Strengthening the component parts of our vision

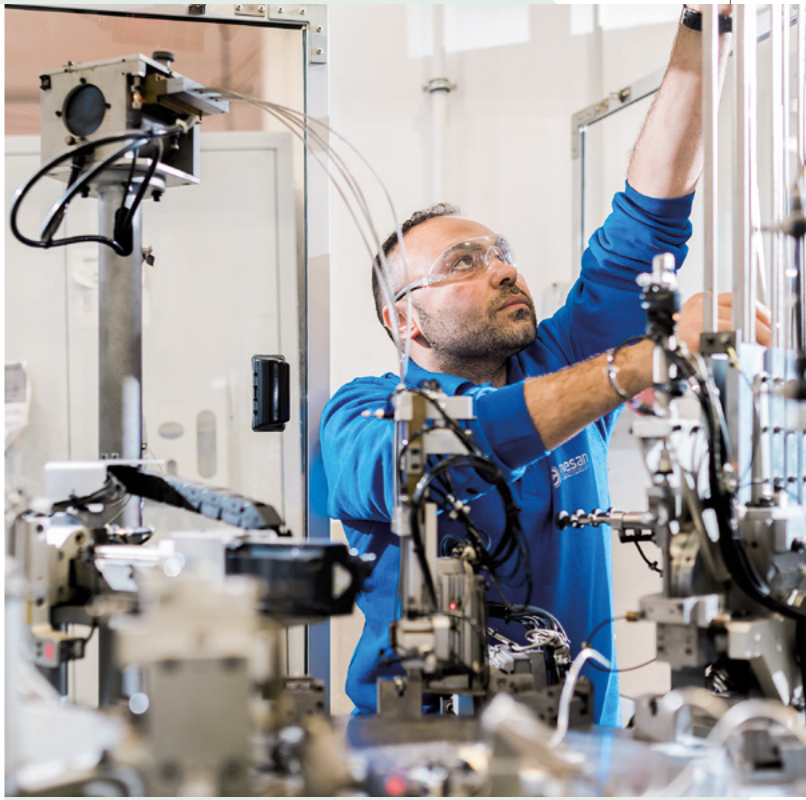
Annual Report & Accounts 2023

We are Essentra

Our vision: To be the world's leading responsible hassle-free supplier of essential industrial components

Essentra plc is a FTSE 250 company and a leading global provider of essential components and solutions, focusing on the manufacture and distribution of plastic injection moulded, vinyl dip moulded and metal items.

Headquartered in the United Kingdom, Essentra's global network extends to 28 countries and includes c.3,000 employees, 14 manufacturing facilities, 24 distribution centres and 33 sales & service centres. We serve c.69,000 customers with a rapid supply of low cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics, medical and renewable energy.

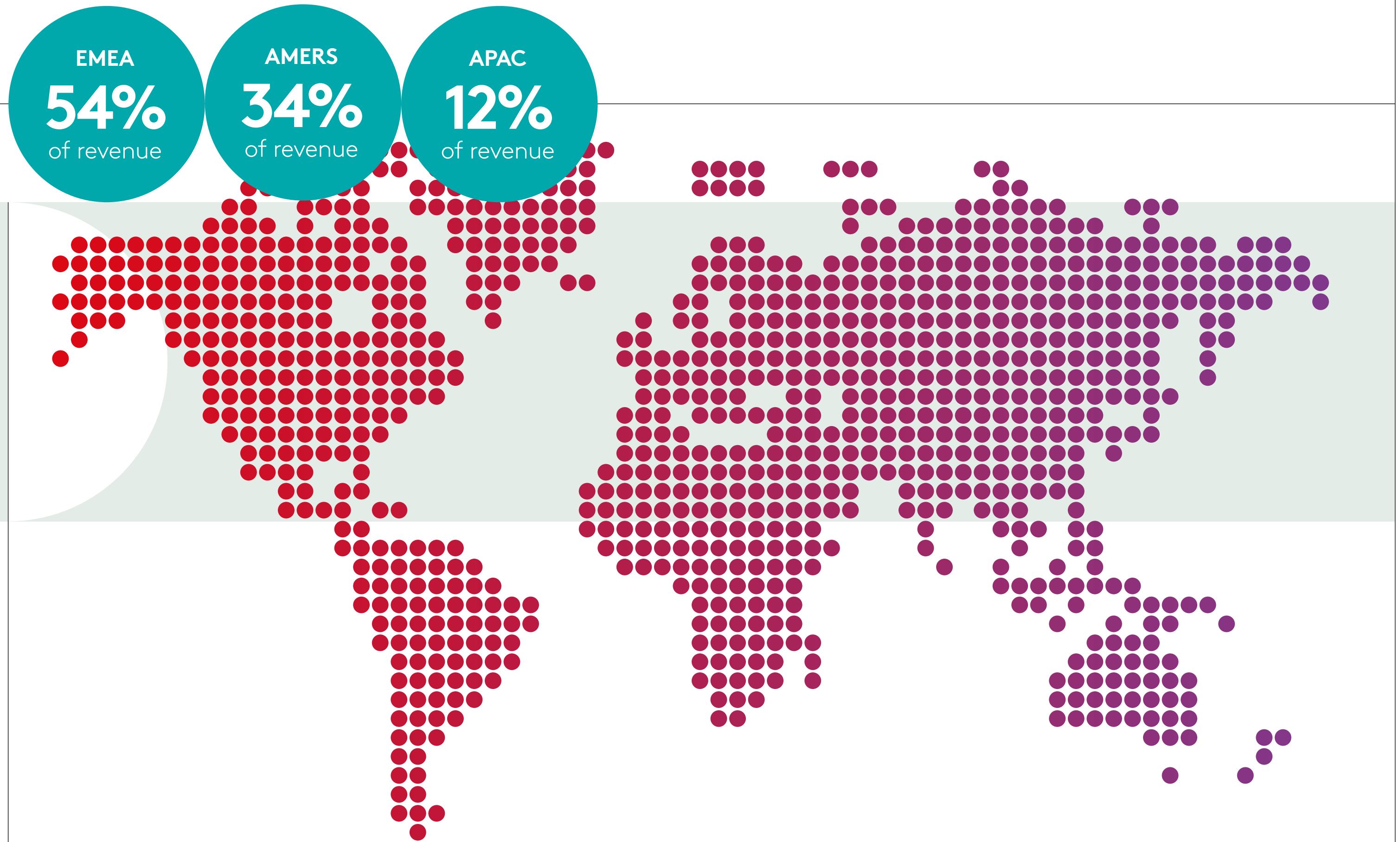


SCOTT FAWCETT
Chief Executive

"We continue to demonstrate the strength and resilience of our business model, which is underpinned by our global footprint, the breadth and depth of our diverse product offering, a wide range of end-markets, and our focus on a hassle-free customer proposition."

Essentra at a glance

A global manufacturing and distribution footprint, balancing local customer service with operational scale.



14 manufacturing sites

24 distribution centres

33 sales and service centres

c.3,000 employees worldwide

c.69k customers

c.60m parts produced per week

c.2bn parts in stock

Financial highlights

Revenue

£316.3m

(2022: £337.9m)

Adjusted operating profit ■

£43.2m

(2022: £25.1m)[1]

Adjusted operating margin ■

13.7%

(2022: 7.4%)

Reported operating profit/(loss)

£10.9m

(2022: £11.3m loss)

Adjusted operating cash conversion ■

111.6%

(2022: 80.5%)

Reported profit/(loss) per share

2.0p

(2022: 10.3p loss)

Adjusted basic earnings per share ■

10.6p

(2022: 1.9p)

Dividend per share

3.6p

(2022: 3.3p)

Net debt/(funding surplus) ratio

1.0x

(2022: 2.3x funding surplus)

Return on invested capital[2]

12.4%

(2022: 13.3%)

The numbers presented in this Strategic Report reflect the continuing operations of the Company unless otherwise stated.

■ Adjusted measures

Adjusted results exclude certain items because, if included, these items could distort the understanding of Essentra's performance for the year and the comparability between periods. In management's view, such alternative performance measures ("APMs") reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a periodic basis. Our APMs and Key Performance Indicators ("KPIs") are aligned to our strategy and business segments, and are used to measure the performance of the Company and form the basis of the performance measures for remuneration. See pages 14 and 15 for KPIs and pages 19 and 20 for APMs.

Cautionary forward-looking statement

This Annual Report contains forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied by the forward-looking statement. Each forward-looking statement speaks only as of the date of this Annual Report. The Company accepts no obligation to revise or publicly update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Notes:

1 In addition to adjusted operating profit reported in 2022, pro-forma operating profit of £43.0m and pro-forma operating margin of 12.7% were included as additional alternative performance measures and previously used to represent the continuing business on a standalone basis after the strategic review.

2 Return on Invested Capital has been adjusted for acquisitions in the period.

Operational highlights

First full year of the new pure-play components focused Essentra plc, delivering progress towards our medium-term targets

Continued improvement in customer satisfaction and service levels enhancing our hassle-free proposition

Strong balance sheet, enabling investment in organic and inorganic growth

Excellent progress in all areas of ESG, including announcement of targets aligned with the Science Based Targets initiative ("SBTi")

Value-enhancing acquisition of BMP TAPPI, a leading Italian manufacturer and distributor of protective caps and plugs

Employee engagement score of 82, above industry benchmark levels

Central corporate costs right-sized as part of Essentra's transition to a pure-play business

Centre of Excellence established in the UK to test and develop sustainable product ranges

Pro-active and disciplined cost control with strong pricing maintained to offset inflation

Operational footprint enhanced with the opening of a new manufacturing facility in Mexico

Our business model

Our model is unique in the market. We combine the expertise and flexibility of a manufacturer with the service and range of a distributor.

Our purpose

Our purpose is to help customers build a sustainable future

Our values

- We care about our customers
- We care about each other
- We deliver
- We are an effective team

What we do

We manufacture

We have the capacity and expertise to manufacture a wide range of products

14 manufacturing sites globally

60m parts produced per week

We distribute

Our global scale and market knowledge means that we are able to anticipate and meet the needs of our customers, whether large or small, in a wide variety of end-markets and geographies

24 distribution centres

2bn parts in stock

We support

Our customers are manufacturers and our products are a small but critical part of their manufacturing bill of materials

33 sales and service locations

c.69k customers

Our products

- Protective caps and plugs
- Access hardware
- Cable management
- Plastic fasteners
- Electronics hardware
- Other hardware
- Security seals
- Other

Who we serve

- Automotive and EV charging
- Renewable energy
- Medical devices
- ConAgg
- Automation
- Telecoms
- Consumer equipment
- Other Industrial equipment

Our vision

Our vision is to be the world's leading responsible hassle-free supplier of essential industrial components

Chair's statement

Over the past year, the Board and I have seen the new Essentra emerge and stand itself up as a strong pure-play global components business that is already delivering results.

In line with announcements that we made during 2022 and 2023, we have completed the execution of the strategic reviews and we have now reached the end of our first full year as a pure-play components business.

2023 has been a relatively challenging year due to market conditions, however, we have taken necessary actions to deliver an acceptable financial performance whilst making sure that we have prioritised our commitment to invest in our future, both in our existing business, and through our acquisition of BMP TAPPI in Italy.

On a daily basis we manufacture nearly nine million component items and annually we produce over three billion components. These are small but critical components that go into other items. When manufacturing on the scale we do, it becomes impossible to visualise how these small component parts are employed into a lot of every day items that are used by the public.

We serve a broad and fragmented industrial manufacturing market, typically catering to business to business ("B2B") manufacturers. Our day-to-day core markets range from data cabinet manufacturers to automotive tier suppliers with our products employed across a wide range of products, from small household appliances, to larger agricultural machinery and telecoms base stations.

Uniquely we combine the range and service of a distributor with the expertise and flexibility of a manufacturer. This brings the customer a hassle-free experience when buying components that are relatively low in cost but with propensity to cause disruption if there is a problem with either delivery or quality.

"On a daily basis we manufacture nearly nine million component items and annually we produce over three billion components. These are small but critical parts that go into other items."

PAUL LESTER, CBE
Non-Executive Chair

Growth

We set out our plans for growth at our Capital Markets Event in November 2022. Our medium-term goal is to double our revenue and triple our operating profits.

The business has been focused on achieving this by leveraging its unique business model as a global manufacturer and distributor to ensure the building blocks are in place to drive organic and inorganic growth, increase operating efficiencies and margins and create returns for shareholders.

We opened a new site in Monterrey, Mexico, during the year and as this site continues to ramp up its production capabilities, it will also underpin growth in the Americas, reflecting the significant contribution this region will make in the medium and long term.

Also in line with our growth plans, we were pleased to acquire BMP TAPPI, a business based outside Milan, Italy, that produces plastic caps and protection plugs. BMP TAPPI and Essentra have worked together for many years already, we therefore know and understand the business well. The acquisition provides us with significant additional capacity to meet customer needs and has further potential for expansion. The existing customer base and accessible location makes this a strategic fit that will underpin future growth in Europe.

As for many businesses, we have felt the impact of the challenging economic environment. We took action during the year to protect the financial performance of the Company through cost reduction. The business has shown its resilience in a difficult market, as have the people who work at Essentra. Essentra has demonstrated its ability to deliver results through financial cycles during the last year and achieved adjusted operating margins of 13.7% (2022: 7.4%) on a constant currency current basis.

Environment, social and governance progress

At the start of this year, with a simplified business structure, we were able to launch a holistic ESG strategy. This is a long-term plan, and the Board and I are pleased to see continued progress being made which was underpinned when we moved to Silver EcoVadis status at the end of 2023, had our targets approved by the Science Based Targets initiative ("SBTi") at the start of 2024, were accepted as a member of the UN Global Compact and achieved an A- rating for climate from CDP.

We opened our Centre of Excellence in Kidlington, Oxfordshire, in October 2023. The Centre of Excellence is steadily evolving to provide technical excellence for product knowledge, and serves and supports each site as they work towards manufacturing a greater proportion of sustainable products. Other initiatives are also under way across the social workstream, with clear goals established to increase diversity and inclusivity across the business, and to ensure our people are able to engage with the community in which they work.

More information on our ESG progress can be found on pages 21 to 64.

Stakeholder engagement and s172 Directors Duties are reported on page 56

People

Keeping our people safe, and working in a thriving workplace is essential and at the heart of everything we do. We are pleased our health and safety record has improved this year with 10 Lost Time Incidents ("LTIs") compared to 23 LTIs in 2022. This is a LTI rate of 0.42 for 2023 compared to 0.96 for 2022. Each site signed up to a safety pledge at the start of the year, ensuring health and safety is embedded and owned by every individual within the business and we continue to place emphasis on running our business safely as our first priority.

Leading our people effectively has been another area of focus this year, with Scott Fawcett having taken over at the start of January 2023 as Chief Executive. Scott was previously the Managing Director of the Components business, and has an in depth understanding of how the business operates. Having travelled with Scott to sites during the year, I am able to say he is very well respected for his extensive knowledge of each site, as well as knowing the people at the sites.

The Group Executive Committee ("GEC") have also developed significantly this year and the Board have dedicated additional time to this, on a one-on-one basis. The GEC decided to move day-to-day management to a regional structure, which aligns operations with how we report externally, with each region having a strong lead. Two new regional leader appointments complete the GEC and you can read more about this in Scott's Chief Executive Review on page 6.

Full details of the Group Executive Committee can be found on pages 74 to 75.

Future and farewells

During the year, we welcomed Kath Durrant to the Board as a Non-Executive Director, and we are pleased that Kath will take on the role of Remuneration Committee Chair from the conclusion of the 2024 AGM. My thanks go to Ralf Wunderlich, who has chaired the Remuneration Committee since May 2021, and overseen a period of significant change. Ralf remains the Chair of the ESG Committee.

Alongside announcing the 2023 year end results, the Board announced that Jack Clarke, our CFO, intends to retire. The Board and I would like to thank Jack who has supported Scott and the Company as it has transitioned to a pure-play components business. The Board wish Jack well as he plans for his retirement. The Board has commenced a search for his successor and will make an announcement in due course. We will also report on the appointment process in the 2024 Annual Report.

I have now entered my last year as Chair of Essentra and my time here has been very interesting, enjoyable and at times challenging. In line with corporate governance requirements, I will step away before the end of December 2024 and will do so having seen a significant transformation in the business. More information on the process to appoint a new Chair can be found on page 104.

In the meantime, as always, I would like to thank all of our stakeholders for what has been achieved over the last eight years. I hope you will join us for our AGM on 23 May 2024, which will be held at our site in Kidlington, just outside of Oxford in the UK, which will give you the chance to see one of our manufacturing sites at work.

Paul Lester, CBE
Non-Executive Chair
18 March 2024

Chief Executive's review

We have made good progress towards our medium-term targets, and have continued to focus on the delivery of our Essentra Purpose, Vision and Strategy throughout the year and on the behavioural norms which will support our delivery.

I am proud of our achievements in the first year of the new pure-play components focused Essentra plc. The Company navigated challenges within the external demand environment throughout the year, achieving a resilient financial and operational performance. Our 2023 results demonstrate the strength of our business model and the experience of our leadership team in managing the business through economic cycles. I have enjoyed leading the business in the capacity as Chief Executive and the new experiences this has provided both internally and externally, not least the opportunity to talk to existing and potential shareholders on a regular basis.

Whilst organic sales have declined year on year, reflecting wider macroeconomic trends, the business has made good progress overall towards our medium-term targets, initially set at the Capital Markets Event in 2022, which are expected to be across a five-year time horizon.

We have continued to focus on the delivery of our Essentra Purpose, Vision and Strategy throughout the year and on the behavioural norms which will support our delivery.

We care about our customers

I'm delighted that our customer satisfaction, as measured by our Net Promoter Score ("NPS"), has increased by six points in 2023 to 40. This is supported by the improvement in underlying service across all three regions, and also the care for our customers which we have demonstrated across the organisation. This will remain a key area of focus for us moving forwards as we seek to deliver our medium-term NPS target of 50.

We care about each other

I have always believed there is a clear link between customer satisfaction and employee engagement. Having strong levels of one supports the other. I'm very pleased that we have maintained our employee engagement at levels above industry benchmark levels despite operating through a challenging point of the economic cycle. The employee engagement score of 82, with 86% participation rate, is a credit to all of our people and a demonstration of the passion within the organisation to help us succeed. Our improving customer satisfaction scores combined with above-benchmark levels of engagement mean that we are well positioned to grow market share as the macroeconomic environment improves.

We deliver

As well as Essentra's resilient financial performance, I am pleased with the significant progress that we have made as an organisation on our journey to becoming the world's leading responsible hassle-free supplier of essential industrial components. I have been pleased with the improvement in safety performance through the year and

"2023 saw the delivery of Essentra's first year as a pure-play components business. The Group achieved a resilient financial and operational performance whilst navigating challenges within the external demand environment, demonstrating the strength of our business model and the experience of our people in managing the business through economic cycles."

SCOTT FAWCETT
Chief Executive

whilst there are still areas that we continue to address, the balance of central focus and campaigns along with local accountability and reinforcement has delivered good progress during the year, with 10 lost time incidents in 2023 (2022: 23).

We have made significant progress with our sustainability agenda throughout 2023 and have continued to reduce carbon emissions from our operations. I'm delighted that we have our first on-site solar panels in Rayong, Thailand and we have continued to make great progress on increasing the amount of sustainable materials in our polymer ranges, delivering on our commitment of 20% sustainable materials two years ahead of schedule in 2023. In this year's Annual Report we are publishing our first climate transition plan, and in February 2024 received Science Based Targets initiative ("SBTi") approval for our near-term and long-term science-based emissions reduction targets, including verification of our net-zero science-based target by 2050. Further detail can be found on pages 21 to 53.

We have continued to invest in the footprint of the business with the launch of our new facility in Monterrey, Mexico which will support growth across the Americas region in the coming years. I'm also pleased to report that in January 2024, the Microsoft Dynamics ERP platform was implemented in our five Eastern European markets, including the distribution hub in Poland, another milestone in our digital journey.

Net Promoter Score

40

Our Net Promoter Score, has increased by six points in the year to 40

> "The engagement score of 82 is a credit to all of our people and a demonstration of the passion within the organisation to help us to succeed."

Following the acquisition of Wixroyd in the UK in December 2022, it was exciting to be able to announce the acquisition of BMP TAPPI in Italy that completed in October 2023. I'm pleased to report both businesses are performing in line with expectations, giving us further confidence in our inorganic growth strategy, as we continue to acquire further bolt-on businesses within the broad and fragmented market in which Essentra operates.

We are an effective team

As the Group has progressed through its first year as a pure-play components business, it has become clear that the execution of our strategy in each of our three regions will be a critical success factor. I am delighted to welcome Chris Brooks to the Group Executive Committee ("GEC"), who brings a wealth of industrial experience as President of the Americas, as well as Richard Sederman, who has worked within Essentra for 20 years in a variety of roles across the business, and has been promoted into the role of Managing Director, APAC.

Looking forward

The GEC is excited about the prospects for 2024 and we are continuing to align the organisation behind the delivery of our medium-term goals. Collectively, Essentra remains focused on executing our strategy and is confident in achieving the targets outlined in the Capital Markets Event in 2022.

Scott Fawcett
Chief Executive
18 March 2024

Looking forward

Management retains confidence in the medium-term targets shared at the Capital Market Event in November 2022:

>5%
Organic revenue (CAGR)

>10%
Total revenue (CAGR)

c.18%
Adjusted operating margin

>85%
Operating cash conversion

<1.5x
Net debt to EBITDA

Supported by:

- A clear strategy to drive market share gains, supported by a leading market position in a highly fragmented market
- Margin expansion from scale, operating efficiencies, and pricing initiatives
- A highly cash generative business with continued focus on working capital management
- A strong financial framework and balance sheet to pursue value enhancing bolt-on M&A

Investment case

A unique, highly profitable and resilient business.

1 Market leader with a unique proposition in a large and fragmented market

Essentra's unique model combines the expertise and flexibility of a manufacturer with the service and range of a distributor. We operate in a highly fragmented £8-£10bn addressable market, with over one million potential customers. The breadth and depth of our offer is also unique, and enables us to serve a broad range of industrial customers, whilst our global manufacturing and distribution footprint balances local customer service with operational scale. Our committed and engaged employees, extensive network, deep industry expertise and strong focus on innovation and sustainability are our key differentiators.

2 Clear strategy to drive organic growth and market share gains supported by digitalisation and sustainability

Our hassle-free approach is supported by our range, availability and continued investment in our digital offering to support the customer experience. The implementation of CRM solutions, AI prompts and the upskilling of our commercial teams enables Essentra to drive cross-selling opportunities. Essentra's focus on sustainability is a source of competitive advantage; by focusing on the sustainability of our own operations and the components we manufacture, we will be able to support our customers to achieve their own sustainability goals.

3 High margin business with scope to expand

Essentra has significant margin expansion opportunities driven through scale efficiencies, operational effectiveness and pricing. We continue to optimise our global footprint for growth, balancing our costs with our commitment to service. Our scale also allows us to focus on buying better and operating efficiently. We are transforming our sourcing and purchasing capabilities and improving our processes and technology, underpinned by an improved ERP platform to drive efficiencies and support margin expansion. Essentra continues to deliver successful pricing management and cost control actions which enable us to mitigate cost inflation and enhance margin.

4 Strong returns and cash conversion enabling value enhancing M&A

A strong financial framework and healthy balance sheet provides Essentra with significant scope to pursue value creating opportunities. Our medium-term targeted gearing range of 0x to 1.5x net debt to adjusted EBITDA, provides a platform from which we can explore and drive further strategic opportunities. The strength of our balance sheet means we are well positioned to invest in organic development such as accelerating digitalisation and expanding our sustainable product offering. We continue to develop our healthy pipeline of opportunities and to look for value enhancing and strategic acquisitions, including new product capabilities to support our organic growth initiatives.

Our ambition is to double revenue and triple operating profit in the medium-term

Market trends

Monitoring and responding to changes in our end-markets is essential for us to support our customers and to deliver the products they need, and to help our customers build a sustainable future.

We look to a number of sources to gather information on the broader economic landscape, supportng business planning with our customers and across the wider supply chain. Maintaining good quality relationships is important to ensure that our business remains well positioned to support our customers to deliver the products they need.

In 2023, the business responded to a number of global challenges across the economic landscape and will continue to monitor and respond throughout 2024.

The ongoing focus on ESG provides Essentra with a significant opportunity to accelerate and embed ESG within our wider strategy. We are encouraged to hear our customers are focusing on supply chain, community and environmental matters and want opportunities to source products and partner with suppliers that place importance on these topics. We remain well placed to meet these opportunities, for example with product expertise in piping and flange products for gas and nuclear energy, as well as access hardware, and electronic hardware components, all of which are critical to customers who are reducing their carbon footprint. For more information see pages 32 to 33.

In 2023, we remained focused on our end-customer geographies to continue our plans to optimise our operational footprint including near-shoring opportunities.

Geographically, we saw a gradual recovery in China during 2023, and expect this to improve through 2024. We have a clear focus on our two sites in China, particularly Henzghu which we acquired in 2021, where we continue to build opportunities for domestic and export sales growth within access hardware categories.

