subcommittees, and 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 ('LTIPs'), 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 127.	Not applicable. Non-executive Directors do not participate in variable pay arrangements and do not receive retirement benefits.

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 taking account of the impact of other merger and acquisition activity.

With regards to performance measures for variable pay, these are set with reference to Victrex's strategy and align the senior executives' interests with those of shareholders. The annual bonus plan performance metrics include a mix of financial targets and non-financial objectives, reflecting the key annual priorities of the Company. The financial metrics determine at least half the bonus and typically include a measure of profitability (e.g. PBIT) alongside a combination of key strategic and wider non-financial targets (e.g. progress with our mega-programmes). For FY 2023 the performance measures are 60% PBIT (pre-exceptional items), 30% strategic targets and 10% personal targets. The long-term incentive plan performance metrics relate to creating long-term sustainable returns and typically include measures of long-term profitable growth (e.g. EPS) and shareholder returns (e.g. TSR), along with sustainability and/or strategic targets (e.g. carbon reduction). For FY 2023, the performance measures are 60% EPS growth, 30% TSR and 10% carbon reduction targets (set as a measure of emissions intensity).

The Committee retains discretion within policy to set different performance criteria and/or alter weightings for the annual bonus plan and long-term incentives in line with the Company's strategic priorities, 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 LTIPs adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if a measure is no longer available). Performance targets are set based on a range of expected outcomes, taking into account both internal and external expectations of performance. Targets are set to be challenging yet realistic. All assessments of performance are ultimately subject to the Committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the annual report on remuneration.

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.



Directors' remuneration report continued

Recovery provisions

As outlined in the policy table the Committee has the power to operate 'malus' and/or clawback provisions in exceptional circumstances, including material misstatement of the Company's audited financial results; an error in the relevant financial information that led to a bonus, DBS or LTIP award being greater than it otherwise would have been; personal misconduct; serious reputational damage; a failure of risk management; or insolvency.

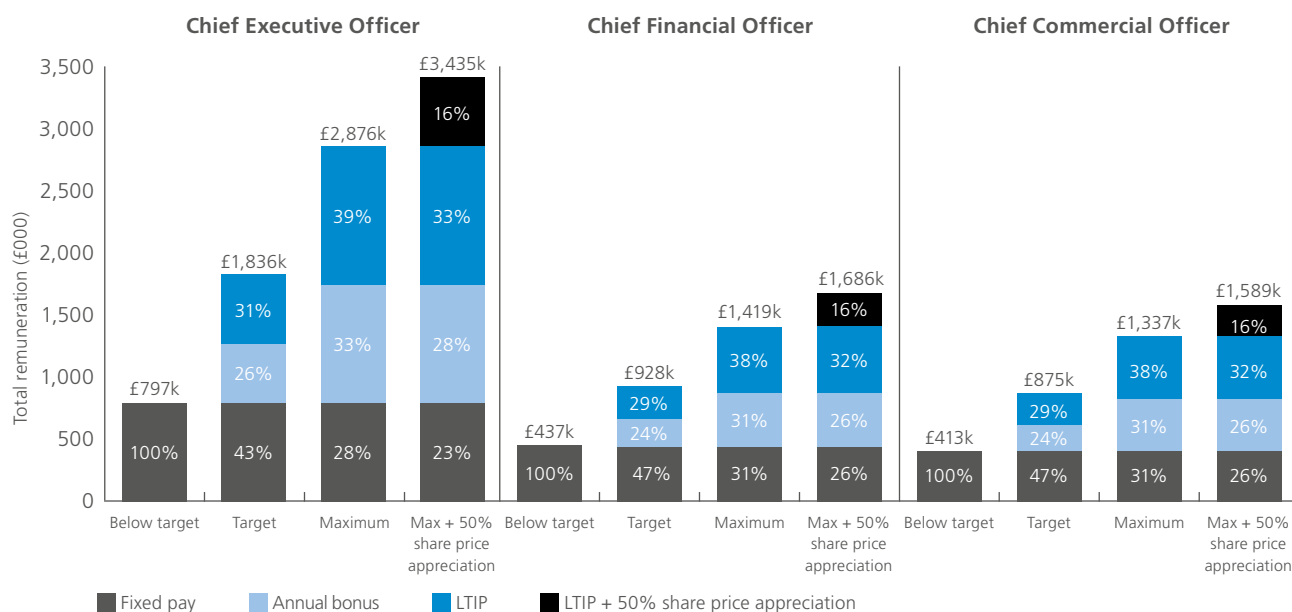
Discretion

The Remuneration Committee can exercise discretion in a number of areas when operating the Company's incentive schemes, in line with the relevant rules of the schemes. These include (but are not limited to):

- the choice of participants;
- the size of awards in any year (subject to the limits set out in the Directors' remuneration policy table);
- the extent of payments or vesting in light of the achievement of the relevant performance conditions;
- the determination of good or bad leavers and the treatment of outstanding awards (subject to the provisions of the scheme rules and the remuneration policy provisions); and
- the treatment of outstanding awards in the event of a change of control.

In addition, if events occur which cause the Remuneration Committee to conclude that any performance condition is no longer appropriate, that condition may be substituted, varied or waived as is considered reasonable in the circumstances in order to produce a fairer measure of performance that is not materially less difficult to satisfy.

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 and pension contribution for FY 2023 plus the value of benefits as disclosed in the FY 2022 single figure table. As the CFO joined during the year, the benefits are based on the expected benefits value in FY 2023.
- On target is the aforementioned minimum plus an assumed 50% pay-out of the annual bonus opportunity and 50% vesting of LTIP awards to be made in FY 2023.
- Maximum is the aforementioned minimum with an assumed 100% pay-out of the annual bonus opportunity and full vesting of LTIP awards to be made in FY 2023.
- Maximum + share price assumption shows maximum plus 50% share price appreciation on the shares subject to vested LTIP awards to be made in FY 2023.

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 12 months' notice.

The Chair 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. All Non-executive Directors are subject to re-election at each Annual General Meeting.

Service contracts and letters of appointment continued

The table below summarises the notice periods for each Director as well as the date of appointment and current contract/letter of appointment.

	Date of appointment	Date of current contract/letter of appointment	Notice from the Company	Notice from the individual	Unexpired period of service contract/letter of appointment
Executive Directors					
J O Sigurdsson	01/10/2017	19/04/2017	12 months	12 months	Rolling contract
M L Court	01/04/2015	10/01/2013	12 months	12 months	Rolling contract
I C Melling	29/06/2022	04/04/2022	12 months	12 months	Rolling contract
Non-executive Directors					
V Cox	01/12/2021	17/09/2021	3 months	3 months	Rolling contract
J E Ashdown	09/02/2018	18/12/2017	3 months	3 months	Rolling contract
B W D Connolly	09/02/2018	18/12/2017	3 months	3 months	Rolling contract
D Thomas	14/05/2018	11/05/2018	3 months	3 months	Rolling contract
J E Toogood	01/09/2015	30/07/2015	3 months	3 months	Rolling contract
R Rivaz	01/05/2020	24/03/2020	3 months	3 months	Rolling contract

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	<ul style="list-style-type: none"> → 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 benefits 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 benefits earned in new paid employment in that period.
Treatment of annual bonus on termination	<ul style="list-style-type: none"> → 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 (e.g. for a good leaver) 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.
Treatment of deferred bonus on termination	<ul style="list-style-type: none"> → 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 for good leavers is that any unvested awards will vest with no time pro-rating applying. Awards will normally vest at the normal vesting date unless the Committee decides they will vest on cessation of employment. Awards to 'bad leavers' lapse on cessation of employment.
Treatment of unvested long-term incentives on termination	<ul style="list-style-type: none"> → 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 normal vesting date unless the Committee decides that they will vest on the date of cessation of employment.



Directors' remuneration report continued

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 Chair 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 Chair'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.

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 normally 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; and
- 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 (excluding the remuneration policy), to be put to shareholders for an advisory (non-binding) vote at the 2023 Annual General Meeting.

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 Chair 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; and
- David Thomas.

Biographical information on the Committee members, details of attendance at the Committee's meetings and activities during the year are set out on pages 78, 79 and 105. The purpose, roles and responsibilities are thereby included in this section of the report by reference.

External advisor

Korn Ferry provided independent advice to the Committee during FY 2022 having been appointed by the Committee following a competitive tender process in 2020.

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 £70,000 which included fixed fees for planned undertakings and ad-hoc support on a time and expense basis. Korn Ferry provided other human capital related services during the year to a separate part of the business, but these services were carried out by a team separate to the remuneration advisory team. As a result, the Committee is satisfied that the advice received was objective and independent. Korn Ferry is a member of the Remuneration Consultants Group and abides by the voluntary code of conduct of that body, which is designed to ensure objective and independent advice is given to remuneration committees.

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 at the 2020 AGM and 2022 AGM, 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 report 2022 AGM	67,651,442 (99.23%)	523,183 (0.77%)	4,050,685
Directors' remuneration policy 2020 AGM	64,813,885 (93.73%)	4,337,065 (6.27%)	593,713



Directors' remuneration report continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2022

A summary of how the Directors' remuneration policy was applied for the year ended 30 September 2022 is set out below.

Remuneration received by Directors for the year ended 30 September 2022 (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								
2022	615,000	68,000	130,740	813,740	579,754	47,334	627,088	1,440,828
2021	557,535	71,875	117,076	746,486	780,270	—	780,270	1,526,756
I C Melling*								
2022	80,096	8,034	12,606	100,736	63,371	—	63,371	164,107
R J Armitage								
2022	249,577	18,167	47,387	315,131	—	—	—	315,131
2021	378,000	16,664	72,192	466,856	—	—	—	466,856
M L Court								
2022	323,044	30,000	57,751	410,795	259,834	22,109	281,943	692,738
2021	313,635	16,664	56,101	386,400	371,463	—	371,463	757,863
V Cox**								
2022	214,292	—	—	214,292	—	—	—	214,292
L C Pentz								
2022	76,022	6,000	—	82,022	—	—	—	82,022
2021	200,593	6,000	—	206,593	—	—	—	206,593
J E Ashdown								
2022	62,500	—	—	62,500	—	—	—	62,500
2021	60,000	—	—	60,000	—	—	—	60,000
B W D Connolly								
2022	60,500	—	—	60,500	—	—	—	60,500
2021	58,000	—	—	58,000	—	—	—	58,000
D Thomas								
2022	62,500	—	—	62,500	—	—	—	62,500
2021	60,000	—	—	60,000	—	—	—	60,000
J E Toogood								
2022	56,083	—	—	56,083	—	—	—	56,083
2021	50,000	—	—	50,000	—	—	—	50,000
R Rivaz								
2022	61,000	—	—	61,000	—	—	—	61,000
2021	58,500	—	—	58,500	—	—	—	58,500

* Ian Melling's salary has been pro-rated from the date of employment on 29 June 2022. Ian took some unpaid leave in line with the policy for the wider workforce.

** As detailed on page 109 of the 2021 annual report, the fee for the Board Chair for Vivienne Cox, was set at £280,000. The fee was set as part of the work undertaken in respect of the search for a successor to Larry Pentz and recognised the expected future time commitment of the role, the calibre and experience of the individual and current market fee rates.

The remuneration for Executive and Non-executive Directors comprising salary (or fees), taxable benefits, pension and bonus was £3.2m (FY 2021: £3.2m).

Implementation of the Directors' remuneration policy for the year ended 30 September 2022 continued

Notes and additional information (audited)

1. Salary and fees

Several Board changes occurred during the year:

- Richard Armitage stepped down from the Board on 27 May 2022. Richard received a salary of £378,000 pro-rata up until he stepped down from the Board;
- Ian Melling was appointed to the Board as CFO with effect from 4 July 2022. Ian received a base salary of £350,000 pro-rata from the first date of his employment on 29 June 2022;
- Larry Pentz retired from the Board on 11 February 2022 and received a fee of £206,610 p.a. pro-rata for the period until leaving the Board;
- Vivienne Cox received a pro-rata fee based on the annualised rate of £51,500 p.a. from her appointment as a Non-executive Director on 1 December 2021 until she became Board Chair Designate on 1 January 2022, at which time her fee became £280,000 p.a. to reflect the expected time commitment of her role from that date as Board Chair Designate and then Board Chair from 11 February 2022; and
- as described on page 127 Jane Toogood received an additional fee as Corporate Responsibility Committee Chair of £11,000 p.a. effective on 1 May 2022.

2. Taxable benefits

All Executive Directors are eligible for a company car allowance up to £21,000 and membership to a private medical scheme covering themselves and their immediate families. The remaining taxable benefits for Jakob Sigurdsson and Martin Court relate to communication, tax, services and insured benefits allowance. Larry Pentz received support to complete UK and overseas tax submissions.

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.

In 2022, Martin Court remained opted out of the defined contribution pension scheme and received a cash supplement of 12%. Jakob Sigurdsson continues to participate in the Company defined contribution pension scheme in line with HMRC limits (£4,000) 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.

For new entrants and with effect from 1 October 2022, all Executive Directors will align with the wider workforce on pension contributions. Ian Melling participates in the defined contribution pension scheme in line with HMRC limits (£4,000) and receives the balance between these limits and the maximum Company contribution of 14% of salary (as a cash supplement) which is aligned to the wider workforce. All supplements are subject to statutory deductions.

Two of the Directors are accruing pension benefits under defined contribution schemes (FY 2021: one). None of the Directors are accruing pension benefits under defined benefit schemes (FY 2021: none).

4. Annual bonus payments

The annual bonus was operated on the same basis as FY 2021 with 50% subject to a stretching Group underlying profit before interest and tax ('PBIT') 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 underlying PBIT threshold is not met.

The maximum annual bonus opportunity for the CEO is 150% of salary and 125% of salary for the other Executive Directors. Following his appointment as CFO, Ian Melling was eligible for a pro-rata bonus for FY 2022.

The performance against measures to 30 September 2022 is set out in the tables below.

Measure	Weighting	Threshold	Target	Stretch	Actual result*	Outcome (% of maximum)		
		20% of maximum	50% of maximum	100% of maximum		J O Sigurdsson	I C Melling	M L Court
<i>Financial</i>								
PBIT	50%	£91.7m	£96.0m	£105.6m	£95.4m	45.8%	45.8%	45.8%
<i>Strategic and personal objectives</i>								
Strategic objectives	30%		See below			75.6%	75.6%	75.6%
Personal objectives	20%		See below			86.3%	50.0%	93.8%
Total						62.9%	55.6%	64.4%

* Group profit before tax and exceptional items of £95.6m less Finance income of £0.5m plus Finance costs of £0.3m.

Executive Directors were set a number of stretching strategic and personal performance objectives for FY 2022, 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 on pages 118 and 119.



Directors' remuneration report continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2022 continued

Notes and additional information (audited) continued

4. Annual bonus payments continued

Strategic objectives	Weighting	Overview	Performance target and assessment by Committee	Achievement (% of max)
Drive core business	12.5%	Deliver growth	Target: Revenue of at least £316m. Performance: Achieved in excess of target with record revenue of £341m, representing an 11% year-on-year increase which was marginally below the maximum target. Additional reference points: Record sales volume of 4,727t, up 8% on prior year, plus price increase programme. Overall achievement between target and maximum.	85%
	12.5%	Delivering the supply and cost plans	Target: Cost per tonne on budget with additional savings of £2.7m. Achieved: Delivered budget with £3.1m of cost savings. Additional reference points: Record volume (exceeding the target by over 400 tonnes) with productivity results also ahead of budget. Overall achievement between target and maximum.	70%
Differentiate through innovation	25%	Commercial traction in mega-programmes milestones to deliver forecast	Target: Deliver five new product milestones and associated revenues. Achieved: Six of eight new product milestones achieved with all revenue targets achieved. Additional reference points: Revenue from new business 3% above budget with cost 33% below. Sales from new products 6% of Group revenue at £19m. Roadmap to £10m revenue in place for Magma, Trauma, E-mobility, Aerospace and Knee mega programmes. Overall achievement between target and maximum.	75%
Create and deliver future value	25%	Deliver China development plan	Target: Completion and commissioning of new production facilities. Achieved: New PVYX PEEK facility in China on track – mechanically complete with commissioning underway. Investment in capability to underpin growth well advanced. Overall achievement at target.	50%
Underpin through safety, sustainability and capability	25%	Traction in ESG strategy	Target: Achieve RIFR of <0.5. Manage communication of ESG progress to improve rating agencies and /or investor assessments. Improve external positioning in relation to third party ESG assessments. Improve performance across range of ESG KPIs. Achieved: RIFR of 0.2, positive feedback from investors and ESG rating agencies (MSCI score up to A from BB) and steps towards SBTi submission. Scope 3 and Lifecycle Assessment projects completed to map full carbon footprint. Additional reference points: Safety improved through near miss management, 'Golden Rules' and process safety. Overall achievement at maximum.	100%
Total	100%			76%
Personal objectives	Weighting	Assessment of performance by Committee		Achievement (% of max)
Jakob Sigurdsson				
Drive core business Manufacturing cost base	25%		Target: Improve manufacturing cost base and pricing structures. Achieved: Pricing mix improved to an exit rate of £12m with cost savings ahead of budget and targets for productivity and cost reduction initiatives delivering an outcome between target and maximum. Overall achievement between target and maximum.	70%
Differentiate through innovation Mega-programmes	25%		Target: Achieve contract partner for Trauma mega programme plus deliver demonstrable progress on up to two other mega programme partners. Achieved: Trauma partner established, along with progress against other mega programme milestones. Overall achievement between target and maximum.	75%
Create and deliver future value Building core competence and M&A strategy	25%		Target: Develop to a conclusion up to three specific initiatives (covering both process and execution). Achieved: Manufacturing partnership established in the year, with development and strategy projects progressed ahead of Board expectations. Overall achievement at maximum	100%
Underpin through safety, sustainability and capability DE&I development with ESG	25%		Target: Increase female representation in leadership roles vs FY2021 and deliver at least 12 targeted broader DE&I initiatives. Achieved: Females in leadership up to 19% (FY 2021: 10%) with 26 DE&I initiatives delivered. Additional reference points: New ESG function established. Overall achievement at maximum.	100%
Total	100%			86%

**Implementation of the Directors' remuneration policy for the year ended 30 September 2022** continued**Notes and additional information (audited)** continued**4. Annual bonus payments** continued

Personal objectives	Weighting	Assessment of performance by Committee	Achievement (% of max)
Martin Court			
Drive core business Further develop PEEK offering	25%	Target: Establish pipeline and market adoption plan for a PEEK offering in China. Achieved: Board approved plan with progress on track in relation to execution of the pipeline and the market adoption plan for a PEEK offering in China. Overall achievement at maximum.	100%
Differentiate through innovation Enhance mega-programmes	25%	Target: Establish enhanced innovation processes and controls to enhance delivery of mega programmes. Achieved: Revised working protocols were established resulting in enhanced team engagement and increased average project size. Overall achievement between target and maximum.	75%
Create and deliver future value Opportunities for energy transition and renewable raw materials	25%	Target: Assess opportunities for both energy transition and renewable raw materials. Achieved: Access to alternative fuels and technologies assessed, including hydrogen, with programmes ahead of plan. Developed sustainable product applications, including wind turbine applications. Overall achievement at maximum.	100%
Underpin through safety, sustainability and capability Development of innovation resources	25%	Target: Establish a new graduate R&D programme and partnership with targeted universities. Achieved: New R&D graduate programme established, plus new innovation partnerships with academia and manufacturing groups. Overall achievement at maximum.	100%
Total	100%		94%

Personal objectives	Weighting	Assessment of performance by Committee	Achievement (% of max)
Ian Melling			
Drive core business ERP upgrade	50%	Target: Deliver ERP system in line with Board approved plan, maximum target includes exceeding Board plan. Achieved: New business-wide ERP system delivery on track, progressing well against agreed timescales and within budget. Overall achievement at target.	50%
Create and deliver future value Corporate development activities	50%	Target: Support up to two initiatives in M&A process and product development areas. Achieved: Two initiatives on track. Overall achievement at target.	50%
Total	100%		50%

The above reflects a full summary of the targets set and achievements delivered within the bounds of commercial confidentiality.

Based on performance to 30 September 2022, the annual bonus outcome for Executive Directors during the year is shown below.

The above reflects a full summary of the targets set and achievements delivered within the bounds of commercial confidentiality.

Measure	Annual bonus outcome		Bonus outcome (£)
	% of maximum	% of salary	
J O Sigurdsson	63%	94%	579,754
I C Melling ¹	56%	69%	63,371
M L Court	64%	80%	259,834

1 I C Melling's bonus has been pro-rated for the period of employment, in line with the approach used for the wider workforce.

Half of the bonus will be deferred in shares for three years. No further performance conditions apply. Deferred shares are subject to continued service.



Directors' remuneration report continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2022 continued

Notes and additional information (audited) continued

5. Vesting of LTIP awards

The LTIP awards granted on 11 December 2019 and 12 February 2020 were based on performance to the year ended 30 September 2022. The performance targets for these awards and actual performance against those targets were as follows with the Committee comfortable with TSR vesting following considering the overall progress of the business and the current market wide share price volatility:

Metric	Weighting	Vesting at threshold (% of max)	Threshold target	Stretch target ²	Actual	% vesting
Cumulative underlying earnings per share	75%	20%	352.9p	395.8p	253.7p	0%
Total shareholder return vs. FTSE 250 Index (excluding investment trusts) ¹	25%	25%	-4.20%	26.80%	-3.00%	26.9%
Total	100%				Total vesting	6.73%

1 TSR measured over three financial years with a three-month average at the start and end of the performance period.

2 If the stretch target is achieved 100% of the element vests. Straight line vesting applies between the threshold and the stretch target.

The vesting details for the Executive Directors are therefore as follows:

Executive ¹	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 £	Estimated value ³ £
J O Sigurdsson	11 December 2019	11 December 2022	29,327	1,972	27,355	4,244	39,603
	12 February 2020 ²	12 February 2023	5,865	394	5,471	666	7,731
M L Court	11 December 2019	11 December 2022	13,172	885	12,287	1,905	17,773
	12 February 2020 ²	12 February 2023	3,293	221	3,072	373	4,336

1 Richard Armitage's options lapsed in accordance with the Plan rules following his leaving employment of the Company. For information relating to the awards that vested in relation to the 30 September 2021 year end, please see page 104 in the 2021 Annual Report.

2 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 approved remuneration policy.

3 Estimated value of shares based on the three-month average share price during the month ended 30 September 2022 of £17.93. This value will be restated in the single figure table next year based on the actual share price on the date of vesting.

The share price was £23.42 at the time of grant of the award for the December award and £23.48 for the February award, compared to the share price of £23.81 used to determine the grants and therefore none of the value of the award is due to share price appreciation.

Long-term incentives granted during the year (audited)

On 10 December 2021, the following LTIPs were granted to Executive Directors:

Executive	Type of award	Basis of award	Average share price used at 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	175% of salary	£24.6267	43,702	£1,076,236	21%	Three financial years to 30 September 2024
M L Court	Nil-cost option	150% of salary	£24.6267	19,676	£484,555	21%	

1 The share price at date of grant is the mid-market price quoted over a three-day average on 7, 8 and 9 December 2021 in accordance with the Plan rules.

2 An additional two-year holding period applies after the end of the three-year performance period.

The LTIP was awarded as nil-cost options with an exercise price of £nil. There is no change in the approach to the exercise price or date.

The award is subject to the performance conditions set out below:

Performance measure	Weighting	Payment at threshold	Threshold	Maximum
EPS (compound annual growth over three years)	70%	20%	7% p.a.	15.5% p.a.
Relative TSR vs FTSE 250 (excluding investment trusts)	20%	25%	Median	Upper quartile
Reduction in Scope 1 & Scope 2 emissions (per tonne PEEK produced)	10%	20%	-2.5% p.a.	-7.2% p.a.



Deferred shares granted in the year to 30 September 2022 (audited)

Awards of deferred bonus shares over the Company's shares were granted to Executive Directors on 10 December 2021 as shown below. The deferred share awards are based on 50% of the bonus awarded for the year to 30 September 2021. No further performance conditions apply and vesting of the awards is subject to continued employment at the date of vesting in three years' time.

Executive	Type	Number of shares granted ¹	Face value of the award at grant date	Grant date	Vest date
J O Sigurdsson	Nil-cost options	15,841	£392,540	10 December 2021	10 December 2024
M L Court	Nil-cost options	7,541	£186,866	10 December 2021	10 December 2024

1 The share price at date of grant is £24.63 and is the mid-market price quoted over a three-day average on 7, 8 and 9 December 2021 in accordance with the Plan rules. The closing share price on the date of grant was £24.78.

Sharesave options granted during the year (audited)

During the year Jakob Sigurdsson received an award under the Company's Save as You Earn Scheme ('SAYE'). The details are set out below.

Name	Number of options granted ¹	Exercise price ¹	Face value at grant ²	% of award vesting at threshold	Date on which exercisable
J O Sigurdsson	951	£18.912	£17,985	n/a	1 April 2025

1 The exercise price represents a 20% discount to the average price used to determine the number of shares comprising the award which was the share price on 10 January 2022 of £23.64.

2 The number of shares included in the award was determined based on his expected monthly saving over a 36-month period of £500 per month.

Payments for loss of office and to past Directors (audited)

Richard Armitage stepped down from the Board on 27 May 2022. As disclosed in the 2021 Annual Report, Richard was eligible to receive salary, pension and benefits during the period of his employment. The value received under each element is set out in the single figure table.

Richard did not receive an annual bonus or LTIP award in FY 2022. All outstanding LTIP awards lapsed on cessation of employment and he received no further payments. Richard Armitage's deferred bonus share award granted on 10 December 2018 vested on 10 December 2021, as Richard was still employed on this date. There are no outstanding deferred bonus share awards. Richard Armitage is required to retain all of his shareholding upon cessation for two years as the threshold of 200% of salary in accordance with the Shareholding Guidelines under the remuneration policy was not met.

Larry Pentz retired from the Board on 11 February 2022 and received a pro-rata fee for the period until leaving the Board (based on his FY 2022 fee of £206,610 p.a., being the FY 2021 fee plus 3% in line with the wider workforce) and benefits of £6,000.



Directors' remuneration report continued

Statement of Directors' shareholdings and share interests (audited)

During employment, Executive Directors are required to build and maintain a shareholding equivalent to 200% of their base salary. Executive Directors are required to retain 50% of the net of tax value of any vested LTIP shares until the guideline is met. The table below summarises each Director's current shareholding, and share awards subject to performance conditions, and whether or not the shareholding requirement has been met.

Director	Beneficially owned at 1 October 2021	Beneficially owned at 30 September 2022 ¹	Unvested options with performance conditions (LTIP)	Unvested options without performance conditions (DBS/SAYE)	Vested unexercised options (LTIP/DBS/SAYE)	Total	Total for shareholding guidelines	Shareholding as a % of salary at 30 September 2022 ²
J O Sigurdsson	16,200	22,000	124,686	16,792	10,237	173,715	35,828	99%
M L Court	12,426	22,613	58,221	8,450	2,269	91,553	27,681	146%
I C Melling ³	—	1,000	—	—	—	1,000	1,000	5%
R J Armitage	6,396	7,133	—	—	1,562	8,695	7,133	32%
V Cox	—	—	—	—	—	—	n/a	n/a
B W D Connolly	350	850	—	—	—	—	n/a	n/a
J E Ashdown	—	—	—	—	—	—	n/a	n/a
D Thomas	—	—	—	—	—	—	n/a	n/a
J E Toogood	500	500	—	—	—	—	n/a	n/a
R Rivaz	—	—	—	—	—	—	n/a	n/a
L Pentz	4,000	4,000	—	—	—	—	n/a	n/a

1 The table above includes the holdings of persons connected with each of the Directors. The holdings stated represent shares beneficially held.

2 The shareholding as a percentage shown above is based on the average share price during September 2022 of £17.01.

3 Ian Melling joined the Company on 29 June 2022 with no award of LTIP made in FY 2022.

There are no unvested scheme interests in the form of shares.

Martin Court acquired an additional 18 shares during the period from 1 October 2022 to the date of this report through his participation in the All-Employee Share Ownership Scheme.

There have been no other changes in the Directors' shareholdings and share interests up to the date of this report.

LTIP awards are nil-cost options. Vested but unexercised LTIPs are not subject to performance conditions as they are out of the performance period. The unvested LTIPs are subject to EPS and TSR performance conditions, and an ESG measure also applying to options granted from 2021. Outstanding deferred bonus share awards are nil-cost options which are not subject to performance conditions. Outstanding share awards under all-employee share plans relate to the options issued under the Save As You Earn Scheme; none of this type of option are subject to performance conditions. The details of outstanding scheme interests are included in the table above.

The aggregate gain for Martin Court in the year from the exercise of awards granted under the LTIP and DBS was £411,249 based on the respective share price on the date of exercise of £24.78. The gain for Richard Armitage in the year from the exercise of awards granted under the DBS was £31,427 based on the share price on the date of exercise of £24.75.



Details of outstanding scheme interest (audited)

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 30 September 2022 is shown in bold.

Plan	Grant date	Exercise price	No. of share awards at 1 October 2021	Granted during the year	Vested during the year	Exercised during the year	Lapsed during the year	No. of share awards at 30 September 2022	End of performance period	Date from which exercisable	Expiry date
M L Court											
LTIP	08/12/2016	nil	14,550	—	—	14,550	—	—	30/09/2019	08/12/2021	08/12/2026
	08/12/2017	nil	2,269	—	—	—	—	2,269	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
	14/12/2020	nil	22,080	—	—	—	—	22,080	30/09/2023	14/12/2025	14/12/2030
	10/12/2021	nil	—	19,676	—	—	—	19,676	30/09/2024	10/12/2026	10/12/2031
Total			68,336	19,676	—	14,550	12,972	60,490			
SAYE	01/04/2020	£19.97	450	—	—	—	—	450	n/a	01/04/2023	30/09/2023
	01/04/2021	£19.60	459	—	—	—	—	459	n/a	01/04/2024	30/09/2024
Total			909	—	—	—	—	909			
Deferred shares	10/12/2018	nil	2,046	—	—	2,046	—	—	n/a	10/12/2021	10/12/2026
	10/12/2021	nil	—	7,541	—	—	—	7,541	n/a	10/12/2024	10/12/2029
Total			2,046	7,541	—	2,046	—	7,541			
J O Sigurdsson											
LTIP	08/12/2017	nil	4,890	—	—	—	—	4,890	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
	14/12/2020	nil	45,792	—	—	—	—	45,792	30/09/2023	14/12/2025	14/12/2030
	10/12/2021	nil	—	43,702	—	—	—	43,702	30/09/2024	10/12/2026	10/12/2031
Total			115,460	43,702	—	—	29,586	129,576			
SAYE	01/04/2019	£19.20	937	—	937	—	—	937	n/a	01/04/2022	30/09/2022
	01/04/2022	£18.91	—	951	—	—	—	951	n/a	01/04/2025	30/09/2025
Total			937	951	937	—	—	1,888			
Deferred shares	10/12/2018	nil	4,410	—	—	—	—	4,410	n/a	10/12/2021	10/12/2026
	10/12/2021	nil	—	15,841	—	—	—	15,841	n/a	10/12/2024	10/12/2029
Total			4,410	15,841	—	—	—	20,251			

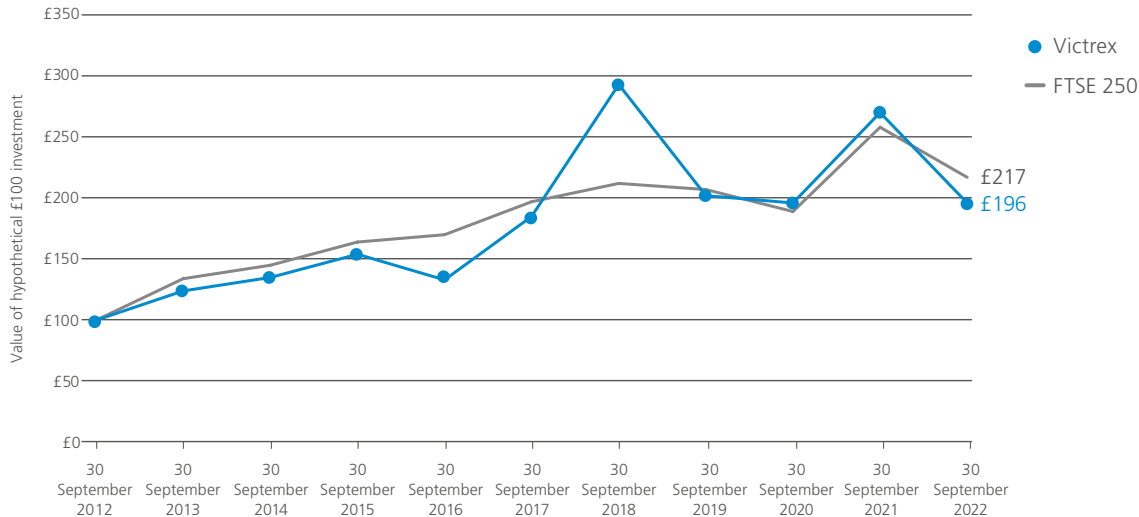
Note: I C Melling does not have any outstanding scheme interests.



Directors' remuneration report continued

Total shareholder return graph

The following graph shows the cumulative total shareholder return of the Company over the last 10 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.

CEO total remuneration

The total remuneration figures for the Chief Executive during each of the last 10 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 pay-out and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

Year ended 30 September	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Name	J O Sigurdsson	J O Sigurdsson	J O Sigurdsson	J O Sigurdsson	J O Sigurdsson	D R Hummel	D R Hummel	D R Hummel	D R Hummel	D R Hummel
Total remuneration	£1,440,828	£1,526,756	£888,780	£763,672	£1,071,351	£1,462,274	£668,211	£735,103	£832,147	£709,288
Annual bonus (% of maximum)	62.9%	93.3%	0%	0%	65%	77.6%	—	22.5%	53.1%	— ¹
LTIP vesting (% of maximum)	6.73%	0%	19.8%	n/a ²	n/a ²	22.1%	—	—	—	16.56%

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 was eligible to vest in 2020.

Annual percentage change in Director and employee remuneration

The table below shows the percentage change in the Directors' salary, benefits and annual bonus over the last three financial years, compared to employee average.

	Average percentage change 2021–2022			Average percentage change 2020–2021 ¹			Average percentage change 2019–2020 ¹		
	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus
J O Sigurdsson ²	10.30%	(5.40)%	(25.70)%	0.00%	(24.50)%	100.00%	2.30%	(8.10)%	0.00%
I C Melling	n/a	n/a	n/a						
R J Armitage ³	(34.00)%	9.00%	0.00%	0.00%	0.50%	0.00%	5.00%	1.60%	0.00%
M L Court ⁴	3.00%	80.00%	(30.10)%	0.00%	0.50%	100.00%	5.00%	1.60%	0.00%
Dr V Cox	n/a	n/a	n/a						
L C Pentz ³	(62.10)%	0.00%	n/a	0.00%	9.10%	n/a	2.30%	0.00%	n/a
J E Ashdown	4.20%	n/a	n/a	0.00%	n/a	n/a	3.40%	n/a	n/a
B W D Connolly	4.30%	n/a	n/a	0.00%	n/a	n/a	20.80%	n/a	n/a
D Thomas	4.20%	n/a	n/a	0.00%	n/a	n/a	3.40%	n/a	n/a
J E Toogood ⁵	12.20%	n/a	n/a	0.00%	n/a	n/a	4.20%	n/a	n/a
R Rivaz	4.30%	n/a	n/a	140.00%	n/a	n/a	n/a	n/a	n/a
Employee average	(0.40)%	(11.04)%	(43.10)%	(2.93)%	(2.02)%	100.00%	1.78%	7.56%	0.00%

1 Explanations for large increases in between 2020 and 2021, and 2019 and 2020, are provided in the previous Annual Reports.

2 Jakob Sigurdsson's benefits reduced due to decreased education benefits for his children in FY 2021.

3 Richard Armitage and Larry Pentz both received pro-rated salary/fees and benefits up to their last date of service.

4 Martin Court's benefits increased due to the introduction of communication, tax, services and insured benefits allowance.

5 Jane Toogood's fee increase is in line with new responsibility as Chair of the CRC as detailed on page 127.

As the Parent Company does not have any employees, the employee average is based on global employees. The reason for the decreases year on year was predominantly due to a change in the distribution of the global workforce and the impact of exchange rate movements.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends:

	2022 £m	2021 £m	% change
Staff costs ¹	72.3	71.5	1%
Dividends ²	51.8	51.6	0%

1 FY 2021 staff costs are offset by a £0.8m credit in respect of restructuring costs. No such credit was included in FY 2022.

2 2022 includes a proposed final regular dividend of 46.14p. The 2021 comparative excludes the special dividend of £43.5m (based on 50p per share).

£3.0m (FY 2021: £3.0m) of the staff costs figures relate to pay for the Directors (excluding pension contributions), of which £1.3m relates to the highest paid Director (FY 2021: £1.4m). Total pension contributions were £0.2m (FY 2021: £0.2m) and for the highest paid Director were £0.1m (FY 2021: £0.1m).

The dividend figures relate to amounts payable in respect of the relevant financial year.



Directors' remuneration report 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.

Financial year	Calculation methodology	CEO pay ratio		
		25th percentile pay ratio	50th percentile (median) pay ratio	75th percentile pay ratio
2022	Option A	31.78	27.41	22.43
2021	Option A	32.60	28.38	22.87
2020	Option A	20.22	17.66	13.85
2019	Option A	17.82	15.91	12.56

Victrex reports against Option A as this option is considered to be the most statistically robust. The ratios are based on total pay and benefits as well as short-term and long-term incentives applicable for the financial year 1 October 2021 to 30 September 2022. 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 2022, and all items of remuneration for employees have been calculated on the same basis as the single figure for the CEO.

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	£615,000	£1,440,828
25th percentile employee	£37,265	£45,336
50th percentile employee	£42,802	£52,561
75th percentile employee	£44,488	£64,250

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.

In FY 2022, the CEO pay ratio has improved slightly. This is in part due to lower long-term incentive pay-outs for the CEO and higher remuneration for employees due to increases in base pay and full bonus pay-out during FY 2022. The CEO pay ratio deteriorated slightly in 2021 due to the partial vesting of the 2017 LTIP and a pay-out under the annual bonus. In 2020 and 2019, the bonus did not meet threshold performance, resulting in lower pay ratio figures.

We are satisfied that the median pay ratio 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 FY 2023

The section below sets out the implementation of the remuneration policy in FY 2023 which has been set in line with the remuneration policy to be put to shareholders at the 2023 AGM. There are no significant changes in the implementation of the policy proposed in FY 2023.

Salaries and fees

Executive Directors

During the year the Committee reviewed the salary increases for the wider workforce taking into account high inflation and the increase in cost of living. As a result of the review the wider workforce received an average increase of 5%. In addition, wider workforce employees (excluding senior managers) received an additional one-off payment of up to £1,200 as a support payment to recognise the extreme cost of living increase in 2022. The Remuneration Committee determined that the Executive Directors should receive an increase below that of the average wider workforce rate at 4% of salary. With regard to Ian Melling, in view of his joining the Company part way through the year, it was agreed that his increase would be limited to 2% of salary notwithstanding that normal Company policy is to increase in line with the wider workforce where employment starts prior to 1 July in the year.

	2023	2022	% increase
J O Sigurdsson	£639,600	£615,000	4%
I C Melling	£357,000	£350,000	2%
M L Court	£335,966	£323,044	4%

Implementation of policy in FY 2023 continued

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 chairship of Board Committees.

As detailed in the Committee Chair's introductory letter on page 105, to reflect the additional time and responsibilities of the Chair of the newly formed Corporate Responsibility Committee, a Chair fee of £11,000 p.a. was introduced on 1 May 2022.

The Committee fees will remain at FY 2022 levels as they are considered aligned to market. The base fee will increase in line with the Executive Directors at 4%.

The table below shows the fees for the Board with effect from 1 October 2022.

Position	2023	2022	% increase
Chair ¹	£280,000	£280,000	0%
Base fee	£53,560	£51,500	4%
Senior Independent Director	£9,500	£9,500	0%
Workforce Engagement Director	£9,000	£9,000	0%
Audit Committee Chair	£11,000	£11,000	0%
Remuneration Committee Chair	£11,000	£11,000	0%
Corporate Responsibility Committee Chair	£11,000	£11,000	0%

1 V Cox waived her proposed fee increase for FY 2023.

Annual bonus

For FY 2023 the maximum annual bonus will be 150% of salary for the Chief Executive and 125% of basic salary for the other Executive Directors. Half of any bonus earned will be deferred into shares for three years.

Targets will be a combination of PBIT (weighted at 60%), strategic objectives (weighted at 30%) and an executive's personal performance (weighted at 10%). Profit targets for FY 2023 will be based on PBIT (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. Similar to previous years, 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.

The Company believes that this combination of financial, strategic and personal performance objectives reflects the strategic focus on PBIT 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. In recognition of current share price volatility the Committee is to include the ability to adjust the number of shares vesting in the FY 2023 long-term incentive award in the event there was to be a perceived windfall gain on vesting.

The extent to which the LTIP awards will vest will be determined by the performance measures listed below.

Performance measure	Weighting	Payment at threshold	Targets	
			Threshold	Maximum
EPS (compound annual growth over three years)	60%	20%	5%	12%
Relative TSR vs FTSE 250 (excluding investment trusts)	30%	25%	Median	Upper quartile
Reduction in market-based Scope 1 & 2 emissions (per tonne PEEK produced) FY 2025 compared to FY 2022	10%	20%	-3.4% p.a.	-9.1% p.a.

The Committee retains discretion to adjust vesting outcomes (e.g. if TSR vesting is not considered aligned with the underlying financial performance of the Company or EPS vesting outcomes are impacted by relevant events such as material acquisitions or divestments or material changes in corporate tax rates). Any such discretion would be used to ensure that the performance targets fulfil their original intent and were not more or less challenging than intended when set but for the relevant events in the performance period. Furthermore, as set out in the Directors' remuneration policy, awards are granted subject to malus and clawback provisions.

As noted in the Chair's Introductory letter, the annual bonus and long-term incentive plan targets were the subject to minor adjustments to the weightings between metrics to better align with current business priorities. The targets were set to be similarly challenging to those set in prior years in light of business planning and the wider economic environment.

This Directors' remuneration report was approved by the Board on 5 December 2022 and is signed on its behalf by:

Janet Ashdown

Chair of the Remuneration Committee

6 December 2022



Directors' report – other statutory information

The Directors' report required under the Companies Act 2006 comprises this Directors' report (pages 128 to 131), the Corporate governance report (pages 76 to 131) and the Sustainability report set out in the Strategic report (pages 44 to 74). The management report required under Disclosure Guidance and Transparency Rule 4.1.8R comprises the Strategic report (pages 1 to 74) 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	<p>The Notice of the 2023 Annual General Meeting of the Company ('AGM') and explanatory notes are set out on pages 187 to 196. The AGM will be held on Friday 10 February 2023 at 11am at the offices of J.P. Morgan, 1 John Carpenter Street, London EC4Y 0JP.</p> <p>Members, appointed representatives and proxies are requested not to attend the meeting if they have tested positive for COVID-19 or if they are displaying symptoms of COVID-19.</p> <p>Whether or not they propose to attend the AGM in person, all shareholders are encouraged to vote on each of the resolutions set out in the Notice of AGM by appointing a proxy to act on their behalf. Shareholders are strongly encouraged to appoint the Chair of the meeting as their proxy. This will ensure that the appointing shareholder's vote will be counted if ultimately they are (or any other proxy they might otherwise choose to appoint is) not able to attend the AGM for any reason. If a shareholder appoints the Chair of the meeting as proxy, the Chair will vote in accordance with the shareholder's instructions. If the Chair is given discretion as to how to vote, he or she will vote in favour of each of the resolutions in the Notice of AGM. All proposed resolutions in the Notice of AGM will, once again, be put to the vote on a poll.</p> <p>If shareholders have any questions for the Board on the business of the meeting, please send them in advance of the AGM to ir@victrex.com. We will aim to respond to all questions as quickly as possible. A summary and key themes of the questions and answers will be posted on our website, www.victrexplc.com, on the morning of the AGM.</p>
Results and dividends	<p>Group profit before tax for the year was £87.7m (FY 2021: £92.5m).</p> <p>The Directors recommend the payment of a final dividend of 46.14p per ordinary share that, subject to shareholder approval at the AGM on 10 February 2023, will be paid on 17 February 2023 to all shareholders on the register of members as at 6pm on 20 January 2023. Together with the interim dividend paid in June 2022 this makes a total regular dividend of 59.56p per ordinary share for the year (FY 2021: 59.56p per ordinary share).</p> <p>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.</p>
Important events since 30 September 2022	<p>There have been no important events affecting the Company or any member of the Group since 30 September 2022.</p>
Financial instruments	<p>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 16 to the financial statements. Such information is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report.</p>
Directors	<p>The Directors of the Company and their biographical details are set out on pages 78 and 79.</p>
Directors' interests in the Company's shares	<p>The interests of the Directors of the Company and their connected persons at 30 September 2022 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 Directors' remuneration report on page 122. The biographies of all Directors serving at the date of this Annual Report are shown on pages 78 and 79. Details of Directors' interests in shares are provided in the Directors' remuneration report on pages 122 and 123.</p>