EMEA has seen a slower rate of investment in construction related end-markets, including HVAC, white goods, electronic devices and automotive. In the Americas, distributor destocking has been experienced after a significant inventory rebalance at the start of 2022. The business has seen signs of stabilisation towards the end of 2023, and we anticipate normalisation during 2024 with growth in distributor demand. In readiness for this, our commercial and operational teams globally have been working to improve inventory availability, maintaining a focus on improving service to our customers, to deliver future growth.

We continue to review global opportunities across the breadth of our product range. Whilst our traditional cap, plug and seal product ranges will continue to remain as a core part of our business, we anticipate that our access hardware range will provide us with considerable new opportunities for expansion in high-growth industries.

Whilst Essentra does not have direct operations, or physical presence in the Middle East or Ukraine, in 2023, we saw an indirect impact through higher energy prices and supply chain disruption. Essentra's global operations provided benefits, as we continued to serve our customers, deploying near-shoring strategies across our regions, to build a strong presence with local service and we will continue to selectively strengthen our positions in fast growing industries and countries in 2024.

> We manufacture products across multiple product and customer categories and are therefore focused on identifying and developing new opportunities in a wide variety of industrial markets."

Operational review

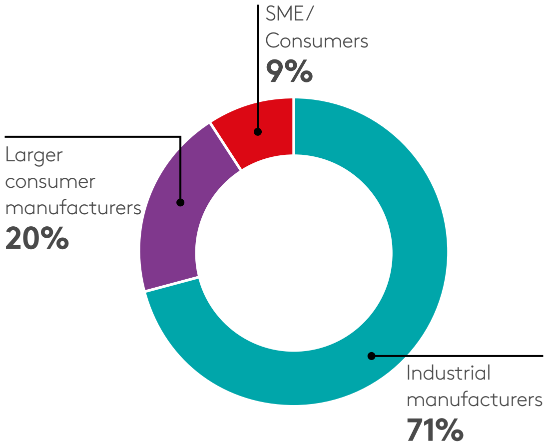
We are a leading global manufacturer and distributor of a comprehensive range of components, used in a diverse range of industrial applications and end markets. Our vision is to be the world's leading responsible hassle-free supplier of essential industrial components.

Who we are

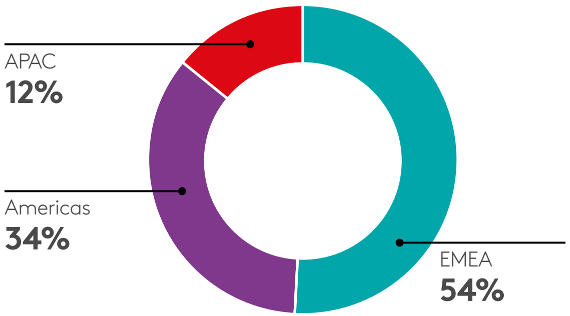
Markets we serve

- Automotive and EV charging
- Renewable energy
- Medical devices
- ConAgg
- Automation
- Telecoms
- Consumer equipment
- Other Industrial equipment

Revenue by customer segment



Revenue by region



Financial KPIs

Revenue

£316.3m

(2022: £337.9m)

Adjusted operating Profit[1]

£43.2m

(2022: £25.1m)

Adjusted operating margin[1]

13.7%

(2022: 7.4%)

1 Excluding impact of amortisation of acquired intangible assets and adjusting items. Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 19 and page 20 for further detail of Alternative Performance Measures ("APMs")

Non-financial KPIs

Lost-time Incidents

10

(2022: 23)

Why we measure it

Indicates our overriding commitment to health, safety and welfare in the workplace.

How we have done

A new safety commitment for site leaders and management regarding Essentra's approach to achieving excellence in operational safety was introduced. The commitment provides clarity to leading the change in Essentra's safety culture.

Active customers

69k

(2022: 74k)

Why we measure it

Reflects marketing effectiveness and measures the potential population for further growth opportunities.

How we have done

The active customer count has reduced as we have increased our focus on our mid-size, scalable customer base supported by a focused digital marketing strategy.

Net Promoter Score

40

(2022: 34)

Why we measure it

Reflects our customers' overall satisfaction with our products and service, as well as loyalty to our brand.

How we have done

The increase of six points reflects our focus on service recovery following recent global supply challenges and commitment to our hassle-free proposition. We remain focused on our customers and continue to work towards our target of 50.

On Time in Full

82.2%

(2022: 78.2%)

Why we measure it

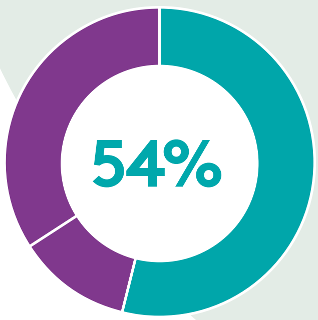
Demonstrates the ability to meet delivery demand.

How we have done

We have continued to navigate global supply chain challenges and have enhanced our product offering, including the rebuilding of inventory levels to improve service to our customers. We saw On Time In Full ("OTIF") increase to 82.2% across the business, and achieved an exit rate of 86.5% in 2023, as we progress towards our target of >95%.

2023 performance summary: EMEA

% of Group revenue



Financial performance

The EMEA region saw revenue of £170.8m in 2023 (2022: £167.0m), an increase of 4.8% on a constant currency basis compared to the prior year.

H1 performance saw a 0.1% decline on a constant currency basis, improving to 10.9% growth in H2. The improvement in H2 was supported by easing prior year comparatives through the second half, after strong market recovery at the start of 2022.

Financial performance

Revenue	Gross profit	Gross margin
£170.8m	£87.5m	51.2%
(2022: £167.0m)	(2022: £84.5m)	(2022: 50.6%)

Operational highlights

Lost-time incidents	On-time-in-full	Net Promoter Score
7	83.5%	40
(2022: 10)	(2022: 82.3%)	(2022: 36)

1 Like-for-like excludes the impacts of acquisitions and foreign exchange.

See Note 1 of the Consolidated Financial Statements on pages 168 and 169 for further detail on segmental reporting.

The region completed two acquisitions within a 13-month period. Wixroyd, acquired in December 2022, has met management expectations throughout the year, with Wixroyd's precision fasteners product range gaining traction across Europe, demonstrating Essentra's cross-sell strategy in action. Early integration plans for BMP TAPPI, acquired in October 2023, are on track, and will further strengthen Essentra's product portfolio, enhancing the Company's manufacturing footprint in Europe.

On a like-for-like[1] ("LFL") basis, after adjusting for the acquisition of Wixroyd and BMP TAPPI, the region saw a decline of 2.9%. In 2023, Wixroyd and BMP TAPPI contributed £13.3m to Group revenues (2022: £0.7m Wixroyd only).

Operational performance

Within the wider macroeconomic environment, supply chains have normalised once again as have higher interest rates in 2023. Whilst energy pricing and labour costs remained high throughout the year, the region has seen margins remain resilient with pro-active pricing initiatives and good cost control.

Western Europe, and Germany in particular, saw market softening in line with wider industrial production trends, while Turkey and MENA (Middle East and North Africa) continued their growth trajectory. Eastern Europe and the Nordics remained resilient. The region as a whole has been able to remain dynamic, adjusting capacity as required. The business continues to invest in high-growth markets, with a particular focus on operations in Turkey. Electrification end-market trends have continued to gain momentum which has been beneficial for the access hardware and electronic hardware product categories.

Power generators, data servers and renewable energy were the fastest growing sectors while heat pumps were impacted by the wider trends of construction slow down.

Enhancing customer service has remained a focus, with a greater emphasis on stock availability throughout the year. The region is pleased to see Net Promoter Score increase by four points to 40.

The region has seen good sustainability progress in the year, increasing the use of recycled content material in the general protection product range to 25% in 2023, alongside other initiatives such as packaging optimisation. The region was also proud to establish a Centre of Excellence in Kidlington, UK, to test and develop new materials that will enable it to offer an increase in the number of sustainable product ranges globally for its customers.

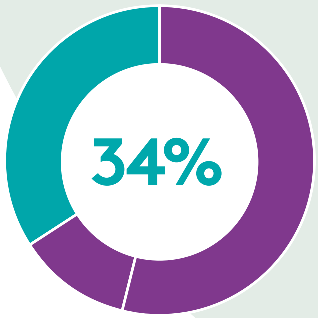
The ERP roll out has continued to progress in 2023 after an initial pause in 2022 to re-assess the programme in light of becoming a pure-play components business. The business has continued to make operational improvements to live sites in Spain and France and prepared five sites in Eastern Europe, which subsequently went live in January 2024, including the distribution hub warehouse in Łódź, Poland.

2024 Focus

- Leveraging the additional manufacturing capabilities from the acquisition of BMP TAPPI to strengthen Essentra's general protection product offering
- Continuing to invest in access hardware growth, including capacity expansion and commercial resource, capitalising on the positive market dynamics
- Developing presence in the faster growing MENA region

2023 performance summary: Americas

% of Group revenue



Financial performance

The Americas region delivered revenue of £106.2m in 2023 (2022: £123.4m), a reduction of 13.4% on a constant currency basis compared to the prior year.

Consistent with the market environment, distributors have shown signs of destocking behaviour throughout the year after a significant inventory rebalance at the start of 2022.

H1 saw a decline of 12.6% on a constant currency basis, H2 saw a decline of 14.4% on a constant currency basis.

Financial performance

Revenue	Gross profit	Gross margin
£106.2m	**£40.3m**	**37.9%**
(2022: £123.4m)	(2022: £47.2m)	(2022: 38.2%)

Operational highlights

Lost-time incidents	On-time-in-full	Net Promoter Score
1	**75.8%**	**47**
(2022: 8)	(2022: 65.6%)	(2022: 35)

See Note 1 of the Consolidated Financial Statements on pages 168 and 169 for further detail on segmental reporting.

The region has sustained pricing actions and disciplined cost management throughout the year, controlling costs that remain within the regions control and have successfully mitigated a portion of decline from sales volumes, maintaining gross margin in the region of 38%.

Operational performance

In 2023, the region has focused on driving new business across the customer base, including cross-sell and new customer acquisition, whilst remaining focused on distributor end-channel volumes and trends. Encouragingly, the general industrial environment showed signs of stability towards the end of the year with some end customers returning to normalised levels of order patterns.

Electronics industries continued to be subdued throughout 2023 whilst automotive demand remained stable in H2 as supply chains recovered from previous component shortages.

The Security Seals product category saw volume declines in 2023, in line with reduced shipping demand. Underlying new customer growth was encouraging, with re-negotiated contracts being agreed with major customers that will allow the business to see a positive trajectory into 2024.

Throughout the year, the region has focused on improving service to its customers, with an increase in standard part stock levels, sample availability and customer satisfaction activities. These have led to a 12 point improvement in NPS to 47 in 2023 (2022: 35) and OTIF increasing to 75.8% (2022: 65.6%).

The region has expanded manufacturing and distribution capabilities in 2023. Near-shoring opportunities have been accelerated, enabled by the opening of the manufacturing facility in Monterrey, Mexico which commenced operations in H2 2023. This expansion project builds Essentra's manufacturing presence, increasing capacity to support future wider growth plans, and will bring production closer to customer demand.

The region has also invested in new manufacturing capabilities in Brazil, with new dip-moulding machinery which will help to service customer demand in South America, improving Essentra's presence in the region.

The Americas remain committed to sustainability progress, achieving an increased level of recycled content within manufacturing to 21% in 2023 (2022: 11%). The facility in Flippin has also made several changes to improve the sustainability of its packaging, including the introduction of recycled cardboard and bio-degradable tapes.

2024 Focus

- Normalising distributor volumes, and driving new business wins in end-market channels
- Capitalising on the commercial opportunities in Mexico
- Development and utilisation of manufacturing capabilities, maintaining improved service momentum and optimisation of the distribution network

2023 performance summary: APAC

% of Group revenue

Financial performance

The APAC region delivered revenue of £39.3m in 2023 (2022: £47.5m), a reduction of 13.1% on a constant currency basis compared to the prior year.

Performance in 2023 was driven by the market dynamic in China (c.68% of regional revenue and c.8% of the Company revenue) with recovery initially seen from the end of the first quarter of 2023.

Financial performance

Revenue	Gross profit	Gross margin
£39.3m	£14.0m	35.6%
(2022: £47.5m)	(2022: £16.5m)	(2022: 34.7%)

Operational highlights

Lost-time incidents	On-time-in-full	Net Promoter Score (China)
2	96.0%	51
(2022: 5)	(2022: 95.4%)	(2022: 43)

See Note 1 of the Consolidated Financial Statements on pages 168 and 169 for further detail on segmental reporting.

In H1, the region recognised a decline of 18.3%, improving to 7.0% decline in H2, with a steady and gradual increase alongside easing comparatives as the year progressed.

Operational performance

Throughout 2023, the APAC management team worked with customers and the wider supply chain to understand underlying market needs. The commercial and operational footprint has been reviewed, which included consideration for higher levels of investment in countries outside of China with a view to building Essentra's future success in this region.

In Q2 2023, the distribution centre in Perth, Australia, was closed and operations were moved to the existing facility in Sydney. In June, Essentra entered the Vietnamese market, establishing a physical presence.

The APAC region has continued to maintain a focus on improving service to its customers, and has placed greater emphasis on improving inventory availability. This has resulted in reduced lead times to better meet the needs of our customers. The region is pleased to see an improvement in Net Promoter Score in the year, which is up by 8 points in China and up by 23 in the Rest of Asia.

The business continues to invest in high-growth markets and has seen increased levels of interest in product categories that support faster growing industries and infrastructure development. These include renewable energy, telecommunication and data networks, particularly in developing countries.

In 2021, Essentra acquired Jiangxi Hengzhu Electrical Cabinet Lock Co. Ltd ("Hengzhu"). Given previous travel restrictions in China, 2023 was the first year following the acquisition that integration activities could be accelerated as part of Essentra's inorganic growth strategy. The focus in 2023 has been on ensuring the operating environment aligns with our culture, investing in upgrades to manufacturing equipment and exploring opportunities to develop the access hardware product range across the rest of Asia.

A number of sites within the region have benefited from Essentra's wider sustainability focus in the year, with the installation of solar panels in two of the region's factories based in Rayong in Thailand and Yichun in China. The region has also introduced recycled content to factories in Ningbo, China and Sydney, Australia whilst reaching 28% recycled content in our Rayong facility.

2024 Focus

- Footprint and cost optimisation, ensuring that the region is well placed to support growth
- Expansion of capabilities in high-growth locations, including development of business operations in India, Vietnam and Indonesia
- Continuing the momentum of the integration of the Hengzhu acquisition, with a specific focus on growing the access hardware product range across the region

Key performance indicators

The delivery of Essentra's strategic priorities is underpinned by a focus on Key Performance Indicators ("KPIs") which measure Essentra's progress in the delivery of value.

Adjusted operating profit[1] from continuing operations

£43.2m

(2022: £25.1m)

Adjusted operating cash conversion from continuing operations[1,3]

111.6%

(2022: 80.5%)

Dividend per share

3.6p

(2022: 3.3p)

Alignment of KPIs to executive remuneration

● Performance measures for the executive Annual Bonus Plan

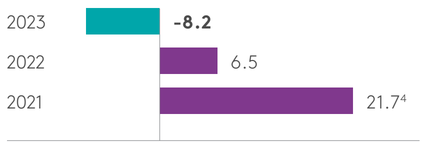
1 Excluding impact of amortisation of acquired intangible assets and adjusting items.
2 As defined in the Financial review on pages 16 to 18.
3 As defined in the Alternative Performance Measures on pages 19 to 20.
4 Prior year re-presentation required to show the business on a continuing operations basis.

Like-for-like revenue growth, continuing operations

(%)

How we measure it
Revenue at constant exchange rates, excluding acquisitions and disposals.

Why this is important
Measures the ability of the Company to grow sales by operating in selected geographies and categories, and offering differentiated, cost-competitive products and services.

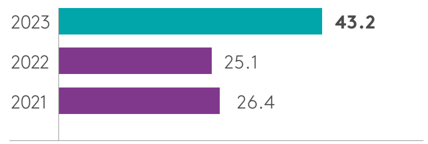


Adjusted operating profit[1] from continuing operations

(£m) ●

How we measure it
Operating profit excluding the impact of acquired intangible assets and adjusting items.

Why this is important
Measures the profitability of the Company.

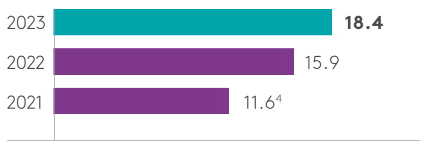


Net working capital[2] ratio from continuing operations

(%)

How we measure it
Average net working capital[2] per month, as a % of revenue.

Why this is important
Measures the ability of the Company to finance its expansion and release cash from working capital.

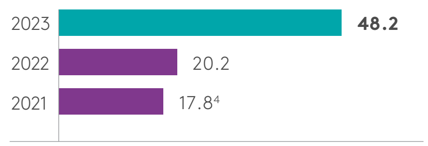


Adjusted operating cash flow from continuing operations[1,3]

(£m) ●

How we measure it
Adjusted operating profit[1] less non-cash items, net working capital[2] and net capital expenditure.

Why this is important
Measures the cash generation capability of the Company.

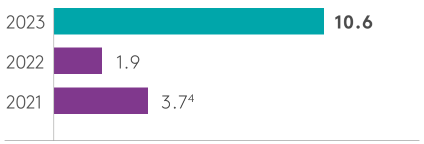


Adjusted basic earnings per share[1] from continuing operations

(p) ●

How we measure it
Earnings per share, excluding the impact of amortisation of acquired intangible assets and adjusting items.

Why this is important
Measures the benefits generated for shareholders from the Company's overall performance.

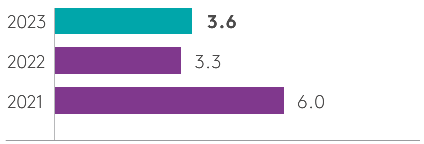


Dividend per share

(p)

How we measure it
Total dividends paid divided by the number of relevant shares in issue.

Why this is important
Measures the amount of cash per share which the Company returns to shareholders.

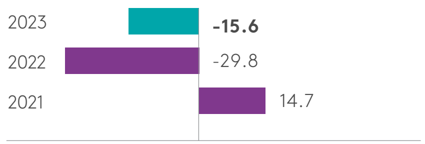


Total Shareholder Return

(%) ●

How we measure it
Total annual increase in value. Based on the increase in share price and the dividend paid to shareholders.

Why this is important
Measures the Company's ability to generate long-term value.



Alignment of KPIs to executive remuneration

● Performance measures for the executive Long-Term Incentive Plan

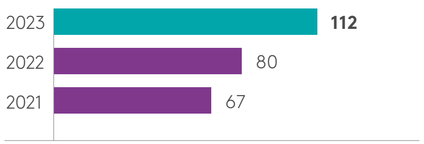
1 Excluding impact of amortisation of acquired intangible assets and adjusting items.
2 As defined in the Financial review on page 16 to 18.
3 As defined in the Alternative Performance Measures on page 19 to 20.
4 Prior year re-presentation required to show the business on a continuing operations basis.
5 Includes an allocation of central service costs to Components division in 2021 and 2022.

Adjusted operating cash conversion[1] from continuing operations

(%)

How we measure it
Adjusted operating cash flow[3] as a percentage of adjusted operating profit[1].

Why this is important
Measures how the Company converts its profit into cash/quality of the Company's earnings.

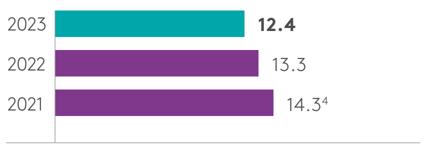


Return on Invested Capital, continuing operations[5]

(%) ●

How we measure it
Adjusted operating profit[1] after tax, including an allocation of central service costs, divided by capital employed plus intangible assets.

Why this is important
Measures the Company's ability to effectively deploy capital.

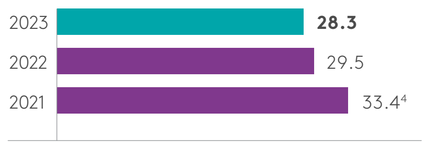


Return on Capital Employed, continuing operations[5]

(%)

How we measure it
Adjusted operating profit[1], including an allocation of central service costs, divided by tangible fixed assets and net working capital[2].

Why this is important
Measures how effectively the Company uses its operational assets.



Financial review

In its first year as a pure-play components business, Essentra is making progress towards its medium-term targets; delivering margin expansion, investing in profitable organic and inorganic growth, whilst retaining a strong balance sheet.

The Group achieved revenue of £316.3m in 2023, a decline of 6.4% compared to 2022 (£337.9m) and 4.4% decline on a constant currency basis, with organic sales reducing by 8.2% year on year and acquisitions adding 3.8% of revenue to the Group.

The Group has remained focused on maintaining and protecting operating margins in a softer trading environment. Adjusted operating profits increased to £43.2m in 2023 (2022: £25.1m; £43.0m on a pro-forma[1] basis) with the Group delivering a strong adjusted operating profit margin of 13.7%.

Strong adjusted operating margins in the year reflect pro-active cost control, disciplined pricing actions, which more than offset cost inflation for the year, and the right-sizing of costs, including central corporate costs, as the Group transitioned to a pure-play components business.

Adjusting items in 2023 reduced to £21.0m (2022: £26.0m). 2023 adjusting items include £10.8m customisation and configuration costs of significant 'software as a service' ("SaaS") arrangements, £1.0m net credit for gains/losses and transaction costs relating to acquisitions of businesses and £3.4m relating to impairment of non-current assets held in China.

Also reported within adjusting items are £7.8m of costs related to legacy items within the Group and include £1.3m restructuring activities, £1.8m recurring legacy pension scheme costs, £3.7m write-down of investment property to market value and £0.8m indemnity provisions. Details of all adjusting items are shown in Note 2 to the Consolidated Financial Statements.

After adjusting items and amortisation of acquired intangible assets, the Group reported operating profit improved to £10.9m (2022: £11.3m loss).

Acquisitions

In October 2023, Essentra announced the completion of BMP s.r.l ("BMP TAPPI"), a strategically aligned, bolt-on acquisition for an initial cash consideration of €39.5m (€33.5m net of cash acquired). The Consolidated Financial Statements include £1.8m of revenue and £0.3m of adjusted operating profit since acquisition.

"The Group continues to demonstrate operational and financial resilience, remaining well positioned to continue to progress towards its medium-term targets."

JACK CLARKE
Chief Financial Officer

1 In addition to adjusted operating profit reported in 2022, pro-forma operating profit of £43.0m was included as an additional Alternative Performance Measure and previously used to represent the continuing business on a standalone basis after the strategic review.

Adjusted Operating Cashflow

111.6%

(2022: 80.5%)

Net Debt/(funding surplus) to Adjusted EBITDA (post-IFRS 16)

1.0x

(2022: 2.3x funding surplus)

Read more about our financial performance measures on pages 14 and 15

Central corporate costs

In 2023, the Group recognised £11.6m of central corporate costs compared to £23.1m recognised as being attributable to the go-forward business in 2022.

In 2022, the Group guided that it would reach a normalised corporate cost base of c.£13m at the start of 2024. This normalised base was achieved in H1 2023 as the business took the opportunity to accelerate the review of the central corporate cost base.

Net income

Net finance expense of £2.5m reduced compared to the prior year of £17.8m owing to reduced interest on loans and overdrafts and bank facility fees.

On an adjusted basis, the Group saw net income of £31.1m and adjusted basic earnings per share of 10.6p. Including losses on discontinued operations, the total reported net profit was £5.4m.

Net working capital

The Group saw an increase in net working capital to £57.8m (2022: £44.2m), predominately driven by a higher than usual level of trade payables associated with strategic review activities in 2022, and a reduced corporate central cost base in 2023. The average net working capital ratio of 18.4% increased compared to 2022 (15.9%).

In addition, following the disposal of its Packaging and Filters businesses in 2022, and as disclosed at the interim results in August 2023, the Group has reassessed the inputs into its inventory provision calculations in the context of its new strategic direction as a pure-play components business and is in place to ensure that inventories continue to be measured at the lower of cost and net realisable value.

Progression towards medium-term targets

Revenue growth	Profitability	Cashflow	Leverage	Returns	Dividends
-4.4%	**13.7%**	**111.6%**	**1.0x**	**12.4%**	**3.6p**
Revenue CAGR: >10% total >5% organic	Adjusted operating profit margin: c.18%	Cash conversion: >85%	Medium term: 0x–1.5x	ROIC: >15%	Maintain dividend cover in the order of 3.0x earnings

Operating cash flow

The Group has seen excellent adjusted operating cash flow and free cash flow in 2023. Adjusted operating cash flow from continuing operations was £48.2m (2022: £20.2m), equating to a cash conversion of 111.6% compared to 80.5% in 2022.

This includes an outflow of net working capital for the year of £2.6m (2022: £14.2m) and net capital expenditure of £13.2m (2022: £12.8m). This net capital expenditure equated to 4.2% of revenues in 2023, in line with medium-term guidance, and reflects 94.3% (2022: 77.1%) of the depreciation charge (including amortisation of non-acquired intangible assets) for the year of £14.0m (2022: £16.6m).

Net interest paid was £6.4m (2022: £16.2m) and net tax outflow £4.5m (2022: £1.7m inflow). In 2022, tax payment figures exclude the tax paid/received in relation to adjusting items. Free cash flow of £37.3m compared to a free cash outflow of £5.7m in 2022. An adjusted cash flow reconciliation can be found on page 20, Alternative Performance Measures.