Major interests in shares	<p>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 23 November 2022:</p>																														
	<table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">Holding</th> <th style="text-align: right;">%</th> </tr> </thead> <tbody> <tr> <td>Sprucegrove Investment Management (CA)</td> <td style="text-align: right;">8,354,218</td> <td style="text-align: right;">9.60</td> </tr> <tr> <td>The Vanguard Group Inc (US)</td> <td style="text-align: right;">6,265,314</td> <td style="text-align: right;">7.20</td> </tr> <tr> <td>BlackRock Inc</td> <td style="text-align: right;">5,668,355</td> <td style="text-align: right;">6.52</td> </tr> <tr> <td>Fidelity International Ltd</td> <td style="text-align: right;">4,321,792</td> <td style="text-align: right;">4.71</td> </tr> <tr> <td>Baillie Gifford & Co Ltd (SC)</td> <td style="text-align: right;">3,836,057</td> <td style="text-align: right;">4.41</td> </tr> <tr> <td>Columbia Threadneedle Investments</td> <td style="text-align: right;">3,136,760</td> <td style="text-align: right;">3.61</td> </tr> <tr> <td>Brown Capital Management Inc (US)</td> <td style="text-align: right;">3,079,544</td> <td style="text-align: right;">3.54</td> </tr> <tr> <td>Schroder Investment Management Ltd</td> <td style="text-align: right;">2,989,930</td> <td style="text-align: right;">3.44</td> </tr> <tr> <td>Royal London Asset Management Ltd</td> <td style="text-align: right;">2,891,095</td> <td style="text-align: right;">3.32</td> </tr> </tbody> </table>		Holding	%	Sprucegrove Investment Management (CA)	8,354,218	9.60	The Vanguard Group Inc (US)	6,265,314	7.20	BlackRock Inc	5,668,355	6.52	Fidelity International Ltd	4,321,792	4.71	Baillie Gifford & Co Ltd (SC)	3,836,057	4.41	Columbia Threadneedle Investments	3,136,760	3.61	Brown Capital Management Inc (US)	3,079,544	3.54	Schroder Investment Management Ltd	2,989,930	3.44	Royal London Asset Management Ltd	2,891,095	3.32
	Holding	%																													
Sprucegrove Investment Management (CA)	8,354,218	9.60																													
The Vanguard Group Inc (US)	6,265,314	7.20																													
BlackRock Inc	5,668,355	6.52																													
Fidelity International Ltd	4,321,792	4.71																													
Baillie Gifford & Co Ltd (SC)	3,836,057	4.41																													
Columbia Threadneedle Investments	3,136,760	3.61																													
Brown Capital Management Inc (US)	3,079,544	3.54																													
Schroder Investment Management Ltd	2,989,930	3.44																													
Royal London Asset Management Ltd	2,891,095	3.32																													
	<p>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 23 November 2022. The information provided above was correct at the date of notification. However, these holdings may have changed since the Company was notified.</p>																														
Appointment and replacement of Directors	<p>The Company's Articles of Association (the 'Articles') provide that the Company may by ordinary resolution at a general meeting appoint any person to act as a Director, provided that notice is given of the resolution identifying the proposed person by name and, if he or she has not been recommended by the Board, that the Company receives written confirmation (within the time frame specified in the Articles) of that person's willingness to act as Director. The Articles also empower the Board to appoint as a Director any person who is willing to act as such.</p> <p>The maximum possible number of Directors under the Articles is 12, unless the Company decides otherwise by ordinary resolution. The Articles provide that the Company may by special resolution, or by ordinary resolution of which special notice is given, remove any Director before the expiration of his or her period of office. The Articles also set out specific circumstances in which a Director shall vacate office.</p> <p>The Articles require that at each Annual General Meeting any Director who was appointed after the previous Annual General Meeting must be proposed for election by the shareholders. Additionally, any other Director who has not been elected or re-elected at one of the previous two Annual General Meetings must be proposed for re-election by the shareholders. The Articles also allow the Board to select any other Director to be proposed for re-election. In each case, the rules apply to Directors who were acting as Directors on a specific date selected by the Board. This is a date not more than 14 days before, and no later than, the date of the Notice of AGM. Notwithstanding the provisions of the Articles, it is the Company's current practice that all Directors stand for election or re-election on an annual basis in compliance with the provisions of the UK Corporate Governance Code.</p> <p>The Articles are available on the Company's website (www.victrexplc.com).</p>																														
Indemnification of Directors	<p>The Company has granted indemnities in favour of all of its Directors under Deeds of Indemnity ('Deeds'). Deeds were in force during the year ended 30 September 2022 (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 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. An appointment can be made with the General Counsel & Company Secretary to review the Deeds. Please contact cosec@victrex.com.</p>																														
Conflict of interest duties	<p>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.</p>																														
Principal activity	<p>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.</p>																														
Branches	<p>The Company does not have any branches outside the UK. Victrex Manufacturing Limited is a subsidiary of the Company and has a branch in Korea.</p>																														
Information set out in the Strategic report	<p>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 1 to 74. The report sets out the business model (pages 12 and 13), strategy (pages 14 and 15) and likely future developments (pages 2 to 74). 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 34 to 40). Such information is incorporated into this report by reference and is deemed to form part of this Directors' report.</p>																														



Directors' report – other statutory information continued

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 66 to 71 of the Strategic report and page 91 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 72. Disclosures relating to the Group's human rights and anti-bribery policies are contained on pages 72 and 73. The Group's non-financial information statement is set out on page 74. Details of employee involvement in Company performance through share scheme participation can be found on page 70. 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 20 to 22. 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 20 to 21 and 91. 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 20 to 22. Further information on our payment practices with suppliers can be found on the government's reporting portal. In addition, during the year, we have continued to be a signatory to the Prompt Payment Code for suppliers. Further details can be found on page 91. 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 2022 (FY 2021: £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 68. 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 66 to 69.

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, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008/410 and our TCFD reporting is set out in the Sustainability report on pages 52 to 65. 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 5–6% 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 22 to the financial statements. During the year 26,456 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 21 to the financial statements. The information in notes 21 and 22 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 full 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 limited circumstances, also refuse to register the transfer of a share in certified form. This includes where the instrument of transfer does not comply with the specific requirements of the Articles of Association, where the shares are not fully paid up or where the transfer is in favour of more than four joint transferees. The Directors may also refuse to register the transfer of an uncertificated share if it is in favour of more than four persons jointly or if any other circumstances apply in respect of which refusal to register a share transfer is permitted or required by 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.

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 22 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 21 of the Notice of AGM and which can be found on page 189.

No market purchases of the Company's own shares were made during the year ended 30 September 2022 or from 1 October 2022 up to the date on which this Annual Report was approved.

A total of 87,903 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 ('LTIPs') and the 2017 Deferred Bonus Plan. No shares were purchased by the Employee Benefit Trusts in the financial year to 30 September 2022. The Directors and certain participating employees are beneficiaries of the Employee Benefit Trusts.



Related party transactions	During the year ended 30 September 2022, 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 23 to the financial statements.
Nominees, financial assistance and liens	During the year ended 30 September 2022, 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.
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 Directors were granted authority at the 2022 Annual General Meeting to allot shares in the Company or to grant rights to subscribe for, or to convert any securities into, shares in the Company: (i) up to a maximum aggregate nominal amount representing approximately one third of the issued share capital (as at the last practicable date before the publication of the 2022 Notice of AGM) in any circumstances; and (ii) up to a further maximum aggregate nominal amount representing approximately one third of the issued share capital in connection with a rights issue only. This authority is due to expire at the 2023 Annual General Meeting when shareholders will be invited to grant a similar allotment authority. The Directors were also empowered at the 2022 Annual General Meeting to make non-pre-emptive issues for cash: (i) up to a maximum aggregate nominal amount representing approximately 5% of the issued share capital (as at the last practicable date before the publication of the 2022 Notice of AGM); and (ii) up to a maximum aggregate nominal amount representing approximately 5% of the issued share capital for use only in connection with acquisitions and specified capital investments. These powers are due to expire at the 2023 Annual General Meeting and shareholders will be asked to grant similar powers. The Directors also sought authority at the 2022 Annual General Meeting to repurchase shares in the capital of the Company up to a maximum aggregate number of ordinary shares representing approximately 10% of the issued share capital (as at the last practicable date before the publication of the 2022 Notice of AGM). This authority is also due to expire at the 2023 AGM and shareholders will be asked to grant a similar share repurchase authority.
Notice required for shareholder meetings	On the basis of a resolution passed at the 2022 Annual General Meeting, the Company is currently able to call general meetings (other than an Annual General Meeting) on at least 14 days' notice. The Company would like to preserve this ability and Resolution 22 seeks approval to do so. 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 Company will offer an electronic voting facility for a general meeting called on 14 days' notice.
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 128 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 2023 Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as external auditors for the 2023 financial year.

The Directors' report was approved by the Board on 5 December 2022 and is signed on its behalf by:

Ian Melling
Chief Financial Officer
6 December 2022



Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the 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 conformity with the requirements of the UK-adopted international accounting standards. In preparing the Group and Company financial statements, the Directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

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 international accounting standards in conformity with the requirements of the UK-adopted international accounting standards and IFRSs issued by IASB 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 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 also 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.

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 and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are set out below:

- Vivienne Cox, Chair;
- Jakob Sigurdsson, Chief Executive Officer;
- Ian Melling, 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 international accounting standards in conformity with the requirements of the UK-adopted international accounting standards and IFRSs issued by IASB, 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 they face.

In the case of each Director in office at the date the Directors' report is approved:

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

This Responsibility statement was approved by the Board on 5 December 2022 and is signed on its behalf by:

Ian Melling
Chief Financial Officer
6 December 2022

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 2022 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company Balance sheets as at 30 September 2022; the Consolidated income statement and the Consolidated statement of comprehensive income, the Group and Company Cash flow statements, and the Consolidated statement of changes in equity and the 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.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit focused on those entities with the most significant contribution to the group's profit before tax and exceptional items. Of the group's 23 reporting units, we identified four, which in our view, required an audit of their complete financial information for group reporting purposes. These were Victrex Manufacturing Limited, Invibio Limited, Victrex Europa GmbH and Victrex plc. We also audited material consolidation journals.
- Another three reporting units were subject to audit procedures over specific balances and transactions, due to their contribution towards specific financial statement line items. Revenue was in scope for Invibio Inc. and Victrex USA Inc., trade receivables for Victrex USA Inc., and cash and cash equivalents, property, plant and equipment, accruals and bank loans were in scope for Panjin VYX High Performance Materials Co.
- All audits were performed by the group engagement team with the exception of Victrex Europa GmbH, which was audited by a PwC component audit team.
- The components within the scope of our work, and work performed centrally by the group team, accounted for 81% of group revenue and 83% of group profit before tax and exceptional items.

Key audit matters

- Valuation of the UK defined benefit pension scheme (group)
- Valuation of inventories (group)
- Risk of impairment of investments in subsidiaries and amounts owed by group undertakings (company)

Materiality

- Overall group materiality: £4.8m (2021: £4.6m) based on 5% of profit before tax and exceptional items.
- Overall company materiality: £1.5m (2021: £1.4m) based on 0.5% of total assets capped due to group materiality allocation.
- Performance materiality: £3.6m (2021: £3.5m) (group) and £1.1m (2021: £1.1m) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Risk of impairment of investments in subsidiaries and amounts owed by group undertakings (company) is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.



Independent auditors' report to the members of Victrex plc continued

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
<p>Valuation of the UK defined benefit pension scheme (group)</p> <p>Refer to page 101 of the Audit Committee report and pages 171 to 176 of the Notes to the financial statements of the Annual Report 2022.</p> <p>The measurement of the net defined benefit asset (£14.9m net surplus at 30 September 2022, (2021: £14.2m net surplus)) 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.</p> <p>The present value of the defined benefit obligation is deducted from the fair value of any plan assets in determining the net surplus.</p>	<p>To assess the appropriateness of the valuation of the UK defined benefit pension scheme, we performed the following:</p> <ul style="list-style-type: none"> → We challenged, with the support of our own actuarial experts, the key assumptions applied against externally derived data and internally developed benchmarks; → We assessed the appropriateness of the recognition of the UK surplus in line with accounting standards; → We assessed the membership data used in valuing the defined benefit pension obligation. We confirmed that there were no significant changes since the last Scheme Funding valuation (performed to 31 March 2022) by way of reviewing administrator controls related to member data and performed roll forward procedures where applicable; and → We considered the adequacy of the group's disclosures in respect of the sensitivity of the surplus to changes in the assumptions. <p>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. We also consider the disclosures made in the financial statements to be appropriate.</p>
<p>Valuation of inventories (group)</p> <p>Refer to page 101 of the Audit Committee report and pages 164 to 165 of the Notes to the financial statements of the Annual Report 2022.</p> <p>A number of estimates are involved in arriving at the valuation of inventories. At 30 September 2022 inventories amounted to £86.8m (2021: £70.3m).</p> <p>A standard costing process is adopted to value work in progress and finished goods. This process includes an assessment 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.</p> <p>In addition, inventory provisions are recorded based on specific policies, taking into account batch ageing, quality, and future sales expectations based on forecast sales rates. Judgements are made with regards to the categorisation of stock as non-conforming, slow moving or 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 or net realisable value.</p>	<p>To assess the appropriateness of the valuation of inventories, we performed the following:</p> <ul style="list-style-type: none"> → We reviewed the assessment of normal levels of production for standard costing purposes by comparing actual and budgeted levels of production over the past five years; → We understood and tested the application of group's policy for capitalisation of cost variances; → We tested the cost of inventories, through tracing a sample of standard costs to bills of material and raw material inputs to source documentation. We understood management's approach to overhead allocation and tested the reasonableness of costs absorbed versus expensed; → For a sample of inventory items we evaluated the appropriateness of management's categorisation of inventories as non-conforming, slow moving or obsolete to supporting evidence; → We performed look-back procedures on the provision at the prior year-end and compared the level of inventory write-offs and utilisation during the current period in order to assess the reasonableness of the estimated provision percentages applied by management; → We tested a sample of post year-end sales in order obtain evidence that inventory items are held at the lower of cost or net realisable value; and → We attended year-end and cycle inventory counts to gain an understanding of management's processes over the identification of non-conforming, slow moving or obsolete items. <p>Based on our audit work, we found estimates made in the valuation of inventory to be acceptable. We also consider the disclosures made in the financial statements to be appropriate.</p>



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
<p>Risk of impairment of investments in subsidiaries and amounts owed by group undertakings (company)</p> <p>Refer to pages 159 to 163 and page 165 of the Notes to the financial statements of the Annual Report 2022.</p> <p>The company has investments in subsidiaries of £131.9m (2021: £131.9m) and amounts owed by group undertakings of £191.9m (2021: £152.7m). Given the magnitude of both of these balances we considered the risk of impairment of these assets.</p> <p>Management have considered both of these balances for impairment and concluded that no impairments are required.</p>	<p>In assessing the appropriateness of valuation of investment in subsidiaries and amounts owed by group undertakings we have performed the following procedures:</p> <ul style="list-style-type: none"> → We obtained a schedule of investments in subsidiaries and ensured this is reconciled to the financial statements; → We performed a review of the performance and net assets of each material subsidiary against the carrying value of the investments; and → We compared the overall carrying value of the investments to the group's market capitalisation and also our review of the discounted cash flow models prepared for the purposes of testing overall group goodwill for impairment. <p>Based on the above procedures we concluded that there were no triggers that would indicate the directors were required to perform a full impairment test of the carrying value of investments in subsidiaries.</p> <ul style="list-style-type: none"> → We performed a reconciliation of the amounts owed by group undertakings and ensured this agrees with the counterparty; → We have obtained management's intercompany recoverability model and assessed whether the methods applied were consistent with IFRS 9. We checked the calculations within the model and agreed the figures included to the relevant financial information included in the group consolidation schedules; → We evaluated management's assessment of the recoverability of amounts owed by group undertakings including assessing the ability of other group companies to settle the intercompany balances; and → We also assessed the adequacy of the disclosure provided in the company financial statements in relation to the relevant accounting standards. <p>We found no exceptions as a result of our procedures and consider the recoverability of amounts owed by group undertakings to be appropriate.</p>

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 23 reporting components and the group financial statements are a consolidation of these reporting components. The reporting units vary in size. We identified four units 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, and Victrex plc. We also audited material consolidation journals. Three reporting components were subject to audit procedures over specific balances and transactions due to their contribution to the group's results: revenue for Invibio Inc. and Victrex USA Inc., trade receivables for Victrex USA Inc., and cash and cash equivalents, property, plant and equipment, accruals and bank loans 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 team, with the exception of one component audit which was performed by a PwC component audit 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 included the review of their reporting and supporting working papers. The group audit team also attended planning and clearance meetings during the audit cycle. Together with the additional procedures performed at group level, this 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.

As part of our audit we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate risk on the group's financial statements, including their commitments made to achieving Net Zero carbon emissions for Scope 1 & 2 by 2030. The key areas of the financial statements where management evaluated that climate risk has a potential impact are set out in note 1 – Basis of preparation – Climate change in the notes to the financial statements. The directors have reached the overall conclusion that there has been no material impact on the financial statements for the current year from the potential impact of climate change.

We used our knowledge of the group, with assistance from our internal climate experts, to challenge management's assessment. We particularly considered how climate risk would impact the assumptions made in the forecasts prepared by management used in their impairment analyses and going concern. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or on our key audit matters for the year ended 30 September 2022.



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:

	Financial statements – group	Financial statements – company
Overall materiality	£4.8m (2021: £4.6m).	£1.5m (2021: £1.4m).
How we determined it	5% of profit before tax and exceptional items	0.5% of total assets capped due to group materiality allocation.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report 2022, 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.	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 £0.9m and £4.1m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £3.6m (2021: £3.5m) for the group financial statements and £1.1m (2021: £1.1m) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2m (group audit) (2021: £0.2m) and £0.1m (company audit) (2021: £0.1m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained from management their latest assessments that support the board's conclusions with respect to the going concern basis of preparation for the financial statements;
- We evaluated management's forecast and downside scenarios and challenged the adequacy and appropriateness of the underlying assumptions;
- 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;
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the data;
- We challenged management with regards to the impact of climate change and how this has been taken into account in the forecasts;
- We tested the mathematical integrity of management's going concern forecast models; and

- We reviewed the disclosures made in respect of going concern included in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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.



Report on the audit of the financial statements continued

Reporting on other information continued

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Statement of corporate governance is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to medical devices regulations and REACH regulations (Registration, Evaluation, Authorisation and Restriction of Chemicals), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. 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 journal entries to manipulate revenue and financial performance, and management bias within accounting estimates and judgements.



Independent auditors' report to the members of Victrex plc continued

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Auditors' responsibilities for the audit of the financial statements 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:

- challenging assumptions and judgements made by management in their significant accounting estimates, in particular around the valuation of inventories and the valuation of the UK defined benefit pension scheme;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- discussions with the Audit Committee, management, internal audit and the in-house legal team including consideration of known or suspected instances of non-compliance with laws and regulation or fraud; and
- reviewing minutes of meetings of those charged with governance throughout the year and post year end to identify any one off or unusual transactions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our 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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the 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 five years, covering the years ended 30 September 2018 to 30 September 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Ian Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

6 December 2022



AUDITED CONSOLIDATED FINANCIAL STATEMENTS

- 140 Consolidated income statement
- 141 Consolidated statement of comprehensive income
- 142 Balance sheets
- 143 Cash flow statements
- 144 Consolidated statement of changes in equity
- 145 Company statement of changes in equity
- 146 Notes to the financial statements

SHAREHOLDER INFORMATION

- 185 Five-year financial summary
- 186 Cautionary note regarding forward-looking statements
- 187 Notice of Annual General Meeting
- 192 Explanatory notes
- 197 Appendix to Notice of Annual General Meeting
- 199 Financial calendar
- 200 Advisors



FINANCIAL STATEMENTS

Consolidated income statement

for the year ended 30 September

	Note	2022 £m	2021 £m
Revenue	2	341.0	306.3
(Losses)/gains on foreign currency net hedging		(2.8)	4.9
Cost of sales	3	(163.7)	(145.9)
Gross profit		174.5	165.3
Sales, marketing and administrative expenses	3	(86.0)	(71.9)
Operating profit before exceptional items		96.4	92.6
Exceptional items	3	(7.9)	0.8
Operating profit		88.5	93.4
Finance income	6	0.5	0.2
Finance costs	6	(0.3)	(0.2)
Share of loss of associate	11	(1.0)	(0.9)
Profit before tax and exceptional items		95.6	91.7
Exceptional items	3	(7.9)	0.8
Profit before tax		87.7	92.5
Income tax expense	7	(12.2)	(19.7)
Profit for the financial year		75.5	72.8
Profit/(loss) for the year attributable to:			
– Owners of the Company		76.2	73.2
– Non-controlling interests	11	(0.7)	(0.4)
Earnings per share			
Basic	8	87.6p	84.3p
Diluted	8	87.3p	84.0p
Dividend per ordinary share			
Interim	22	13.42p	13.42p
Final	22	46.14p	46.14p
Special	22	—	50.00p
	22	59.56p	109.56p

A final dividend in respect of FY 2022 of 46.14p per ordinary share has been recommended by the Directors for approval at the Annual General Meeting on 10 February 2023.



Consolidated statement of comprehensive income

for the year ended 30 September

	Note	2022 £m	2021 £m
Profit for the financial year		75.5	72.8
Items that will not be reclassified to profit or loss			
Defined benefit pension schemes' actuarial gains	17	0.2	4.5
Income tax on items that will not be reclassified to profit or loss	7	(0.1)	(1.1)
		0.1	3.4
Items that may be reclassified subsequently to profit or loss			
Currency translation differences for foreign operations		11.1	(2.0)
Effective portion of changes in fair value of cash flow hedges		(19.7)	5.7
Net change in fair value of cash flow hedges transferred to profit or loss		2.8	(4.9)
Income tax on items that may be reclassified to profit or loss	7	3.2	(0.2)
		(2.6)	(1.4)
Total other comprehensive (expense)/income for the year		(2.5)	2.0
Total comprehensive income for the year		73.0	74.8
Total comprehensive income/(expense) for the year attributable to:			
– Owners of the Company		73.7	75.2
– Non-controlling interests		(0.7)	(0.4)



FINANCIAL STATEMENTS

Balance sheets

as at 30 September

	Note	Group		Company	
		2022 £m	2021 £m	2022 £m	2021 £m
Assets					
Non-current assets					
Property, plant and equipment	9	347.2	305.7	—	—
Intangible assets	10	20.2	24.8	—	—
Investment in subsidiaries	11	—	—	131.9	131.9
Investment in associated undertakings	11	10.4	11.4	—	—
Financial assets held at fair value through profit and loss	11	10.1	12.7	—	—
Deferred tax assets	12	7.2	8.9	—	—
Retirement benefit asset	17	14.9	14.2	—	—
		410.0	377.7	131.9	131.9
Current assets					
Inventories	13	86.8	70.3	—	—
Current income tax assets		7.9	2.9	—	—
Trade and other receivables	14	68.1	49.1	191.9	152.7
Derivative financial instruments	16	—	2.9	—	—
Other financial assets	16	10.1	37.5	—	—
Cash and cash equivalents	16	58.7	74.9	0.3	—
		231.6	237.6	192.2	152.7
Total assets		641.6	615.3	324.1	284.6
Liabilities					
Non-current liabilities					
Deferred tax liabilities	12	(34.3)	(31.6)	—	—
Long-term lease liabilities	19	(7.8)	(8.2)	—	—
Borrowings	15	(21.6)	(5.9)	—	—
Retirement benefit obligation	17	(2.7)	(1.9)	—	—
		(66.4)	(47.6)	—	—
Current liabilities					
Derivative financial instruments	16	(19.9)	(1.9)	—	—
Borrowings	15	(0.9)	—	—	—
Current income tax liabilities		(2.3)	(2.9)	—	—
Trade and other payables	18	(59.7)	(49.4)	(0.1)	—
Current lease liabilities	19	(1.8)	(1.8)	—	—
		(84.6)	(56.0)	(0.1)	—
Total liabilities		(151.0)	(103.6)	(0.1)	—
Net assets		490.6	511.7	324.0	284.6
Equity					
Share capital	22	0.9	0.9	0.9	0.9
Share premium	22	61.5	61.1	61.5	61.1
Translation reserve	22	12.8	1.7	—	—
Hedging reserve	22	(13.6)	0.1	—	—
Retained earnings ¹	22	427.2	445.4	261.6	222.6
Equity attributable to owners of the Company		488.8	509.2	324.0	284.6
Non-controlling interest		1.8	2.5	—	—
Total equity		490.6	511.7	324.0	284.6

1 The profit for the financial year dealt with in the financial statements of the Company is £132.4m, which includes dividends from subsidiaries of £132.8m (FY 2021: profit of £5.2m, which includes dividends from subsidiaries of £5.7m).

These financial statements of Victrex plc on pages 140 to 184, registered number 2793780, were approved by the Board of Directors on 6 December 2022 and were signed on its behalf by:

Jakob Sigurdsson
Chief Executive Officer

Ian Melling
Chief Financial Officer



Cash flow statements

for the year ended 30 September

	Note	Group		Company	
		2022 £m	2021 £m	2022 £m	2021 £m
Profit for the financial year		75.5	72.8	132.4	5.2
Income tax expense	7	12.2	19.7	—	—
Finance income		(0.5)	(0.2)	—	—
Finance costs		0.3	0.2	—	—
Share of loss of associate		1.0	0.9	—	—
Dividends received from subsidiaries		—	—	(132.8)	(5.7)
Operating profit/(loss)		88.5	93.4	(0.4)	(0.5)
Adjustments for:					
Depreciation	9	19.0	18.5	—	—
Amortisation	10	2.6	3.4	—	—
Loss on disposal of non-current assets	9, 10	2.4	0.8	—	—
Equity-settled share-based payment transactions	21	1.8	1.4	1.8	1.4
Losses/(gains) on derivatives recognised in income statement that have not yet settled	16	4.0	(0.5)	—	—
Gain on financial assets held at fair value	11	(0.3)	(0.9)	—	—
(Increase)/decrease in inventories		(13.4)	26.0	—	—
(Increase)/decrease in receivables		(16.9)	(18.3)	(39.2)	38.9
Increase in payables		2.8	11.9	0.1	—
Retirement benefit obligations charge less contributions		0.2	(0.2)	—	—
Cash generated from/(used in) operations		90.7	135.5	(37.7)	39.8
Interest received		0.3	0.2	—	—
Interest paid		(0.4)	—	—	—
Net income tax paid		(10.6)	(8.6)	—	—
Net cash flow generated from/(used in) operating activities		80.0	127.1	(37.7)	39.8
Cash flows (used in)/generated from investing activities					
Acquisition of property, plant and equipment and intangible assets	9, 10	(45.5)	(41.9)	—	—
Proceeds from disposal of financial asset held at fair value through profit and loss		4.2	—	—	—
Withdrawal/(deposit) of cash invested for greater than three months	16	27.4	(37.5)	—	—
Dividends received		—	—	132.8	5.7
Loan to associated undertakings		(2.3)	(3.8)	—	—
Net cash flow (used in)/generated from investing activities		(16.2)	(83.2)	132.8	5.7
Cash flows used in financing activities					
Proceeds from issue of ordinary shares exercised under option	22	0.4	6.1	0.4	6.1
Repayment of lease liabilities	19	(2.1)	(1.8)	—	—
Loan received from non-controlling interest	11	—	5.6	—	—
Bank borrowings received	15, 16	14.5	—	—	—
Dividends paid	22	(95.2)	(51.6)	(95.2)	(51.6)
Net cash flow used in financing activities		(82.4)	(41.7)	(94.8)	(45.5)
Net (decrease)/increase in cash and cash equivalents		(18.6)	2.2	0.3	—
Effect of exchange rate fluctuations on cash held		2.4	(0.4)	—	—
Cash and cash equivalents at beginning of year		74.9	73.1	—	—
Cash and cash equivalents at end of year		58.7	74.9	0.3	—



FINANCIAL STATEMENTS

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 the Parent £m	Non-controlling interest £m	Total £m
Equity at 1 October 2020		0.9	55.0	3.7	(0.5)	419.0	478.1	2.9	481.0
Total comprehensive income/(expense) for the year									
Profit for the year attributable to the Parent		—	—	—	—	73.2	73.2	—	73.2
Loss for the year attributable to non-controlling interest		—	—	—	—	—	—	(0.4)	(0.4)
Other comprehensive (expense)/income									
Currency translation differences for foreign operations		—	—	(2.0)	—	—	(2.0)	—	(2.0)
Effective portion of changes in fair value of cash flow hedges		—	—	—	5.7	—	5.7	—	5.7
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	(4.9)	—	(4.9)	—	(4.9)
Defined benefit pension schemes' actuarial gains	17	—	—	—	—	4.5	4.5	—	4.5
Tax on other comprehensive income	7	—	—	—	(0.2)	(1.1)	(1.3)	—	(1.3)
Total other comprehensive income for the year		—	—	(2.0)	0.6	3.4	2.0	—	2.0
Total comprehensive income for the year		—	—	(2.0)	0.6	76.6	75.2	(0.4)	74.8
Contributions by and distributions to owners of the Company									
Share options exercised	22	—	6.1	—	—	—	6.1	—	6.1
Equity-settled share-based payment transactions	21	—	—	—	—	1.4	1.4	—	1.4
Dividends to shareholders	22	—	—	—	—	(51.6)	(51.6)	—	(51.6)
Equity at 30 September 2021		0.9	61.1	1.7	0.1	445.4	509.2	2.5	511.7
Total comprehensive income/(expense) for the year									
Profit for the year attributable to the Parent		—	—	—	—	76.2	76.2	—	76.2
Loss for the year attributable to non-controlling interest		—	—	—	—	—	—	(0.7)	(0.7)
Other comprehensive income/(expense)									
Currency translation differences for foreign operations		—	—	11.1	—	—	11.1	—	11.1
Effective portion of changes in fair value of cash flow hedges		—	—	—	(19.7)	—	(19.7)	—	(19.7)
Net change in fair value of cash flow hedges transferred to profit or loss		—	—	—	2.8	—	2.8	—	2.8
Defined benefit pension schemes' actuarial gains	17	—	—	—	—	0.2	0.2	—	0.2
Tax on other comprehensive expense/(income)	7	—	—	—	3.2	(0.1)	3.1	—	3.1
Total other comprehensive expense for the year		—	—	11.1	(13.7)	0.1	(2.5)	—	(2.5)
Total comprehensive income for the year		—	—	11.1	(13.7)	76.3	73.7	(0.7)	73.0
Contributions by and distributions to owners of the Company									
Share options exercised	22	—	0.4	—	—	—	0.4	—	0.4
Equity-settled share-based payment transactions	21	—	—	—	—	1.8	1.8	—	1.8
Tax on equity-settled share-based payment transactions	7	—	—	—	—	(1.1)	(1.1)	—	(1.1)
Dividends to shareholders	22	—	—	—	—	(95.2)	(95.2)	—	(95.2)
Equity at 30 September 2022		0.9	61.5	12.8	(13.6)	427.2	488.8	1.8	490.6



Company statement of changes in equity

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total £m
Equity at 1 October 2020		0.9	55.0	267.6	323.5
Total comprehensive income for the year					
Profit for the year (including dividends from subsidiaries of £5.7m)		—	—	5.2	5.2
Contributions by and distributions to owners of the Company					
Share options exercised	22	—	6.1	—	6.1
Equity-settled share-based payment transactions	21	—	—	1.4	1.4
Dividends to shareholders	22	—	—	(51.6)	(51.6)
Equity at 30 September 2021		0.9	61.1	222.6	284.6
Total comprehensive income for the year					
Profit for the year (including dividends from subsidiaries of £132.8m)		—	—	132.4	132.4
Contributions by and distributions to owners of the Company					
Share options exercised	22	—	0.4	—	0.4
Equity-settled share-based payment transactions	21	—	—	1.8	1.8
Dividends to shareholders	22	—	—	(95.2)	(95.2)
Equity at 30 September 2022		0.9	61.5	261.6	324.0



Notes to the financial statements

1. Basis of preparation

General information

Victrex plc (the 'Company') is a public company, which is limited by shares and is listed on the London Stock Exchange. This Company is incorporated and domiciled in England 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 2022 comprise the Company and its subsidiaries (together referred to as the 'Group').

These consolidated financial statements have been approved for issue by the Board of Directors on 6 December 2022.

Basis of preparation and statement of compliance

Both the consolidated and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted International Accounting Standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 October 2021. This change constitutes a change in accounting framework. However, there is no impact on the recognition, measurement or disclosure in the period as a result of the change in framework. 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 19. In addition, note 16 on financial risk management details the Group's exposure to a variety of financial risks, including currency and credit risk.

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.

Climate change

In preparing the financial statements of the Group an assessment of the impact of climate change has been made in line with the requirements of TCFD and with specific consideration of the disclosures made in the Sustainability report starting on page 44. This has specifically incorporated the impact of the physical risks of climate change, transitional risks including the potential impact of government and regulatory actions as well as the Group's stated Net Zero 2030 (Scope 1 & 2 emissions) target. The potential impact has been considered in the following areas:

- the key areas of judgement and estimation – see below;
- the expected useful lives of property, plant and equipment;
- those areas which rely on future forecasts which have the potential to be impacted by climate change:
 - carrying value of non-current assets;
 - going concern; and
 - viability;
- the recoverability of deferred taxation assets; and
- the recoverability of inventory and trade receivables.

The specific considerations have been included in the corresponding financial statement notes below.

The Directors recognise the inherent uncertainty in predicting the impact of climate change and the actions which regulators and governments, both domestic and overseas, will take in order to achieve their various targets. However, from the work undertaken to date, outlined in the Sustainability report, the Directors have reached the overall conclusion that there has been no material impact on the financial statements for the current year from the potential impact of climate change.

The specific considerations in respect to the viability of the Group are included in the viability statement on pages 42 and 43.

The Group's analysis on the impact of climate change continues to evolve as more clarity on timings and targets emerges, with Victrex committed to reducing its carbon impact towards Net Zero (Scope 1 & 2 emissions) in 2030.

1. Basis of preparation continued

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 34 to 40. This assessment has paid particular attention to the impact of the ongoing global economic challenges on the aforementioned forecasts.

The Company maintains a strong balance sheet providing assurance to key stakeholders, including customers, suppliers and employees. The combined cash and other financial assets balance at 30 September 2022 was £68.8m, having reduced from £112.4m at 30 September 2021 following payment of the regular and special dividends of £83.5m in February 2022. Of the £68.8m, £2.8m is held in the Group's subsidiaries in China for the sole purpose of funding the construction of our new manufacturing facilities. Of the remaining £66.0m, approximately 80% is held in the UK where the Company incurs the majority of its expenditure and 85% is held in instant access accounts. The Group has drawn debt of £15.7m in its Chinese subsidiaries (with a total facility of c.£45m available until December 2026) and has unutilised UK banking facilities of £40m through to October 2024, of which £20m is committed and immediately available and £20m is available subject to lender approval.

The 24-month rolling forecast is derived from the Company's Integrated Business Planning ('IBP') process which runs monthly. Each area of the business provides revised forecasts which consider a number of external data sources, triangulating with customer conversations, trends in market and country indices as well as forward-looking industry forecasts. For example, forecast aircraft build rates from the two major manufacturers for Aerospace, World Semiconductor Trade Statistics Semiconductor market forecasts for Electronics through to 2024 and Needham and IQVIA forecasts for Medical procedures.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which, given current economic forecasts, focused on the Group's ability to sustain a period of falling demand, whether caused by a pandemic, geo-political event(s) or other global economic challenges. In assessing the severity of the scenario analysis, the scale of the impact experienced during previous economic downturns has been used, including the differing impacts on Industrial versus Medical segments.

Using the IBP data and reference points from previous downturns 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 2024. The impact of climate change and the Group's Net Zero 2030 goal for its own operations (Scope 1 & 2 emissions) has been considered as part of this assessment. Any impact on revenue over the shorter going concern period, either positive or negative, is likely to be insignificant, with the greater risk being that of higher carbon taxes. The current elevated price of gas and electricity included in the 24-month forecast, reflecting current supply side uncertainty, and the government focus on limiting the impact of the current economic slowdown mean that additional carbon taxes over the going concern period are considered unlikely, and therefore no additional costs have been included in either the base forecast or the scenarios noted below.

Scenario 1 – the global economy contracts with sales volumes reducing by 30% from the level seen over the past 12 months, to approximately 280 tonnes per month, from January 2023 for a period of six months (to mirror the length of the most recent downturn in 2020) before a partial recovery to c.330 tonnes per month for the remainder of the going concern period. Medical revenue remains unchanged from the past 12 months' run rate, with the economic situation historically having minimal impact on this segment.

Scenario 2 – in line with scenario 1, c.280 tonnes per month from January 2023, but the economic contraction lasts for a full 12 months, i.e. throughout the going concern period. This would give an annual volume of c.3,300 tonnes, a level not seen since 2013. Prior to COVID-19, the last recession was the financial crisis in 2008 and 2009 which lasted approximately 12 months. In this scenario Medical revenue is reduced by 10% during the second six months to reflect a limited impact from a longer lasting slowdown. 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. Under scenario 2 there is minimal cash generation through the going concern period and there is potential that the committed facility would be required to manage intra-month cash flows. 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 capital investment over the next 12 months is approximately £50m as major projects are completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects, deferring all other projects later into 2024, with the exception of completing the manufacturing facilities in China 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 dividend payable in June 2023 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.

Reverse stress testing was performed to identify the level that sales would need to drop by in order for the Group to run out of cash by the end of the going concern assessment period. Sales volumes would need to consistently drop materially below the low point in scenario 2 which is not considered plausible.

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 current economic uncertainty as a number of global economies close to/in recession and the war in Ukraine continues, the Board has concluded that the Company has sufficient liquidity to meet its obligations when they fall due for a period of at least 12 months after the date of this report. For this reason, it continues to adopt the going concern basis for preparing the financial statements.



Notes to the financial statements continued

1. Basis of preparation continued

🔍 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 including formal consideration by the Audit Committee. 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 12 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 estimates and assumptions that, if revised, would have a significant risk of a material impact on the valuation of assets and liabilities within the next financial year are retirement benefits (see note 17) and the valuation of inventory (see note 13).

The critical judgements and key sources of estimation uncertainty, defined as those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next 12 months, that the Directors have considered 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.

In the current year the consideration of critical judgements and key sources of estimation uncertainty has included consideration of the potential impact of climate change on the financial statements. The areas considered and the conclusions made can be identified throughout the financial statements by the symbol 🌱. None of the areas of estimation uncertainty considered had a significant risk of material adjustment in the next 12 months as a result of climate change, although it is noted that there could be a more significant impact over the medium and longer time frames.

Other areas of judgement and sources of estimation uncertainty

The financial statements include other areas of judgement and sources of estimation uncertainty which do not meet the above definition of critical either due to the level of risk or the time frame of the potential impact, however apply to the measurement of certain material assets and liabilities. These include the useful economic lives and residual value of property, plant and equipment, the carrying value of investment in associates, the fair value of convertible loans and the recognition of deferred taxation balances for which there is uncertainty over the longer term.

New accounting standards and amendments to existing standards

New standards and amendments to existing standards were effective for the financial year ended 30 September 2022, which included:

- Amendments to IFRS 3 – Reference to the Conceptual Framework;
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract; and
- IFRS 9 – Financial Instruments – fees in the '10%' test for derecognition of financial liabilities.

None of these have had a material impact on the Group's consolidated result or financial position.

IFRIC – configuration or customisation costs in cloud computing arrangements

The Group has changed its accounting policy related to the capitalisation of configuration and customisation costs in a cloud computing (Software as a Service, 'SaaS') arrangement, with costs now being expensed as incurred. This change is as a result of the IFRS Interpretations Committee's agenda decision published in April 2021. The Group's accounting policy has historically been, where the criteria within IAS 38 have been met, to capitalise costs directly attributable to the implementation, including configuration and customisation of cloud computing arrangements, as intangible assets in the Balance sheet. Following the publication of the above IFRIC agenda decision, current cloud computing arrangements were identified and assessed to determine if the Group has control of the software. For those arrangements where the Group does not have control of the developed software, the intangible assets previously capitalised as at 1 October 2021 have been derecognised. On the basis that the carrying value of these intangibles is not material the criteria in IAS 8 to restate the comparative financial statements has not been met and therefore the intangibles have been expensed in the current financial year.

Further details are provided within note 3.

Standards effective from 1 October 2022 onwards

A number of standards, amendments and interpretations have been issued and endorsed by the UK but are not yet effective or have been issued but not endorsed by the UK and, accordingly, the Group has not yet adopted them. These include:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 – distinguish between Changes in Accounting Policies and Accounting Estimates; and
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction.

None of these are expected to have a material impact on the Group's consolidated result or financial position.

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 Industrial, VAR, Automotive, Aerospace and Electronics markets, and Medical, which focuses on providing specialist solutions for medical device manufacturers.

	Year ended 30 September 2022			Year ended 30 September 2021		
	Industrial £m	Medical £m	Group £m	Industrial £m	Medical £m	Group £m
Segment revenue	285.8	58.3	344.1	257.4	51.1	308.5
Internal revenue	(3.1)	—	(3.1)	(2.2)	—	(2.2)
Revenue from external sales	282.7	58.3	341.0	255.2	51.1	306.3
Segment gross profit	124.8	49.7	174.5	119.7	45.6	165.3



Impact of climate change

The CODM for the Group has started monitoring climate change metrics, primarily the revenue from sustainable products, on a six-monthly basis. However, the primary basis for reviewing financial performance over all time horizons, from monthly to annually, remains at the operating segment level. It is noted that products sold into sustainable applications are primarily the same as products sold into non-sustainable applications. It is only the end application which differentiates them. As a result it is not anticipated that any change will be required in the segmental reporting as a result of the Group’s focus on sustainable applications.

Transactions between segments are conducted at arm’s length.

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 its 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. The value of MUPs recognised but not invoiced is included in prepayments and accrued income. See note 14.

No revenue is recognised if there is significant uncertainty regarding recovery of the consideration due or associated costs.

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.

1) Revenue from external sales

The following is an analysis of external revenues based on the customer’s location.

	Revenue from external sales					
	Industrial £m	Medical £m	2022 £m	Industrial £m	Medical £m	2021 £m
United Kingdom	4.3	—	4.3	3.7	—	3.7
Europe, the Middle East and Africa (‘EMEA’)	129.1	15.2	144.3	125.6	13.7	139.3
Americas	65.8	28.7	94.5	50.2	27.2	77.4
Asia-Pacific	83.5	14.4	97.9	75.7	10.2	85.9
	282.7	58.3	341.0	255.2	51.1	306.3

Revenue from external customers based in Germany was £90.1m (2021: £87.4m), US was £87.6m (2021: £71.6m) and China was £40.3m (2021: £32.3m). The revenue from any individual country, with the exception of Germany, the US and China, is not more than 10% of the Group’s total revenue in either current or prior year.



Notes to the financial statements continued

2. Segment reporting continued

Information about geographical areas continued

2) Non-current assets

The following is an analysis of the carrying value of non-current assets by the geographical area in which the assets are located. Non-current assets include property, plant and equipment, intangibles assets, and investments in associates. It does not include retirement benefit assets, deferred tax assets and financial instruments.

	2022 £m	2021 £m
United Kingdom	257.8	263.9
China	85.3	43.9
Other	34.7	34.1
	377.8	341.9

Non-current assets held in any individual country, with the exception of the UK and China, is not more than 10% of the Group's total non-current assets (FY 2021: same).

Information about major customers

In the current year one customer within our Industrial segment contributed more than 10% to Group revenue (FY 2021: no customer contributed more than 10% to Group revenue).

3. Expenses by nature

	Note	2022 £m	2021 £m
Staff costs	5	72.3	71.5
Depreciation of property, plant and equipment	9	19.0	18.5
Loss on disposal of non-current assets	9, 10	2.4	0.8
Amortisation of intangibles	10	2.6	3.4
Trade receivables impairment allowance during the year		1.4	—
Reversal of trade receivable impairment allowance	16	(1.0)	(0.5)
Research & Development expenditure	10	15.7	15.5
Inventory written down during the year	13	3.2	4.0
Reversal of write down of inventories	13	(2.5)	(1.5)
Fees payable to auditors	4	0.5	0.4
Fair value gain on investment in Magma Global Limited	11	—	(0.9)
Other costs of manufacture		116.2	100.1
Other sales, marketing and administrative expenses		19.9	6.5
		249.7	217.8

During the year the Group wrote down inventory by £3.2m (FY 2021: £4.0m) and reversed previously written down inventory by £2.5m (FY 2021: £1.5m) resulting in a net increase in the overall inventory write down charge in the year of £0.7m (FY 2021: increase of £2.5m). 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 IFRS 9, are a gain of £2.2m (FY 2021: gain of £0.1m).

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:

	2022 £m	2021 £m
Included within sales, marketing and administrative expenses:		
Implementation of SaaS ERP system	7.9	—
Restructuring costs	—	(0.8)
Exceptional items before tax	7.9	(0.8)
Tax on exceptional items	(1.5)	—
Exceptional items after tax	6.4	(0.8)

3. Expenses by nature continued

Implementation of SaaS ERP system

The Group has commenced a multi-year implementation of a new cloud-based ERP system. The Group forecasts to spend approximately £15m–£20m on the implementation, including process redesign, customisation and configuration of the system, change management and training, which will deliver benefits to both customer interactions and internal business processes.

The IFRS Interpretations Committee issued its decision clarifying how arrangements in respect of cloud-based software as a service ('SaaS') systems should be accounted for. The new ERP system does not meet the criteria for capitalisation (as the majority of costs relating to past systems have) and therefore the cost is being expensed rather than capitalised and amortised. Given the size of the project and its impact on the reported profit-based metrics, the fact the system is evergreen and thus this level and nature of cost will not happen again, it meets the Group's criteria to be presented as exceptional. The ERP system is expected to be completed in 2024.

Restructuring costs

During FY 2020, the Group reviewed cost actions and efficiencies required to support profitability in a lower production environment. The credit in FY 2021 related to more favourable settlements being reached on finalisation than assumed when making the restructuring charge in FY 2020 when the Group commenced consultation. These costs were treated as non-tax deductible in FY 2020 and the corresponding credit was treated as non-chargeable in FY 2021 accordingly, which resulted in a credit in income tax expenses for expenses not deductible for tax purposes in FY 2021 (see note 7).

The cash flow in the year associated with exceptional items was a £5.6m outflow (FY 2021: £1.9m outflow).

4. Fees payable to auditors

Auditors' remuneration was as follows:

	2022 £000	2021 £000
Audit services relating to:		
– Victrex plc and Group consolidation*	172	153
– The Company's subsidiaries, pursuant to legislation	335	250
	507	403
Non-audit services relating to:		
– Interim review	—	35
	—	35
	507	438

* Due to the impact of COVID-19 on 2020 year-end reporting, PwC charged an additional audit fee of £23,000 which was billed in 2021. Given the timing of the agreement of this fee, the amount was not included within the audit fee disclosed for 2020. It was added instead to the 2021 fee of £380,000, increasing the total amount disclosed to £403,000.

5. Staff costs

	Note	2022 £m	2021 £m
Wages and salaries		59.7	58.8
Social security costs		5.8	5.9
Defined contribution pension schemes		5.8	5.5
Defined benefit pension schemes	17	(0.3)	(0.1)
Equity-settled share-based payment transactions	21	1.3	1.4
		72.3	71.5

Detailed disclosures that form part of these financial statements are given in the Directors' remuneration report on pages 104 to 127. In FY 2021 staff costs includes a credit in respect of exceptional staff costs of £0.8m. Further details are set out in note 3.

The monthly average number of people employed by the Group during the year, analysed by category, was as follows:

	2022 Number	2021 Number
Make	586	541
Develop, market and sell	230	224
Support	188	130
	1,004	895

There are no people employed by the Company (FY 2021: none).



Notes to the financial statements continued

6. Finance income and costs

	2022 £m	2021 £m
Finance income/(costs):		
– Interest received	0.5	0.2
– Interest payable and similar charges	(0.1)	—
– Interest on lease liabilities	(0.2)	(0.2)
	0.2	—

In addition, the Group has incurred borrowing costs of £0.5m on bank loans and loans payable to the non-controlling interest funding the construction of property, plant and equipment in China, which have been capitalised within the associated cost of the qualifying property, plant and equipment (see note 9).

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, the expected value.