Tax

The effective tax rate on underlying profit before tax (before adjusting items and amortisation of acquired intangible assets) was 23.6% (2022: 21.5%). The underlying effective tax rate for 2023 is towards the lower end of the forecast tax rate range of 23% to 25%. This increased tax rate compared to the prior year is primarily driven by the previously announced increase of the UK income tax rate from 19% to 25% with effect from 1 April 2023. The overall tax position for the Group has reported a net tax credit as a result of prior year adjustments related to discontinued operations.

Pensions

As at 31 December 2023, the Company's IAS 19 net pension net liability was £9.6m (2022: net £10.6m). Further information can be found in Note 18 to the Consolidated Financial Statements.

Net debt

Net debt at the end of the period, including lease liabilities, was £62.5m (2022: £113.8m net funding surplus). The overall increase in net debt was driven by the previously communicated uses of disposal proceeds received in 2022 allocated for shareholder return in 2023, including £89.8m special dividend paid in April 2023, and £60.0m share buyback programme, of which £24.0m has been returned as of 31 December 2023. In 2023, the Group has also seen cash flow movements linked to the strategic review and cash paid relating to acquisitions.

"The Board is committed to a progressive dividend policy going forwards, maintaining dividend cover in the order of three times."

Banking facilities

One of the main sources of funding for the Company is a Revolving Credit Facility ("RCF") provided by a group of six highly-rated banks totalling £200.0m. As at 31 December 2023, £15.2m was drawn. The Company also holds $102.5m of long dated US private placement debt ("USPP") at an average coupon rate of 3.8%.

Type	Amount	Interest rate exposure	Maturity
RCF	£200.00m	Floating	October 2026
USPP	$32.80m	3.62%	July 2028
USPP	$34.85m	3.91%	July 2031
USPP	$34.85m	4.00%	July 2033

Balance sheet

At the end of 2023, the Company had shareholders' funds attributable to Essentra equity holders of £273.2m (2022: £404.1m). Total capital invested in the business was £372.1m (2022: £344.0m). This finances non-current assets of £348.7m (2022: £339.3m), of which £71.4m (2022: £72.2m) is tangible fixed assets, the remainder being intangible assets, right-of-use assets, deferred tax assets, retirement benefit assets, derivative assets, and long-term receivables.

A clear capital allocation policy to support organic and acquisitive growth

Organic growth	• Capital investment remains core to strategic growth • Capex expected to be maintained between 4–5% of sales
Innovation	• Sustainable new product development and propositions • Digitalising the customer experience drives cross-sell and customer acquisition
Acquisitions	• Strong pipeline of potential acquisitions • Addition of product adjacencies enables higher organic growth through cross-sell
Ordinary dividends	• Maintaining dividend cover in the order of three times

Impact of IAS 29 (Financial Reporting in Hyperinflationary Economies)

During 2023, the Group held trade and assets denominated in Turkish Lira where IAS 29 has been applied, consistent with 2022, when it was applied for the first time. Turkey contributes c.7% revenue to the Group. For the year ended 31 December 2023, a monetary gain of £1.3m (2022: £3.2m gain) was included within net finance expense, and an increase in net assets of £0.7m (2022: £18m increase) has been recognised as a result of IAS 29.

Shareholder return and ordinary dividend

In 2022, the Board confirmed its intention to return to shareholders, approximately £150m of the residual net transaction proceeds from the disposals of its Filters and Packaging businesses which completed in Q4 of 2022. In 2023, a special dividend of £89.8m, representing 29.8p per ordinary share was paid on 27 April 2023. In addition to the special dividend, a share buyback programme of up to £60m commenced. As of 31 December 2023, the buyback programme was c.40% complete.

The Board of Directors recommend a final ordinary dividend of 2.4p and therefore a total 2023 dividend of 3.6p. (2022: final 1.0p, total 3.3p). The Board is committed to a progressive dividend policy going forward, maintaining dividend cover in the order of three times.

Treasury policies and controls

Essentra has a centralised treasury function to control external borrowing and manage exchange risk. Treasury policies are reviewed by the Audit and Risk Committee (for more information, see the ARC Report on page 112), and approved by the Board and cover the nature of the exposure to be hedged, the types of financial investments that may be employed and the criteria for investing and borrowing cash. The Company intends on only using derivatives to manage foreign currency and interest rate risk arising from underlying business activities. Whilst some transactions may be of a more speculative nature, they are in place to manage and mitigate exchange rate risk only. Underlying policy assumptions and activities are reviewed by the Treasury Committee.

Controls over exposure changes and transaction authenticity are in place, and dealings are restricted to those banks with the relevant combination of geographical presence and suitable credit rating. Essentra monitors the credit ratings of its counterparties and credit exposure to each counterparty.

Foreign exchange risk

The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to limit the translation exposure and the resulting impact on shareholders' funds by borrowing in those currencies in which the Company has significant net assets.

The majority of Essentra's transactions are carried out in the functional currencies of its operations and therefore transaction exposure is limited. However, where such exposure does occur, Essentra uses derivatives to hedge its exposure to movements in the exchange rates on its highly probable forecast foreign currency sales and purchases over a period of up to 18 months.

Jack Clarke
Chief Financial Officer
18 March 2024

Alternative Performance Measures

Management use a number of measures of financial performance, financial position and cash flows which are not defined or specified in accordance with relevant financial reporting standards.

In Management's view, these Alternative Performance Measures reflect the underlying performance of the Company and provide a more meaningful comparison of how the business is managed and measured on a periodic basis.

FY 2023 results at a glance

	FY 2023 £m	FY 2022 £m	% change Actual FX	% change Constant FX
Revenue	316	338	(6)	(4)
Pro-forma operating profit for the ongoing business[1]	n/a	43	–	–
Adjusted operating profit	43	25	72	85
Adjusted pre-tax profit	41	7	>100	>100
Adjusted net income	31	6	>100	>100
Adjusted basic earnings per share	10.6p	1.9p	>100	>100
Dividend per share	3.6p	3.3p	9	–
Reported operating profit /(loss)	11	(11)	–	–
Reported pre-tax profit /(loss)	8	(29)	–	–
Reported net profit /(loss) from continuing operations	6	(31)	–	–
Adjusted net cash flow from operating activities	48	20	>100	>100

1 Pro-forma operating profit is an additional Alternative Performance Measure that was used to present the business on a standalone basis, using historical cost allocation methodologies.

The financial information in this 2023 Annual Report is prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, and with the accounting policies section starting on page 156 of the Consolidated Financial Statements.

Basis of preparation

Continuing and Discontinued operations

In accordance with IFRS 5, Continuing and Discontinuing operations are presented as GAAP numbers.

The numbers presented in this Strategic Report reflect the continuing operations of the Group unless otherwise stated.

Non-GAAP measures

Throughout this 2023 Annual Report, the following terms are used to describe Essentra's financial performance:

Constant exchange rates

Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis adjusts the comparative to exclude such movements, to show the underlying performance of the Company.

For the principal exchange rates for Essentra for the year ended 31 December 2023 ("FY23"), see the table below. Re-translating the FY22 actual results at FY23 average exchange rates reduces prior year revenue by c.£7m, and reduces adjusted operating profit by c.£2m.

Principal exchange rates	US$:£	€:£
Average		
FY23	1.25	1.15
FY22	1.24	1.17
Closing		
FY23	1.27	1.15
FY22	1.20	1.13

Like-for-like basis ("LFL")

The term "like-for-like" describes the performance of the continuing business on a comparable basis, adjusting for the impact of acquisitions, disposals and foreign exchange.

The FY 2023 LFL results are adjusted for the acquisition of Wixroyd Holdings Limited ("Wixroyd") on 1 December 2022, and the acquisition of BMP s.r.l ("BMP TAPPI") on 26 October 2023.

The 2022 results have been adjusted for the completion of the Packaging business disposal previously announced on 3 October 2022 and the completion of the Filters business disposal previously announced on 5 December 2022.

Adjusted basis

The term "adjusted" excludes the impact of amortisation of acquired intangible assets and adjusting items, less any associated tax impact. In 2023, amortisation of acquired intangible assets was £11.3m (2022: £10.4m), and there was a pre-tax charge for adjusting items of £21.0m (2022: £26.0m).

Adjusting items are separately presented from other items of financial performance as this enables management to reflect the underlying performance of the continuing operations of the Group.

Further details of adjusting items are shown in Note 2 to the Financial Statements.

Constant exchange, like-for-like and adjusted measures are provided to reflect the underlying performance of Essentra. For further details of the performance metrics used by Essentra, please refer to pages 14 and 15.

Pro-forma operating profit in FY 2022

In 2022, pro-forma operating profit was used to present the business on a standalone basis, using historical cost allocation methodologies.

Return on Invested Capital and Return of Capital Employed

Return on Invested Capital and Return on Capital Employed have been adjusted for acquisitions in the period.

Cash flow

Adjusted operating cash flow is net cash flow from operating activities, excluding income tax paid, pensions adjustments, and cash flows relating to adjusting items, less net capital expenditure. It is a measure of the underlying cash generation of the business. Net capital expenditure is included in this measure as management regard investment in operational assets (tangible and intangible) as integral to the underlying cash generation capability of the Company.

Adjusted Operating Cash Conversion

Adjusted operating cash conversion is presented as adjusted operating cash flow as a percentage of adjusted operating profit.

Reconciliation of GAAP to non-GAAP measures

The following tables are presented by way of reconciling the metrics which management uses to evaluate the Essentra Group to GAAP measures.

Net income

£m	FY 2023	FY 2022
Adjusted net income	**31.1**	**5.7**
Amortisation of acquired intangible assets	(11.3)	(10.4)
Adjusting items	(21.0)	(26.0)
Tax on adjustments	7.0	(0.4)
Profit / loss after tax	**5.8**	**(31.1)**

Adjusted operating cash flow from continuing operations

£m	FY 2023	FY 2022
Adjusted operating profit on continuing operations	**43.2**	**25.1**
Depreciation and amortisation of non-acquired intangible assets	14.0	16.6
Right of use asset depreciation	5.9	5.6
Share option expense / other movements	0.9	(0.1)
Change in working capital	(2.6)	(14.2)
Net capital expenditure (excluding disposal proceeds relating to adjusting items)	(13.2)	(12.8)
Adjusted operating cash flow from continuing operations	**48.2**	**20.2**
Tax[1]	(4.5)	1.7
Cash outflow in respect of adjusting items	(23.6)	(30.4)
Pension obligations[2]	–	–
Add back: net capital expenditure (excluding disposal proceeds relating to adjusting items)	13.2	12.8
Net cash inflow from continuing operating activities	**33.3**	**4.3**
Adjusted operating cash flow	**48.2**	**20.2**
Tax[1]	(4.5)	1.7
Net interest paid	(6.4)	(16.2)
Pension obligations[2]	–	–
Free cash flow	**37.3**	**5.7**

1 In 2022, tax paid excludes the tax paid/received on business disposals. This is included within the cash outflow in respect of adjusting items.

2 Pension contributions of £3.7m for legacy pension schemes has been included within cash outflow in respect of adjusting items.

Environmental, Social and Governance

IN THIS SECTION

Madrid team – planting trees at a local forest

Building a sustainable future

2023 has been a year of significant progress for the business across the areas of environment, social and governance. In our first year as a pure-play components business, we have been able to sharpen our focus on the ESG topics that will drive us towards our goal of building a sustainable future.

JENNIFER SPENCE
ESG Director

Our purpose is to help customers build a sustainable future. With our unique business model combining manufacturing and distribution, we are ideally placed to provide a low-carbon service to our customers from design to delivery, and supporting them in their low-carbon transition.

Our ESG strategy is set out against five pillars: our planet, our components, our customers, our culture and our communities. We recognise that each of these are of great importance in our ESG journey, and interconnected. These pillars in turn are aligned to the United Nations ("UN") Sustainable Development Goals, with nine goals having a direct link to how we operate and the work we do.

In this report we set out our progress against our five pillars, and what we have planned for 2024. Highlights include achieving our goal two years ahead of plan, for at least 20% of materials to be from sustainable sources in our polymer ranges, and gaining approval of our near- and long-term science-based emissions reduction targets with the Science Based Targets initiative ("SBTi"). More details on these targets is on page 26.

To support our decarbonisation targets, this year, for the first time, alongside this ESG report we have published our first climate transition plan, on pages 40 to 53. This plan details our targets, focus areas and actions we will take across the Company, and in our value chain, for us to maintain our momentum in relation to sustainability whilst continuing to deliver for our customers and investors.

"Delivering a sustainable service for our customers, our people and the planet sits at the heart of Essentra's ESG strategy."

Our ESG pillars

Our planet
Driving resource and energy efficiency, reducing emissions and embracing renewables.

Our components
Developing innovative products using renewables, recyclables, reusables and biodegradables.

Our culture
A safe, supportive work environment that champions equality and celebrates diversity.

Our communities
Working with suppliers to ensure ethical practices and contribute to equitable economies. Volunteering our time and supporting good causes.

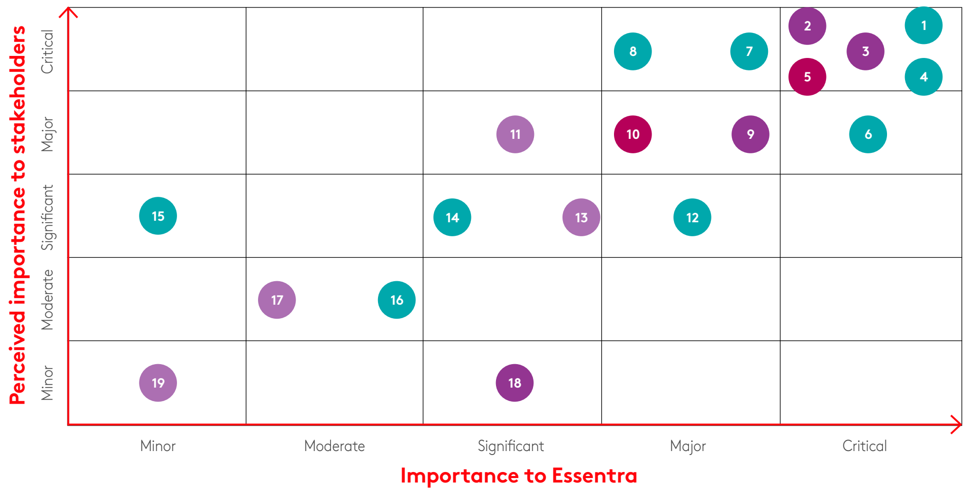
Our customers
Providing a hassle-free service that helps customers achieve their sustainability goals.

Materiality assessment

Understanding the material risks and opportunities for our business is vital to form a comprehensive and effective sustainability strategy. We have identified 19 material topics, that vary in priority according to both our own and our stakeholders' perspective. These risks and opportunities are also considered as part of our approach to risk management and more information on ESG risks is available on page 71.

Our materiality assessment, our alignment to global reporting requirements and the UN Sustainable Development Goals, provides us with a clear set of focus areas and priorities from which we have built out our targets and reporting. In order to ensure our materiality assessment remains relevant, we review and update this assessment at least annually to incorporate any emerging topics and update existing topics as necessary.

Sustainability priority topics



- Our culture
- Our communities
- Our components
- Our planet

1. Physical pollution and end of life disposal
2. Changes in legislation on material use and environment
3. Rejection of single-use plastics
4. Greenhouse gases
5. Mental and physical health, safety and wellbeing
6. Circular economy principles
7. Manufacturing waste streams
8. Natural environment, including marine ecosystems
9. Resource efficiency
10. Diversity, equality and inclusion
11. Transparency
12. Impact of extreme weather and climate action failure
13. Ethical supply chain
14. Use of renewable energy
15. Access to sufficient clean water
16. Atmospheric pollution
17. Product traceability, origin and conflict materials
18. Availability of raw materials
19. Community relations

External frameworks we align to

Task Force on Climate-Related Financial Disclosures

SBTi

UN Sustainable Development Goals

UN Global Compact

2023 ESG ratings

CDP
2023 ratings:

A– Climate Change
B Water Security

EcoVadis
Silver Medal 2023

MSCI
AA Rating 2023

Our ESG strategy

✓ On track
✓ Slightly behind target
✗ Behind target

ESG framework	Our focus and targets	Our progress	Status	Performance highlight	Read more
Our planet	Reduce absolute scope one and two GHG emissions by 50% by 2030 from a 2019 base year.*	Scope one and two emissions have reduced by 38% since 2019.	On track	**38%** reduction in scope one and two emissions since 2019.	See pages 26 to 29
	Reduce our scope three GHG emissions intensity from purchased goods and services, and upstream transportation and distribution by 55% per GBP of value added by 2030.*	Scope three emissions intensity has reduced by 30%.	On track		
	All sites to achieve zero waste to landfill by 2030.*	14 sites achieved zero waste to landfill in 2023.	On track		
	Reduce overall waste volumes by 50% by 2030.*	Waste intensity has reduced 28% against 2019 baseline.	On track		
Our components	50% of materials from sustainable sources by 2030 across our manufactured polymer ranges.*	We hit our previous target of 20% by 2025, two years early, reaching 21% in 2023.	On track	**21%** of our polymers in 2023 from sustainable sources.	See pages 30 to 31
	100% of our packaging is reusable, recyclable or compostable by 2030.*	58% of our packaging is recyclable, or compostable.	On track		
	50% recycled content in our packaging materials by 2030.*	28% of packaging materials contain recycled content.	On track		
Our customers	Increasing the number of products introduced with sustainability criteria.*	7,981 products across our ranges now have sustainability attributes, 750 were introduced in 2023.	On track	**7,981** total sustainable products.	See pages 32 to 33
Our culture	Zero accidents for our people and visitors.	57% reduction in days lost in 2023, from 23 to 10 lost time incidents.	Slightly behind target	**57%** reduction in days lost in 2023.	See pages 34 to 37
	100% of employees trained on Ethics Code biannually.	99% of employees were trained on Ethics Code in 2023.	Slightly behind target		
	Healthy lifestyles campaigns at 50% of sites by 2025.	Healthy lifestyles campaign roll out commenced in January 2024.	On track		
	Mental health training to 80% of leaders by end 2024.	9% of leaders have received mental health training.	Behind target		
	40% women in leadership teams by 2025.	31% women in leadership teams in 2023, and 38% on the Board.	Slightly behind target		
Our communities	Supplier Code of Conduct refreshed and launched in 2023 to all suppliers over a material spend threshold.*	18% of targeted suppliers have signed up to this code.	Behind target	**13%** of employees took a community engagement day in 2023.	See pages 37 to 39
	Top 70% of suppliers by spend actively risk monitored.	Top 75% of suppliers actively risk monitored.	On track		
	A community engagement day taken by 25% of employees during 2023.	Community engagement days taken by 13% of employees in 2023.	Behind target		

* ERM CVS has assured a selection of our environmental, social and governance metrics for 2023. Full details of the scope, activities, limitations and conclusions of the assurance engagement are included in the Assurance Report on pages 148 to 149. Further details on our basis for reporting can be found at www.essentraplc.com/responsibility.

2023 environmental data

Scope one and two GHG emissions (tonnes CO_2e)*	2019	2022	2023	% change 2023/2019
Stationary fuel combustion	3,050	2,922	**2,323**	-24%
Mobile fuel combustion	372	456	604	62%
Fugitive emissions	–	57	247	–
Total scope one emissions	**3,422**	**3,435**	**3,174**	**-7%**
Electricity – location based	22,587	17,155	15,303	-32%
Electricity – market based	18,814	12,755	10,498	-44%
Off-site electric vehicle charging – location based	–	–	2	New
Off-site electric vehicle charging – market based	–	–	4	New
Purchased heating and cooling	–	–	89	New
Total scope two – location	22,587	17,155	15,394	-32%
Total scope two – market	18,814	12,755	10,591	-44%
Total scope one and two emissions location	**26,009**	**20,590**	18,568	**-29%**
Total scope one and two emissions market	**22,236**	**16,190**	13,765	**-38%**
GHG intensity (total scope one and market-based two emissions per £m revenue)	**74.2**	**47.9**	**43.5**	**-41%**

Scope three emissions	2022	2023	% change 2023/22
1. Purchased goods and services*	98,789	66,557	-33%
2. Capital goods*	1,161	141	-88%
3. Fuel and energy-related activities*	5,215	4,344	-17%
4. Upstream transportation and distribution*[1]	44,756	29,806	-33%
5. Waste generated in operations*	479	175	-64%
6. Business travel[2]	809	809	–
7. Employee commuting*	6,741	6,433	-5%
10. Processing of sold products	29,859	23,141	-22%
12. End of life treatment of sold products*[5]	291[3]	244	-16%
13. Downstream leased assets	84	84	–
Near-term target total (categories 1 and 4)*	**143,545**	**96,363**	-33%
Near-term GHG intensity (kgs/£ of value added)*	**1.8**	**1.3**	**-30%**
Total scope three emissions*	**188,184[4]**	**131,733**	**-30%**

Zero waste to landfill*	2019	2022	2023
Number of sites at zwtl	2	12	14

* ERM CVS has assured a selection of our environmental, social and governance metrics for 2023. Full details of the scope, activities, limitations and conclusions of the assurance engagement are included in the Assurance Report on pages 148 to 149. Further details on our basis for reporting can be found at www.essentraplc.com/responsibility.

Materials from sustainable sources*	2019	2022	2023
Percentage of polymers from sustainable sources	2%	10.8%	20.7%
Percentage of recycled content in packaging materials	–	–	28%
Percentage of packaging that is recyclable or compostable	–	–	58%

Energy (MWh)*		2019	2022	2023	TCO_2e 2023
Total Electricity Procured	UK	8,055	6,477	6,034	2
	Global	48,729	42,263	38,873	10,498
Renewable Electricity Procured	UK	7,896	6,423	5,973	–
	Global	7,896	13,277	16,967	–
Natural Gas	UK	14	38	367	67
	Global	14,318	13,683	12,145	2,217
Fuels	UK	691	572	409	109
	Global	2,206	2,503	2,944	710

Solid hazardous and non-hazardous waste destinations (tonnes)*	2019[1]	2022	2023
Recycling	1,374	2,232	2,709
Recovery	161	199	330
Incineration	66	397	80
Landfill	2,787	896	204
Total solid waste	4,388	3,724	3,323
% solid waste diverted from landfill	36%	76%	94%

Liquid hazardous and non-hazardous waste destinations (tonnes)*	2020	2022	2023
Recycling	66	69	57
Recovery	198	1	26
Incineration	4	6	12
Landfill	3	–	–
Total liquid waste	271	76	95
% liquid waste diverted from landfill	99%	100%	100%

Water (cubic metres)*	2020	2022	2023	% change 2023/22
Water usage	135,015	158,383	171,145	8%

The organisational boundary for this data is determined using an operational control approach. All comparatives from 2019 to 2022 were restated in 2022, to reflect the divestment of our Filters and Packaging businesses. The 2019-2022 reporting periods are January to December. The 2023 reporting period is January to December, for all data except for scope three categories one, two and four, where the reporting period is October 2022 to September 2023. Excluded categories were determined via a materiality threshold assessment to be either inapplicable due to no related activity, or excluded due to low significance. This will be periodically reviewed.

1 Upstream transportation includes intra-company transport and products to customers. Downstream transportation is captured in category one as part of our spend on materials and services.
2 2023 business travel emissions is based on a study developed based on 2022 data.
3 2022 end of life treatment of sold products has been restated due to an amendment to include our goods for resale.
4 Total Scope 3 emissions has been restated for 2022 to include all emissions within Essentra's Scope 3 emissions inventory which forms the Science-Based Targets initiative approved near- and long-term target baseline.
5 Excludes Wixroyd as no data available.

Our planet

We want to end our dependency on virgin fossil materials and fuels, making significant emissions reductions across our value chain through energy efficiency, renewables, material and transport choices.

Reducing emissions

Our targets

Reduce our scope one and two GHG emissions by

50%

by 2030 from a 2019 baseline, and reach net-zero by 2040 at the latest.

Reduce our scope three GHG emissions intensity, from purchased goods and services, and upstream transportation and distribution by

55%

per GBP of value added by 2030 from a 2022 baseline, and reach net-zero by 2050 at the latest.

Our progress

38%

Reduction in scope one and two GHG emissions since 2019.

30%

Reduction in scope three GHG emissions intensity since 2022.

We are committed to continuing to reduce our emissions. In 2022, we reset our baseline for scope one, two and three emissions as part of our transition to a pure-play components business. Since 2019, we have reduced our total scope one and two CO_2e emissions by 38%, and indexed to revenue, emissions intensity has declined by 41%.

Total scope one and two emissions reduced by 15% in the year due to our continuing transition to renewable electricity and our focus on energy management programmes. Renewable electricity now accounts for 44% of total electricity usage, an increase of 13% compared to 2022. 2023 also saw our first on site solar project begin generating power at our Rayong, Thailand site, followed by our second site in our Yichun site in China, at the end of the year. Renewable energy generated on site is now 2% of our total usage.

We have continued to implement energy efficiency projects across the Company. In 2023, we completed 12 projects across seven sites. These ranged from injection moulding machine replacements at several sites, installation of lighting sensors at our site in Ningbo in China, LED installations at our site in Erie in the USA, and a new chiller system at our Barcelona site.

In 2023, our scope three near-term emissions intensity has reduced by 30% compared to our 2022 baseline. Key to this has been our progress in understanding of emissions hotspots within our scope three emissions, working with our supply chain to gather the data required to transition from calculations based on our spend, to activity data which provides more precise measurements. Then using this data to determine actions for decarbonisation.

The largest areas of our scope three emissions are the goods and services we purchase, and the transport we use both upstream with our suppliers and downstream to our customers. In purchased goods and services, we have commenced engagement with our metals and packaging suppliers to collaborate on emissions reduction initiatives. We will be continuing this in 2024 and expanding to incorporate more suppliers across our value chain.

Within our product transportation, we have implemented a third-party shipment tracking service, which allows us to optimise the route and mode of shipments, reducing emissions by ensuring each shipment is using the most efficient methods available. In addition, we are continuing to engage our transport providers to decarbonise their operations and implement lower carbon equipment such as sustainable fuels, and electric vehicles.

In 2023, we submitted our scope one, two and three near-term and net-zero targets to the SBTi for validation, and these targets were approved in February 2024. To support our targets, in 2023, we developed our inaugural climate transition plan, which can be found on pages 40 to 53. This plan details the key initiatives we will be focusing on to reduce our emissions further and meet our targets across our scope one, two and three emissions.

Waste

Our targets

All sites to achieve
zero waste to landfill
by 2030 at the latest.

Reduce waste intensity by
50%
by 2030 from a 2019 baseline.

Our progress

14 sites
achieved zero waste to landfill in 2023, and 94% of waste is now diverted from landfill.

Waste intensity has reduced
28%
from our 2019 baseline.

We aim to dispose of zero waste to landfill ("zwtl") across our operations, as well as minimising the waste we generate across the product lifecycle. We recognise that waste, in particular plastic waste, is a key global challenge and reducing our waste generation alongside increasing reuse and recycling will provide us with cost and resource savings. In 2023, two additional sites achieved zwtl, taking our total to 14, or 34% of all sites. Looking ahead to 2024, we have a further seven sites which achieved at least three months of zwtl during the year, and are on track to reach full zero waste to landfill status by the end of 2024.

Overall, 94% of solid waste was diverted from landfill across our operations in 2023, an increase of 18% compared to 2022, and our waste intensity has reduced by 28% against our 2019 baseline. Throughout the year, we focused efforts and investment on waste prevention and reusing waste in our manufacturing and operations process. At our Kidlington site in the UK, we invested in new equipment that allows us to reuse our internal manufacturing polymer waste. Since installation, over three tonnes of resin has been internally reused across a range of products. At our metal manufacturing site in Silivri, projects have also been undertaken to reduce waste through design. This has resulted in a reduction in waste from the manufacturing process, and an increase in material suitable for reuse. In 2024, waste is a specific area of focus for our management and site teams, as 57% of all employees will have a waste reduction measure as part of their bonus objectives.

Madrid team – planting trees at a local forest

Louisville team – adopt a park initiative

Water use and our wider impacts on nature

Our polymer manufacturing operations predominantly use water in closed loop systems, and consequently our overall water usage globally is a result of metal manufacturing, hygiene, catering and cleaning at our sites. We are mindful that water is of great importance in the communities we operate in, and therefore ensure that we monitor our water consumption and track any reduction initiatives at our sites. In 2023, our water use has increased by 8%, due to an increase in our operational footprint reporting coverage, with nine additional sites reporting in 2023, and an increase in water usage at our metals manufacturing sites. In 2024, we plan to begin reporting on water usage per head and create an action plan for our Silivri, Yichun and Ningbo sites, which account for just under 80% of our total water usage.

We monitor water stress across all of our sites globally on at least an annual basis. In 2023, we identified two water basins in "extremely high" water stressed regions where we have manufacturing sites, Silivri in Turkey, and Monterrey in Mexico. In our Silivri facility, water efficiency actions have been implemented in the washrooms on site, and in Monterrey, we moved to a new purpose built facility in November 2023, where we will reset the baseline for our water usage in 2024. We monitor any site where we have water discharge consents to ensure compliance. In 2023, two sites, Yichun in China and Rayong in Thailand, had consents to discharge water and there were no incidents of non-compliance.

Across our sites globally in 2023, we have participated in many local initiatives that benefit the local natural environment. Highlights from some of those countries include: Spain, where the Madrid team and their families spent the day planting trees to restore an area of forest local to our site; in the USA, where our Louisville team adopted a local park, becoming stewards of Riverview Park which they will look after with various projects throughout the year; and Germany, where employees at our Nettetal site gave their support to a local conservation area, volunteering to maintain the nearby Brachter Wald nature reserve to preserve the sand dunes, which are an important special habitat for rare plant species.

In 2023, we also commenced our analysis of the Taskforce for Nature related Financial Disclosures ("TNFD") recommendations, and in 2024 we will be conducting our first TNFD assessment of our nature related risks and opportunities at our manufacturing and distribution sites in line with the TNFD guidance.

Nettetal team – Brachter Wald nature reserve volunteering

Madrid team – planting trees at a local forest

Environmental Compliance

In 2023, nine of our manufacturing sites equating to 80% of our production, are covered by ISO14001 certifications.

There were no reportable spillages or environmental incidents at any of our sites during the year, nor were there any fines or penalties related to environmental incidents.

Solar panels at our Yichun site

Solar panels have been installed at our largest manufacturing site in Yichun, China, this year.

The installation comes only three months after commissioning a 6,000m^2 solar array at Essentra's manufacturing site in Rayong, Thailand.

The solar panels will generate up to 1,650MWh of energy annually, reducing the sites reliance on fossil-fuel generated electricity and avoiding the unnecessary generation of an estimated 1,000 tonnes of GHG emissions each year.

"The solar array reflects our overarching aim to reduce carbon emissions and practice sustainability in manufacturing across all of our global sites."

JENNIFER SPENCE
ESG Director

Our components

We will strive to design new products through the innovative use of renewable, reusable, recyclable and biodegradable materials. We have a Centre of Excellence where we can showcase products to our customers, and provide a space for ideas to flourish into innovative new products.

Transitioning to more sustainable materials

Our focus and targets

50%
of raw materials from sustainable sources by 2030 across our polymer ranges.

100%
of raw materials from sustainable sources by 2030 across our general protection and security seal ranges.

Our progress

In 2023, we hit our 2025 target early, achieving

20.7%
of sustainable materials in our polymer ranges.

In 2020, we signed up to the Circular Plastics Alliance commitment to use at least 20% recycled content in our polymer ranges by 2025. We have achieved our target early, developing our use of recycled content during the year to 20.7% for 2023. Consequently, we have set a new target to achieve 50% of raw materials from sustainable sources across our polymer ranges, and 100% in our general protection and security seals ranges by 2030.

In 2023, we have increased the number of products and sites that have transitioned to using recycled content in our polymer ranges. We now have seven manufacturing sites globally where recycled content is used as standard, across a range of over 7,000 products.

Our site in Kidlington, UK, now includes 50% recycled content as standard across most of our LDPE product range, with over 3,300 products achieving 98% recycled content.

In 2023, our Jaguariuna site in Brazil moved to producing 365 products with 50% recycled HDPE and LDPE material across our general protection ranges. Alongside this, our Erie facility also transitioned an additional 466 products to using recycled material. By delivering products with lower GHG emissions and improved circularity through our substitution programme, Essentra has helped customers reduce their own GHG emissions without the need for extra investment. We have conducted a lifecycle assessment on one of our most popular products, a push-in-plug from our general protection range, which has shown that the recycled material we currently use reduces product emissions by around 30%. We estimate in 2023, we avoided GHG emissions of over 950 tonnes by making the transition to more sustainable materials across our polymer ranges.

Our Centre of Excellence

In 2023, we launched our Centre of Excellence to support our transition to using more sustainable materials across our product range.

This dedicated centre at our Kidlington site in the UK, is used to trial a wide array of materials with sustainability benefits such as reduced emissions, improved recyclability and improved circularity. The centre has a dedicated test engineer, who conducts testing on both recycled content and various biodegradable and bio-based materials, including bio-woods and nylon, to establish how they perform when replaced or added to existing resins used in the manufacture of plastic components. These innovative new materials can reduce the environmental and carbon impact of the products we manufacture, and helps our customers reduce their GHG emissions.

The Centre of Excellence uses the latest technology, and we have made a significant investment in two different types of machinery: an all-electric machine and a servo drive machine. The principal purpose is to enable us to test not only how the materials will behave in the manufacturing process, but also the impact of different types of tooling. The results will provide us with the tool to drive efficiency and sustainability in our products and processes, reducing scrap rates and accelerating speed of delivery. The Centre of Excellence is an example of how sustainability is embedded in our culture. We are investing significantly in new infrastructure and equipment, allowing us to test and process new types of materials, and optimise energy consumption.

Our packaging

Our focus and targets

Support a circular economy by ensuring

100%
of our packaging is reusable, recyclable or compostable by 2030.

50%
recycled content in our packaging materials by 2030.

Our progress

58%
of our packaging is reusable, widely recyclable or compostable.

28%
recycled content in our packaging.

Packaging is an important part of our resource usage and is key to ensuring our products are delivered damage and hassle-free to our customers. 2023 is the first year since we introduced packaging targets, and during the year we have been engaging with our packaging suppliers to determine the current rates of recycled content in our packaging, and to explore opportunities to reduce packaging and waste. At the end of the year, we reached 28% recycled content across all of our packaging, and 58% of our packaging is deemed to be widely recyclable or compostable. We have included paper and wood in our scope of what we determine to be widely recyclable, or compostable.

In 2023, we implemented more recycled content into our packaging across our sites globally. At our Flippin site in the USA, we have transitioned our packaging to biodegradable and recyclable tape, with cardboard boxes which are now made using 62% recycled content. At our key European distribution sites, Łódź in Poland and Nettetal in Germany, we have established a reuse system for our intra-company product movements. By reusing our shipping boxes between the two hubs, we are reducing the amount of boxes we use by around 1,600 in 2023, reducing the amount of waste we generate and the amount of materials we buy.

In 2024, we will be continuing to engage with our packaging suppliers to share best practice and increase recycled content.

Collaborating with suppliers to support packaging goal

At our manufacturing and distribution centre in Kidlington, in the UK, we have switched to using paper-based packaging. The new packaging contains recycled content and is widely recyclable after use.

Working closely with packaging suppliers, the Kidlington distribution team focused on replacing transport packaging with more sustainable options:

- plastic used to fill voids has been replaced by 100% recycled cardboard, created by converting waste cardboard on site
- plastic mailers have been replaced with paper versions containing 20% recycled paper
- the tape used to seal boxes is now made from widely recyclable paper, and the adhesive is biodegradable.

Our customers

This pillar focuses on supporting our customers to achieve their sustainability goals. As the only global manufacturer and distributor of our kind, we are in a leading position to assist customers by providing products and services that have been developed to provide a hassle-free sustainable choice.

Our targets

Increasing the number of products introduced with sustainability criteria.

Our progress

750
products in 2023 introduced with sustainability criteria.

Sustainable products and services

Our purpose is to help customers build a sustainable future, and therefore working with them on their approach to sustainability is a key area of activity. We are committed to continuing to invest in developing new products with improved sustainability performance and lower lifecycle emissions, and providing our customers with expert advice on the most sustainable choice for their needs.

In 2023, we introduced 750 new products that provide a sustainability benefit. This includes lower GHG emissions, increased recycled content or biomaterials, and improved circularity. Our total products with sustainability features is now 7,981.

Alongside sustainable products, we are in a leading position to assist customers in defining, and reducing their scope three emissions. As a market leader with the unique proposition of offering manufacturing and distribution of our products in an otherwise fragmented market, we can provide clarity to our customers of our products emissions across its lifecycle. As detailed in our climate transition plan on pages 40 to 53, we intend to reduce our emissions to net-zero across the manufacture and distribution of our products to customers, delivering a low-carbon service to our customers from product design through to delivery. We commenced the work to establish product carbon footprints for our vast and diverse range of products in 2023, and delivered product-level footprints across our product categories, including our general protection and electronics ranges to our customers. We intend to continue and expand on this work in 2024 to provide product carbon footprints across our ranges.

Product governance

We are committed to achieving the highest standards of product quality, reliability and safety. We have comprehensive product design and development procedures to ensure precise delivery to specifications, and are constantly seeking opportunities to enhance quality and safety performance.

In 2023, 11 of our manufacturing sites, equivalent to 95% of products we manufacture, were certified to a recognised international quality management standard of ISO 9001 or ISO/IATF 16949.

Sustainable economies

In addition to supporting our customers with low carbon and circular products, we are also actively increasing our abilities and product offerings that serve the new and emerging markets that will be required in a low-carbon world. Our category teams are focused on identifying opportunities in high-growth, low-carbon markets such as renewables, electric vehicles, automation and electrical heating and cooling.

Within the heating and cooling markets, we have developed new relationships with customers who are leading the way with innovative new technology, with our diverse product ranges supporting a range of requirements from electrical components to access hardware.

We are ensuring we support our automotive customers in their transition to electric vehicles ("EV") and also providing the components needed for the supporting charging infrastructure. Our components are used throughout EV charging from the enclosure hardware to the electrical components.

Providing solutions for customers to charge ahead

Ingeteam is a leading energy conversion company, with a wide range of products across renewable energy generation, storage and e-mobility.

In 2023, as an existing customer of our recently acquired Wixroyd business, we were given the opportunity to provide Ingeteam with our full product range.

Ingeteam can now source the wide variety of electrical, general protection and access hardware components they need from one place, saving time, creating efficiency and reducing packaging and transport emissions.

Ingeteam

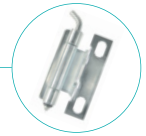
CABLE GLANDS
Maintain uptime, seal electronics and protect cables from strain relief with IP rated cable glands

SPRING PLUNGER
Make sure the charging gun is secure whilst ensuring ease of use

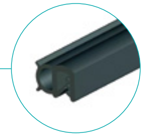
EMERGENCY BUTTON
Ensure user safety with our emergency stop buttons

SWING HANDLE
Maintain easy access for maintenance whilst ensuring security and aesthetics are not compromised

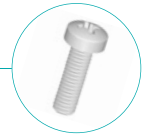
LEAF HINGE
Ensure easy access for maintenance with easy to install leaf hinges



CONCEALED HINGE
Concealed hinges provide additional security by removing pry points

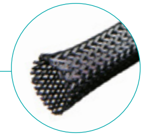


BUBBLE GASKET
Maintain enclosure protection with IP rated gaskets



PLASTIC SCREWS
Prevent short circuits in electronics applications with non-conductive screws

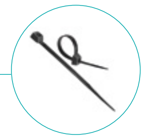
QUARTER TURN LOCKS
Make sure electrical applications are secure and sealed from the elements with IP rated locks



BRAIDED CABLE SLEEVES
Protect wiring and ensure uptime with UL rated cable sleeves

TERMINALS
Maintain reliability with quality electrical connectors

STANDOFFS
Mount PCB's securely and easily using a screw in standoff



CABLE TIES
Efficiently organise wiring to enhance reliability and reduce downtime

Our culture

This pillar focuses on creating a safe, supportive work environment that champions equality and celebrates diversity.

Health, safety and wellbeing

Our focus and targets

Zero accidents
for our people and visitors.

Mental health training to
80%
of leaders by 2024.

Healthy lifestyles campaigns at
50%
of sites by 2025.

Our progress

Lost time incidents reduced by
57%
in 2023.

9%
of leaders have received mental health training.

Healthy lifestyles campaigns launched in 2024.

We know from our employee engagement survey that employee perceptions of health and safety at work have improved. "My Company is safe place to work" was one of the top scoring statements at 91%. This has improved by 2% against 2022 and is 8% above our industry benchmark.

Our commitment to safety in 2023 resulted in tangible improvements, ranging from increased visibility and accountability among leaders to successful hazard reduction initiatives and a significant 57% reduction in lost time incidents. All our sites have health and safety management systems in place. Of these, nine sites are certified to ISO 45001 or an equivalent standard, covering 73% of employees.

In 2023, we launched the Leadership Safety Commitment, a standard to align all leaders in the organisation. We increased safety visibility, by installing lost time clocks at sites, and developing and embedding safety commitments into our 2023 objectives. As part of the safety protocol, our CEO, Scott Fawcett, actively participated in a review of each lost time incident. This practice ensures that leadership is actively engaged in addressing safety concerns, fostering a culture of transparency, responsibility, and a collective commitment to the wellbeing of every Essentra employee.

Our site in Yichun, China, implemented a risk reduction programme as a key safety initiative in 2023, and the site achieved an impressive milestone by reaching 365 days without a lost time incident. A third-party audit was conducted in 2022, and in 2023 all high-risk issues identified at the site were successfully resolved or reduced to a low level. In 2023, we ran a pedestrian segregation project, improving the separation of pedestrians from vehicles at each site. Fourteen projects were completed in the year, and the project drove an increase in positive engagement. The emphasis on both our Yichun site, and the pedestrian segregation project has provided a holistic approach to safety, addressing site-specific needs while implementing broad, company-wide initiatives.

In 2024, our safety culture journey continues through a comprehensive strategy focusing on leadership commitment, active "grassroots" employee participation, stringent compliance measures, and continuous improvement. By embedding safety into our daily operations and ensuring leadership commitment at all levels, we aim to create a workplace that gives every team member a voice and leaders champion safety.

As well as physical health and safety, we recognise the importance of our people's mental health and wellbeing. We currently have 24 mental health first-aiders trained across the business, and in-house capability to train our people in mental health first aid. We recognise that, as well as having mental health first-aiders, it is valuable to equip our leadership with the skills required to support their teams and encourage employees to thrive. Currently, we are behind target, with 9% of our leadership team trained. In 2024, we are rolling out the training to more leaders and employees to reach our 80% target, ensuring a consistent approach to mental health and wellbeing across the business. We have also commenced our healthy lifestyle campaigns, starting with a global walking challenge in February 2024, this will be followed up with a rolling programme of activities during 2024.

We provide all of our people with access to our Employee Assistance Programme, providing them and their families with 24/7 access via a confidential phone line to support on any financial, legal or family topics. This is backed up with access to online health and wellbeing resources.

Safety performance 2023

	2023	2022	% change
Lost time incidents ("LTIs")	10	23[1]	-57%
LTI rate per 200,000 hours	0.42	0.96	-56%
Days lost	128	382[1]	-66%
Severity rate (days lost per 200,000 hours)	5.41	16.02	-66%

1 2022 LTI and days lost restated due to an incident severity change after publication of the 2022 Annual Report.

Employee engagement and recognition

Employee engagement is one of the most important indicators of the health of our business, as we believe that higher rates of employee engagement generate higher levels of customer satisfaction. In 2023, we changed the timing and cadence of our employee engagement survey, conducting a shorter survey earlier in the year, with further surveys planned throughout the year. We see this as an opportunity to introduce a more dynamic, frequent and data-driven approach to employee engagement through the concept of continuous listening.

86% of employees responded to the survey, meaning that the findings are a true representation of the employee voice at Essentra. The results of our 2023 survey show we have an overall engagement across the business of 82%. This is down by 1% in comparison to 2022, but exceeds the industry benchmark by 7%. Of the 22 questions in the shortened survey where we could make comparisons to the previous year, we exceed industry benchmarks in three key areas:

- "My company is a safe place to work" – at 91% this has improved by two percentage points since 2022 and is eight percentage points above the industry benchmark
- "I would like to be working for Essentra 12 months from now" – at 86% this remains the same as 2022, but still 14 percentage points above the industry benchmark
- "I am satisfied with Essentra as a place to work" – at 84% this remains the same as 2022, but continues to be 11 percentage points above the industry benchmark.

In comparison, the main areas where we want to continue to make improvements are:

- good communication between departments – this question scored 57% which is an increase of 1% against 2022 but still the lowest scored question
- similarly, when asked if there was little wasted time and effort only 61% of respondents agreed.

To implement improvements, every site and functional area of the business will be reviewing their 2023 engagement action plans, and building a 2024 plan to drive improvements in their area.

In 2023, we carried on our annual We Make it Work Awards. We had a great response rate, receiving 666 nominations across six categories:

- we deliver
- we champion equality and celebrate diversity
- we care about each other
- we care about our customers
- we drive a sustainable culture
- we are an effective team.

Recognising our employees through the awards provides a great opportunity to share good practice and spotlight great initiatives happening across the Company.

Championing equality and celebrating diversity

Our focus and targets

40%
women in leadership teams by 2025.

25%
of leaders identify as ethnically diverse by 2030.

Our progress

31%
of women in leadership teams at end of 2023.

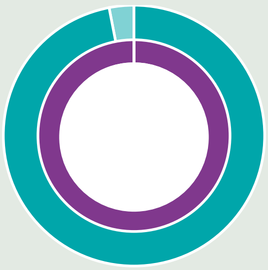
17%
of leaders identify as ethnically diverse in 2023.

In 2023, we progressed in our journey to create a more diverse, equitable and inclusive workplace. In 2022, we set a target to have 40% of women in leadership teams by 2025, at the end of 2023 this was at 31%, an increase of 5% from 2022. In addition, we have for the first time collected information on the ethnic diversity of our senior leadership team, and found that 17% of employees in the team identify as ethnically diverse. With this baseline, we assessed suitable targets for a global business like ours, and used benchmarking across the regions we operate in to formulate a target for ethnic diversity that we believe not just represents, but surpasses the broader populations where we work. Consequently, we have set a new target for 25% ethnic diversity in our senior leadership team by 2030, with an interim target of 20% by 2027. This also meets the voluntary request made by the Parker Review to set an ethnicity target for 2027.

Our overall diversity, equality and inclusion ("DE&I") goals are supported by series of campaigns that we run throughout the year, organised by a cross-functional team of our people that forms the DE&I team across Essentra. This team ran a series of campaigns across 2023 related to various topics including Pride, Black History Month, International Women's Day and International Men's Day. In 2024, we are focusing on a broader DE&I strategy that complements and supports our ESG strategy. This strategy covers all facets of DE&I, and brings together the targets and campaigns we run throughout the year, supported by activities to ensure we attract, recruit, train and retain diverse talent across our business.

Our employee diversity as of 31 December 2023

Permanent/Contractor split
(%)



All employees
- Employees: 97% (2,978)
- Agency/Contractors: 3% (92)

Total: 3,070

Leadership team
- Employees: 100% (70)
- Agency/Contractors: 0% (0)

Total: 70

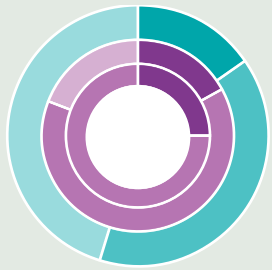
Gender
(%)

All employees
- Women: 43% (1,329)
- Men: 57% (1,741)

Leadership team
- Women: 31% (22)
- Men: 69% (48)

Board of Directors
- Women: 38% (3)
- Men: 62% (5)

Ethnicity
(%)



All employees[1]
- Ethnically diverse: 15% (325)
- White: 40% (848)
- N/A or no response: 45% (973)

Leadership team
- Ethnically diverse: 17% (12)
- White: 64% (45)
- N/A or no response: 19% (13)

Board of Directors
- Ethnically diverse: 25% (2)
- White: 75% (6)

1 Ethnic diversity of employees responding to the 2022 Employee survey (2,146 employees)

Women's Health In South Tyneside

The Social Committee team at our Jarrow, UK site held a number of fundraising activities for International Women's Day 2023. These included a bake sale, raffle, and donation of sanitary products in partnership with a local supermarket. All the funds and donations went to a local women's charity, Women's Health In South Tyneside ("WHIST").

WHiST
WOMEN'S HEALTH IN SOUTH TYNESIDE

Our commitment to being an ethical employer

Our target

100%

of employees trained on Ethics Code biannually.

Our progress

99%

of employees trained on Ethics Code.

Our Ethics Code is the core foundation of our compliance strategy and is issued to all employees globally. It is supported by a comprehensive training schedule, both online, virtual face to face and in person training that is delivered by our in house team. In 2023, 99% of employees who were assigned to receive Ethics Code training completed it. Management followed up with those who did not complete on time to understand why, and ensure there was a thorough understanding of the subject matter and the importance that is placed on compliance with the Ethics Code. The Ethics Code is available in all Essentra languages both in hard copy for colleagues working in factories, and online, so that employees are able to access it easily. An ethics decision tree helps guide employees on making the right decision. In addition, we have specific policies relating to Sanctions, Anti-Bribery and Corruption, Anti–Money Laundering, Anti-Trust and Competition and Third-Party Due Diligence. These policies are made available to all employees and specifically issued for affirmation to senior leaders and other employees who hold positions where such polices are relevant to ensure best practice.

Our Right to Speak Policy, which meets our obligations with regards to whistleblowing across the jurisdictions in which we operate, is well established and enables any employee, customer, supplier or individual otherwise connected to the business, to report circumstances where they believe that the standards of our Ethics Code, or our wider policies and guidance, are not being upheld. We are committed to ensuring employees feel able to raise any concerns in good faith, without fear of victimisation or retaliation and with our support. Employees can report any concerns on a confidential basis online or by telephone. During 2023, our Audit and Risk Committee received updates at each of its meetings on all Right to Speak issues raised and sought assurance from management on the issues and the response. The issues raised mainly related to employment practices that were investigated in full under HR policies and gift disclosures. More information can also be found in the Audit and Risk Committee Report on page 113.