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 time frame (typically a period of up to five years), that future taxable profits will be available against which the asset can be utilised. The probability assessment takes into account the legislation in each jurisdiction, including any restrictions in place, on a company by company basis, including consideration of the ability to relieve losses between Group companies in the same country. The availability of taxable temporary differences (i.e. deferred tax liabilities) relating to the same tax jurisdiction and company, which are expected to reverse over a similar time frame, are also taken into account when assessing the recognition of any deferred tax asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The assessment over the recoverability of deferred tax assets is reviewed at each reporting date. Where forward-looking forecasts are used to assess the recognition of a deferred tax balance, forecasts consistent with those used for other assessments within the Annual Report (including going concern, impairment and viability) are used, but disaggregated to a level appropriate for tax to be assessed, either by company or by tax jurisdiction.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

	Note	2022 £m	2021 £m
Current tax			
UK corporation tax on profits for the year		9.0	10.4
Overseas tax on profits for the year		2.4	1.7
		11.4	12.1
Deferred tax			
Change in deferred tax rate		—	6.1
Origination and reversal of temporary differences	12	1.7	1.4
		1.7	7.5
Tax adjustments relating to prior years:			
– Current tax		(2.6)	0.2
– Deferred tax		1.7	(0.1)
Total tax expense in income statement		12.2	19.7

7. Income tax expense continued

Reconciliation of standard and effective tax rate

	2022		2021	
	%	£m	%	£m
Profit before tax		87.7		92.5
Tax expense at UK corporation tax rate	19.0	16.7	19.0	17.6
Effects of:				
– Expenses not deductible for tax purposes		1.3		(0.2)
– Higher rates of tax on overseas earnings		0.7		0.5
– Effect of UK tax incentives for capital expenditure and other allowances		(1.2)		(0.4)
– Tax adjustments relating to prior years		(0.9)		0.1
– Change in deferred tax rate		—		6.1
– Share of loss of associate		0.2		0.2
– Difference in rates between deferred tax and corporation tax		0.9		0.4
– Deferred tax on losses not recognised		0.9		0.8
– Deferred tax on unremitted earnings		0.1		0.5
– Patent Box deduction		(6.5)		(5.9)
Effective tax rate and total tax expense	13.9	12.2	21.3	19.7

Deferred tax assets/liabilities have been recognised at the rate they are expected to reverse. For UK assets/liabilities this is 25% for the majority of assets and liabilities (30 September 2021: 25%), being the UK tax rate effective from 1 April 2023, in accordance with the Finance Bill 2021, which was substantively enacted on 24 May 2021. The impact of remeasuring the deferred tax assets and liabilities accordingly increased the tax charge in FY 2021 by £6.1m. For overseas assets/liabilities the corresponding overseas tax rate has been applied.

Tax components of other comprehensive income

	2022 £m	2021 £m
Tax on items that will not be reclassified to the income statement:		
Deferred tax charge on defined benefits pension schemes' actuarial result	(0.1)	(1.1)
Tax on items that have or may be subsequently reclassified to the income statement:		
Current tax credit/(charge) on changes in fair value of cash flow hedges	3.2	(0.2)
	3.1	(1.3)
Current tax credit/(charge)	3.2	(0.2)
Deferred tax charge	(0.1)	(1.1)
	3.1	(1.3)

Tax components of items recognised directly in equity

	2022 £m	2021 £m
Tax credit on equity-settled share-based payment transactions	1.1	—
	1.1	—

8. Earnings per share

Basic 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 22). Diluted earnings per share is calculated by adjusting the weighted average number of shares used for the calculation of basic earnings per share as increased by the dilutive effect of potential ordinary shares. Dilutive shares arise from employee share option schemes where the exercise price is less than the average market price of the Company's ordinary shares during the period. Where the option price is above the average market price, the option is not dilutive and is excluded from the diluted earnings per share calculation.

	2022	2021
Earnings per share		
– basic	87.6p	84.3p
– diluted	87.3p	84.0p
Profit for the financial year attributable to the owners of the Company	£76.2m	£73.2m
Weighted average number of shares used:	Number	Number
– Issued ordinary shares at beginning of year	86,968,573	86,617,582
– Effect of own shares held	(87,903)	(108,977)
– Effect of shares issued during the year	16,683	196,184
Basic weighted average number of shares	86,897,353	86,704,789
Effect of share options	341,959	340,564
Diluted weighted average number of shares	87,239,312	87,045,353



Notes to the financial statements continued

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 year in which they are incurred.

Borrowing costs relating to the construction of qualifying property, plant and equipment are capitalised, at the actual cost incurred where the funds are borrowed specifically to fund the construction project. All other finance costs are expensed as 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.

**Impact of climate change**

The impact of climate change on property, plant and equipment is primarily a result of physical risks, for example increasing severity of flooding or high winds which could impact the useful economic life of the asset. The maximum useful life of assets is 50 years, relating to office buildings, with primary plant assets being depreciated over 30 years. The latest date for an asset to be fully depreciated is 2062, with the latest date for manufacturing assets currently under construction expected to be 2053. Based on the site by site climate change impact assessments performed to date, it is not anticipated that any physical risks would materially impact the Group's assets to the extent that their current carrying value or remaining useful economic lives would be reduced.

Assets which may be impacted by proactive actions to reduce carbon emissions, for example gas powered boilers, or by potential regulations to curb carbon emissions, are being assessed as the path to Net Zero is planned in detail and regulators provide more transparency on their potential approach. Based on the planning work performed to date, for example replacing gas as the heat source with hydrogen, biogas or green electricity, and the infancy of the regulatory approach, there is not expected to be a material impact on the remaining useful economic lives, or the carrying value, of the assets held by the Group.

The Company has minimal asset value in market/application specific property, plant and equipment where there is expected to be a material drop in demand due to climate change.

Right of use ('ROU') assets

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.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of retail estate for which the Company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

9. Property, plant and equipment continued

	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 2020	63.4	338.3	3.6	3.9	8.6	20.2	438.0
Exchange differences	(0.3)	(0.3)	—	(0.2)	—	0.9	0.1
Additions	—	1.4	0.1	—	4.7	44.6	50.8
Disposals	—	(0.3)	(0.5)	—	(0.2)	(0.7)	(1.7)
Reclassification	0.1	4.0	2.7	0.2	—	(7.0)	—
At 30 September 2021	63.2	343.1	5.9	3.9	13.1	58.0	487.2
Exchange differences	1.2	2.9	0.1	0.1	—	6.3	10.6
Additions	—	3.9	0.2	—	1.6	45.6	51.3
Disposals	—	(0.8)	—	—	(1.2)	—	(2.0)
Reclassification	0.2	3.4	0.6	0.1	—	(4.3)	—
At 30 September 2022	64.6	352.5	6.8	4.1	13.5	105.6	547.1
Accumulated depreciation							
At 1 October 2020	14.7	142.2	2.1	3.6	1.7	—	164.3
Exchange differences	(0.1)	(0.1)	—	(0.2)	—	—	(0.4)
Disposals	—	(0.2)	(0.5)	—	(0.2)	—	(0.9)
Depreciation charge	2.0	13.6	0.8	0.2	1.9	—	18.5
At 30 September 2021	16.6	155.5	2.4	3.6	3.4	—	181.5
Exchange differences	0.4	0.7	0.1	—	—	—	1.2
Disposals	—	(0.6)	—	—	(1.2)	—	(1.8)
Depreciation charge	2.0	13.8	1.0	0.1	2.1	—	19.0
At 30 September 2022	19.0	169.4	3.5	3.7	4.3	—	199.9
Carrying amounts							
At 30 September 2022	45.6	183.1	3.3	0.4	9.2	105.6	347.2
At 30 September 2021	46.6	187.6	3.5	0.3	9.7	58.0	305.7
At 30 September 2020	48.7	196.1	1.5	0.3	6.9	20.2	273.7

£0.5m of additions within assets in the course of construction relate to borrowing costs capitalised; see note 15 for further details.

At 30 September 2022 and 30 September 2021, 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 2020	6.6	0.3	6.9
Additions	4.4	0.3	4.7
Depreciation charge for the period	(1.6)	(0.3)	(1.9)
Balance at 30 September 2021	9.4	0.3	9.7
Additions	1.5	0.1	1.6
Depreciation charge for the period	(1.9)	(0.2)	(2.1)
Balance at 30 September 2022	9.0	0.2	9.2

The information in respect of the lease liabilities associated with the right of use assets is disclosed in note 19.

Land and building right of use assets are primarily leases to support manufacturing capability.

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.



Notes to the financial statements continued

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.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. The cost of intangible assets acquired in a material business combination is the fair value as at the date of acquisition. 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.

10. Intangible assets continued

	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 2020	14.3	15.9	2.0	0.7	3.2	1.6	37.7
Additions	—	0.4	—	—	—	1.7	2.1
Disposals	—	(0.5)	(0.3)	—	—	—	(0.8)
Reclassification	—	2.5	—	—	—	(2.5)	—
At 30 September 2021	14.3	18.3	1.7	0.7	3.2	0.8	39.0
Additions	—	0.1	—	—	—	0.1	0.2
Disposals	—	(1.8)	—	—	—	(0.8)	(2.6)
Reclassification	—	0.1	—	—	—	(0.1)	—
At 30 September 2022	14.3	16.7	1.7	0.7	3.2	—	36.6
Accumulated amortisation							
At 1 October 2020	—	9.2	1.5	0.6	—	—	11.3
Amortisation charge	—	2.5	0.5	0.1	0.3	—	3.4
Disposals	—	(0.2)	(0.3)	—	—	—	(0.5)
At 30 September 2021	—	11.5	1.7	0.7	0.3	—	14.2
Amortisation charge	—	2.3	—	—	0.3	—	2.6
Disposals	—	(0.4)	—	—	—	—	(0.4)
At 30 September 2022	—	13.4	1.7	0.7	0.6	—	16.4
Carrying amounts							
At 30 September 2022	14.3	3.3	—	—	2.6	—	20.2
At 30 September 2021	14.3	6.8	—	—	2.9	0.8	24.8
At 30 September 2020	14.3	6.7	0.5	0.1	3.2	1.6	26.4

Computer software is an internally generated intangible asset. The average remaining useful life is three years (FY 2021: three years).

The Group has know-how in respect of the hybrid overmoulding technology for brackets. The remaining useful life of the know-how is eight years.

Goodwill recognised is assessed for impairment against discounted future pre-taxation 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 are the same ones used for both the going concern review and viability statement. Further details are included on pages 41 to 43. 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;
- cash conversion, based on historical rates; and
- the impact of climate change (see below).



Impact of climate change

The impact of climate change on the carrying value of goodwill has been considered. The majority of the goodwill relates to the acquisition of the monomer supply chain. As with all manufacturing areas the monomer supply chain is being assessed for its impact on the path to Net Zero with the potential for decarbonising, and reducing water usage and waste. The impact of this on the processes associated with the goodwill is not yet known, but current forecasts used for the consideration of impairment, see below, underpin the carrying value at 30 September 2022. This position will continue to be monitored as the approach to decarbonisation of the monomer supply chain is developed to support the Group's path to Net Zero.

Climate change will potentially impact the future forecasts of the Group which are used for the aforementioned impairment review. The overall impact on the revenue of the Group is assessed as positive, with the majority of the growth programmes supporting carbon reduction in end markets, which will more than offset the adverse impact from reductions anticipated to be seen, for example, in oil & gas and internal combustion engine related applications. The primary adverse impact is expected to be seen in carbon pricing and the cost of using greener energy sources. To reflect this in the forecast an amount of £20m per annum (growing by inflation) from 2024 has been included in the forecasts used for the impairment calculation. Further detail of this is included in the Sustainability report starting on page 44.



Notes to the financial statements continued

10. Intangible assets continued

The sensitivity analysis performed as part of our viability assessment on the CGUs of the Group demonstrated a sufficient level of headroom as noted below; therefore, no specific adjustments or impairments have been made.

The Group has two CGUs, 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 CGUs 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 2021: £12.8m) and Medical £1.5m (FY 2021: £1.5m).

The goodwill and other intangible assets that relate to the Industrial CGU 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 2021: 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 9.1% (FY 2021: 9.6%). The impairment test results in more than 100% headroom (FY 2021: 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, including technical feasibility of completing the asset, intention to complete, probability of future economic benefits, the availability of resources to complete and the ability to reliably measure expenditure attributed to the development.

Research & Development expenditure of £15.7m (FY 2021: £15.5m) was expensed to the income statement in the year within sales, marketing and administrative expenses. No development expenditure was capitalised (FY 2021: £nil) as the Directors consider there is insufficient evidence available that the criteria have been met for the reasons noted below.

The Company has the intention and resources to complete the projects being undertaken, along with the ability to accurately measure attributable expenditure. Therefore whilst these criteria are met, the assessment of the technical feasibility and future economic benefits is more difficult.

For Medical based development projects there are strict regulatory approvals which are required to be obtained before a new product can be brought to market. Prior to these approvals a varying degree of clinical trials need to be undertaken, many of which are multi-year in length. The vast majority of development expenditure is incurred up to the point of regulatory approval, however, the outcome cannot be considered probable until approval is obtained; without approval the Company or its customers cannot sell a medical product. Even with regulatory approval, market adoption remains uncertain and therefore the criteria for capitalisation is rarely met.

Industrial based development projects typically do not have the same strict regulatory approvals, however, are often subject to rigorous qualification and testing programmes, often over a sustained period of time. Examples of this include wear testing within Automotive, Aerospace and Energy & Industrial. Potential customers are also often testing multiple solutions at the same time with a view to selecting one following the testing/qualification programme. As a result it is only when a successful outcome to the testing/qualification programmes is achieved that technical feasibility is reached and market adoption becomes the key assessment. At this point, whilst market adoption risk remains, the vast majority of development expenditure has been incurred and expensed.

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 Balance sheet 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. Impairment is recognised when there is objective evidence that a loss event (or events) has arisen which adversely impacts the future cash flows from the net investment and therefore provides evidence of impairment. Where evidence exists an impairment test is performed whereby the carrying value of the investment is compared to the recoverable amount (higher of value in use and fair value less costs to sell).

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.

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.



Notes to the financial statements continued

11. Interests in other entities continued

Basis of consolidation continued**Financial assets held at fair value through the profit and loss**

Financial assets held at fair value through the profit and loss comprise investments in unquoted companies and convertible loans made to associated undertakings. 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.

Financial assets that are compound financial instruments from the holder's perspective are accounted for under IFRS 9. Under IFRS 9 financial assets are held at either amortised cost, fair value through other comprehensive income ('FVTOCI') or fair value through profit and loss ('FVTPL'). In making the assessment the Company's business model and the contractual terms are assessed against the conditions in IFRS 9. Where the conditions for holding an asset at amortised cost are not met and where no election is made to measure at FVTOCI, FVTPL is the default.

At initial recognition financial assets are measured at fair value. This is assumed to be the transaction price unless there is evidence to the contrary.

All transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred.

Investments in unquoted companies and convertible loans are classified as level 3 in the financial hierarchy because there are no observable market inputs. For these assets unobservable inputs are used to measure the range of fair values, using an income approach to convert future cash flows into present values. Inputs into the valuation model include both Group forecasts and forecasts from the investee, with consideration given to performance against technical and commercial milestones. Where there is insufficient information to determine fair value or there is a wide range of possible fair value measures, and cost represents the best estimate in that range, then, as permitted by IFRS 9, cost will continue to be used as a proxy for fair value. Cost will not be used as a proxy if, 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')**

Panjin VYX High Performance Materials Co. Ltd ('PVYX') is a limited liability company set up during FY 2020, for the purpose of the manufacture of PAEK polymer powder and granules, based in mainland China. The Group continues to hold a 75% equity interest with the remaining 25% held by Yingkou Xingfu Chemical Co. Ltd ('YX'). Consistent with prior years, 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.

In the year to 30 September 2022 the subsidiary incurred a loss of £2.9m (FY 2021: loss of £1.4m), of which £0.7m (FY 2021: £0.4m) is attributable to the non-controlling interest. Total non-controlling interest as at 30 September 2022 is £1.8m (FY 2021: £2.5m).

The first tranche of investment of £8.6m in this company was made by the Group via Victrex Hong Kong Limited, in March 2020. During FY 2021, the Group made further cash injections into PVYX, totalling £24.5m, split in the form of loans of £22.0m and further equity investment of £2.5m. YX also made loans to PVYX of £5.6m during FY 2021. See note 15 for further details of this loan.

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
At 1 October 2021	11.4	12.7	24.1
Group's share of loss of Bond 3D High Performance Technology BV	(1.0)	—	(1.0)
Disposal of investment in Magma Global Limited	—	(5.4)	(5.4)
Convertible loans issued to Bond 3D High Performance Technology BV	—	2.3	2.3
Interest on loans issued to Bond 3D High Performance Technology BV	—	0.2	0.2
Gain on financial assets held at fair value – exchange differences	—	0.3	0.3
At 30 September 2022	10.4	10.1	20.5
Surface Generation Limited	—	3.5	3.5
Bond 3D High Performance Technology BV	10.4	6.6	17.0
At 30 September 2022	10.4	10.1	20.5

11. Interests in other entities continued

Group continued

Bond 3D High Performance Technology BV ('Bond')

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.

The Group's investment in the ordinary share capital of Bond at 30 September 2022 is €14.7m/£12.9m (24.5%) at cost (30 September 2021: same), with a carrying value of £10.4m (30 September 2021: £11.4m) which includes the impact of the Group's share of losses since investment. 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.

The Directors have considered whether there is any objective evidence that a loss event (or events) exists at 30 September 2022. No objective evidence has been identified with the investment performing in line with expectations for a company of its relative immaturity. In addition, there has been no transaction in the equity of Bond in the year, whereby a transaction at a discount to the price paid for the Group's equity stake would be an indicator of impairment. Accordingly, the investment has not been tested for impairment.

In line with the agreed programme of further investments into Bond by Victrex and another investor, LaLune, Bond has received cash injections of €4.5m in the current financial year, of which €2.7m/£2.3m was made by Victrex in the form of convertible loans. The loans are convertible into ordinary shares of the entity, at the Group's option, or are to be repaid by Bond on or before the end of the five-year agreed term. Of the convertible loan balance of €7.4m/£6.6m at 30 September 2022, €2.0m/£1.8m is interest free, €0.3m/£0.2m is accruing interest at 3%, and the remainder is accruing interest at a rate of 6% per annum. The interest is capitalised into the value of the convertible loan on a monthly basis, attracting conversion rights in the same proportion as the original instrument. During the year €0.2m/£0.2m (FY 2021: €0.02m/£0.02m) of interest was capitalised into the convertible loan.

The convertible loans in Bond do not meet the criteria to be classified as amortised cost nor FVTOCI (the cash flows are not solely payments of principal and interest due to the existence of conversion rights) and are therefore classified as FVTPL. The transaction value is considered materially equal to the fair value of the convertible loan for initial recognition.

The lack of observable market inputs for subsequent fair value assessments of the unlisted convertible loan calculation results in the instrument being classified as Level 3 (see also note 16).

At 30 September 2022 the convertible loans in Bond are considered to meet the criteria to use cost (the initial fair value) as the best estimate for fair value given the wide range of possible outcomes, a range in which the cost represents the best estimate within the range. Bond is an early-stage investment in new technology for the 3D printing of PEEK with a detailed programme of milestones to take it through to commercialisation. Technology is moving quickly within this space and whilst there is confidence that the Bond technology will win significant market share (which in itself has the potential for a high level of variability across different markets and applications), thus generating a fair value upside, the risk remains that this will not be the case resulting in fair value below cost. Given the relative immaturity of Bond and its current stage of development it is likely to be a longer time period before the range of outcomes can be reduced to such an extent that a fair value which is different to the initial fair value can be established.

The fair value of the convertible loans receivable in future periods will be assessed on the basis of the most likely outcome of scenarios at the end of the convertible term, including the probability attached to each future outcome.

Following the €4.5m convertible loans received in FY 2022, Bond is due to receive a further €3.0m from Victrex and La Lune during FY 2023 subject to the satisfactory completion of pre-determined development milestones. These cash injections will accrue interest at 6% but, if converted to equity, the interest will roll into the conversion rights, resulting in a total ownership at the end of the term at 43.5% for Victrex.



Impact of climate change

The impact of climate change on the Medical part of the business is expected to be limited with the applications into which the Group's products go providing proven clinical benefits to patients in a low carbon way. The use of 3D printed PEEK being developed by Bond will only serve to reduce carbon usage through a lower level of waste in the manufacturing process and therefore climate change is not expected to have a negative impact on the carrying value of assets associated with Bond, including the associate investment and the convertible loans.

Disposal of investment in Magma Global Limited

On 13 October 2021, the Group sold its investment in Magma Global Limited to TechnipFMC. This investment was recognised as a financial asset held at fair value through the profit and loss, with a fair value of £5.4m at 30 September 2021. The Group received cash of £4.2m at the point of disposal with £1.2m deferred consideration received on 13 October 2022. The deferred consideration was included within trade and other receivables at 30 September 2022.

Company

Shares in Group
undertakings
£m

Cost and carrying value

At 1 October 2021 and at 30 September 2022

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.



FINANCIAL STATEMENTS

Notes to the financial statements continued

11. Interests in other entities continued

Company continued

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,
Invibio Limited ¹	4088050	Trading entity	Hillhouse International,
Invibio Knees Limited	8149440	Trading entity	Thornton Cleveleys,
Invibio Device Component Manufacturing Limited	8861250	Trading entity	Lancashire FY5 4QD, UK
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,
Victrex USA Inc.		Trading entity	West Conshohocken, PA 19428, USA
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		Trading entity	55 Broadcommon Road, Bristol, Rhode Island, RI 02809, USA
Victrex Hong Kong Limited		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		Trading entity	Room 501-23, Technology Mansion, Qingyu Road East, Zhifang Street North, Liaodong Bay New District, Panjin, Liaoning Province, China
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
Investments			
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.

11. Interests in other entities continued

Company continued

The Group also had an investment in Magma Global Limited (company number 6528820, registered office address Magma House, Trafalgar Wharf, Hamilton Road, Portsmouth, Hampshire PO6 4PX) until 13 October 2021, when the Group disposed all of its shares.

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.

In the opinion of the Directors the recoverable amount of investments in and amounts due from the Company's subsidiary undertakings are at least the carrying value at which they are stated in the balance sheet.

12. Deferred tax assets and liabilities

	As at 30 September 2022							Net £m
	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Unremitted earnings £m	Other £m	Total £m	Set-off of deferred tax balances* £m	
Deferred tax assets	—	1.5	6.1	—	1.6	9.2	(2.0)	7.2
Deferred tax liabilities	(32.0)	(3.7)	—	(0.6)	—	(36.3)	2.0	(34.3)
Net deferred tax (liabilities)/assets	(32.0)	(2.2)	6.1	(0.6)	1.6	(27.1)	—	(27.1)

	As at 30 September 2021							Net £m
	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Unremitted earnings £m	Other £m	Total £m	Set-off of deferred tax balances* £m	
Deferred tax assets	—	2.0	5.5	—	1.4	8.9	—	8.9
Deferred tax liabilities	(27.4)	(3.5)	—	(0.5)	(0.2)	(31.6)	—	(31.6)
Net deferred tax (liabilities)/assets	(27.4)	(1.5)	5.5	(0.5)	1.2	(22.7)	—	(22.7)

* At 30 September 2022, the Group has applied the tax consolidation legislation, in accordance with IAS 12, whereby deferred tax assets and liabilities recognised on consolidation have been allocated to the tax jurisdictions where they arise, resulting in an offset within deferred tax assets and deferred tax liabilities in the Balance sheet.