Throughout our international operations, we support and endorse human rights – as set down by the United Nations Declaration and its applicable International Labour Organisation conventions – through the active demonstration of our employment policies, our supply chain and the responsible provision of our products and services. This commitment includes a mandatory requirement at all our sites to avoid the employment of children, as well as a commitment to the prevention of slavery and human trafficking. Each of our websites includes a statement on Anti Modern Slavery, this statement is reviewed each year by management and then assurances provided as appropriate to the Board, prior to being agreed.

We are proud that in 2023, we joined the United Nations ("UN") Global Compact initiative, confirming our commitment to responsible business practices, human rights and our support of the UN Sustainable Development Goals. The UN Global Compact is a voluntary leadership platform for the development, implementation and disclosure of responsible business practices.

Our communities

We work with our suppliers, local communities and wider family to ensure our values, ethical practices and processes provide equitable outcomes, as well as volunteering our time supporting good causes.

Developing an ethical supply chain

Our targets

Our Supplier Code of Conduct ("Supplier Code") refreshed and launched in 2023 to all suppliers over a material spend threshold.

70%
of suppliers by spend actively risk monitored.

Our progress

18%
of suppliers targeted have agreed to our new Supplier Code so far.

75%
of suppliers by spend actively risk monitored – all suppliers over a material threshold spend.

We are committed to conducting our business in a responsible and ethical manner. We recognise that our suppliers play a crucial role in our value chain and share in our commitment to upholding high standards of integrity, sustainability, and social responsibility. We have over 1,500 raw material and goods for resale suppliers who provide over 50,000 products, our supply chain is a core component of our business.

We recognise that local laws and regulations may differ across the regions in which we operate. However, our universal Supplier Code framework guides our suppliers' behaviour and encourage best practices, irrespective of legal requirements. We expect our suppliers to not only comply with applicable laws but also embrace these principles and work towards continuous improvement. The Supplier Code is split into three distinct areas:

- health, safety and the environment
- respecting human and labour rights
- acting with integrity, ethics and compliance.

We believe that our suppliers are integral partners in achieving our ESG goals. By agreeing to operate to our Supplier Code, suppliers demonstrate their commitment to these principles and their willingness to work in collaboration with us towards a more sustainable and responsible future. Since its launch in October 2023, 18% of targeted suppliers have signed up to our Supplier Code. In 2024, we will be continuing engagement to increase responses.
In 2023, we also developed and launched a new approach to supplier development incorporating four levels of engagement, from onboarding through to ongoing supplier relationship management. This new framework provides a collaborative approach to ESG matters and opportunities for decarbonisation.

We enhanced and rolled out a new supplier review and audit programme completing 19 on-site audits across the globe, which also forms part of our risk management approach (see page 65). In 2024, we will continue to work with our key partners to drive sustainable solutions. We have set additional targets to conduct supplier audits for tier one suppliers, based on the criticality of those suppliers, and to increase the percentage of spend actively risk monitored. We also plan to perform an assessment of our supplier's emissions reduction targets and alignment to science-based targets. Once this is complete we aim to set a target for our suppliers to set science-based targets in 2024, to ensure we continue to decarbonise our value chain.

Supplier development pyramid

Procurement will actively manage the supply chain to minimise risk and improve performance.

Audit

Level 4
- Planned and reactive on-site audits
- Compliance and quality driven audits
- Remote audit assessment

Supplier reviews

Level 3
- Supplier relationship management
- Supplier performance reviews
- Supplier self-assessment

Specialist questionnaires

Level 2
- ESG questionnaire
- Quality assurance questionnaires

Onboarding and ongoing monitoring

Level 1
- Enhanced onboarding
- Onboarding monitoring:
  - Modern slavery
  - Reputation
  - Sanctions

Supporting good causes

Our targets

Community engagement days taken by
25%
of employees.

Our progress

13%
of employees took a community engagement day in 2023.

We engage with our local communities to create a positive impact through initiatives that positively impact those in need, improving their lives, the community and the local economy. We relaunched our Community Engagement Policy in 2023 during our Sustainability Week in April, increasing visibility of the option that every employee has to receive one days paid leave each year to volunteer, and providing guidance to all of our employees on how they could spend their time.

In 2023, a total of 2,852 hours of volunteering were recorded by 405 employees, which is 13% of employees. As this is the first year we are recording volunteering, we recognise there is further engagement needed to encourage employees to volunteer and record their time, and this will be a focus area for 2024.

Our employees volunteered to support a wide variety of good causes across the world, illustrating the wide range of local communities our employees work and live in. Some examples include our employees in the UK taking part in beach cleans around the country, and helping a local school to tidy up their gardens. In the USA, our Louisville team adopted a local park, becoming stewards of Riverview Park which they will look after with various projects throughout the year.

In Thailand, over 200 employees took part in a local project to regenerate the local coral reefs, by creating the frames to support the reef restoration and planting live coral cuttings, and in China a team from our Yichun site donated stationery, schoolbags and sports supplies to a local school.

Chicago team – litter picking

Chichester team – beach clean

Rayong team – coral reef regeneration

Our Climate Transition Plan

IN THIS SECTION

> "We are committed to playing our part in solving sustainability challenges, and helping our customers achieve their sustainability goals."

Introduction and background

Essentra is a global market leader in the manufacture and distribution of essential components. We have a history of over 65 years, with customers across a huge range of industries and applications. Making it easier for our customers is our top priority, with every order, we aim to offer a hassle-free experience. We operate across four continents, through our 14 manufacturing facilities, 24 distribution centres and 33 sales and service locations.

Our purpose is to build a sustainable future for our customers. Climate change is one of the biggest challenges that humanity faces. We are committed to playing our part in solving global sustainability challenges, and helping our customers achieve their sustainability goals.

Our ESG strategy sits across five pillars, which considers our operations, customers, products, employees, value chain and communities in which we operate. We have had greenhouse gas ("GHG") emissions reduction targets in place since 2020, and in early 2024, the Science Based Targets initiative ("SBTi") approved our near-term and net-zero targets. We have created this climate transition plan to set out our net-zero emissions reduction targets, and our approach to reducing GHG emissions from our operations and value chain. This plan contains the actions, owners, timelines and anticipated costs to make the transition to net-zero.

This plan supports our ESG strategy, and is supported by our assessment of risks and opportunities using the Taskforce for Climate-Related Financial Disclosures ("TCFD") framework. We will report on this plan annually, and update this plan no less than every three years to ensure relevance with latest standards and developments.

Essentra at a glance

14 manufacturing sites

24 distribution centres

33 sales and service centres

c.3,000 employees worldwide

Strategic ambition

Our ambition is to reach net-zero GHG emissions across our value chain by 2050. We are committed to reducing our absolute scope one and two GHG emissions 90% by 2040, from a 2019 base year, and reducing our absolute scope three GHG emissions 90% by 2050, from a 2022 base year. Our targets are approved by the Science Based Targets initiative ("SBTi"). In 2022, we also signed up to the Business Ambition for 1.5° campaign, led by the United Nations Race to Zero, and our approved targets are aligned with limiting warming to 1.5°C.

When developing this plan, three time horizons were used, which align to our business planning and TCFD assessments. These are short-term (one – three years), medium-term (three – seven years) and long-term (over seven years).

BUSINESS AMBITION FOR 1.5°C

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Business model implications

Our ambition to transition to net-zero has implications for the way we operate, and engage with our value chain. Within our ESG strategy, our customer pillar sets out how we will increase the number of sustainable products being offered to our customers, including substitution of our products with low-carbon alternatives, collaborating to reduce emissions at the end of a products life, and investment in research and development to provide innovative new products. Our components pillar details our aims to increase the sustainable materials within our product ranges, and increasing the efficiency of our designs, to reduce the lifecycle emissions of our products. This will require cultivation of new collaborations with our suppliers, research bodies and academic institutions to drive innovation across our diverse product ranges. Our progress in these areas can be read on pages 21 to 39.

Key assumptions and external factors

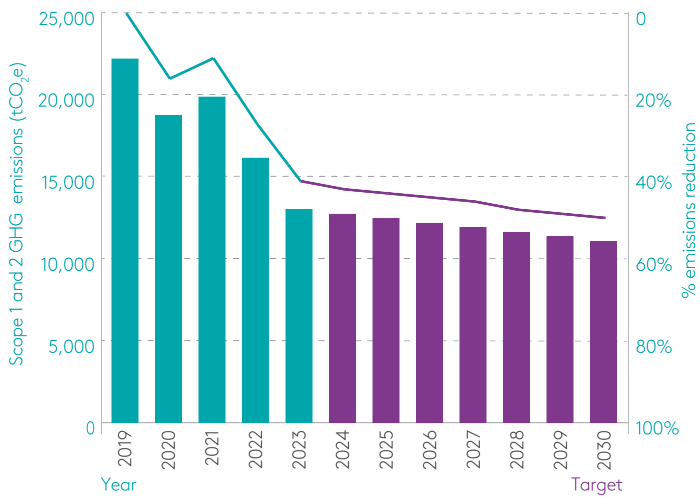
We have set out our key risks and opportunities relating to climate change in our latest TCFD report (pages 58 to 64). The following assumptions and dependencies have been made with regards to this transition plan:

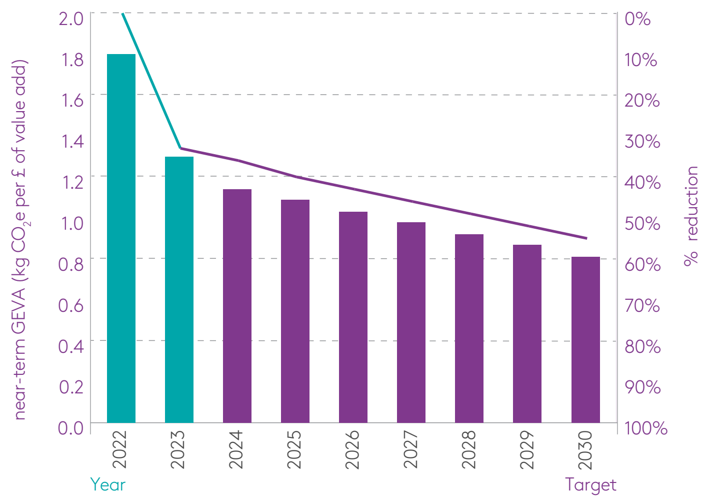
- high quality carbon offsets will be available to offset residual emissions when required
- key suppliers within our value chain will engage and collaborate to transition their own operations to net-zero
- grid decarbonisation will continue at the pace required to meet our reduction targets.

Our SBTi approved targets

	Near-term	Long-term
Scope 1 & 2	Reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from 2019 base year	Net-zero by 2040 at the latest
Scope 3	Reduce scope 3 emissions from purchased goods and services and upstream transportation and distribution 55% per GBP value add by 2030 from 2022 base year	Net-zero by 2050 at the latest

Our pathway to net-zero





Our climate transition plan on a page

Focus	2023	2024	2025	2026	2027	2028	2029	2030+
Our operations	Transition to renewable electricity at all of our sites							Maintaining 100% renewable
	Develop plans for renewable heating for key sites			Implement at key sites, plan smaller sites				Implement smaller sites
	Develop and implement regional policies for low and zero emission vehicles			Transition to low and zero emissions vehicles as leases expire				No new fossil fuel vehicles leased or purchased
Our supply chain	Goods for resale: initial supplier engagement to agree initiatives to lower the embodied emissions in products			Implement category specific ESG initiatives to reduce emissions				Ongoing improvements using supplier engagement processes
	Logistics: move to central freight emissions monitoring system globally		Route optimisation to reduce travel time and distance of products to customers. Engage transport and distribution suppliers, to agree on low and zero emission vehicle transition					Continue collaboration with providers on renewable fuels
Our products and services	Sustainable materials: 20% target achieved	Increase to 50% of polymer from sustainable materials by 2030. 100% of general protection and security seal ranges transitioned to sustainable materials by 2030						Maintaining progress and new targets implemented
	Creation and roll-out of packaging sustainability standard to support targets of 50% recycled content by 2030, and 100% of packaging recyclable, reusable or compostable by 2030							Continue to reduce emissions per package

Our operations

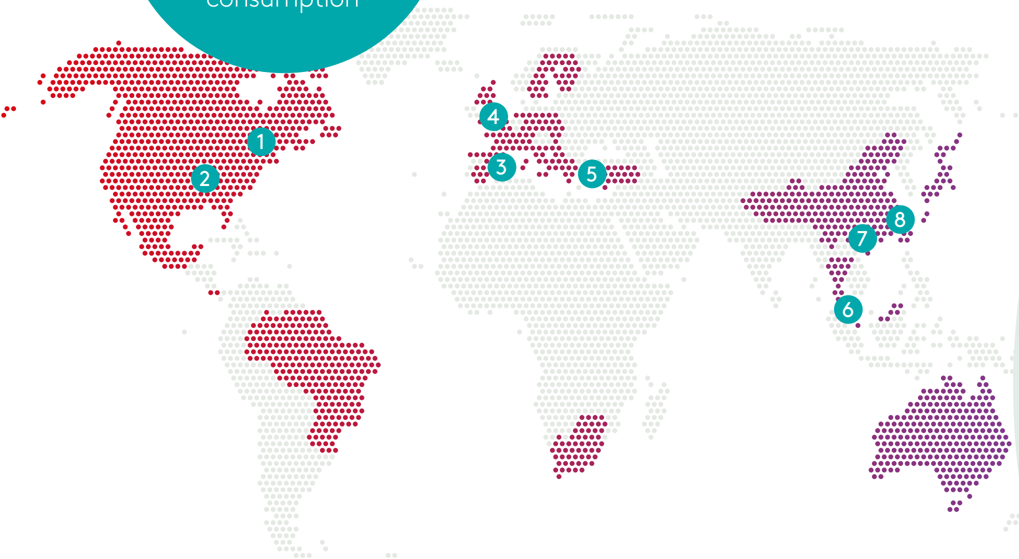
We have made good progress in 2023, reducing our scope one and two emissions by 38% from 2019, through a combination of transitioning to renewable energy and investing in energy efficiency measures. We have the most control over GHG emissions in our operations, and electricity use is the biggest source of these emissions, with our top eight sites representing 89% of our electricity usage. Our roadmap focuses on continuing our transition to renewable electricity across our sites, both from the grid and installing on-site solar where possible, alongside improving our energy efficiency, and a transition to renewable fuels for heating.

Transportation is a small but highly visible part of our direct emissions, however, we are mindful that as we move to renewable and zero emission electricity across our sites, our transport emissions will become a larger part of our emissions profile. Therefore, our aim is to move to low and zero emission vehicles across our fleet. In 2023, we commenced installation of electric chargers and leased an electric vehicle and two hybrid vehicles for our sales team in our Paris-Roissy site, and one at our Nettetal site. Our aim is to expand this programme from 2024–2030 to move our fleet progressively to low and zero emissions vehicles.

Percentage of 2023 scope one and two GHG emissions	Our focus areas	Short-term (2023–2026)	Medium-term (2026–2030)	Long-term (2030–2040)
76%	**Renewable electricity** Transition to 100% renewable electricity	• On-site solar projects • Sourcing of renewable electricity at sites in deregulated markets	• On site solar projects • Progressively increase energy attribute certificates to close gap at sites in regulated markets	• Maintain 100% renewable energy across all sites
	Energy efficiency Continue to optimise our energy demand through machine replacements and energy efficiency programmes	• Machine replacements • Targeted energy audits for top eight largest sites	• Continue machine replacements • Energy audits for distribution sites	• Move to a business as usual replacement plan • Rolling audit programme
17%	**Renewable heating** Transition fossil fuel heating sources at all sites to renewable energy sources	• Develop plans for top three consuming sites at Yichun, Erie, and Silivri	• Commence programme for top three sites • Plan smaller sites	• Commence smaller sites
5%	**Transportation fleet and machinery** Introducing low and zero emissions vehicles progressively into our fleet	• Develop and implement regional policy to replace leased vehicles • Plan transition and process for owned fleet	• Continue lease replacements • Commence replacement of purchased fleet and equipment at end of life	• Continue lease replacements • No new lease or purchases of fossil fuel vehicles and machinery
2%	**Reducing refrigerants** Eliminate any high global warming potential ("GWP") refrigerants, retrofitting or replacing them with low GWP refrigerants	• Audit of cooling systems to determine current state	• Develop plan to retrofit or replace systems	• Implement plan

Worldwide facilities electricity consumption in 2023 (GWh)

8
sites represent
89%
of Essentra electricity consumption



1	2	3	4	5	6	7	8
Erie, PA, USA	**Flippin, AR, USA**	**Barcelona, Spain**	**Kidlington, UK**	**Istanbul, Turkey**	**Rayong, Thailand**	**Yichun, China**	**Ningbo, China**
4.2GWh	6.5GWh	1.5GWh	6.4GWh	5.5GWh	5.7GWh	5.9GWh	1.8GWh

Total energy usage

13.9 GWh	14.6 GWh	13.8 GWh
AMERS	EMEA	APAC

Our supply chain

Within our supply chain, we will be focusing on three areas, which are our largest impact areas included in our SBTi approved scope three near-term target. These are raw materials, goods for resale, and transportation.

Sustainable materials

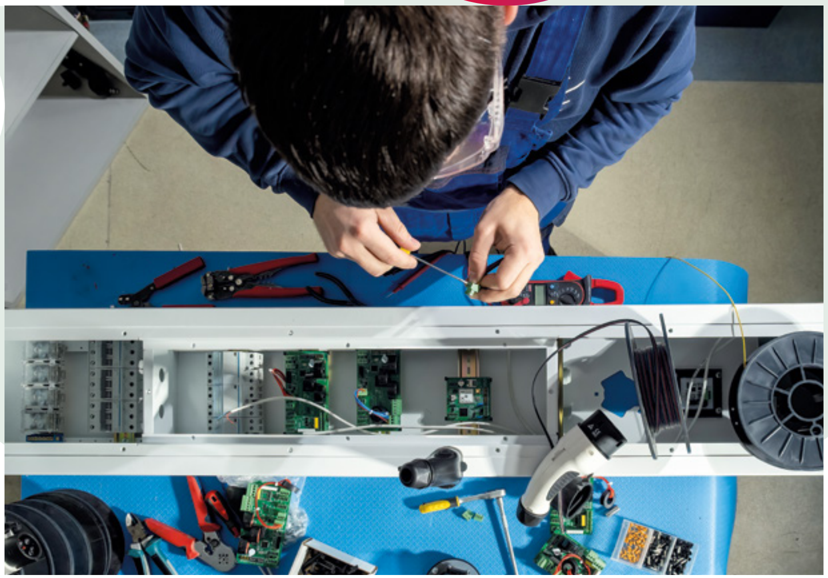
As a manufacturer, our raw materials are of great importance to us and our customers. We will continue transitioning our plastic products to sustainable alternatives. Our metals manufacturing sites will also increase focus on recycled content, and we will work with our suppliers to ensure they have plans to transition to renewable energy sources.

In addition to our net-zero targets, we have a target that 50% of our polymers will be sustainable by 2030, and 100% of our general protection and security seals ranges. In 2023, we invested in our Centre of Excellence, at our Kidlington, UK site. The Centre allows us to trial innovative materials with lower emissions and improved environmental impacts, across our diverse product range. Since 2019, we have substituted recycled content into over 7,000 products across our ranges, providing products with lower emissions and reduced environmental impact.

Goods for resale

Products that we buy to distribute to our customers is a key emissions hotspot. Our main short-term actions in this area are a review of products to determine which can be brought in-house, and a series of supplier engagement campaigns to begin collecting product level emissions information from our suppliers.

28%
of our scope three emissions is from our metal and polymer materials



Our sustainable product journey

2022

99% recycled content used across much of our LDPE range.

31% reduction in GHG emissions per kg of LDPE.

2023

20% of polymers from sustainable sources, reached two years ahead of target.

2030

50% of all polymer materials used will be from sustainable sources.

Transportation

Our focus on transport will be across three areas. Firstly, we will continue to optimise where products are made to reduce transport distances to customers. We will support this by using transport tracking software to use the most efficient and low emission routes and providers, and alongside this we will work with our supply chain to transition to low-carbon vehicles.

In 2023, we implemented a transport tracking software, which provides us with real time tracking of our shipments, and the GHG emissions of each movement. It also allows us to optimise routes and choose providers based on their sustainability credentials, allowing us to include the sustainability of shipments in our decision making.

23% of our value chain emissions is from transport

Percentage of 2023 scope three GHG emissions	Our three focus areas	Short-term (2023–2026)	Medium-term (2026–2030)	Long-term (2030–2050)
28%	**Sustainable materials** • **Polymers:** development of solutions to decarbonise our polymer products in our Centre of Excellence • **Metals:** engagement with supply chain to determine and then transition to sustainable material options • **Packaging:** develop packaging standard to meet 2030 targets of 50% recycled content across all packaging; and 100% to be reusable, recyclable or compostable	• Continued focus on polymer alternatives • Develop product specific GHG emissions inventory for metals • Engage supply chain to develop packaging standard	• Increasing replacements to reach 50% polymer target • Commence transition to low GHG emission metals • Implement packaging standard across all sites	• Develop and implement 2030+ targets • Develop and implement 2030+ targets for metal across categories • Develop and implement targets for 2030+
23%	**Transport** • **Make where buy:** ongoing project to reduce transport distances of our products using our global presence • **Improved analytics:** transport tracking software providing greater visibility and insights to make cost and emissions improvements	• Transport tracking implemented globally • Make where buy project commenced	• As transport contracts expire, sustainability to be key part of new award criteria	• Continued collaboration with providers to move to renewable fuel options
14%	**Goods for re-sale** • **Bringing in house:** strategy to transition to manufacturing ourselves where possible • **Supplier engagement:** working with suppliers to determine and then transition to sustainable material options	• Development of decarbonisation strategy at category level	• Implement product strategy and sustainability decision making process	• Develop and implement 2030+ targets

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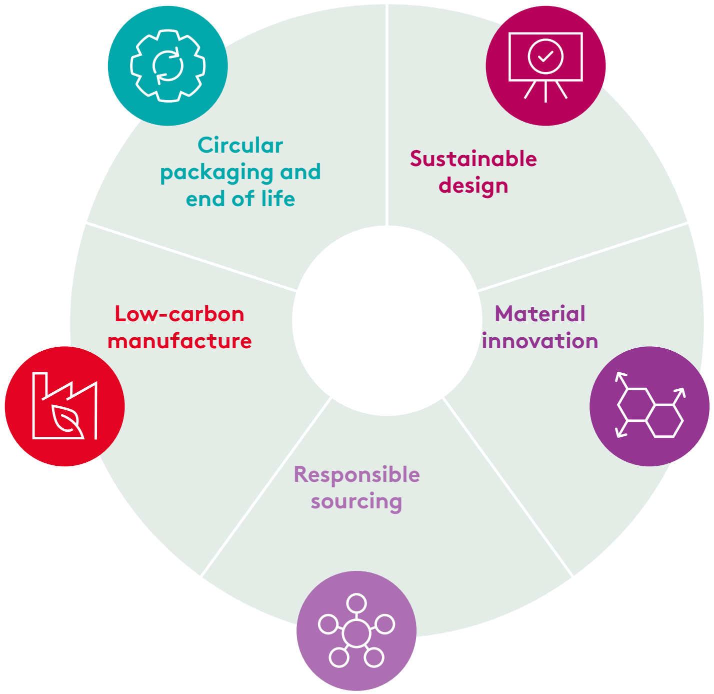
Our focus will span five focus areas:



Sustainable design
Adopt circular economy principles to reduce material use per product and per process cycle. Maximise resource efficiency and design out waste.

Material innovation
Transition to more sustainable materials and increase recycled content across our product ranges.

Responsible sourcing
Embed environmental and social objectives and targets into our supply chain, and engagement to identify decarbonisation opportunities.

Low-carbon manufacture
Reduce the emissions intensity of our products by decarbonising our energy usage, increase our energy efficiency through new technologies, and reduce waste through employee engagement and improved tooling.

Circular packaging and end of life
Increase the circularity of our packaging through initiatives like increasing recycled content and ensuring reuse, recyclability or compostability at end of life.

Our products and services

The work on reducing GHG emissions in our operations and supply chain will support our net-zero transition in our products and services. Our focus will span five focus areas:

- sustainable design
- material innovation
- low-carbon manufacture
- responsible sourcing
- circular packaging.

We recognise the importance of leading by example, which is why we have set ambitious targets and are implementing strategic measures to decarbonise our own operations and empower our suppliers to do the same. Within our supply chain, our focus is now on further eliminating and reducing our scope three GHG emissions, with a particular focus on the circular economy and initiatives to buy or make goods closer to our customers.

Our initial focus on decarbonising our supply chain has been led through raw material replacement, and engagement with suppliers to identify opportunities for improvement. Through this engagement we share best practice to support their journeys, and our own, to net-zero. Our short-term focus is to scale up our engagement with key suppliers. In the medium-term, our goal is to integrate carbon pricing into sourcing and procurement decisions, alongside net-zero clauses in our contracts, and including emissions reduction criteria in our tender processes.

Financial planning

Each of the actions detailed within this plan in our operations has been assessed to quantify the financial impact, and we expect to be able to fund this plan through our existing capital and operational expenditure models. In the short-term, we have no additional capital expenditure beyond the ongoing planned machine replacement programme, and Centre of Excellence project. In the medium and long-term, we anticipate additional capital expenditure to transition our heating and owned-transportation, and this will be reflected in our forecasting once fully quantified, but is expected to be less than 10% of 2023 adjusted operating profit. Our transition to renewable electricity is considered in our ongoing operational expenditure, and we forecast this will be less than 0.5% of adjusted operating profit each year. Within our value chain, we have commenced engagement within our implementation focus areas to ascertain what (if any) the financial impact of our increasing climate-related requirements will be on our existing relationships in the medium and long-term. In the short-term, our sustainable material and goods for resale initiatives are currently cost-neutral, and our transport optimisation work is realising cost savings.

Our climate-related risks and opportunities includes revenue shift from current technologies to emerging low-carbon markets, and more information our climate-related risks and opportunities including financial impacts is available in our latest TCFD report on pages 58 to 64.

Our policies

We have policies in place to support our transition to net-zero. We have a Sustainability Policy which sets out our emissions reduction targets, including our commitment to continue to set science-based targets across our scope one, two and three emissions. We also have a Renewable Energy Policy which states our objective to transition to renewable energy at all of our sites.

Engagement with value chain

Having an effective, efficient and sustainable supply chain is essential to enable us to deliver for our customers and end-users. Engagement with our suppliers is a key element of our transition plan, as emissions from our purchased goods and services is the biggest proportion of our total GHG emissions.

Engaged suppliers perform at a much higher level, knowing they are regarded as valued partners and critical to mutual success.

We work hard to engage directly with our key suppliers and maintain close relationships to ensure continuity of supply, and to proactively manage potential risks of supply chain disruption. During 2023, we have focused on how to better support our suppliers, for example by providing extended demand visibility, and providing our expertise to find mutual solutions to identified risks. We also refreshed and launched our Supplier Code, to all our suppliers with annual spend over a material spend threshold. Our Supplier Code sets out our expectations with regards to ESG performance from our suppliers, including our emissions reduction targets and objectives for the coming years.

Identification of our key suppliers, who contribute the highest proportion of our GHG emissions, has been established based on the products and services they provide. This information has then been used to implement targeted campaigns with suppliers based on spend category, to set specific objectives based on the most material impacts of their services as they relate to our ESG targets. For example, our packaging providers will support our target to reach 50% recycled content in our packaging by 2030, which in turn reduces our emissions from materials and waste.

We will continue these campaigns, focused on alignment to the topics most material to each spend type. In addition, from 2024, we will commence engagement to encourage suppliers to set their own science-based targets for emissions reduction with the SBTi. This will ensure we continue to decarbonise our value chain.

We recognise that our supplier base will change over time as we update and replace existing procurement arrangements. Our engagement with suppliers will be maintained by integrating ESG requirements, such as requirements for emissions reduction targets, into our procurement processes, contracts and ongoing supplier management.

Engagement with industry, government, public sector, communities and civil society

We engage with industry groups to further our ESG strategy and goals. We are a member of the British Plastics Federation ("BPF") and engage with their events and frameworks on sustainability. We also recognise the importance of collaboration with local authorities and communities in our transition to net-zero, and as a global business acknowledge this requires engagement in the UK and internationally. We are a member of the European Circular Plastics Alliance, and have joined their initiative to boost the EU market for recycled plastics with a commitment to increase the amount of recycled plastics in our products to 20% by 2025, a target we hit two years early at the end of 2023.

Category	2023 Spend (%)	2023 GHG emissions (%)
Materials	15	28
Transport	11	23
Goods for resale	22	14

We are a member of the European Circular Plastics Alliance

Our climate-related targets and metrics

We report on a variety of operational metrics that support our net-zero transition, as part of our ESG strategy and regulatory disclosures. Many of these metrics also align to the guidance provided by the Transition Plan Taskforce ("TPT"), and reporting frameworks including TCFD (pages 58 to 64), the Global Reporting Initiative ("GRI") and the International Sustainability Standards Board ("ISSB"). Our progress across all ESG metrics is on pages 21 to 39.

Energy metrics

- Total energy consumed, and energy consumption broken down by source
- Total transport fuel consumed , and broken down by type
- The percentage of renewable electricity consumed, and generated on site

Environmental metrics

- Water usage and water drawn in areas of high water stress
- Waste intensity and waste volumes by end destination
- Sites with zero waste to landfill

Products and material metrics

- The percentage of raw material from sustainable sources
- Number of new products introduced with sustainability criteria

Our GHG targets and progress

As outlined in our strategic ambition, our aim is to reach net-zero GHG emissions across our value chain by 2050. We are committed to reducing our absolute scope one and two GHG emissions 90% by 2040, from a 2019 base year, and reducing our absolute scope three GHG emissions 90% by 2050, from a 2022 base year.

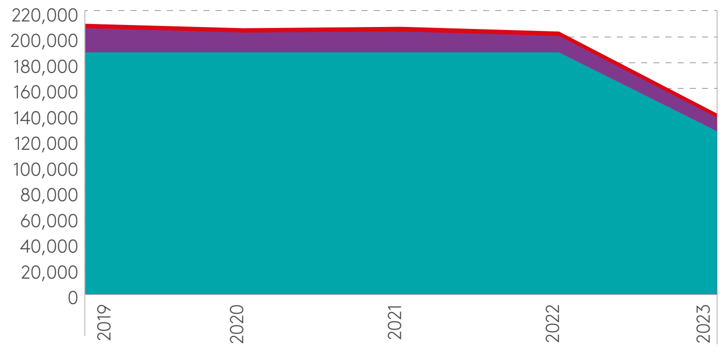
Our scope one and two near-term target includes all GHG emissions within our operational control. Our scope three near-term target includes our purchased goods and services, and upstream transportation and distribution. A screening assessment was carried out to determine our applicable and material scope three categories, and this is reviewed annually.

Our targets are approved by the Science Based Targets initiative ("SBTi"). In 2022, we also signed up to the Business Ambition for 1.5° campaign, led by the United Nations Race to Zero, and our approved targets are aligned with limiting warming to 1.5°C.

Our SBTi approved targets

Scope	Near-term	Long-term
1 & 2	Reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year	Net-zero by 2040
3	Reduce scope 3 emissions from purchased goods and services, and upstream transportation and distribution, 55% per GBP value add by 2030 from a 2022 base year	Net-zero by 2050

2023 GHG emission reduction progress



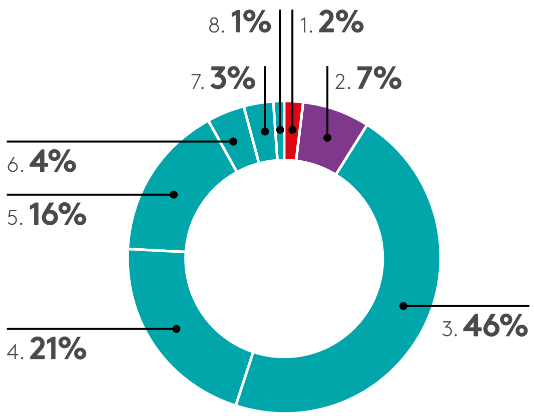
Scope 1
Scope 2
38% reduction since 2019

Scope 3
30% reduction since 2022

2023 total GHG emissions

Scope 1
Scope 2
9%
13,765 tCO_2e

Scope 3
91%
131,733 tCO_2e



1. Scope 1
2. Scope 2

Scope 3

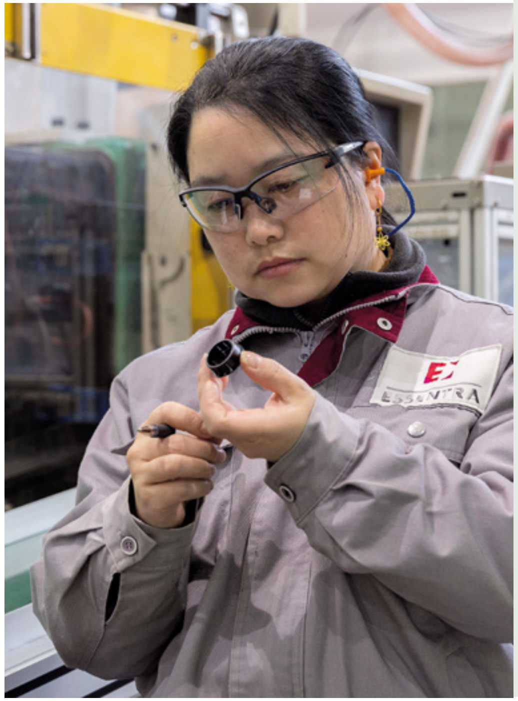
3. Purchased Goods and Services
4. Transport and Distribution
5. Processing and treatment of Sold Products
6. Employee commuting
7. Fuel and Energy related activities
8. Business travel

Carbon credits

Our net-zero target is aligned to the Science Based Targets initiative ("SBTi") Net-Zero Standard, and includes a projected 10% of residual emissions after achieving a 90% reduction from our baseline emission levels. Our approach to achieving net-zero in the long-term will likely include buying high-quality carbon credits to offset the remaining 10% of GHG emissions that we cannot reduce further.

We have no plans in the short-term to use offsetting or carbon credits, and we recognise that the market for carbon credits is developing. Any investments we do make into carbon credits will need assurance that they will provide genuine carbon reduction and are implemented in a way that is not detrimental to the environment. We will disclose any plans to use carbon credits in future transition plans.

Our net-zero target is aligned to the **SBTi** Net-Zero Standard



Reporting and assurance

We understand that transparency of our GHG emissions and how we are making progress against our targets is critical to delivering our ambitions.

We disclose our emissions reduction performance annually, through our Annual Report. We have disclosed in alignment to the Taskforce on Climate-related Financial Disclosures since 2021 and use the framework to disclose our climate-related risks and opportunities in a standardised and comparable way.

We have submitted CDP disclosures since 2012 and most recently received an A– for Climate Change, we also do an annual EcoVadis disclosure, and achieved silver in 2023.

Our scope one and two operational emissions are measured using activity data collected from our internal systems. Our scope three emissions inventory uses a hybrid model of spend and activity data. The model has been developed internally and uses lifecycle analysis, industry databases and supplier specific information where it is available. We are continually improving our scope three inventory as improved data sources and measurement techniques become available. This is tracked internally and reported on annually within our Annual Report. More information on our reporting methodology can be found in our 2023 Basis of Reporting, available at essentraplc.com/responsibility.

Selected ESG information, including emissions reporting, is externally assured on an annual basis to ISAE 3000, to ensure the data is robust and reliable. In 2023, we engaged ERM CVS to provide limited assurance on selected ESG metrics, the assurance statement is available on pages 148 to 149.

We have submitted CDP disclosures since **2012**

Culture

Our purpose is that we help customers build a sustainable future, and one of our four goals is our strategy to drive growth supported by sustainability. This transition plan and the aims and actions within is a key part of ensuring we deliver on that purpose. We embed our culture throughout our business via training, engagement, remuneration and annual objective setting.

To ensure our transition is fair, we will provide training to equip our employees with any new skills and capabilities required, and we include ESG in personal objectives and our remuneration systems.

We have an employee recognition awards annually, the Make It Work awards, with a category dedicated to driving a sustainable culture. Our annual engagement survey allows our employees to provide anonymous feedback on our ESG strategy and goals, and we hold monthly town halls, globally, where ESG updates are provided and employees encouraged to participate in the discussion.

We are also considering benefits such as a leasing scheme for low and zero emission vehicles, to give staff the opportunity to choose more sustainable approaches to commuting and support our scope three emissions reduction targets.

Our purpose

We help customers build a sustainable future

Our vision

To be the world's leading responsible, hassle-free supplier of essential components

Our goals

- Market leader with a unique proposition in a fragmented £8–10bn market
- Clear strategy to drive organic growth and market share gains supported by digitalisation and sustainability
- High margin business with scope to expand through scale efficiencies, operational effectiveness and pricing
- Strong returns and cash conversion enabling value-enhancing mergers and acquisitions

Our ambition

To double the revenue and triple operating profits

Living our values

- **We care about our customers**
- **We care about each other**
- **We deliver**
- **We are an effective team**

Incentives and remuneration

The Remuneration Committee has oversight of remuneration policy for all Essentra employees, including how climate and transition related risks and opportunities are taken into account in determining rewards and incentives, linking to our strategic ambition.

For Executive Directors and the Group Executive Committee ("GEC"), a climate transition plan linked objective is set annually, within the short-term bonus structure, which carries at least a 10% weighting. In 2023, this metric was the percentage of sustainable materials used in our polymer ranges, which impacts our product offering and scope three emissions. In 2024, this metric will be focused on waste reduction, which reduces our scope three emissions from materials and transport. In addition, there is a greenhouse gas reduction target within Essentra's long-term incentive plan. This metric comprises 20% of the weighting, and is linked to our greenhouse gas reduction targets.

We operate a performance related pay and bonus structure for all Essentra employees. Where appropriate, responsibilities for implementing this plan are reflected in employee objectives. In addition, from 2024, almost 60% of Essentra employees have an ESG metric within their overall bonus structure, which will be reviewed and set annually. The 2024 metric is linked to waste reduction at sites, which directly impacts our scope three emissions from material usage and waste generation, and has a 30% weighting.

60%
of employees have an ESG metric within their bonus

Skills competencies and training

We recognise that in order to effectively deliver on our transition plan, we need everyone in Essentra to take part and be part of the journey.

At leadership level, we conduct Board effectiveness assessments annually, and this includes an assessment of the skills and competencies required in relation to climate and transition planning. In addition, the Board level ESG Committee assesses whether it has the right knowledge and competencies to carry out its duties. The ESG Committee invites guest speakers to meetings at least twice per year to provide guidance and inspiration on a variety of ESG topics including climate, and these sessions are open to the wider leadership team.

These measures ensure the Board and Executive management have regular opportunities to gain access to skills to oversee implementation of this plan.

Our training team assess competencies and knowledge requirements across the Company, and work with our Sustainability, Compliance, and Health, Safety and Environment teams, to design and develop training to provide employees with new knowledge and skills to support this plan. Training is broadly split into three categories:

Regulatory compliance

Regular training, briefings and guidance is provided to relevant roles to ensure they have the tools and knowledge to comply with new and upcoming ESG legislation.

Internal ESG training

We have a sustainability week which takes place annually, where all employees are provided training, information and tasks on a chosen topic to support our ESG goals and net-zero transition. The aim is to provide all employees with the language, awareness and tools to take ownership in their role. In addition to this, we have developed and delivered training internally for specific groups of employees such as our sales team, providing tailored guidance that equips employees to manage ESG in their areas, and support our customers with their own transition.

Our Centre of Excellence

Our new dedicated research facility at our Kidlington site in the UK, is providing training opportunities for employees on new machinery, materials and processes to ensure we provide employees with the skills we will need, as we transition to new product ranges and innovative material types.

Governance

Climate-related risks and opportunities, and our transition to net-zero is addressed collectively across the Company, from the Board through to management and operations, providing robust governance and alignment to all aspects of company strategy. Our CEO and Executive Board member, Scott Fawcett, has overall responsibility for setting Company objectives and strategy for Board approval. The Board has overall accountability for the management of our Principal Risks, and these risks incorporate climate-related risks and opportunities. More information on our Principal Risks is on pages 70 to 73.

Our governance structure

Board

ESG Committee
What: sets direction of ESG strategy, reviews and challenges ESG opportunities for improving performance and reducing risk profile. Has oversight of ESG targets and reporting

Audit and Risk Committee
What: oversight of climate-related risks and opportunities process, scrutiny of climate-related risk disclosures, including TCFD and Essentra's Principal Risks

Remuneration Committee
What: aligns remuneration policy with ESG strategy and monitors performance against targets

Management

Executive Committee
What: oversight of ESG activities and process against targets, reviews Principal Risks including climate-related risks and opportunities

Social Steering Committee
What: oversight of initiatives to support social sustainability targets, and manages risks and opportunities

Sustainability Steering Committee
What: oversees initiatives to support environmental sustainability targets, and manages risks and opportunities

Operations

Diversity and Inclusion Team
What: co-ordinates diversity and inclusion activities across the business and shares best practice

Operational Sustainability Committee
What: co-ordinates sites environmental sustainability activities and shares best practice

This transition plan is subject to shareholder approval, via a non-binding advisory vote

The ESG Committee, which is a Board level committee, provides oversight of climate-related risks and opportunities, and oversees the development of our ESG strategy, and this climate transition plan, reviews company-wide opportunities for improving performance and reducing the Company's risk profile through sustainability related activities, and has oversight of our climate and wider sustainability reporting.

The Audit and Risk Committee has responsibility for reviewing and recommending to the Board for approval our climate-related risks and opportunities, our approach to identifying and managing these risks and our alignment to the Taskforce for Climate-related Financial Disclosures ("TCFD") recommendations. Our latest TCFD report is available on pages 58 to 64. The Remuneration Committee has oversight of ESG metrics within our rewards and incentives.

Alongside Board oversight, we have various management and operational groups with responsibility and oversight of our climate transition plan and ESG strategy. These groups ensure that our strategic ambitions outlined in this transition plan are embedded throughout the organisation.

Approval of this plan

This transition plan is subject to shareholder approval, via a non-binding advisory vote.

Non-financial key performance indicators

Essentra's strategic priorities and progress are measured with KPIs against stated priorities in terms of the environment, our customers, communities and people.

Non-Financial and sustainability information statement

This table follows the requirements of Companies Act 2016 Sections 414C(7), 414CA and 414CB and is intended to help stakeholders understand our position on key non-financial matters. We have a number of Group policies and standards which govern our approach to these matters. These are detailed in this report in the sections shown.

REPORTING REQUIREMENT	PAGES
Environmental matters: Environment, social and governance	**22 to 33**
Employees and health and safety: Environment, social and governance	**34 to 35**
Social matters: Environment, social and governance	**34 to 39**
Human rights: Environment, social and governance	**36 to 38**
Anti-bribery and corruption: Environment, social and governance	**36 to 38**
Business model: Our business model	**3**
Climate-related financial disclosures: TCFD update	**58 to 64**
Principal risks: Risk management report	**65**

Customers

Active customers

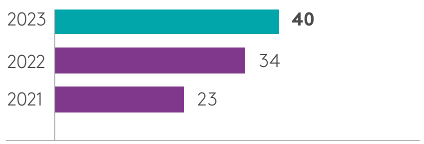
Why this is important

This reflects marketing effectiveness and measures the potential population for further growth opportunities. Customer numbers can fluctuate, for example due to strategic focus on mid-size accounts and digital marketing strategy.

Net Promoter Score

Why this is important

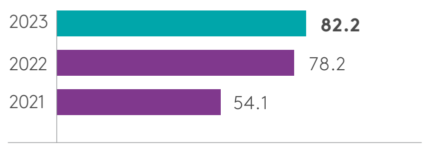
Reflects our customers' overall satisfaction with our products and service, as well as loyalty to our brand.



On Time In Full%

Why this is important

Our ability to deliver quality products on time and in full demonstrates our ability to meet our customers' delivery demands.



Environment

Why this is important

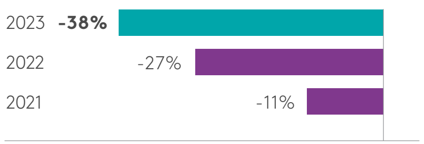
We recognise that we have a responsibility to provide environmental stewardship. We know that the way we manage our environmental impacts affects our reputation, and is a measure of the quality of Essentra's businesses. Our environmental metrics use a 2019 base year.

Scope one and two GHG emissions

Total CO_2e

Our target

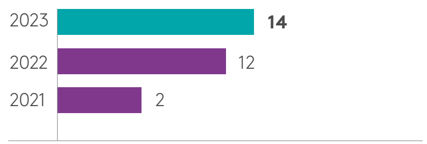
50% reduction in emissions by 2030 (from 2019).



Number of sites at Zero Waste to Landfill ("zwtl")

Our target

All sites at zwtl by 2030 (from 2019).

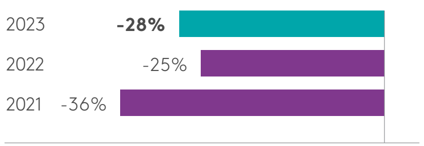


Waste intensity

Total tonnes per £m revenue

Our target

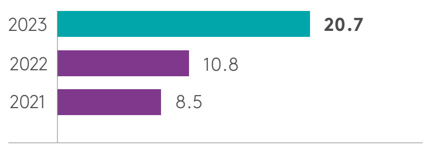
50% reduction by 2030 (from 2019).



Percentage of polymers from more sustainable sources

Our target

50% of polymer materials from more sustainable sources by 2030 (from 2019).



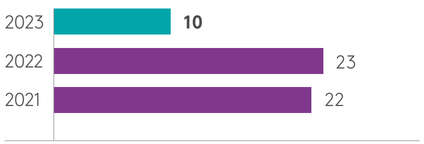
Re-presenting comparatives to reflect the continuing business: to provide a like-for-like position, comparatives have been restated for 2021, to reflect the continuing business operations.

Safety

Lost Time Incidents ("LTIs")

Why this is important

Our overriding commitment in the workplace is the health, safety and welfare of our employees and all those who visit Essentra's operations. Our aim is to be in the top quartile of manufacturing companies for the lowest Incident Frequency Rates.

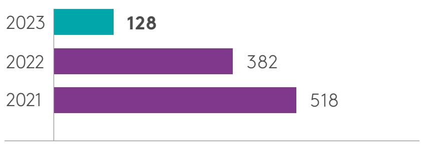


* 2022 LTIs restated due to an incident severity change after publication of the 2022 Annual Report.

Number of days lost

Why this is important

This is a measure used to quantify the severity of LTIs. Where incidents do result in lost time, we work hard to minimise the amount and to support the injured person in their recovery by offering restricted or light duties, and through a structured return to work programme.



* 2022 days lost restated due to an incident severity change after publication of the 2022 Annual Report.

People

Employee engagement (%)

Why this is important

The happiness and fulfilment of our people is a key priority. Having more engaged employees reduces staff turnover, improves productivity and helps us serve and retain customers.

Board gender diversity (%, number)

2023
- Men: 62% (5)
- Women: 38% (3)

2022
- Men: 62% (5)
- Women: 38% (3)

2021
- Men: 57% (4)
- Women: 43% (3)

Board ethnic diversity (%, number)

2023
- Ethnically diverse: 25% (2)
- White: 75% (6)

2022
- Ethnically diverse: 25% (2)
- White: 75% (6)

2021
- Ethnically diverse: 29% (2)
- White: 71% (5)

Leadership team (includes GEC) gender diversity (%, number)[1]

2023
- Men: 69% (48)
- Women: 31% (22)

2022
- Men: 71% (34)
- Women: 29% (14)

2021
- Men: 79% (79)
- Women: 21% (21)

1 During the year, the leadership team was reviewed and new members added to ensure appropriate representation across the business.

Leadership team (includes GEC) ethnic diversity (%, number)

2023
- Ethnically diverse: 17% (12)
- White: 64% (45)
- N/A or no response: 19% (13)

Why this is important

At Essentra we are committed to progress in terms of the diversity of our leadership community. We believe this diversity brings a range of outlooks to decision-making and problem-solving, ensures representation of our employee base and the communities in which we operate. We also report this information to meet FCA reporting requirements and we aim to meet all FCA targets: we currently have 38% women on the Board and ensure diversity is considered in our recruitment processes, our Senior Independent Director is a women and we have two Board members from an ethnic minority background. More information can be found on pages 35 to 36.

s172 Stakeholder Engagement

Engaging with all of our stakeholders is important to Essentra. We believe in listening to first-hand feedback and views from shareholders, customers, employees, suppliers and government and regulators. Essentra's Board and GEC believe that highly engaged employees drives customer growth, thereby creating returns for shareholders.

The Board, and GEC, many of whom are directors on Essentra's subsidiary entities, carefully consider their duties as directors, taking into account the long-term impact, the interests of employees, how a decision may impact shareholders, suppliers and customers, the community and the environment in which the business operates, and the impact on the Company's reputation as well as the perception of shareholders and the public as a result. On a day-to-day basis, the GEC give consideration to all these factors when managing the business, with the support of the Board who take into account these matters during their meetings and when reviewing performance and making decisions.

The Board has disclosed in the report that follows how it has regard to S172(1) (a) to (f) and forms the Directors' statement required under Section 414CZA of the Companies Act 2006.