	Note	Property, plant and equipment £m	Employee benefits £m	Inventories £m	Unremitted earnings £m	Other £m	Total £m	
Movement in net provision								
At 1 October 2020			(22.4)	(0.4)	7.4	—	1.2	(14.2)
Prior period adjustment			0.1	—	—	—	—	0.1
Change in UK deferred tax rate			(6.1)	(0.2)	0.2	—	—	(6.1)
Recognised in income statement	7		1.0	0.2	(2.1)	(0.5)	—	(1.4)
Recognised in other comprehensive income			—	(1.1)	—	—	—	(1.1)
At 30 September 2021			(27.4)	(1.5)	5.5	(0.5)	1.2	(22.7)
Exchange differences			—	—	—	—	0.2	0.2
Prior period adjustment			(1.7)	—	—	—	—	(1.7)
Recognised in income statement	7		(2.9)	0.5	0.6	(0.1)	0.2	(1.7)
Recognised in other comprehensive income			—	(0.1)	—	—	—	(0.1)
Recognised directly in equity			—	(1.1)	—	—	—	(1.1)
At 30 September 2022			(32.0)	(2.2)	6.1	(0.6)	1.6	(27.1)

Of the net deferred tax liability of £27.1m (FY 2021: £22.7m), £4.5m net asset (FY 2021: £3.0m net asset) is expected to be recovered no more than 12 months after the reporting period, and £31.6m net liability (FY 2021: £25.7m net liability) is expected to be settled more than 12 months after the reporting period.

Deferred tax liabilities of £0.6m (FY 2021: £0.5m) have been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of £11.8m of the EU subsidiaries, as the Group no longer benefits from the EU Parent Subsidiary Directive on dividends payable from 1 January 2021. It is likely that future amounts will be remitted as a dividend rather than being permanently reinvested.

Outside the EU no deferred tax liabilities have been recognised (FY 2021: £nil) for the withholding tax and other taxes, as such amounts are permanently reinvested, and the Group can control the timing of any dividends. Unremitted earnings from non-EU subsidiaries totalled £54.2m at 30 September 2022 (FY 2021: £43.7m).



Notes to the financial statements continued

12. Deferred tax assets and liabilities continued

**Impact of climate change**

Deferred tax assets are recognised to the extent that it is probable that future taxable profits are generated against which to utilise the carried forward tax losses and other timing differences. The majority of the deferred tax assets relates to profit in inventory generated when the UK manufacturing entities sell products to overseas subsidiaries prior to onward sale to the end customer. The targeted inventory levels at overseas locations is set at approximately three to four months, a time period considered to be too short to be impacted by climate change. The short time period between 30 September 2022 and the expected external sale of the aforementioned inventory makes the realisation of the deferred tax asset probable, supporting its recognition at the end of the year.

Unrecognised deferred tax assets

In the US, the Group has unrelieved net operating losses arising in the year ended 30 September 2022 of £nil (FY 2021: £3.9m). The potential deferred tax asset on the cumulative unrelieved tax losses of £6.3m in the USA amounts to £1.6m (FY 2021: £2.0m), which have accumulated from the early stage losses resulting from the readiness investment in Kleiss Gears Inc. and TxV Aerospace Composites LLC. Given the early stage of these two entities and their alignment to individual mega-programmes, the time to profitably is uncertain with further losses expected in the short term. As a result it is not considered probable that the losses will be utilised over a reasonable time frame.

In addition, the Group has unrelieved net operating losses arising in the year ended 30 September 2022 of £2.9m (FY 2021: £1.3m), which relate to the early stage losses in Panjin VYX High Performance Materials Co. Ltd. The potential deferred tax asset on these losses amounts to £1.1m (FY 2021: £0.2m). The Company is now in the commissioning phase ahead of commencing manufacturing towards the end of FY 2023. The Company is not expected to become profitable until it produces at approximately 50% of its capacity. The uncertainty over the time period to profitability and therefore utilisation of the losses means that recovery within a reasonable time frame is not probable.

13. Inventories

Inventories are measured at the lower of cost or 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 the higher of actual and normal production levels). 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.

In calculating the estimated selling price a number of factors are taken into account, including the age of the inventory, customer order profiles, the quality status, alternative routes to market and options to reprocess. Where the net realisable value is below the cost of the inventory a provision is made to write down the inventory to the net realisable value which is expensed to the profit and loss account. If subsequently the value realised from the inventory is above the net realisable value the provision is written back to the profit and loss account.

**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 £86.8m, requires the use of estimates and judgement. The Group absorbs directly attributable costs over the higher of actual production and normal production to avoid absorbing more overheads than incurred in periods of high production or absorbing excess overheads in periods of low production. Judgement is required when assessing the level of normal production to compare with the actual production in determining the rate at which to absorb the directly attributable costs. This judgement considers historical production levels, budgeted production, as well as the relationship between production and sales 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 £1.0m increase in inventory to a £6.0m reduction in inventory at 30 September 2022 and therefore could result in a material adjustment to the carrying value of inventory within the next 12 months.

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 £2.0m to a decrease of £3.0m and is therefore not considered to materially impact the carry value of inventory within the next 12 months.

Impact of climate change

The impact of climate change on consumer behaviour may affect the demand for the Group's products resulting in obsolescence or reduced demand thus reducing the net realisable value. The Group targets carrying approximately three to four months of inventory at any point in time, a time frame over which the impact of climate change on consumer behaviour is not expected to impact. The majority of the Group's core products serve multiple applications in multiple markets further reducing the risk of material obsolete inventory over the longer term with each SKU's inventory holding levels and manufacturing plan regularly reviewed against forecast demand over the next 24 months.

13. Inventories continued

As at 30 September	2022 £m	2021 £m
Raw materials and consumables	16.7	11.7
Work in progress	13.7	11.2
Finished goods	56.4	47.4
	86.8	70.3

The amount of inventory expensed in the period is £147.1m (FY 2021: £131.6m).

During the year the Group wrote down inventory by £3.2m (FY 2021: £4.0m) and reversed previously written down inventory by £2.5m (FY 2021: £1.5m) resulting in a net increase in the overall inventory write down charge in the year of £0.7m (FY 2021: increase of £2.5m). 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 16.

As at 30 September	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade receivables	39.3	26.7	—	—
Amounts owed by Group undertakings	—	—	191.9	152.7
Prepayments and accrued income	20.1	12.2	—	—
Sales taxes recoverable	5.6	8.4	—	—
Other receivables	3.1	1.8	—	—
	68.1	49.1	191.9	152.7

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.

The value of MUPs recognised but not invoiced is included in prepayments and accrued income. The value at 30 September 2022 was £1.8m (30 September 2021: £1.7m). No credit loss has been recognised in respect of the MUPs balance at 30 September 2022 (30 September 2021: £nil).

No credit losses are expected on the sales taxes recoverable balance due to the financial strength of the counterparties.

15. Borrowings

Borrowings are recognised initially at fair value, which equals the proceeds received less attributable transaction costs. Following the initial recognition, borrowings are subsequently held at amortised cost.

As at 30 September	2022 £m	2021 £m
Due within one year		
Bank loans	0.9	—
Total due within one year	0.9	—
Due after one year		
Bank loans	14.8	—
Loan payable to non-controlling interest	6.8	5.9
Total due after one year	21.6	5.9

Bank loans are repayable in line with an agreed schedule up to December 2026. Interest is charged at the five-year Loan Prime Rate of the People's Republic of China, which has been in the range of 4.3%–4.65% in the period between the initial draw-down and 30 September 2022.

The purpose of the loan is funding of capital expenditure in China and is guaranteed by Victrex plc. Interest payable is capitalised as part of the qualifying capital expenditure within property, plant and equipment. During the year £0.3m of interest has been capitalised accordingly.

The loan from the non-controlling interest, YX, is unsecured and is repayable on 30 September 2026 or such date as may be mutually agreed by YX and Victrex Hong Kong Limited. Interest is charged at 4% per annum. Interest payable on the loan payable is rolled up into the value of the loan, until repayment occurs. The purpose of the loan is funding of capital expenditure in China, with the interest payable also capitalised as part of that qualifying capital expenditure within property, plant and equipment. During the year, interest of £0.2m has been capitalised accordingly.



Notes to the financial statements continued

16. 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.

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; and
- 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.

16. 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.

The Group's 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.

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% strengthening in the average Sterling/US Dollar and Sterling/Euro rates reduces profit for 2022 by £4.8m and £6.0m (FY 2021: £5.1m and £5.7m) respectively. The impact of a 5% strengthening in the average Sterling/US Dollar and Sterling/Euro rates reduces equity for 2022 by £2.2m and £1.1m (FY 2021: £1.9m and £1.3m) 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 2022		As at 30 September 2021	
	Notional contract amount £m	Carrying amount and fair value £m	Notional contract amount £m	Carrying amount and fair value £m
Current assets	—	—	61.2	2.9
Current liabilities	197.5	(19.9)	106.9	(1.9)
	197.5	(19.9)	168.1	1.0

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 2022				As at 30 September 2021			
	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	—	—	—	—	61.2	46.2	8.7	6.3
– Liabilities	197.5	85.8	90.1	21.6	106.9	36.4	61.4	9.1
	197.5	85.8	90.1	21.6	168.1	82.6	70.1	15.4

The average exchange rates on open forward currency contracts are:

US Dollar	1.34	1.29	1.27	1.33	1.39	1.37
Euro	1.17	1.16	1.15	1.12	1.16	1.15

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2022 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 2022, there are a number of hedged foreign currency transactions which are expected to occur at various dates during the next 12 months. During the year, losses of £3.1m (FY 2021: gains of £0.8m) relating to unsettled forward exchange contracts on the balance sheet at 30 September 2022 were released to the income statement.

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 statement. This equated to a loss of £4.0m in the year (FY 2021: gain of £0.5m).

There was no hedge ineffectiveness during the year (FY 2021: nil). The hedge ratio is 1:1 in all instances.



Notes to the financial statements continued

16. Financial instruments and risk management continued

Group continued

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 the segment and country/region in which the customer operates. The model, which considers 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 US 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 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.

**Impact of climate change**

Climate change will impact the Group's customers in different ways and over different time horizons. Whilst the overall impact of climate change on the Group's revenue is anticipated to be positive, there will be markets/sectors which are adversely impacted. This is not anticipated to have an adverse impact in the short-term assessment of recoverability, i.e. over the life of the receivables on the balance sheet at 30 September 2022. The ageing of trade receivables is shown below with 89% not yet due of which the vast majority will be cleared within 60 days of the year end. The Group monitors the ageing and profile of the receivables on a regular basis, including the regular use of external credit rating agencies, and updates the expected credit loss model assumptions if evidence of changing trends or risk profiles emerges.

Trade receivables, being 'held to collect' assets, can be analysed as follows:

As at 30 September	2022 £m	2021 £m
Amounts not past due	36.0	24.4
Amounts past due:		
– Less than 30 days	2.3	2.2
– 30–60 days	0.9	0.3
– More than 60 days	1.2	0.1
Total past due	4.4	2.6
Lifetime expected credit losses	(1.1)	(0.3)
Amounts specifically impaired	0.1	0.5
Specific allowances for bad and doubtful debts	(0.1)	(0.5)
Carrying amount of impaired receivables	—	—
Trade receivables net of allowances	39.3	26.7

Movements in the allowance for impairments were:

	2022 £m	2021 £m
At beginning of year	0.8	1.3
Charge in the year	1.4	—
Release of allowance	(1.0)	(0.5)
At end of year	1.2	0.8

16. Financial instruments and risk management continued

Group continued

Credit risk continued

The range of estimated credit loss ('ECL') allowance is as follows:

	Current £m	Less than 30 days past due £m	30 to 60 days past due £m	60 to 90 days past due £m	More than 90 days past due £m	Total £m
2022						
% allowance	0%–0.3%	0.5%–1.5%	20%–50%	50%–60%	75%–100%	
Trade receivables	36.0	2.3	0.9	0.6	0.7	40.5
Allowance (inclusive of specific provision)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)	(1.2)
						39.3
2021						
% allowance	0%–0.3%	0.5%–1.5%	20%–50%	50%–60%	75%–100%	
Trade receivables	24.4	2.2	0.3	0.1	0.5	27.5
Allowance (inclusive of specific provision)	(0.1)	—	(0.1)	(0.1)	(0.5)	(0.8)
						26.7

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.

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 £2.8m ring-fenced in the Group's Chinese subsidiaries, which is committed to capital expansion (FY 2021: £12.5m) and therefore is not available for general use by the other entities within the Group.

Other financial assets

Cash invested in term or notice deposits with original maturities 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 2022, the maximum exposure with a single bank for deposits (cash and cash equivalents and other financial assets) was £26.3m (FY 2021: £32.5m) for the Group. As at 30 September 2022, the largest mark to market exposure for gains on forward foreign exchange contracts to a single bank was £nil (FY 2021: £1.7m) as all forward foreign exchange contracts were 'out of the money' at this date. 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.

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.

As at 30 September 2022, the Group had a cash and cash equivalents balance of £58.7m (FY 2021: £74.9m). In addition to this, the Group had cash held on 95-day notice deposit accounts of £10.1m (FY 2021: £37.5m). The maximum deposit length utilised by the Group when cash is invested both during the year ended 30 September 2022 and up to the date of this report is 95 days (FY 2021: 95 days).

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.



Notes to the financial statements continued

16. 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 2022, 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 Notice of Annual General Meeting.

The Group's capital and equity ratio is as follows:

As at 30 September	2022 £m	2021 £m
Total equity	490.6	511.7
Total assets	641.6	615.3
Equity ratio	76%	83%

Financial instruments**Summary of categories of financial assets and liabilities**

As at 30 September	Note	Classification under IFRS 9	Carrying amount and fair value	
			2022 £m	2021 £m
Financial assets				
Forward exchange contracts used for hedging (derivative instruments)		Fair value – hedging instrument	—	2.9
Unquoted investments	11	FVTPL	3.5	8.9
Other financial assets held at fair value		FVTPL	6.6	3.8
Trade and other receivables	14	Amortised cost	42.4	28.5
Cash and cash equivalents		Amortised cost	58.7	74.9
Other financial assets		Amortised cost	10.1	37.5
Financial liabilities				
Forward exchange contracts used for hedging (derivative instruments)		Fair value – hedging instrument	(19.9)	(1.9)
Borrowings – due within one year	15	Amortised cost	(0.9)	—
Borrowings – due after one year	15	Amortised cost	(21.6)	(5.9)
Trade and other payables	18	Other financial liabilities	(59.7)	(49.4)

Financial assets and liabilities held at fair value

Fair value is determined using the fair value hierarchy which takes into account the availability of input data into the fair value calculation, with levels going from Level 1 (quoted market prices available) through to Level 3 (unobservable inputs) with more assumptions inherent in the fair value calculation of Level 3 assets. Where observable inputs are not available then another valuation technique is used, such as an income approach or market approach.

All financial assets and liabilities measured at fair value are categorised as Level 2 within the fair value hierarchy, with the exception of investments in unquoted companies and other financial assets held at fair value 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 167 and 168 respectively.

Information on the maturity of the financial liabilities is included both within this note and within note 15.

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.

16. Financial instruments and risk management continued

Reconciliation of movement in net funds/(debt)

Net funds/(debt) consists of cash and cash equivalents together with other financial assets, long-term and short-term loans and finance lease liabilities.

	Note	At 1 October 2021	Cash flow	Exchange and other non-cash movements	Long-term loans	At 30 September 2022
Cash and cash equivalents	16	74.9	(18.6)	2.4	—	58.7
Other financial assets	16	37.5	(27.4)	—	—	10.1
Borrowings – due within one year	15, 16	—	—	—	(0.9)	(0.9)
Borrowings – due after one year	15, 16	(5.9)	0.3	(2.3)	(13.7)	(21.6)
Lease liabilities	19	(10.0)	2.1	(1.7)	—	(9.6)
Net funds		96.5	(43.6)	(1.6)	(14.6)	36.7

	Note	At 1 October 2020	Cash flow	Exchange and other non-cash movements	Long-term loans	At 30 September 2021
Cash and cash equivalents	16	73.1	2.2	(0.4)	—	74.9
Other financial assets	16	—	37.5	—	—	37.5
Borrowings – due after one year	15, 16	—	—	—	(5.9)	(5.9)
Lease liabilities	19	(7.1)	1.8	(4.7)	—	(10.0)
Net funds		66.0	41.5	(5.1)	(5.9)	96.5

Company

The only receivables of the Company are amounts owed by subsidiary undertakings. These are carried at amortised cost subsequent to initial recognition.

There are no future expected credit losses on amounts owed by Group undertakings.

17. Retirement benefits

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 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 sensitivity shows that a change in the estimation assumptions could result in a material change in the carrying value of the scheme assets and/or liabilities within the next 12 months.



Notes to the financial statements continued

17. Retirement benefits continued**Employee benefits** continued**Impact of climate change**

The impact of climate change has been discussed with the UK pension trustee. Whilst not an income statement impacting change, a movement in the net defined benefit pension balance would potentially impact long-term cash flows if further contributions were required or a lower surplus were returned to the Company on satisfaction of all outstanding liabilities. The potential impact of climate change would most likely be seen in the value of scheme assets if they were not appropriately managed.

At 30 September 2022, the scheme holds approximately 30% of its assets in equities and growth funds spread across a number of funds, each of which is tasked with maximising return within an appropriate risk framework. In addition, the pension trustees are working on their own ESG policy, into which the Company will have an input, which is likely to result in an ESG linked investment strategy. This will align to the Company's strategy and also ensure that investments are not 'stuck' in declining equities thus risking under performance. As a result, the Directors have concluded that no climate-related risk adjustment is required at 30 September 2022.

The Group operates a number of pension schemes for its employees throughout the world. Outside the UK and Germany, the Company operates defined contribution pension schemes.

Victrex Pension Fund (UK)

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 to future accrual 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. The Company made additional contributions of £1.0m during the years ended 30 September 2020 and 2021 as part of an ongoing programme with the trustees to work towards self-sufficiency. The triennial valuation at 31 March 2022 is in the process of being finalised which is expected to show that the scheme remains in surplus. The Company remains committed to working towards self-sufficiency and intends to continue to make voluntary contributions where appropriate. A contribution of £1m will be made following finalisation of the triennial valuation at 31 March 2022 and the associated investment strategy, unless the outcome of those activities shows that further contributions are not required.

The current investment strategy was agreed with the trustees following the last triennial valuation and focused on working towards self-sufficiency with the assets increasingly matched to the nature and term of the liabilities. This included reducing the exposure to equities and increasing the use of liability-driven investments to better manage the scheme's exposure to interest rate risk. A level of growth assets was retained aligned with the longer-term goal of reducing the deficit on a self-sufficiency basis. The investment strategy is reviewed on a regular basis with the trustees and scheme advisors.

Victrex Europa GmbH Pension Fund (Germany)

The Company operates another defined benefit scheme in Germany for the benefit of one, now retired, employee. Due to the small size of this scheme the disclosure has historically been combined with that of the UK defined benefit scheme. The Company operates another defined benefit scheme in Germany for the benefit of one, now retired, employee. In the prior financial year, the insurance policies which comprise the assets of the scheme have started to mature. At this point, under German law, having received permission from the beneficiary, the Company elected to assume the benefit of these assets for use in the business and leave the scheme unfunded – making the pension payments from Company cash flow. As a result the net liability of the scheme increased in the prior year, and has increased further during the year ended 30 September 2022, as the last remaining assets were transferred to the Company.

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.

17. Retirement benefits continued

IAS 19 disclosures relating to defined benefits are as follows:

Principal actuarial assumptions

As at 30 September	2022 – UK Scheme	2022 – German Scheme	2021 – UK Scheme	2021 – German Scheme
Discount rate	5.05%	3.72%	1.95%	0.64%
RPI inflation	3.80%	n/a	3.60%	n/a
CPI inflation	3.20%	2.00%	3.00%	1.75%
Future pension increases	3.50%	n/a	3.40%	n/a
Mortality tables:				
– Male	92% of S3PMA	100% of RT2018G	92% of S3PMA	100% of RT2018G
– Female	95% of S3PFA	n/a	95% of S3PFA	n/a
Mortality improvements:				
– Model	CMI 2021	RT2018G	CMI 2020	RT2018G
– Long-term rate of improvement	1.25%	Individual	1.25%	Individual
– Initial addition	0.25%	Individual	0.50%	Individual
Life expectancy from age 62 of current pensioners:				
– Male	25.4 yrs ¹	23.4 yrs ¹	25.5 yrs ²	23.2 yrs ²
– Female	27.7 yrs ¹	n/a	27.8 yrs ²	n/a
Life expectancy from age 62 of active and deferred members:				
– Male	26.6 yrs ³	25.8 yrs ³	26.7 yrs ⁴	25.7 yrs ⁴
– Female	28.9 yrs ³	n/a	29.0 yrs ⁴	n/a

1 Life expectancy from age 62 for members aged 62 in 2022.

2 Life expectancy from age 62 for members aged 62 in 2021.

3 Life expectancy from age 62 for members aged 45 in 2022.

4 Life expectancy from age 62 for members aged 45 in 2021.

The average duration of the benefit obligation at the end of the reporting period is 17 years (FY 2021: 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	UK Scheme – reduction in fund surplus as at 30 September	
	2022 £m	2021 £m
Reduce discount rate by 1% p.a.	8.6	19.0
Increase inflation expectations by 1% p.a.	5.8	15.1
Increase life expectancy by 1 year	1.3	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	2022 £m	2021 £m
Retirement benefit assets		
UK Scheme	14.9	14.2
Total retirement benefit assets	14.9	14.2
Retirement benefit liabilities		
German Scheme	(2.7)	(1.9)
Total retirement benefit liabilities	(2.7)	(1.9)



Notes to the financial statements continued

17. Retirement benefits continued

UK Scheme/Combined Scheme disclosures

As at 30 September	UK Scheme		Combined Schemes		
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Present value of funded obligations	(49.2)	(81.1)	(88.2)	(85.8)	(72.1)
Fair value of scheme's/schemes' assets	64.1	95.3	95.7	94.9	85.6
Net asset before deferred taxation	14.9	14.2	7.5	9.1	13.5
Related deferred taxation liability	(3.7)	(3.6)	(1.4)	(1.5)	(2.3)
Net asset after deferred taxation	11.2	10.6	6.1	7.6	11.2
Change in assumptions and experience adjustments arising on scheme's/schemes' liabilities	30.8	(0.4)	(2.2)	(14.8)	2.0
Experience adjustments arising on scheme's/schemes' assets	(31.4)	4.1	(0.8)	8.9	3.6

Changes in the present value of the funded obligation

	UK Scheme	
	2022 £m	2021 £m
Defined benefit obligation at beginning of year	(81.1)	(88.2)
German Scheme obligation disclosed separately in 2021	—	4.6
Interest cost	(1.6)	(1.3)
Actuarial gains/(losses)	30.8	(0.4)
Benefits paid	2.7	4.2
Defined benefit obligation at end of year	(49.2)	(81.1)

Changes in the fair value of the scheme assets

	UK Scheme	
	2022 £m	2021 £m
Fair value of scheme assets at beginning of year	95.3	95.7
German Scheme assets disclosed separately from 2021	—	(2.7)
Interest income on assets	1.9	1.4
Return on assets excluding interest	(31.4)	4.1
Contributions by employer	1.0	1.0
Benefits paid	(2.7)	(4.2)
Fair value of scheme assets at end of year	64.1	95.3

Major categories of scheme assets

As at 30 September	UK Scheme			UK Scheme		
	2022 Quoted £m	2022 Unquoted £m	2022 Total £m	2021 Quoted £m	2021 Unquoted £m	2021 Total £m
UK equities	—	0.3	0.3	—	0.8	0.8
Non-UK equities	—	9.0	9.0	—	11.1	11.1
Diversified growth and absolute return funds ¹	—	10.3	10.3	—	12.8	12.8
Liability-driven instruments ²	19.7	—	19.7	41.1	—	41.1
Debt instruments	5.8	16.9	22.7	7.6	20.6	28.2
Cash in transit	1.9	—	1.9	—	—	—
Cash	0.2	—	0.2	1.3	—	1.3
Fair value of scheme assets at end of year	27.6	36.5	64.1	50.0	45.3	95.3

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.

17. Retirement benefits continued

Amounts recognised in the income statement

	Note	UK Scheme	
		2022 £m	2021 £m
Interest on liabilities		(1.6)	(1.3)
Interest income on assets		1.9	1.4
Total included in 'staff costs'	5	0.3	0.1

The total included in 'staff costs' of £0.3m is included within sales, marketing and administrative expenses (FY 2021: £0.1m).

Gross amounts of actuarial gains and losses recognised in the Statement of comprehensive income

	UK Scheme	
	2022 £m	2021 £m
UK Scheme at beginning of year	3.7	—
(Loss)/gain in year	(0.6)	3.7
Cumulative amount at end of year	3.1	3.7

Up to and including the year ending 30 September 2020 the cumulative amount of actuarial gains and losses on the UK and German schemes were presented on a combined basis and totalled a loss of £16.3m. Obtaining a historical split of this balance between these schemes was not practical and therefore, from 1 October 2021, following the presentation of these schemes gross, the individual cumulative effects were restarted from £nil. The cumulative aggregate amount of actuarial gains and losses on the UK and German schemes at 30 September 2022 was a loss of £13.5m (30 September 2021: loss of £11.8m).

Actuarial gains and losses arising from changes in demographic and financial assumptions

	UK Scheme	
	2022 £m	2021 £m
Changes in demographic assumptions	0.3	0.9
Changes in financial assumptions	34.1	(2.7)
Experience (losses)/gains on liabilities	(3.6)	1.4
Total actuarial gains/(losses) on scheme liabilities	30.8	(0.4)
Return on assets excluding interest	(31.4)	4.1
Total actuarial (losses)/gains	(0.6)	3.7

German Scheme disclosures

	German Scheme	
	2022 £m	2021 £m
As at 30 September		
Present value of funded obligations	(2.7)	(3.5)
Fair value of scheme assets	—	1.6
Net liability before deferred taxation	(2.7)	(1.9)
Related deferred taxation asset	0.7	0.5
Net liability after deferred taxation	(2.0)	(1.4)
Change in assumptions and experience adjustments arising on scheme's liabilities	0.8	0.7
Experience adjustments arising on scheme's assets	—	0.1

Changes in the present value of the funded obligation

	German Scheme	
	2022 £m	2021 £m
Obligations at beginning of year	(3.5)	(4.6)
Exchange (loss)/gain on opening obligations	(0.1)	0.4
Interest cost	—	(0.1)
Actuarial gains	0.8	0.7
Benefits paid	0.1	0.1
Defined benefit obligation at end of year	(2.7)	(3.5)



FINANCIAL STATEMENTS

Notes to the financial statements continued

17. Retirement benefits continued

Changes in the fair value of the scheme assets

	German Scheme	
	2022 £m	2021 £m
Assets at beginning of year	1.6	2.7
Exchange gain/(loss) on opening assets	0.1	(0.2)
Return on assets excluding interest	—	0.1
Contributions by employer	—	0.1
Benefits paid	(0.1)	(0.1)
Assets distributed to employer	(1.6)	(1.0)
Fair value of scheme assets at end of year	—	1.6

The scheme assets were all held as unquoted insurance policies.

Amounts recognised in the income statement in respect of the German Scheme were less than £0.1m (FY 2021: less than £0.1m).

The gross amount of actuarial gains and losses recognised in the Statement of comprehensive income in respect of the scheme was £0.8m.

	German Scheme	
	2022 £m	2021 £m
German Scheme at the beginning of the year	0.8	—
Movement in year	0.8	0.8
Cumulative amount at end of year	1.6	0.8

Actuarial gains and losses arising from changes in demographic and financial assumptions

	German Scheme	
	2022 £m	2021 £m
Changes in demographic assumptions	—	0.4
Changes in financial assumptions	0.8	0.2
Experience gains on liabilities	—	0.1
Total actuarial gains on scheme liabilities	0.8	0.7
Return on assets excluding interest	—	0.1
Total actuarial gains	0.8	0.8

18. 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	
	2022 £m	2021 £m	2022 £m	2021 £m
As at 30 September				
Trade payables	7.3	4.7	—	—
Accruals	40.1	38.9	0.1	—
Other	12.3	5.8	—	—
	59.7	49.4	0.1	—

The fair value of trade and other payables approximates to their carrying value.

19. 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 12 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 12 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.

Lease liabilities recognised at 30 September are recognised as follows:

	£m
Lease liabilities	
Balance at 1 October 2020	7.1
Additions	4.5
Payments in the period	(1.8)
Interest on lease liabilities	0.2
Balance at 30 September 2021	10.0
Additions	1.5
Payments in the period	(2.1)
Interest on lease liabilities	0.2
Balance at 30 September 2022	9.6

The maturity of these lease liabilities at 30 September is as follows:

	2022 £m	2021 £m
Due within one year	1.8	1.8
Due between two and five years	3.3	3.5
Due after five years	4.5	4.7
Total	9.6	10.0

20. 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 2022, the Group had no contingent liabilities (FY 2021: none).



Notes to the financial statements continued

21. 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 issued prior to December 2020 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.

For awards issued in December 2020 and May 2021, where awards granted are at less than 50% of salary, to reach the threshold level of vesting, the EPS growth of the Group must exceed 5.8% per annum. Shares will vest up to 100% on a straight line basis if the EPS grows by 9.9% over the three-year period. For awards granted at 50% of salary, EPS must be at least 89.25p per ordinary share in the final financial year of the performance period to vest at 20%. Vesting will increase to a maximum vesting of 100% at 100.0p per share in FY 2023, with the options vesting on a straight line basis between these targets. All ESOP options are exercisable from the date of vesting to the 10-year anniversary of the grant date.

For awards issued on or after December 2021, where awards granted are at less than 50% of salary, to reach the threshold level of vesting, the EPS growth of the Group over the three-year period must exceed 5%. For awards over 33% of salary, the threshold increases to 7.5%. Straight line vesting will occur to the extent that EPS growth falls between these annual EPS growth targets. For awards granted at 50% of salary, EPS must be at least 96.5p per ordinary share in the final financial year of the performance period to vest at 20%. Vesting will increase to a maximum vesting of 100% at 111.0p per share in FY 2024, with the options vesting on a straight line basis between these targets. All ESOP options are exercisable from the date of vesting to the 10-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, and 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 110.

21. Share-based payments continued

Victrex 2017 Deferred Bonus Scheme ('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.

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 2020	2,150p	1,293,036	1,815p	328,898	—	—	nil p	243,462	nil p	14,190
Granted during the year	2,163p	198,031	1,960p	89,000	2,153p	11,081	nil p	149,702	—	—
Forfeited during the year	2,434p	(332,608)	1,923p	(13,537)	—	—	nil p	(56,420)	—	—
Cancelled during the year	—	—	1,972p	(35,196)	—	—	—	—	—	—
Exercised during the year	1,829p	(249,619)	1,486p	(90,291)	2,153p	(11,081)	nil p	(15,633)	—	(4,543)
Outstanding at 30 September 2021	2,137p	908,840	1,942p	278,874	—	—	nil p	321,111	nil p	9,647
Granted during the year	2,369p	239,359	1,891p	113,785	2,153p	8,059	nil p	152,161	nil p	23,382
Forfeited during the year	2,212p	(272,910)	1,939p	(21,204)	—	—	nil p	(131,995)	nil p	—
Cancelled during the year	—	—	1,962p	(21,939)	—	—	nil p	—	nil p	—
Exercised during the year	1,771p	(9,559)	1,648p	(8,838)	2,153p	(8,059)	nil p	(14,550)	nil p	(5,237)
Outstanding at 30 September 2022	2,182p	865,730	1,932p	340,678	—	—	nil p	326,727	nil p	27,792
Range of exercise prices 2022	1,502p–2,730p		1,891p–2,164p		—		nil p		n/a	
2021	1,502p–2,730p		1,266p–2,164p		—		nil p		n/a	
Weighted average contractual life (years) 2022	6.9		1.9		0.4		8.3		6.8	
2021	7.1		2.3		0.4		8.0		5.3	
Exercisable at end of year 2022	1,920p	285,286	1,920p	95,022	—	—	nil p	7,159	—	—
2021	1,899p	268,125	1,929p	1,806	—	—	nil p	21,709	—	—

During the year, the weighted average share price at the date of exercise was 2,069p for ESOPs and was 1,784p for the Sharesave Plan. Details of the LTIP and DBS exercises are included in the Directors' remuneration report on pages 121 and 123.

Fair value of share options and assumptions

Fair value of share options and weighted average assumptions

	As at 30 September 2022					As at 30 September 2021				
	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP	DBS	ESOP	Sharesave Plan	Stock Purchase Plan	LTIP	DBS
Fair value at measurement date	388p	478p	144p	1,899p	2,272p	394p	503p	363p	1,721p	2,094p
Share price at grant	2,188p	2,225p	1,948p	2,358p	2,444p	2,135p	2,300p	2,096p	2,245p	2,266p
Exercise price	2,181p	1,932p	n/a	nil p	n/a	2,136p	1,942p	n/a	nil p	n/a
Expected volatility	29%	28%	22%	28%	n/a	28%	27%	29%	28%	n/a
Expected dividends	2.5%	2.6%	3.1%	2.6%	2.4%	2.5%	2.5%	2.5%	2.7%	2.6%
Risk-free interest rate	0.5%	0.8%	0.3%	0.3%	n/a	0.6%	0.5%	0.8%	0.3%	n/a
Option life	10 years	3 years	1 year	10 years	8 years	10 years	3 years	1 year	10 years	8 years

The Company uses the Black-Scholes model for calculating the fair value of the share options where there are no market-based performance conditions. Where there are market-based performance conditions a stochastic model is used.

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') and for the LTIPs issued in FY 2022, a further non-market condition for ESG, which is taken into account in the grant date measurement of fair value.



FINANCIAL STATEMENTS

Notes to the financial statements continued

21. Share-based payments continued

Staff costs – equity-settled share-based payment transactions

	Note	2022 £m	2021 £m
ESOP		(0.5)	—
Sharesave Plan		0.3	0.6
LTIP and Deferred Bonus Scheme		1.5	0.8
Total equity-settled share-based payment transactions recognised in staff costs	5	1.3	1.4
Reclassified from trade and other payables		0.5	—
Amount recognised directly in equity		1.8	1.4

22. Share capital and reserves

Share capital

	2022		2021	
	Number	£m	Number	£m
Allotted, called up and fully paid shares of 1p each				
Ordinary shares				
At beginning of year	86,968,573	0.9	86,617,582	0.9
Issued for cash	26,456	—	350,991	—
At end of year	86,995,029	0.9	86,968,573	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 26,456 (FY 2021: 350,991) shares were issued for cash, resulting in an increase in share premium of £0.4m (FY 2021: £6.1m).

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 2022 was 87,903 (FY 2021: 108,977). 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, adjusted for exchange differences arising on intragroup monetary items, that, in substance, form part of the entity's net investment in a foreign operation.

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.

	2022 £m	2021 £m
Year ended 30 September 2020		
– Final dividend paid February 2021 at 46.14p per ordinary share	—	40.0
Year ended 30 September 2021		
– Interim dividend paid July 2021 at 13.42p per ordinary share	—	11.6
– Final dividend paid February 2022 at 46.14p per ordinary share	40.0	—
– Special dividend paid February 2022 at 50.00p per ordinary share	43.5	—
Year ended 30 September 2022		
– Interim dividend paid June 2022 at 13.42p per ordinary share	11.7	—
	95.2	51.6

A final dividend in respect of 2022 of £40.1m (46.14p per ordinary share) has been recommended by the Directors for approval at the Annual General Meeting in February 2023. These financial statements do not reflect these dividends.

23. 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.

	Note	Company	
		2022 £m	2021 £m
Trading transactions with subsidiaries			
Administrative expenses paid on Company's behalf by subsidiaries		0.4	0.5
Amounts receivable from subsidiaries	14	191.9	152.7
Financing transactions with subsidiaries			
Dividends received from subsidiaries		132.8	5.7
Cash transfers received from subsidiaries		144.5	5.7
Cash transfers made to subsidiaries		191.9	152.7

The Group's retirement benefit plans are related parties and the Group's and Company's transactions with them are disclosed in note 17.

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 2021: 24.5%), is an associated company. The Group's transactions with Bond in the year comprises the sale of material to Bond of £33,000, the additional tranches of convertible loans made to Bond, and the share of loss recognised as set out in note 11.

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:

	2022 £m	2021 £m
Short-term employment benefits	2.5	3.0
Post-employment benefits	0.2	0.2
Share-based payment benefits	0.5	—
	3.2	3.2

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 104 to 127.

Directors of the Company control 0.05% of the voting shares of the Company, details of which are given on page 122.

Details of Directors' indemnities are given on page 129.

24. 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.



Notes to the financial statements continued

24. Exchange rates continued**Foreign currency translation** continued

The most significant Sterling exchange rates used in the financial statements under the Group's accounting policies are:

	2022		2021	
	Average spot	Closing	Average spot	Closing
US Dollar	1.30	1.10	1.36	1.34
Euro	1.16	1.13	1.14	1.18

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. 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, in accordance with IFRS 9.

25. Alternative performance measures

This section includes a reconciliation of certain Alternative performance measures ('APMs') to the most directly reconcilable line items in the financial statements. The presentation of APMs should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS. The APMs presented in this report may differ from similarly titled measures used by other companies.

Where one APM is derived from another APM, a cross reference to the relevant APM has been included, which then provides the reconciliation to the most directly reconcilable line items.

The 10 APMs below have been calculated on a consistent basis from prior year. Following an internal review, the following metrics presented as APMs in the prior year do not meet the definition of an APM, but are internal ratios/metrics, and have therefore been removed:

- New product sales as a percentage of Group sales;
- Research & Development expenditure as a percentage of Group sales; and
- Project-based Research & Development spend on sustainable products as a percentage of Project-based Research & Development spend.

All three of these internal ratios are still included within the Strategic report, and are defined accordingly within this section.

APM 1 Operating profit before exceptional items (referred to as **underlying operating profit**) is based on operating profit before the impact of exceptional items. This metric 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. Exceptional items for 2022 is a charge of £7.9m (FY 2021: credit of £0.8m) relating to the implementation of SaaS ERP system (FY 2021: relating to restructuring costs), further details of which are disclosed in note 3.

	2022 £m	2021 £m
Operating profit	88.5	93.4
Exceptional items	7.9	(0.8)
Underlying operating profit	96.4	92.6

APM 2 Profit before exceptional items and tax (referred to as **underlying profit before tax**) is based on profit before tax ('PBT') before the impact of exceptional items. This metric 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. Exceptional items for 2022 is a charge of £7.9m (FY 2021: credit of £0.8m) relating to the implementation of SaaS ERP system (FY 2021: relating to restructuring costs), further details of which are disclosed in note 3.

	2022 £m	2021 £m
Profit before tax	87.7	92.5
Exceptional items	7.9	(0.8)
Underlying profit before tax	95.6	91.7

APM 3 **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 2022) weighted average spot rates to prior year (FY 2021) 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	2022 £m	2021 £m	% change
At reported currency	341.0	306.3	11%
Impact of FX retranslation	—	2.5	
Revenue at constant currency	341.0	308.8	10%

25. Alternative performance measures continued

APM 3 Constant currency metrics continued

	2022 £m	2021 £m	% change
Industrial			
At reported currency	282.7	255.2	11%
Impact of FX retranslation	—	0.3	
Revenue at constant currency	282.7	255.5	11%
Medical			
At reported currency	58.3	51.1	14%
Impact of FX retranslation	—	2.2	
Revenue at constant currency	58.3	53.3	9%

APM 4 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 underlying operating profit, depreciation and amortisation, working capital movements and capital expenditure/operating profit before exceptional items.

	2022 £m	2021 £m
Underlying operating profit (APM 1)	96.4	92.6
Depreciation, amortisation and loss on disposal	24.0	22.7
Change in working capital	(27.5)	19.6
Capital expenditure	(45.5)	(41.9)
Operating cash flow	47.4	93.0
Operating cash conversion	49%	100%

APM 5 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 Chinese subsidiaries which is committed to capital expansion and therefore not available to the wider Group. This is calculated as:

	2022 £m	2021 £m
Cash and cash equivalents	58.7	74.9
Cash ring-fenced in Chinese subsidiaries	(2.8)	(12.5)
Other financial assets	10.1	37.5
Available cash	66.0	99.9

APM 6 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 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.

	2022 £m	2021 £m
Profit after tax attributable to owners of the Company	76.2	73.2
Exceptional items	7.9	(0.8)
Tax on exceptional items	(1.5)	—
Profit after tax before exceptional items net of tax	82.6	72.4
Weighted average number of shares	86,897,353	86,704,789
Underlying EPS (pence)	95.0	83.4

APM 7 Underlying dividend cover is used by the Board to measure the affordability and sustainability of the regular dividend. Underlying dividend cover is underlying earnings per share/total dividend per share. This excludes special dividends.

	2022 p	2021 p
Underlying earnings per share (APM 6)	95.0	83.4
Total dividend per share	59.56	59.56
Underlying dividend cover (times)	1.6	1.4



Notes to the financial statements continued

25. Alternative performance measures continued

APM 8 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.

	2022 £m	2021 £m
Profit after tax	75.5	72.8
Total equity	490.6	511.7
ROCE %	15%	14%

APM 9 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.

	2022 £m	2021 £m
Underlying profit before tax (APM 2)	95.6	91.7
Total sales	341.0	306.3
Return on sales %	28%	30%

APM 10 Operating overheads is made up of sales, marketing and administrative expenses before exceptional items. This metric 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.

	2022 £m	2021 £m
Sales, marketing and administrative expenses	86.0	71.9
Exceptional items	(7.9)	0.8
Operating overheads	78.1	72.7

26. Commitments

Capital expenditure authorised and contracted for which has not been provided for in the financial statements amounted to £16m (FY 2021: £6m) in the Group and £nil (FY 2021: £nil) in the Company.

At 30 September 2022, the Group and another investor in Bond, LaLune, have an agreed programme of further investments during FY 2023 for a further €3.0m, subject to Bond achieving pre-determined development milestones. See also note 11.



SHAREHOLDER INFORMATION

Five-year financial summary

for the year ended 30 September and as at 30 September

	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m
Results					
Revenue	326.0	294.0	266.0	306.3	341.0
Profit before tax	127.5	104.7	63.5	92.5	87.7
Balance sheet					
Property, plant, equipment and intangible assets	281.0	288.2	300.1	330.5	367.4
Investments	4.5	16.2	20.3	24.1	20.5
Inventories	69.3	92.2	98.5	70.3	86.8
Net cash	71.2	72.5	73.1	74.9	58.7
Other financial assets	73.2	0.3	—	37.5	10.1
Trade receivables and other assets	51.1	57.7	50.0	63.8	83.2
Retirement benefit asset	13.5	9.1	7.5	14.2	14.9
Retirement benefit obligation	—	—	—	(1.9)	(2.7)
Borrowings	—	—	—	(5.9)	(22.5)
Trade payables and other liabilities	(73.9)	(74.6)	(68.5)	(95.8)	(125.8)
Equity shareholders' funds	489.9	461.6	481.0	511.7	490.6
Cash flow					
Net cash flow from operating activities	129.0	80.1	69.4	127.1	80.0
Capital expenditure	(9.9)	(22.7)	(24.9)	(41.9)	(45.5)
(Deposit)/withdrawal of cash invested for greater than three months	(73.2)	72.9	0.3	(37.5)	27.4
Other investing activities	—	(11.8)	(4.9)	(3.8)	1.9
Proceeds from non-controlling interest	—	—	—	5.6	—
Bank borrowings received	—	—	—	—	14.5
Dividends and other financing items	(95.1)	(118.1)	(38.7)	(47.3)	(96.9)
Net (decrease)/increase in cash and cash equivalents	(49.2)	0.4	1.2	2.2	(18.6)
Ratios					
Earnings per ordinary share – basic	128.8p	107.2p	62.6p	84.3p	87.6p
Full-year dividend per ordinary share	59.56p	59.56p	46.14p	59.56p	59.56p
Special dividend per ordinary share	82.68p	—	—	50.00p	—
Return on capital employed ('ROCE')	23%	20%	11%	14%	15%
Sales volume					
Tonnes	4,407	3,751	3,492	4,373	4,727



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 chemical industry and several of those sectors in which we supply;
- 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 36 to 40.

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 30th Annual General Meeting ('AGM') of the members of Victrex plc (the 'Company') will be held at 11am on Friday 10 February 2023, at the offices of J.P. Morgan, 1 John Carpenter Street, London EC4Y 0JP, to transact the business set out below. Resolutions 1 to 18 will be proposed as Ordinary Resolutions and Resolutions 19 to 22 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 2022.
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 2022.
3. To approve the Directors' remuneration policy (contained in the Directors' remuneration report) in the form set out in the Annual Report and Accounts for the year ended 30 September 2022.
4. To declare a final dividend of 46.14p per ordinary share in respect of the year ended 30 September 2022.
5. To elect Ian Melling as a Director of the Company.
6. To re-elect Vivienne Cox as a Director of the Company.
7. To re-elect Jane Toogood as a Director of the Company.
8. To re-elect Janet Ashdown as a Director of the Company.
9. To re-elect Brendan Connolly as a Director of the Company.
10. To re-elect David Thomas as a Director of the Company.
11. To re-elect Ros Rivaz as a Director of the Company.
12. To re-elect Jakob Sigurdsson as a Director of the Company.
13. To re-elect Martin Court as a Director of the Company.
14. That:
 - a) the rules of the Victrex plc Share Incentive Plan and related trust deed, in the form produced to the meeting and initialled by the Chair of the meeting for the purposes of identification (the 'SIP'), and the principal terms of which are summarised in the Appendix to this Notice of AGM, are approved; and
 - b) the Directors of the Company are authorised to:
 - i) adopt the SIP and do all acts and things which they may, in their absolute discretion, consider necessary or desirable to establish and give effect to the SIP, including making any changes to the rules and/or trust deed of the SIP necessary or desirable in order to ensure that the Directors can make a valid declaration to HM Revenue & Customs that the SIP satisfies the requirements of Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003; and
 - ii) adopt further plans based on the SIP but (where required) modified to take account of local tax, exchange control or securities law in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the SIP.
15. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next AGM of the Company at which accounts are laid before the meeting.
16. To authorise the Audit Committee, acting for and on behalf of the Board, to set the auditors' remuneration.
17. 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 this resolution has effect are authorised, in aggregate, during the period beginning with the date of the passing of this resolution and ending on the conclusion of the next AGM 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.



Notice of Annual General Meeting continued

Ordinary Resolutions continued

18. That the Directors are 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:
- a) up to an aggregate nominal amount of £289,989 (such amount to be reduced by the aggregate nominal amount of any equity securities allotted or rights granted under paragraph (b) below in excess of such sum); and
 - b) comprising equity securities (as defined in section 560(1) of the Companies Act 2006), up to an aggregate nominal amount of £579,978 (such amount to be reduced by the aggregate nominal amount of shares allotted or rights granted under paragraph (a) above) in connection with a rights issue (as defined in the Listing Rules published by the Financial Conduct Authority):
 - 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, provided that this authority shall expire at the close of business on 29 March 2024 or, if earlier, at the conclusion of the Company's next AGM, save that the Company may make any offers and enter into agreements before such expiry which would, or might, require shares to be allotted or rights to be granted after the authority expires and the Directors may allot shares or grant rights under any such offer or agreement as if the authority had not expired. All authorities vested in the Directors on the date of this Notice of AGM to allot shares or to grant rights that remain unexercised at the commencement of this meeting are revoked.