Investors

Why we engage

- To understand our shareholders views
- To secure support for the transition to a pure-play components business
- To continue to access capital for Essentra's long-term success and to understand the nature of returns our shareholders expect

What we discuss

- Investor buy-in to our strategic objectives and execution of them
- Long-term interest in Essentra which provides us with a secure base for our growth
- General updates on strategy, governance and performance
- The most efficient way to return funds following the disposal of the Packaging and Filters businesses
- Future organic and inorganic growth opportunities, including the timing of the acquisition of BMP TAPPI
- Investors' knowledge of the business model, strategy and management team to support a deeper understanding of the direction of growth for the business

How we engage

- AGM
- Full year and half year presentations
- One-on-one meetings with the Chair, Chief Executive, Chief Financial Officer, Senior Independent Director and Remuneration Committee Chair and other NEDs as appropriate
- Subject specific meetings with senior leaders

KPIs we share

- Earnings Per Share ("EPS")
- Total dividends paid
- Total Shareholder Return ("TSR")
- Dividend yield and cover

What is the impact of engagement

- Timely communication has ensured the new CEO and executive management team have the support of investors and the time needed to establish themselves and the strategy
- Taking views of shareholders led to the decision by the Board to pay a special dividend of £89.8m and commence a share buyback programme of £60m
- Views of investors for inorganic growth directly contributed to the decision to acquire BMP TAPPI in Italy
- By deepening the understanding of investors, they understand the potential growth of the business, underpinned by Essentra's unique position as a manufacturer and distributor

Customers

Why we engage

- To establish and maintain long-term, trusted business relationships, which provide depth of knowledge of our customers' requirements
- To support our ambitions for growth
- To ensure opportunities to further support our customers are identified through custom solutions
- To ensure our customers are provided with the technical knowledge for our products
- To share our approach to sustainability across our products and operations and consider further ways this can support their own sustainability progress
- To share information that supports our expansion and cross-selling across our product range

What we discuss

- Ways to support our customers, including opportunities to collaborate to produce innovative products, such as products specific ESG credentials, or to provide bespoke parts needed to fit their own designs
- Updates on our approach to providing reliable lead times, business continuity and supply chain challenges

How we engage

- Country based teams manage relationships with our broad range of customers globally
- Key account managers also establish relationships with larger strategic customers
- More formal and regular feedback gathered through NPS surveys

KPIs we share

- On Time and In Full ("OTIF")
- Quality/complaints
- Net Promoter Score ("NPS")

What is the impact of engagement

- Long-term relationships in which customers are carefully listened to, heard and feedback given to teams to provide to the rest of the business to create opportunities for improvement
- Customer requirement for speed and reliable service has contributed to the Company's decision to focus on building the tools, for example, the implementation of a ERP system, which the Board receive regular updates on
- Increased opportunities to expand the products supplied to our customers through cross-selling, for instance, ensuring caps and plugs customers are aware that we also manufacture access hardware

Government and Regulators

Why we engage

- To create strong and transparent dialogue with government and regulatory agencies in the international jurisdictions that Essentra operates, as well as in other jurisdictions where Essentra may wish to operate
- To ensure our approach to compliance with legislation is effective and to ensure that we are working to meet future legislation or regulatory requirements
- To create opportunities to influence and input thought leadership to the development of regulatory governance requirements that will impact Essentra's operations
- In accordance with our Ethics Code, Essentra does not make financial contributions to political parties and lobby groups

What we discuss

- Our approach to compliance, including our Ethics Code, which sets our expectations for how we conduct business
- Essentra's strategic outlook and plans for development of its business, permissions that may be required as well as the infrastructure and support to set up business in a new geographical location
- Our commitment to working with government bodies at national and regional level to create strong and transparent relationships

How we engage

- Relationships are managed both within the country as well as centrally on behalf of the business as a UK FTSE plc
- A range of key employees have roles in engagement, including country General Managers and Finance Directors, Regional MDs, the Company Secretary, CEO and CFO

KPIs we share

- Revenue
- Operating Profit
- Numbers of employees and locations of sites
- Sustainability metrics

What is the impact of engagement

- Engaging with local government and regulators is under constant management to ensure we achieve our goals in line with our approach to doing business
- In Monterrey, Mexico, we opened a new manufacturing and distribution site during 2023, that required additional focus, and remains ongoing, to ensure the permits and licences required remain in place as the site continues to ramp up its production
- In Italy, we were granted a "Golden Power" to acquire BMP Srl by the government in a very short timeframe following careful preparation and engagement

Suppliers

Why we engage

- The Company has an extensive number of suppliers, with key suppliers providing raw materials that we use to manufacture our components and engagement mitigates risk to our supply chain
- Identifying and building relationships for the secure supply of sustainable products to allow Essentra to meet and exceed its targets and complete third party due diligence checks
- Engaging with local suppliers to our sites in line with our approach on community engagement

What we discuss

- Terms of supply to ensure we can maintain reliable supply chains
- Impacts to our supply chain, including global events, such as the war in Ukraine, the situation in Yemen, and as well as local challenges that may occur

How we engage

- Our Procurement team engage with a broad range of suppliers and are supported by regional Procurement managers
- Engagement occurs across a range of mediums to share our Supplier Code and Modern Slavery Statement to provide assurance to all our stakeholders
- Initial engagement is often through a tender process, with the internal relationship owner taking responsibility for ongoing maintenance of the relationship with the supplier

KPIs we share

- Revenue
- Operating profit
- Number of employees
- Location of sites
- Sustainability metrics

What is the impact of engagement

- Engagement ensures our suppliers have clarity on our requirements and are able to respond in the timeframes we need to guarantee our supply chains, which are critical to our customers
- The decision by the Board to introduce sustainability related targets in 2020 and the continuous upward trajectory of those targets, creates greater emphasis to successfully source reliable supplies of raw materials
- For non-materials, engagement with suppliers improves relationships and provides an opportunity for transparent feedback in respect of areas for improvement both for Essentra as well as suppliers.
- During the year, the Board and GEC made decisions with regards to key suppliers in order to ensure service levels

Employees

Why we engage

- The Board and GEC believe that engaging effectively with our people is critical to ensuring our business operates at its best and that engaged employees supports satisfied customers which in turn, provides our opportunity for growth
- The Board engage directly through the Board Champion and Voice of Employee programme, as well as through other site visits, to understand employee views on a broad range of topics, from strategy to the employee experience on site

What we discuss

- We discuss the strategic focus with our employees to understand their views and the impact of Board's decision-making on their working day
- The effectiveness of people related strategies and opportunities for continuous improvement
- The culture at a site and how that compares to other sites and whether that reflects the culture that the Board and GEC have set for the business

How we engage

- Through small focus groups under the Voice of the Employee initiative, with like for like employees meeting with one of our three Board Champions, Mary, Ralf or Adrian
- Through virtual meetings where in person meetings are difficult to achieve
- Through site visits and site events, e.g. the launch of the Centre of Excellence at Kidlington, in the UK, in October 2023

KPIs we share

- Employee engagement score for the whole Company and for the site

What is the impact of engagement

- Engagement with our employees has led to opportunities for improvement of facilities and ways of working for people working at site, for instance, ensuring all employees have access to HR so they can raise any concerns directly to them in person
- Engagement with site based employees to understand the impact of the roll out of the ERP system, the benefits and the pain points, which has provided the Board with first-hand insights into the strategic focus and importance of rolling out the ERP system in a carefully planned manner

Task Force on Climate-Related Financial Disclosures

We acknowledge the important role of the Task Force on Climate-Related Financial Disclosures ("TCFD") in improving transparency and driving improvements across industry.

This report details our climate-related financial disclosures, that are consistent with the requirements of Listing Rule 9.8.6R, the TCFD recommendations and the TCFD All Sector Guidance and Annexes (October 2021). This is our third report based on the TCFD recommendations, and the assessments, findings and conclusions within this report supersede earlier ones.

Climate change is addressed collectively across our Company Board Committees, providing robust governance and alignment to all aspects of Company strategy. We manage ESG risks and opportunities, including climate change through a range of different processes, including the Audit and Risk Committee ("ARC"), the ESG Committee ("ESGC"), Group Executive Committee ("GEC") and operational management processes. These approaches address many of the recommendations of TCFD.

During 2023, we have built on the work and recommendations received from our inaugural 2021 report developed with third-party experts, and revised our risks and opportunities to align with our transition into a pure-play components business. We have undertaken a review of the Company's climate change risks and opportunities, across various scenarios and time horizons, to ensure management teams have a thorough understanding of their most relevant climate change-related risks and opportunities, and to inform our response to TCFD recommendations.

Compliance with TCFD requirements

Essentra expects that these disclosures will evolve over time as we deepen our understanding of our climate change-related risks and opportunities and as TCFD and other related guidance evolve.

The tables that follow discloses our response and the outcomes of the work we have undertaken on the TCFD recommendations, and signposts where further relevant information can be found within other sections of this report.

"We acknowledge the important role of the Task Force on Climate-Related Financial Disclosures, in improving transparency and driving improvements across industry."

Governance

Disclose the organisation's governance around climate-related risks and opportunities

Recommended disclosures	Commentary
Describe the Board's oversight of climate-related risks and opportunities	Our risk governance approach is provided on pages 66 to 67. The Board has strategic oversight of the Company's Principal Risks, which incorporate our climate-related risks and opportunities ("CRROs") as detailed on pages 65 to 73. The Environmental, Social and Governance Committee ("ESGC") has oversight of our CRROs, TCFD action plans and progress, ESG strategy and metrics. Details of the responsibilities, composition, remit and meeting frequency of the ESGC are provided on pages 100 to 102. The ESGC member's expertise in managing ESG and CRROs, is detailed on pages 78 to 79. In addition, the ESGC invites input from third parties, on a regular basis, to improve its understanding of ESG matters – recent speakers have come from leading industrial companies, global management consultancies and City institutions. The Audit and Risk Committee ("ARC") has responsibility for reviewing our CRROs, quantitative modelling and assessing the content of our disclosures against TCFD recommendations. Details of the ARC and its activities are provided from pages 109 to 116. The Remuneration Committee is responsible for determining remuneration policy, including how CRROs are taken into account in determining rewards and incentives, and agreeing climate-related KPIs that form employee rewards. Details of this can be found in the Remuneration Committee Report from pages 117 to 120. The Nomination Committee is responsible for Board appointments and succession planning and takes account of experience in ESG and CRROs in fulfilling its responsibilities. Details of the Nomination Committee and its activities are provided from pages 103 to 108.
Describe management's role in assessing climate-related risks and opportunities	Our risk governance approach, including how Board and management interact is provided on pages 66 to 68. The Group Executive Committee ("GEC") is responsible for managing key risks, and our approach to identifying and assessing risks; conducts quarterly risk deep-dives which incorporates sessions on TCFD to assess our CRROs and overall TCFD approach. Our ESG governance structure including our Sustainability Steering Committee is detailed on page 53. The Sustainability Steering Committee includes members of the leadership team and senior leaders from across the business. The Committee review the quantitative and qualitative modelling of CRROs, conduct climate scenario analysis and manage TCFD action plans and disclosure plans. ESG is also included in the due diligence and integration stage of any new acquisitions, such as BMP TAPPI in 2023, to establish ESG processes and reporting, determine the impact of the acquisition on our CRROs and include into our overall TCFD disclosures.

Risk management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Recommended disclosures	Commentary
Describe the approach to identifying climate-related risks and opportunities	In 2023, we reviewed and built on the comprehensive database of CRROs established in 2021, and redefined in 2022 to focus on our new business model. Our assessment covers a large geographic scope, including all manufacturing and distribution centres alongside strategic offices. We have incorporated all new sites we have acquired since 2022, such as the Wixroyd site in Chichester in the UK, into the model. The time horizons used in our analysis and disclosures for 2023 are short-term (2026), medium-term (2030) and long-term (2040). The long-term time frame of 2040 is aligned with Essentra's target of reaching net-zero in our scope one and two emissions by 2040. The short- and medium-term time frames are aligned with our business continuity planning. Using a long list of 32 risks and opportunities established in 2021, we use a bespoke scoring system where vulnerability and advantage of each item is assessed to determine the most material impacts. Vulnerability is used to assess climate risks and is defined as the degree to which the business is susceptible to, and able to deal with, the impacts of climate change. Advantage is used to assess climate opportunities and is defined as the degree to which the business is able to capture the potential value from the transition opportunity. Physical impacts were assessed based on the analysis of our insurance partners, and third-party climate risk data for all Essentra sites, and 12 key suppliers' sites. We then conducted a quantitative financial analysis on the nine material CRROs, modelled across our three scenarios. The potential unmitigated impact on profit is shown as a range of low (<£1m), medium (£1m–£10m) or high (>£10m), for both risks and opportunities, across each time horizon in each scenario.

Strategy continued

Recommended disclosures	Commentary
Describe the resilience of the organisation's strategy taking into consideration different climate related scenarios, including a 2°C or lower scenario	Our qualitative and quantitative analysis of climate-related risk and opportunities, looks at three scenarios. These scenarios draw on publicly available and widely accepted third-party scenarios from the Intergovernmental Panel on Climate Change's ("IPCC"), and the International Energy Agency ("IEA"), which we review and update as necessary on an annual basis. Our 2023 scenarios combine elements from the IPCC Sixth Assessment Report for physical changes, and the IEA reference scenarios from the 2023 World Energy Outlook. These reference scenarios are outlined in the table below. We have assessed our overall strategy against our three scenarios, and our CRROs, and consider it to be resilient. Our diverse product ranges and services allow us to respond quickly to changing customer needs, our global manufacturing and distribution capabilities means we have an inherent operational resilience with an ability to quickly move production to another site if needed, and our focus on high-growth, low-emission markets such as renewables and electric vehicles provides the business with good growth opportunities. Further information is detailed in our climate transition plan on pages 40 to 53.

	Physical		Transition		
Climate scenario	**Warming by 2100**	**Future emissions**	**Energy source**	**Scenario narrative**	**Reference scenarios**
Business as usual ("BAU")	>5°C	High	Mostly fossil fuels	Without additional efforts to reduce emissions and a continued trajectory of slow and limited ambition climate policy, operating practices remain as they are at present and emissions continue to rise at current rates. This results in a severe increase of frequency and intensity of devastating extreme weather, resulting increases in insurance premiums and economic pressure in worst hit regions where assets are uninsurable. Global ecosystems suffer irreversible changes and significant loss of biodiversity.	IPCC AR6 5-8.5 "Fossil-fuelled Development"; IEA World Energy Outlook 2023 "Stated Policies Scenario (STEPS)"
Middle of the road ("MR")	Approx. 2.7°C	Medium	A mix fossil fuels and renewables	The world continues to decarbonise and achievement of nationally determined contributions under the Paris Agreement and other policy commitments. As a result of the eventual albeit unco-ordinated approach to address climate change, there is a major increase in frequency and severity of weather events. Parts of global ecosystems suffer abrupt and irreversible changes and loss of biodiversity.	IPCC AR6 SSP 2-4.5 "Middle of the Road"; IEA World Energy Outlook 2023 "Announced Pledges Scenario"
Low carbon ("LC")	1.5°C	Low	Mostly renewables and low-carbon fuels	Ambitious and co-ordinated climate policies globally leads to transformation of the energy system. The global energy sector reaches net-zero emissions by 2050, with advanced economies achieving net-zero earlier. There is a significant increase in frequency and severity of extreme weather, which stabilises towards the latter half of the century. There remains a high risk for vulnerable ecosystems such as coral reefs and Arctic sea ice.	IPCC AR6 SSP 1-2.6 "Sustainable"; IEA World Energy Outlook 2023 "Net Zero Emissions by 2050 Scenario (NZE)"

Strategy continued

Recommended disclosures	Commentary
Describe the climate related risks and opportunities the organisation has identified, and the impact on the businesses, strategy and financial planning	The gross, unmitigated potential financial impact of the nine most relevant climate-related risks and opportunities are quantified across all three time horizons and three scenarios, supported by third-party experts. A range of management approaches are then identified, many of which the Company has in place already, to mitigate these risks and capture opportunities. The table below maps approaches to risks and opportunities, as well as potential unmitigated profit impact, and potential profit opportunity, in all three scenarios.

Risk	Low (<£1m)	Medium (£1m–£10m)	High (>£10m)
Opportunity	Low (<£1m)	Medium (£1m–£10m)	High (>£10m)

BAU Business as usual
MR Middle of the road
LC Low carbon

Risk/Opportunity category	Description	Risk management and 2023 progress	Potential unmitigated profit impact: Short-term	Medium-term	Longer-term	Metrics
Physical risk	Damage to physical assets and disruption at own sites due to high-speed wind.	• Emergency plans are in place at all sites, and annually reviewed • Site activities are based on risk assessments to reduce exposure to natural hazards • Business continuity plans in place at all sites, to respond to extreme weather events including appropriate mitigation plans, such as transferring operations across manufacturing and distribution sites • Expansion of global footprint, such as opening of new Monterrey facility in 2023 (see page 12), builds resiliency	BAU MR LC	BAU MR LC	BAU MR LC	• Number of sites with business continuity plans[1] • Insurance policies[1]
Physical risk	Damage to physical assets and disruption at own sites due to increased precipitation and flooding.	• Emergency plans are in place at all sites • Site activities are based on risk assessments to reduce exposure to natural hazards • Business continuity plans in place at all sites, to respond to extreme weather events including appropriate mitigation plans, such as transferring operations across manufacturing and distribution sites • Expansion of global footprint, such as opening of new Monterrey facility in 2023 (see page 12), builds resiliency	BAU MR LC	BAU MR LC	BAU MR LC	• Number of sites with business continuity plans[1] • Insurance policies[1]
Transition risk/ opportunity	Fluctuations in fossil fuel price.	• Ongoing plans to transition from fossil fuel resins and films to sustainable alternatives, in 2023 our 20% target was achieved, new target of 50% by 2030 • Continuing our supply chain initiatives to source and manufacture products close to our customers, taking advantage of our global presence (see page 46) • Continue reducing reliance on fossil fuels in operations (see page 44) • Commenced planning of decarbonisation of logistics by switching to low and zero emission transport, as detailed in our climate transition plan on pages 44 to 46	BAU MR LC	BAU MR LC	BAU MR LC	• Percentage of materials from sustainable sources[2] • Total scope one, two and three emissions[2] • Emissions intensity[2] • Freight costs[1] • Freight emissions[2]
Transition risk	Increased expenditure due to carbon pricing for energy and power.	• Scope one, two and three emissions have reduced in 2023, and our near and long-term targets were approved by the Science Based Targets initiative in 2024, as being aligned to a 1.5 degrees pathway • The European Union Carbon Border Adjustment Mechanism was introduced in 2023, with first reporting due in 2024, and a carbon levy due from 2026. As some of our metal products are in scope, we have introduced the potential financial impacts into this model from 2026 onward, and are evaluating how to reduce our exposure, and the potential cost increase to our customers	BAU MR LC	BAU MR LC	BAU MR LC	• Total scope one, two and three emissions[2] • Total energy usage[2] • Emissions intensity[2]
Transition risk	Reduced revenue from components specific to conventional fuel automobiles.	• Continue plan to switch from conventional vehicle to low-carbon vehicle components • Annual market analysis to prepare for market changes, such as speed of price parity for electric vehicles; charging maturity; non-ICE vehicle penetration	BAU MR LC	BAU MR LC	BAU MR LC	• Revenue from ICE components[1]

1 Metrics internally monitored by the relevant functional management teams.
2 These targets and progress are detailed in our ESG update pages 21 to 39.

Strategy continued

Recommended disclosures	Commentary

Describe impact of climate-related risks and opportunities on the businesses, strategy and financial planning (continued)

Risk	Low (<£1m)	Medium (£1m–£10m)	High (>£10m)
Opportunity	Low (<£1m)	Medium (£1m–£10m)	High (>£10m)

BAU Business as usual
MR Middle of the road
LC Low carbon

Risk/Opportunity category	Description	Risk management and 2023 progress	Potential unmitigated profit impact: Short-term	Medium-term	Longer-term	Metrics
Transition risk	Risk of increased costs due to transition from petrochemical feedstocks and non-recyclable / non-biodegradable materials.	• Our Centre of Excellence opened in 2023, to trial and bring to market alternative materials • Continued close collaboration with supply chain to explore alternative material options • Continuous monitoring of evolving legislation on material use and labelling	BAU MR LC	BAU MR LC	BAU MR LC	• Percentage of materials from sustainable sources[2]
Transition opportunity	Increased revenue from sales of components for electric and hydrogen-based vehicles.	• Continue plan to switch from conventional vehicle to low-carbon vehicle components • Annual market analysis to prepare for market changes, such as speed of price parity for electric vehicles; charging maturity; non-ICE vehicle penetration	BAU MR LC	BAU MR LC	BAU MR LC	• Revenue from EV components[1]
Transition opportunity	Increased revenue from sales of components for renewable energy, HVAC for cooling and water pipes/pumping.	• Our sales teams conduct annual market analysis to prepare for market changes • Continuous development of service and product offering for this growth market	BAU MR LC	BAU MR LC	BAU MR LC	• Revenue from renewable energy and HVAC components[1]
Transition opportunity	Reduced energy costs through implementation of renewable energy and adoption of energy efficiency measures.	• In 2023, we have commissioned our first two on-site solar systems, and have more projects in Europe in pipeline for 2024. These projects provide price certainty and a reduction in price per kWh for electricity. • Our machine replacement programme is ongoing, providing efficiency savings	BAU MR LC	BAU MR LC	BAU MR LC	• Percentage of renewable energy[2] • Total energy usage[2]

The impact of unmitigated opportunities on profit, outweigh the unmitigated impact of risks on profit, across all scenarios in the short and medium-term. In the long-term, within the low-carbon scenario there is a potential unmitigated profit impact representing c.5% of 2023 adjusted operating profit.

Physical risks to sites from increased flooding and wind speeds, are broadly consistent across all three scenarios. Whilst the cost impact of fossil fuel prices is greater in the short-term under the business as usual and middle of the road scenarios, it becomes a possible opportunity for cost savings in the medium-term when considering a low-carbon scenario, and in the long-term due to a forecast in peak oil demand by 2030, coupled with the decarbonisation of heating and transport and the transition to more sustainable materials. The impact of carbon pricing is greatest in the long-term when considering a low-carbon scenario, reflecting the emerging requirements in Europe, the UK and the USA, to consider the carbon intensity of products, and impose a carbon tariff on imports. The opportunities of increased revenues in high-growth and low-carbon markets such as electric vehicles and renewable energy are both highest in the low-carbon scenario, when taking a medium- and long-term view. The cost reduction opportunity from energy efficiency and implementation of renewable energy also increases in the medium- and long-term scenarios.

We have considered our assessment of the unmitigated, profit impacts of the identified risks and opportunities, together with existing and proposed mitigation actions, as inputs to our Long-Term Viability Statement and impairment reviews. On the basis of our current analysis, we have concluded that the aggregate impact of the identified risks and opportunities in a middle of the road scenario represents less than 8% of adjusted operating profit and consequently is not material. We will continue to review our assessment of both the individual risks and opportunities and the aggregate impact as part of our regular risk management practices and with regard to future reporting and disclosure requirements in relation to climate change.

1 Metrics internally monitored by the relevant functional management teams.
2 These targets and progress are detailed in our ESG update pages 21 to 39.

Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks

Recommended disclosures	Commentary
Describe the organisation's processes for identifying and assessing climate-related risks	ESG risks are Principal Risks for Essentra, managed and discussed at the Board and the ARC, in accordance with Essentra risk management processes. Our CRROs are fed into the relevant Principal Risks on at least an annual basis. Descriptions of each of the ESG Principal Risks are provided within our risk management report on page 71. Details of Essentra's risk management framework and governance structure is provided on pages 66 to 68. Operational management teams identify and discuss site and region specific CRROs in strategy reviews during the year. The ESGC considers CRROs for the Company as a whole. Details of the ESGC and its activities is on pages 100 to 102. Company-wide and specific regional risks and opportunities are also discussed at GEC.
Describe the organisation's processes for managing climate-related risks	CRROs are identified and managed in accordance with the Company's risk management processes. Each CRRO has an owner, rating, mitigation plan and metric(s) which are monitored and reported against at least quarterly. Our internal risk team monitor the process and controls for our CRROs. Business-wide activities are undertaken and managed centrally via the Sustainability team, working across the Company. For example, to reduce our GHG emissions, management of solar PV projects is done centrally to facilitate and accelerate activity, working with sites across the Company. Progress on the management of CRROs is subject to regular review by the ESGC, ARC and GEC.

Recommended disclosures	Commentary
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	ESG risks are Principal Risks for Essentra, managed and discussed at ARC in accordance with Essentra risk management processes. Description of the ESG Principal Risks are provided on page 71. Details of the ARC and Essentra's risk management processes are provided on pages 66 to 68. Operational management teams consider site specific climate-related risks and opportunities and report them as appropriate to the ESGC, ARC and GEC. These risks are then incorporated into TCFD modelling as appropriate. The ESGC considers CRROs for the Company as a whole and reports them as appropriate to the ARC and GEC. Details of the ESGC and its activities are provided from pages 100 to 102. Risks and opportunities identified as part of TCFD activity are integrated into the ESG Principal Risk coverage, and Principal Risk reviews include a review and update of activity related to these areas. Company-wide or specific regional CRROs are discussed at ARC, GEC and ESGC.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

Recommended disclosures	Commentary
Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	We use several metrics to monitor our climate-related risks and opportunities: • absolute scope one, two and three GHG emissions • energy usage • GHG intensity (per million GBP of revenue and per GBP of value added) • revenue from low-carbon industries • transportation and fuel costs • carbon pricing • percentage of materials from sustainable sources • percentage of energy from renewable sources. Relevant metrics are linked to the transition risks and opportunities detailed on pages 61 to 62. We also monitor our preparedness and capability to respond to physical risks to our assets and operations through the preparation and regular review of business continuity plans.
Disclose scope one, scope two (and if appropriate, scope three) GHG emissions and the related risks	Progress on our emissions reduction can be found on pages 22 to 26, disclosure of our scope one, two and three emissions can be found on page 25. Our scope three inventory has been developed using a hybrid model of spend and activity data. The model has been developed internally and uses lifecycle analysis, industry databases and supplier specific information where it is available. The majority of our scope three emissions relate to purchased raw materials and products, and transportation and distribution. The related risks and opportunities are: • fluctuation of fossil fuel prices • risk of increased costs due to carbon pricing for energy and power • increased cost of materials • opportunity for reduced costs through implementation of renewable energy and adoption of energy efficiency measures.