Special Resolutions

19. That, conditional upon Resolution 18 in this Notice of AGM being passed, the Directors are empowered to allot equity securities (as defined in section 560(1) 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, provided that such power is limited to:
- a) the allotment of equity securities and/or sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of Resolution 18, 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) the allotment of equity securities and/or sale of treasury shares (otherwise than under paragraph (a) above) up to a maximum aggregate nominal amount of £43,498.
- Such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 18 in this Notice of AGM, 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/or treasury shares to be sold) after the power expires and the Directors may allot equity securities (and/or sell treasury shares) under any such offer or agreement as if the power had not expired.
20. That, conditional upon Resolution 18 in this Notice of AGM being passed and in addition to the power contained in Resolution 19, the Directors are empowered to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by Resolution 18 (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, provided that such power is:
- a) limited to the allotment of equity securities and/or sale of treasury shares up to a maximum aggregate nominal amount of £43,498; and
 - b) used only for the purposes of financing (or refinancing, if the power 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 of AGM.

Such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 18 in this Notice of AGM, 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/or treasury shares to be sold) after the power expires and the Directors may allot equity securities (and/or sell treasury shares) under any such offer or agreement as if the power had not expired.



Special Resolutions continued

21. That the Company is 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 in the capital of the Company ('Ordinary Shares'), provided that:
- a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 86,996,699;
 - b) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be an amount equal to the higher of:
 - i) 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
 - ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out at the relevant time;
 - c) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is its nominal value; and
 - d) such authority shall expire at the close of business on 29 March 2024 or, if earlier, at the conclusion of the Company's next AGM, 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.
22. That a general meeting of the Company, other than an AGM, may be called on not less than 14 clear days' notice.

By order of the Board

Jane Brisley
Company Secretary
6 December 2022

Registered office:
Victrex Technology Centre
Hillhouse International
Thornton Cleveleys
Lancashire FY5 4QD

Registered in England and Wales 2793780



Notice of Annual General Meeting continued

Notes

1. A member who is entitled to attend and vote at the AGM is entitled to appoint another person, or two or more persons in respect of different shares held by him/her, as his/her proxy to exercise all or any of his/her rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company.
2. To be entitled to attend and vote at the AGM (and for the purposes of determining the number of votes that may be cast), a member must be registered in the Register of Members of the Company as the holder of ordinary shares at the close of business on Wednesday 8 February 2023 at 6.30pm (or, in the event of any adjournment, at the close of business on the day two business days prior to the adjourned meeting). 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.
3. A member wishing to attend and vote at the AGM in person should arrive prior to the time fixed for its commencement. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with section 323 of the Companies Act 2006. Any such representative should bring to the meeting written evidence of his or her appointment, such as a certified copy of a Board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the AGM without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so. Members, appointed representatives and proxies are requested not to attend the meeting if they have tested positive for COVID-19 or if they are displaying symptoms of COVID-19.
4. A hard copy form of proxy ('Form of Proxy') which may be used to appoint a proxy and give instructions accompanies this 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 Wednesday 8 February 2023. Alternatively, members may appoint a proxy online by following the instructions in note 5 below. Members 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. The return of a completed Form of Proxy, an electronic proxy appointment instruction or any CREST Proxy Instruction will not prevent a member attending the AGM and voting in person if he/she wishes to do so. Any power of attorney or other authority under which an appointment of proxy is signed or authenticated (or a notorially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of that power or authority) must, unless previously registered with the Company, be received at the relevant address specified in these notes for receipt of such proxy appointment by the latest time indicated for receipt of such proxy appointment.
5. Members 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 and submit a proxy appointment. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 11am on Wednesday 8 February 2023.
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 & International 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 Wednesday 8 February 2023. 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 & International 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).



Notes continued

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 member 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 member as to the exercise of voting rights.

The statement of the rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. Such rights can only be exercised by members of the Company.

10. As at 25 November 2022 (being the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 86,996,699 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 25 November 2022 were 86,996,699. There were no shares in treasury as at that date.
11. Under section 527 of the Companies Act 2006, members 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:
- 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
 - 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 members 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. Each member attending the AGM has the right to ask questions relating to the business of the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause 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 ir@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. All resolutions in this Notice will be put to vote on a poll at the AGM, as permitted by the Company's Articles of Association. On a poll, each member has one vote for every share held, which results in a more accurate reflection of the view of members.
14. Personal data provided by members 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.
15. Except as provided above, members who have general queries about the meeting should email the General Counsel & Company Secretary at cosec@victrex.com or ir@victrex.com (no other methods of communication will be accepted). A member 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.



Explanatory notes

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. 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 best practice, the Company proposes a resolution on its Annual Report and Accounts for the year ended 30 September 2022 (the 'Annual Report 2022'). This Ordinary Resolution will provide members with the opportunity to ask questions on the contents of the Annual Report 2022.

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 2022. The Directors' remuneration report is set out on pages 104 to 127 of the Annual Report 2022 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 107 to 111. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on its being passed.

Resolution 3 – Approval of the Directors' remuneration policy

The Companies Act 2006 requires the Company to obtain shareholder approval of its Directors' remuneration policy at least every three years unless there is a change in the approved policy within the three-year period. The Directors' remuneration policy was last approved by shareholders at the 2020 Annual General Meeting. The Company is therefore seeking shareholder approval of a new policy at this year's AGM. The proposed Directors' remuneration policy can be found on pages 107 to 111 of the Annual Report 2022. It sets out the Company's future policy on Directors' remuneration. If this resolution is approved, the Directors' remuneration policy will be effective from the conclusion of the AGM. Resolution 3 is a binding shareholder vote and therefore, once the Directors' remuneration policy is approved, the Company will not be able to make a remuneration payment to a current or future Director, or a payment for loss of office to a current or past Director, unless that payment is consistent with the policy or an amendment to the policy authorising the Company to make such a payment has been approved by a resolution of the shareholders. If Resolution 3 is not passed, the remuneration policy approved at the 2020 Annual General Meeting will continue in effect.

Resolution 4 – 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 2022. 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 17 February 2023 to shareholders on the register at the close of business on 20 January 2023.

Resolutions 5 to 13 – Election and re-election of Directors

Resolutions 5 to 13 relate to the election and re-election of the Company's Directors. The Company's Articles of Association require a Director (determined by the Board to be a Director as at the date of this Notice) who has been appointed by the Board since the last AGM (and who is willing to continue as a Director) to stand for election by the shareholders at the next AGM. Ian Melling was appointed as a Director by the Board with effect from 4 July 2022. Accordingly, he stands for election by shareholders for the first time at the AGM.

In accordance with the provisions of the UK Corporate Governance Code and as permitted by the Company's Articles of Association, the Board has decided that all of the other Directors of the Company as at the date of this Notice will seek re-election by shareholders.

The Chair confirms that, following formal evaluation (as referred to on page 90 of the Annual Report 2022), each Director standing for election or 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 biographical details, skills and experience of each Director standing for election or re-election are set out below:

Dr Vivienne Cox DBE, Non-executive Chair

Vivienne Cox was appointed to the Board on 1 December 2021, becoming Chair on 11 February 2022, and has a wealth of experience in executive and non-executive roles over more than 40 years, with a particular focus on sustainability, innovation and alternative energy. Vivienne was appointed Commander of the Order of the British Empire ('CBE') in 2016 for services to the economy and sustainability and was made a Dame Commander of the Order of the British Empire ('DBE') in the 2022 New Year Honours List for services to sustainability, diversity and inclusion in business. Vivienne holds an MA (Honours) in chemistry from Oxford University, an MBA from INSEAD and honorary doctorates from the University of Hull and the University of Hertfordshire.

Vivienne's previous non-executive roles include serving on the boards of Eurotunnel plc, BG Group plc and Rio Tinto plc, as senior independent director of Pearson plc, as chair of Vallourec SA and as the lead non-executive director for the UK Department for International Development. She also chaired Climate Change Capital, a private asset management and advisory group developing solutions for climate change and resource depletion. Until recently she was a non-executive director of GSK as well as GSK's workforce engagement director.

Vivienne is currently a non-executive director of Haleon plc, Stena AB in Sweden and Venterra Group plc (a non-listed company), chair of the Rosalind Franklin Institute and deputy chair of the Saïd Business School in Oxford. Vivienne's extensive board, corporate governance and sector experience, as well as her leadership in and passion for sustainability and diversity matters, enables strong leadership of the Board.



Resolutions 5 to 13 – Election and re-election of Directors continued

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 and a Fellow of the Royal Society of Chemistry.

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

Jane is the chief executive of Catalyst Technologies at Johnson Matthey Plc and during the year was appointed as the UK government's first Hydrogen Champion.

She brings strategic and industry expertise and insights drawing on her extensive international experience across multiple sectors.

Jane is a current senior executive leading growth and transformation in a portfolio of businesses to meet future market demands including decarbonisation, the energy transition and deployment of hydrogen and circularity.

Ms Janet Ashdown, Non-executive Director

Janet Ashdown was appointed to the Board as a Non-executive Director in February 2018.

She 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 with an additional 10+ years as a non-executive director.

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, Coventry Building Society and Marshalls plc.

Janet is a non-executive director, chair of the remuneration committee and chair of the sustainability committee of RHI Magnesita NV, is senior independent director and chair of the environment safety and security committee of the Nuclear Decommissioning Authority and is also a non-executive director of Stolt-Nielsen Norway AS.

Janet contributes her extensive international executive and non-executive experience having served on remuneration committees across different sectors for over 10 years and being a chair for five years.

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 & 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 (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, a non-executive director of Pepco Group N.V. and also an independent director on the board of Applus Services, S.A. as well as a member of its Environment, Social and Governance Committee and the Appointments and Compensations Committee. He is also on a private equity board.

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 at Ernst & Young, specialising in long-term industrial contracting businesses, and is a former member of the Auditing Practices Board. David is senior independent director and chair of the audit committee at Dialight plc.

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.

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 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, employee engagement director and chair of the remuneration committee of Computacenter plc. She is lead independent director 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, is instrumental in driving growth and supporting the Chair in her role as Senior Independent Director.



Explanatory notes continued

Resolutions 5 to 13 – Election and re-election of Directors continued

Mr Jakob Sigurdsson, Chief Executive Officer

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, Chief Commercial Officer

Martin Court was appointed to the Board as an Executive Director in April 2015. He joined Victrex in February 2013 as Managing Director of Invibio, from Cytac 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. 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.

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. He is a non-executive director at James Cropper plc.

Mr Ian Melling, Chief Financial Officer

Ian Melling was appointed to the Board with effect from 4 July 2022 and is the Chief Financial Officer.

Ian is a Chartered Accountant and holds a first class master's degree in chemistry from Oxford University in the UK. Most recently Ian held the role of senior vice-president, corporate finance and R&D for Smith & Nephew plc, the medical technology company, having served as interim chief financial officer during 2020. Ian has worked in a number of senior finance roles in the UK and internationally for Smith & Nephew, including those with divisional and functional responsibility, having joined the Group in 2006. He was senior vice-president group finance for five years until October 2021. Ian started his career and qualified as a Chartered Accountant at Deloitte LLP. Ian is a member of the UK Endorsement Board Preparer Advisory Group.

Ian contributes his significant financial experience as well as his background in the medical Device sector which is relevant to the Company's growth plans.

Resolution 14 – Approval of the rules of the Victrex plc Share Incentive Plan and related trust deed

Resolution 14 is to authorise the re-adoption of the rules of the Victrex plc Share Incentive Plan ('SIP') (formerly known as the Victrex plc All-Employee Share Ownership Scheme) and the related trust deed. The SIP is an all-employee share incentive plan, which takes advantage of the tax beneficial status of share incentive plans which comply with Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003. Participation will be open to all employees of participating companies. The SIP was originally adopted in 2003 (as the Victrex plc All-Employee Share Ownership Scheme), and was last approved by shareholders on 5 February 2013, with such approval expiring on 4 April 2023. The provisions of the rules of the SIP and related trust deed are substantially the same as the existing rules and trust deed, subject to amendments to take into account changes to the relevant legislation and HMRC practice.

The rules of the SIP and related trust deed will be available for inspection at the place of the AGM for at least 15 minutes before, and during, the meeting and on the National Storage Mechanism from the date this document is sent to shareholders.

Summary of the principal terms of the SIP is set out in the Appendix to the Notice of AGM that follows these Explanatory Notes.

Resolutions 15 and 16 – Re-appointment and remuneration of the auditors

At each meeting at which the Annual Report and Accounts are laid, the Company is required under the Companies Act 2006 to appoint auditors to serve until the next such meeting. PricewaterhouseCoopers LLP ('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 the Company's auditors. 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 15, therefore, proposes PwC's re-appointment as auditors to hold office until the Company's next AGM at which its accounts are laid before shareholders. Resolution 16 authorises the Audit Committee 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 during the last financial year and details of how the effectiveness and independence of the auditors are monitored and assessed can be found on pages 151 and 97 to 103 of the Annual Report 2022.

Resolution 17 – Political donations and expenditure

Subject to limited exceptions, Part 14 of the Companies Act 2006 imposes restrictions on companies making political donations to any political party or other political organisation or to any independent election candidate or incurring political expenditure unless they have been authorised to do so at a general meeting.

It has always been the Company's policy that it does not make political donations nor incur political expenditure either directly or through any subsidiary. This remains the case. Nevertheless, the Companies Act 2006 includes broad and ambiguous definitions of the terms 'political donations' and 'political expenditure' which may apply to some normal business activities which would not generally be considered to be political in nature.

As in previous years, the Board considers that it would be prudent to obtain shareholder approval to make donations to political parties, political organisations and independent election candidates and to incur political expenditure up to the limit specified in the resolution. As is common practice among many UK public companies, this authority is sought as a precautionary measure to guard against any inadvertent breach of the statutory restrictions by the Company or its subsidiaries. The Board confirms that it has no intention of making any political donations, incurring political expenditure nor entering into party political activities.

Resolution 18 – Authority to allot shares

The Directors currently have a general authority to allot shares or grant rights to subscribe for or to convert any securities into shares in the Company. This authority is, however, due to expire at the conclusion of the AGM. Accordingly, the Board would like to seek a new authority to provide the Directors with the flexibility to allot new shares and grant rights up until the Company's next AGM within the limits prescribed by The Investment Association.

The Investment Association's guidelines on directors' allotment authority state that the Association's members will regard as routine any proposal at a general meeting to seek a general authority to allot an amount up to two thirds of the existing share capital, provided that any amount in excess of one third of the existing share capital is applied to fully pre-emptive rights issues only. Accordingly, the proposed authority in Resolution 18 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 in any circumstances up to a maximum nominal amount of approximately, but not exceeding, one third of the issued share capital as at 25 November 2022 (being the latest practicable date before the publication of this Notice). In addition, it will allow the Directors to allot (or grant rights over) new Ordinary Shares, in the case of a rights issue only, 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; however, the Board considers it prudent to maintain the flexibility that it provides to enable the Directors to respond to any appropriate opportunities that may arise. If passed, this authority will expire at the close of business on 29 March 2024 or, if earlier, at the conclusion of the Company's next AGM. The Company held no treasury shares as at 25 November 2022.

Resolutions 19 and 20 – Power 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 19, which is proposed as a special resolution, will enable the Directors to allot shares for cash and/or sell treasury shares free from statutory pre-emption rights: (i) in connection with a rights issue, open offer or other pre-emptive offer; and (ii) otherwise than in connection with any such offer, up to a nominal amount of £43,498 representing approximately 5% of the issued Ordinary Share capital as at 25 November 2022 (the latest practicable date before the publication of this Notice). The Directors have no current intention of exercising this power and confirm their intention that not more than 7.5% of the issued Ordinary Share capital will be allotted or treasury shares sold for cash 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.

Resolution 20 is in addition to Resolution 19 and will also be proposed as a special resolution. Within the limits supported by the Statement of Principles, Resolution 20 will enable the Directors to allot shares for cash and/or sell shares out of treasury free from statutory pre-emption rights up to a further nominal amount of £43,498, representing approximately 5% of the issued Ordinary Share capital as at 25 November 2022 (the latest practicable date before the publication of this Notice) in connection with an acquisition or a specified capital investment only. The Board confirms that it will only allot shares or sell shares out of treasury pursuant to this power 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 power. If it is used, the Company will publish details of its use in its next Annual Report and Accounts and as required by the Pre-emption Group's Statement of Principles.



Explanatory notes continued

Resolution 21 – Authority to purchase own shares

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 21 will be proposed as a special resolution. If passed, it will authorise the Company to make market purchases of its own ordinary shares up until the close of business on 29 March 2024 or, if earlier, the conclusion of the Company's next AGM, subject to specific conditions relating to price and volume.

The proposed resolution specifies the maximum number of shares which may be acquired (approximately 10% of the Company's issued Ordinary Share capital as at 25 November 2022 (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 depending on which course of action is considered by the Directors to be in the best interests of the shareholders at that time. 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 25 November 2022, options over a total of 1,092,842 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represented 1.26% of the Company's issued Ordinary Share capital at 25 November 2022. It would represent 1.4% 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 21 were to be fully used.

Resolution 22 – 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 AGM 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 AGM) 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 22 seeks such approval. If given, the approval will be effective until the Company's next AGM, 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.

Recommendation

The Directors consider that all the proposed resolutions set out in the Notice of AGM 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).

Appendix to Notice of Annual General Meeting

Summary of the principal terms of the Victrex plc Share Incentive Plan ('SIP')

General

The SIP is a share incentive plan designed to take advantage of the tax beneficial status of share incentive plans which comply with Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 ('Schedule 2').

The SIP shall be administered by the Board of Directors of the Company ('Board') or a duly authorised committee of the Board.

Eligibility

All employees of the Company and participating subsidiaries who have been employed for a minimum period (not exceeding the period specified from time to time in Schedule 2) and who otherwise satisfy the eligibility requirements in Schedule 2 are entitled to participate in the SIP.

How the SIP may be operated

The Board can operate the SIP in a number of ways. It can:

- make an award of 'free shares'; and/or
- give employees the opportunity to invest in 'partnership shares'; and/or
- make an award of 'matching shares' to those employees who have invested in 'partnership shares' (free shares, partnership shares and matching shares – together 'Plan Shares'); and/or
- require or allow employees to re-invest any dividends paid on their Plan Shares in further ordinary shares ('Dividend Shares').

Free shares

The Company may award free shares up to a maximum annual value specified in Schedule 2 from time to time. The current maximum annual value is £3,600 per employee. If the Company wishes, the award of free shares can be based on the achievement of individual, team, divisional or corporate performance measures which must be fair and objective. Otherwise, free shares must be awarded to employees on the same terms, although awards can vary by reference to remuneration, length of service or hours worked.

Partnership shares

The Company may provide employees with the opportunity to acquire partnership shares from their gross monthly salary, up to a maximum value specified in Schedule 2 from time to time, currently £1,800 per year. The Company may set a minimum monthly deduction which may not be greater than £10 (or such other amount specified in Schedule 2 from time to time). Ordinary shares will be acquired on behalf of employees within 30 days after each deduction at the market value of the ordinary shares on the date they are acquired. Alternatively, deductions can be accumulated during any accumulation period of up to 12 months. In this case, ordinary shares will be acquired on behalf of employees within 30 days after the end of the accumulation period, at the lower of the market value of the ordinary shares at the beginning of the accumulation period or the date when they are acquired (or the market value of the ordinary shares at either the beginning of the accumulation period or the end of the accumulation period).

Matching shares

The Company may award matching shares for free up to a maximum number of matching shares for each partnership share acquired by the employee, as specified in Schedule 2 from time to time. The current maximum is two matching shares for each partnership share.

Dividend shares

The Company can either give employees the opportunity, or require employees, to re-invest any dividends paid on any of their Plan Shares in further ordinary shares.

Trust

The SIP operates through a trust, which will acquire ordinary shares by purchase, by subscription or by the acquisition of ordinary shares held in treasury and will hold the ordinary shares on behalf of the employees.

Holding period

Free and/or matching shares must generally be held in trust for a period specified by the Company, which must not be less than three years nor more than five years from the date on which the shares are awarded to employees. Dividend Shares must generally be held in trust for three years.

Cessation of employment, forfeiture of shares and non-transferability

The Company may specify that free shares and/or matching shares are forfeited if employees cease employment with a member of the Group (other than because of certain circumstances such as death, redundancy, injury, disability, retirement, transfer of the employing business or change of control of the employing company) within the period of up to three years from the date on which shares were awarded. Employees can withdraw their partnership shares from the SIP at any time. The Company can stipulate that matching shares will be subject to forfeiture if the corresponding partnership shares are withdrawn within a specified period after they are awarded, not exceeding three years. To the extent not forfeited, Plan Shares and Dividend Shares must be withdrawn from the SIP trust if the participant ceases employment with a member of the Group.



Appendix to Notice of Annual General Meeting continued

Summary of the principal terms of the Victrex plc Share Incentive Plan ('SIP') continued

Limits on the issue of shares

The use of newly issued ordinary shares under the SIP is limited to 10% of the issued share capital of the Company from time to time, taking into account ordinary shares issued or to be issued over the previous 10-year period under the SIP and any other employees' share plans adopted by the Company.

For the purposes of calculating this limit, ordinary shares transferred from treasury will be treated the same as newly issued ordinary shares.

Amendments to the SIP

The Board will have authority to amend the SIP, provided that no amendment to the advantage of participants or qualifying employees may be made to provisions relating to eligibility, limits on participation and the number of new shares available under the SIP, the basis for determining a participant's entitlements in the event of a variation in the Company's share capital, and the amendment provisions themselves, without the prior approval of the shareholders in a general meeting (unless an amendment is minor and made to benefit the administration of the SIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any participating company or for participants or qualifying employees).

Authority to operate the SIP

No invitations to participate in awards under the SIP may be issued after the 10th anniversary of its date of approval by shareholders.

Awards non-pensionable

Benefits under the SIP are not pensionable.



Financial calendar

Ex-dividend date	19 January 2023
Record date ¹	20 January 2023
AGM	10 February 2023
Payment of final dividend	17 February 2023
Announcement of 2022 half-yearly results	May 2023
Payment of interim dividend	June/July 2023

¹ The date by which shareholders must be recorded on the share register to receive the dividend.



SHAREHOLDER INFORMATION

Advisors

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Broker and financial advisor

J.P. Morgan Cazenove
25 Bank Street
Floor 27
Canary Wharf
London
E14 5JP

Lawyers

Addleshaw Goddard LLP
One St Peter's Square
Manchester
M2 3DE

Slaughter and May

One Bunhill Row
London
EC1Y 8YY

Bankers

Barclays Bank PLC
3 Hardman Street
Manchester
M3 3AX

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
BN99 6DA

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 2022.

This Annual Report has been sent to shareholders who have elected to receive a copy. A Notice of the AGM to be held on 10 February 2023 is also included within the report commencing on page 187.

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 2022, 2021, 2020 and 2019 are to the financial years ended 30 September 2022 (for 2022), 30 September 2021 (for 2021), 30 September 2020 (for 2020) and 30 September 2019 (for 2019). Unless otherwise stated, all non-financial statistics are at 30 September 2022.

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.



**WORLD
LAND
TRUST™**

www.carbonbalancedpaper.com
CBP016114

Victrex plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arena Smooth Extra White, an FSC® certified material. This document was printed by Park Communications 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.

Produced by

designportfolio



victrex

Victrex plc

Victrex Technology Centre
Hillhouse International
Thornton Cleveleys
Lancashire
FY5 4QD
United Kingdom

Tel: +44 (0) 1253 897700
Fax: +44 (0) 1253 897701
Web: www.victrexplc.com