Recommended disclosures	Commentary
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Our near-term and net-zero targets for scope one, two and three GHG emissions have been approved by the Science Based Targets initiative ("SBTi"). As per the SBTi Net-Zero Standard, we have committed to reduce our scope one and two GHG emissions by 90% by 2040 from a 2019 baseline, and our scope three emissions by 90% by 2050 from a 2022 baseline. Progress on our emissions reduction can be found on pages 22 to 26. Our current target for our transition to sustainable materials is: 50% of materials from sustainable sources across our polymer ranges by 2030; and 100% of our general protection and security seals ranges. Progress on our sustainable materials metrics can be found on pages 30 to 31.

Risk management report

Risk management is integral to proactively supporting business resilience and the successful delivery of the Company's strategic objectives.

> Our risk management framework has continued to evolve throughout the year and is now fully aligned to the needs of Essentra as a pure-play components business."

Responding to change in 2023

During the past two years, the Company has had to navigate and manage disruption caused by the strategic reviews of the Packaging and Filters businesses, the war in Ukraine as well as disruption across our supply chain and workforce.

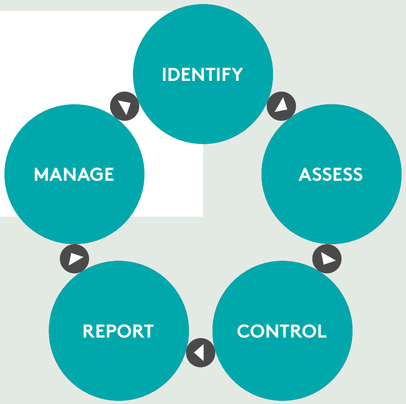
The risk framework became fully aligned to the needs of Essentra as a pure-play components business in 2023. The framework now supports the evolution of our approach and considers risk at both a strategic and an operational level with a view to improving business resilience over the short- to long-term.

Looking ahead to 2024, we anticipate that macroeconomic uncertainty will remain, at least for the short- to medium-term. However, the focus on our risk management processes and practices over the past two years means that the business is well placed to continue to manage this, and protect profitability efficiently and effectively.

Our geographical breadth, coupled with our ability to flex operating models with a high degree of agility, means we are well placed to maintain customer service levels whilst managing the risks to our operations and the wellbeing of our people.

Roles and responsibilities of the Group Executive Committee in respect of Risk

The process for identifying, assessing and controlling material business risks is designed to manage within agreed appetite, rather than to eliminate.



Identify
- Establish the process for identifying and understanding key business risks
- Identify risks in each of our businesses and enabling functions
- Perform risk reviews with senior leadership
- Review Principal, Key and Emerging Risks

Assess
- Prioritise risks through agreed ranking criteria
- Ensure our response to risks is consistent with the risk appetite set by the Board

Control
- Ensure risk ownership is defined and appropriate
- Establish key control processes and practices
- Assess the mitigating controls in place to manage the risk within appetite
- Monitor the operation of the controls
- Track progress of mitigation initiatives

Report
- Agree and implement measurement and reporting standards
- Communicate with all stakeholders

Manage
- Review all aspects of the Company's risk profile
- Review, challenge and continuously improve risk management practices

Risk governance structure and oversight

The Board has established a risk and internal control structure designed to manage the delivery of the Company's strategic objectives. The Risk Assurance team, independent of management, enables and facilitates the risk management process across the Company and acts as the custodian of the Company's risk framework and supports risk management activities.

The Group Executive Committee ("GEC") has assumed the risk responsibilities previously discharged by the Group Risk Committee ("GRC"), which reflects the simplified structure of the business following the completion of the strategic reviews. These responsibilities are to focus and co-ordinate risk management activities across the Company and to facilitate the appropriate identification, evaluation, mitigation and management of all key business risks. In addition, the GEC reviews the risk appetite and ongoing risk management approach and makes recommendations to the Board on appetite levels and the actions required to ensure adequate controls and mitigating actions are in place against identified risks.

As an important part of fulfilling its responsibilities, the Board receives regular reporting from the Chief Executive in relation to risks and exposures. This enables the Board to challenge and review the GEC's approach and views on key risks.

The ARC, with assistance from Risk Assurance, oversees compliance with risk management processes and the adequacy of risk management activities related to the Company's operations.

The regional and functional leadership teams undertake regular reviews during the course of the year and engage in facilitated discussions with Risk Assurance to consider the risk environment for their particular functional or geographic area of responsibility. They also consider how these could impact on the achievement of the Company's strategic objectives.

The Board considers the nature and extent of the Principal Risks it is prepared for the business to take for risk appetite towards achieving its strategic objectives by evaluating these risks against a three-point scale from "risk-averse" to "risk-neutral" to "risk-tolerant". This informs the development and focus of mitigating actions for each of the Principal Risks with a particular focus on risks that are assessed to be outside the agreed appetite.

At a strategic level, our risk management objectives are to:

- identify the Company's Principal and Emerging Risks and appropriate mitigating actions
- formulate the risk appetite and ensure that our business profile and plans are consistent with it
- develop plans to bring any exposures that are outside appetite in line with the agreed appetite
- ensure that growth plans are properly supported by an effective risk management framework
- help management teams to improve the control and co-ordination of risk-taking across the Company.

Risk management framework

The framework was developed to support the Company in identifying and managing risk within defined appetite levels, at both a strategic and an operational level. The current framework was designed to provide the GEC and the Board with a clear line of sight over risk, to enable informed decision-making and to deliver improved resilience.

Our risk management framework continues to evolve in line with best practice to ensure that it supports the Company's growth and strategic objectives. A robust, but flexible, approach to the management of risk is fundamental to the continued success of the Company. In 2023, the challenges the Company faced included the disruption caused by the strategic reviews of the Packaging and Filters divisions and ongoing geopolitical unrest, including the war in Ukraine and risks to shipping around Yemen, which resulted in supply chain disruption, volatile supply and demand, and distribution challenges.

A clear focus was placed on ensuring the continued operation of our risk management framework in this dynamic and disruptive environment. As such, during the year, the Risk Assurance team supported regional and functional leadership teams in the management of their risk processes.

Risk management approach

We are committed to managing risks in a proactive, efficient and effective manner to protect and enhance value, and provide assurance to the Board and our stakeholders.

Our risk governance structure

Facilitators
Risk Assurance

- Direct and monitor
- Report

BOARD
Overall responsibility for assessing the Company's Principal Risks, setting risk appetite and monitoring risk management performance and the framework.

AUDIT AND RISK COMMITTEE ("ARC")
Responsible for reviewing the effectiveness of the risk management systems and processes.

GROUP EXECUTIVE COMMITTEE ("GEC")
Chaired by the Chief Executive and comprised of the Company's executive leadership team. The GEC meets on a monthly basis and discusses risk as a standing agenda item with quarterly risk deep-dive reviews. In this context, the GEC is responsible for monitoring key risks and ensuring the effectiveness of regional and functional risk management.

REGIONAL AND FUNCTIONAL LEADERSHIP TEAMS
Each leadership team is responsible for ensuring their risks are captured and are being effectively mitigated within business-as-usual processes. Risk management is considered during leadership team meetings.

ESG COMMITTEE ("ESGC")
The ESGC is responsible for overseeing ESG strategy, and ensuring that it aligns to the overall business strategy, as well as the other matters already identified. The Committee oversees the Company's ESG strategy and its response to emerging ESG related concerns, risks, laws and regulations.

SITES
Sites are developing and implementing their own risk registers, risk and action owners. Management are responsible for managing local level risk and reporting to the respective leadership teams.

Our risk framework

STRATEGIC
Internal risks that may impede achievement of strategic goals.

EXTERNAL
Risks relating to the macroeconomic climate, political events, competitive pressures or regulatory issues.

OPERATIONAL
Risks that could impact day-to-day operations and prevent business-as-usual activities.

DISRUPTIVE
Risks that could impact the business model or viability of the Company.

The Essentra risk framework

Board

GEC

Regions & functions

Sites

Individuals

Strategic layer

STRATEGY AND CULTURE
- Strategic objectives & planning
- Risk appetite
- Capital allocation
- Business model
- Risk culture

GOVERNANCE
- Board risk governance
- GEC – ToR in respect of risk
- Risk taxonomy
- Assurance mapping

RISK LANDSCAPE
- Strategic risk
- Risk networks
- Individual vs. Portfolio
- Risk blind spots
- High impact, low probability
- Emerging Risks

RESILIENCE
- Resilience strategy
- Resilience planning & execution
- Disruptive risks

Operational layer

IDENTIFY AND ASSESS
- Risk/opportunity identification
- Profiling and categorisation
- Risk quantification
- Risk velocity
- Top-down vs. bottom-up

RESPOND AND MANAGE
- Response decision
- Thematic analysis
- Action tracking
- Review & revise

CONTINUITY MANAGEMENT
- Scenario plan
- Testing
- Respond
- Learn

Monitoring & reporting

Risk aware → Continuous improvement → Risk smart

Key changes during the year

At the Half Year we disclosed that there had been no material changes to the Company's Principal and Emerging Risks since the publication of our 2022 Annual Report and Accounts. Whilst challenges remained within the macroeconomic environment, geopolitical situation and general trading conditions, the Company retained confidence that the mitigations already in place were sufficient to manage the risk within the previously agreed risk appetite.

Since our Half Year disclosure, we continued our review of our Principal and Emerging Risk profiles. The following key changes have since been made:

New Emerging Risks:

- Artificial Intelligence ("AI") emerging risk has been added to reflect the various risks and opportunities associated with this emerging technology and how it might affect the way a business or an industry operates
- 'China Plus One ("C+1") emerging risk has been added a result of the need to implement a portfolio of strategic initiatives to meet our growth commitments

Changes in Emerging Risks as now subsumed in the Principal Risks:

- Technology disruptors: failing to manage our response to evolving technologies
- Sentiment towards plastic: market/stakeholder sentiment evolving could affect product demand

All other risks have been reviewed and updated to reflect the current nature of the risk and mitigating activities.

Principal Risks

The GEC has responsibility for enabling the identification and management of Essentra's Principal Risks.

The output from these considerations were presented to the Board, including a recommendation of Principal Risks to be included in long-term viability modelling and overall approval.

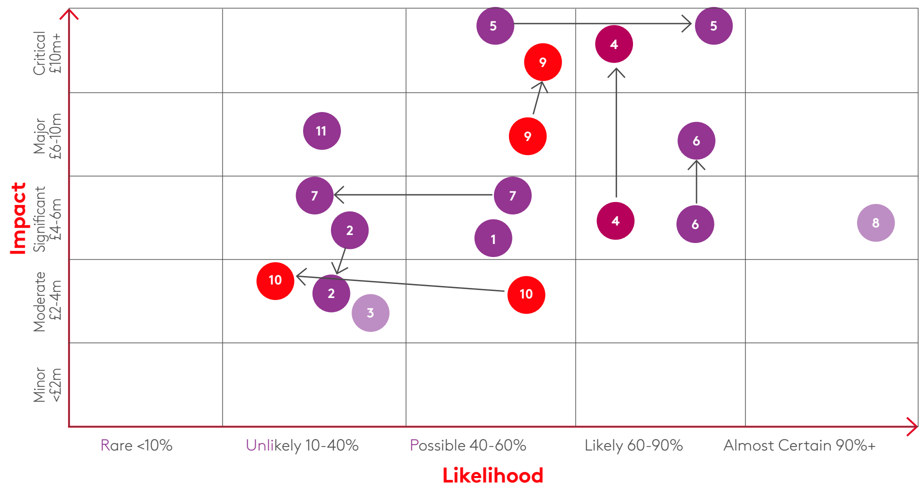
The Board believes the Principal Risks are specific to Essentra and reflect the risk profile of the Company at the current time. All Principal Risks are managed within their individual risk appetite.

The Board and GEC evaluate the potential effects of Principal Risks materialising over a three-year period to understand how they could impact the Company's long-term viability. The evaluation is based on plausible worst-case scenarios.

To make this evaluation, the estimated financial impact of each Principal Risk crystallising was considered. The Board and GEC assessed the potential impact on the Company's viability, based on selected severe plausible risk scenarios. These were developed in conjunction with senior management. The Principal Risks that were considered to have a potentially significant impact on the Company's viability are included in our Long-Term Viability Statement.

In addition to the Principal Risks, Emerging Risks and wider key risks have been identified and are being monitored by the Company. Mitigation actions in response to such risks are an important part of the regional and functional risk reporting to the GEC and Board.

Principal Risk movement from 2022 Annual Report



1. Environmental (no change)
2. Social
3. Governance (no change)
4. Operational and Supply Chain Disruption
5. Digital Transformation
6. Leadership Talent and Capability
7. M&A Execution and Integration
8. Cyber Event (no change)
9. Execution of Strategic Plan
10. Health and Safety Performance
11. Macroeconomic Environment (no change)

Strategic Risks
Operational Risks
External Risks
Disruptive Risks

Movement

Emerging Risks

We define an Emerging Risk as a changing risk or a novel combination of risks for which there is no track record or previous experience by which the impact, likelihood or costs can be understood. Its potential impact is viewed as being two years or more in the future.

We strongly believe that the identification and appropriate management or mitigation of Emerging Risks is critical to our long-term success.

Emerging Risks have the potential to increase in significance and affect the performance of the Company and as such are continually monitored through our existing risk management processes.

Our risk management process ensures Emerging Risks are identified and aids the GEC and the Board's assessment of whether the Company is adequately prepared for the potential opportunities and threats they present.

The process enables new and changing risks to be identified at an early stage so we can analyse them thoroughly and assess any potential exposure.

We undertake a top-down and a bottom-up assessment to identify Emerging Risks. This is enabled by a series of risk workshops with regional and functional leadership teams to consider current and emerging risks.

The Board can confirm that it has completed a robust assessment of the Company's Emerging Risks. The Company continues to focus on ensuring the adequate mitigation of risks faced by the Company to ensure alignment with the Board-approved risk appetite.

Emerging Risks

Emerging Risk	**Emerging Risk**	**Emerging Risk**
Regulatory change	Artificial Intelligence ("AI")	China Plus One ("C+1")
Owner	**Owner**	**Owner**
Company Secretary	Chief Digital Information Officer	Managing Director, APAC
Risk description	**Risk description**	**Risk description**
Emerging regulatory change remains a risk. Governments might react to prevailing economic circumstances by increasing taxes and tariffs. Evolving public sentiment on sustainability might result in further legislation.	There is a risk that the adoption or use of AI is not controlled both internally and in external interactions with suppliers and customers. The adoption of artificial intelligence ("AI") comes with various opportunities that can transform the way in which an industry and/or business operates. The widely available Large Language Models ("LLM") are driving the mass adoption of Generative AI at a pace and cost that was previously unachievable. The opportunities presented by these are common across businesses but there is a risk that Essentra is slow to adopt this technology versus competitors. This adoption can take the form of automation and efficiency but also through to changing how an industry operates.	As a result of challenges in the Chinese domestic market along with political tensions between China and Taiwan, many multinational businesses are considering how they might mitigate their risk exposure to China. Given the size of the Chinese domestic and export markets and still, broadly, positive growth forecasts, businesses are mitigating by maintaining a presence in China but also expanding operations in APAC (and, in some cases, elsewhere in the world). Essentra is monitoring the developments in its customer base and their supply chain to ensure that our commercial footprint is aligned with our customers' intentions.
Mitigation	**Mitigation**	**Mitigation**
We continue to proactively monitor and review developments in the regulatory environments in which we operate. This includes leveraging the knowledge of those colleagues operating in local markets and seeking external advice.	The Company continues to monitor the development of generative AI and a detailed review of the risks and opportunities that it presents is planned.	Our strategy for APAC is designed to ensure our businesses in China deliver profitable growth and leverage the opportunity across the rest of the region that our customers' China +1 strategies provide. We continue to monitor the macroeconomic and geopolitical environment across the region in the context of the execution of our strategic plan.

STRATEGIC RISK: Environmental

Change in risk level

Unchanged

Ownership

Chief Operations Officer

Relevance

Industry general

Risk description

This risk considers the rapidly evolving customer expectations regarding sustainability and changing sentiment towards plastics – all of which could have an adverse effect on demand for many Essentra products. This includes the use of single-use plastics, recycled content and consideration of the wider impacts of our business operations on climate change. Increasing legislation – such as the European Plastics Tax – and consequential requirements for reporting (including TCFD) all place increasing pressure on resources.

Mitigation

The mitigation of the risk continues to be governed through the ESG Committee. SBTi targets have been set and strong progress is being made in several areas, including: recycled content (hitting targets sooner than planned); EcoVadis rating improvement; improved reporting; and, the launch of the new sustainability Centre of Excellence. Renewable energy has been a particularly strong area of progress with the implementation of solar energy at key manufacturing sites and the sourcing of renewable energy contracts.

STRATEGIC RISK: Social

Change in risk level

Down

Ownership

Company Secretary

Relevance

Industry general

Risk description

The Social elements of ESG include broader considerations around supply chain ethics, diversity and inclusion and the Company's wider relationships with its internal and external stakeholders, and thus the impact of our business on our stakeholders and the societies in which we operate.

Mitigation

Consistent progress has been made to implement processes to improve end to end supply chain management which includes supplier audits and Know Your Customer processes working towards agreed minimum targets and which will continue into 2024.

Other Social workstream initiatives are gaining momentum and heading towards making progress by the end of 2024, such as Mental Health First Aider training and Community Engagement Days.

Increased focus on the horizon scanning framework, bringing in operational as well as existing regulatory changes, is expected to further support the business's ambition to use its broader ESG initiatives as a competitive advantage.

EXTERNAL RISK: Governance

Change in risk level

Unchanged

Ownership

Company Secretary

Relevance

Industry general

Risk description

Regulatory Governance has been one of Essentra's Principal Risks for a number of years. The risk relates to the effect current and emerging regulations have on our ability to conduct business efficiently, and in compliance with applicable requirements, across the broad range of jurisdictions in which we operate.

Mitigation

Key mitigation activities are consistent with existing practices. Key functions work together to horizon scan to ensure any regulatory changes are planned into our work and changes are embedded into our working practices to reflect regulatory requirements that have been implemented, with ongoing workstreams in place across the business where required.

DISRUPTIVE RISK: Operational and supply chain disruption

Change in risk level

Up

Ownership

Chief Operations Officer

Relevance

Industry general

Risk description

This risk is focused on the impact of disruption on business operations, and therefore disruption to service, related largely to the increasing risk of extreme weather and natural disasters. However, more wide-ranging supply chain disruption risks are both clear and present, and far-reaching, including pandemics, geopolitical events, material shortages and price inflation. The wide spread of our footprint exposes us to global events wherever they occur, especially as we acquire new locations through our M&A activity.

Mitigation

Given the breadth of our operational footprint, we have an inherent level of resilience through our ability to quickly transfer manufacturing from site to site. Even though COVID-19 related disruption has abated, disruption continues to emerge through increasing geopolitical and weather-related events. Refreshing our business continuity plans at the site, regional and global level remains a critical area of focus – for example, our strategic footprint review of our operations in Istanbul. Given our strong links to China, we continue to monitor the China/Taiwan relationship and mitigate our reliance on China operations for the wider global supply chain. The strategy of producing and sourcing close to the point of demand (often referred to as "near shoring") continues to drive our footprint and manufacturing decision-making, notably the establishment of our new production facility in Mexico to serve the wider Americas region.

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STRATEGIC RISK: Digital Transformation

Change in risk level

Up

Ownership

Chief Strategy Officer

Relevance

Company specific

Risk description

The delivery of our key digital projects is a foundation for our strategic success. We continue to drive our Business Process Redesign ("BPR") programme, the evolution of our e-Commerce platforms and further digital and data projects to improve our service.

Failure to deliver the digital programmes could adversely affect our ability to maintain a competitive advantage and wider growth initiatives. Our e-Commerce platform remains a pillar of our strategy and addresses a core market need. The BPR project itself looks to mitigate the risk of legacy systems and misaligned data and processes to future proof our strategic ambition.

Mitigation

Significant focus has been given to improving the BPR template as well as preparing an implementation methodology to conduct more stable, repeatable launches. Five sites and a first hub warehouse were included in the biggest cluster launch to date. Work is now underway to accelerate the implementation schedule. The BPR programme seeks to balance platform evolution and delivery speed to manage business risk to avoid adverse effect on service and customers.

The e-Commerce platform is supported by a hybrid of internal and external experts in a balanced risk approach, with developments for continuous improvement following an agile approach.

STRATEGIC RISK: Leadership talent and capability

Change in risk level

Up

Ownership

Chief People Officer

Relevance

Company specific

Risk description

Talent has been a key theme during 2023, having been recognised as a key enabler of the business achieving its strategic objectives.

To deliver the strategic objectives, we need our talent to have the motivation and incentive as well as the relevant capability and capacity to consistently deliver key targets in a challenging economic environment. As a result, our ability to attract and retain talent is increasingly important.

The ongoing economic environment means that our leaders remain vigilant to the stretch on our "top talent". We remain focussed on providing support and ongoing development opportunities that balance managing workload and future development in role.

Mitigation

To support the development of the next level of leadership, an Accelerated Leadership Programme was established ensuring a good pipeline of future leaders. Likewise, the Future Leaders Programme has continued to operate with a new leader re-invigorating the programme. In addition to this, a review of talent and succession planning is scheduled for H1 2024. A thorough review of the bonus plan scheme has been undertaken with a new bonus scheme being rolled out in 2024.

Key roles have been filled during 2023; recruitment for the President, Americas region and the Managing Director, APAC has concluded.

STRATEGIC RISK: M&A execution and integration

Change in risk level

Down

Ownership

Chief Financial Officer

Relevance

Company specific

Risk description

M&A is a key part of the Company's growth strategy. There is a risk that whilst the current economic climate might impact valuations, there are insufficient available targets to deliver the M&A plan. Additionally, there is a risk that the Company is unable to successfully implement its post-acquisition integration strategy.

Mitigation

Following the acquisition of Wixroyd in 2022 and BMP TAPPI in 2023, the Company has demonstrated its ability to implement its M&A strategy successfully.

The Company continues to maintain an active M&A pipeline, focused on its strategic imperatives, and continues to assess the level of resource necessary to successfully integrate acquisitions into the wider business. To this end, a new Integration Director, with years of experience in the business, has been appointed in H2 2023.

EXTERNAL RISK: Cyber events

Change in risk level

Unchanged

Ownership

Chief Digital Information Officer

Relevance

Industry general

Risk description

Cyber events continue as a Principal Risk with a continued priority focus in light of ongoing geopolitical events. The finalisation of the separation of the Filters and Packaging businesses has reduced and simplified the potential attack surface, but the profile remains high. Continued evolution of attack methods means there is an ongoing need to monitor and adapt to new and emerging risks.

The risk continues to constitute the loss of data, sites or systems resulting loss of confidential data and/or the disruption to ongoing business activities with customer, suppliers and employees. This included the loss of data through an action by an employee or third-party contractor.

Mitigation

- Ongoing understanding and monitoring of the external and internal environments to identify, understand and eliminate potential risks
- Application of governance and compliance to systems, process and data along with awareness and training programmes for employees and third parties
- Continued investment in services, tools and people to monitor, detect and prevent malicious attempts to penetrate the Essentra IT environment
- Alignment of vulnerability management to the Cybersecurity and Infrastructure Security Agency's Known Exploited Vulnerability ("KEV") catalogue, enabling mitigation of risks

The organisational structure has evolved to promote regional accountability to support frontline execution and growth

OPERATIONAL RISK: Execution of strategic plan

Change in risk level

Up

Ownership

Chief Strategy Officer

Relevance

Company specific

Risk description

The Company outlined ambitious plans during the Capital Markets Event, underpinned by key strategic initiatives. These include driving cross sell, new product introductions, geographic growth alongside a strong ESG agenda and ensuring the growth is accompanied by margin enhancement to support doubling the revenue and tripling operating profits.

Refinement of the strategic choices and solid execution are critical while we build the platform growth. Whilst elements of this strategy are touched upon in other Principal Risks, there is a wider risk in relation to the Company's ability to deliver the growth and margin initiatives, in the context of a challenging macroeconomic environment.". There is a risk that the Company does not effectively prioritise and execute critical strategic initiatives.

Mitigation

The Company's strategy and its key initiatives are in place and the business continues investment in key strategic projects and remains focused on execution. The organisational structure has evolved to promote regional accountability to support frontline execution and growth. This includes actions to support margin through pricing and operational effectiveness.

Increased governance and rigour around project delivery and resourcing is a key mitigation, supported by the regional focus as appropriate and on a global level by the Project Management Office with oversight anchored in the GEC.

OPERATIONAL RISK: Health and Safety performance

Change in risk level

Down

Ownership

Chief Operations Officer

Relevance

Industry general

Risk description

This risk recognises the impact of physical injury, or fatality, to our people and our reputation as a result of a significant impact event such as a workplace accident, war, fire, flood, or severe weather. Given our operational environment, this risk is focused largely on our manufacturing and distribution operations, but it also covers our office locations and environments. Our geographical spread also exposes us to a wide range of potential safety risks.

Mitigation

The business seeks to embed a zero-accident ethos and world-leading safety culture driven through three pillars – Leadership, Participation, and Compliance. The business launched the "Safety Commitment" at all locations in 2023 to ensure a baseline of expectations for all staff. In our recently acquired China operation ("Hengzhu"), there has been a significant focus on compliance and the engineering out of some high-risk processes that could harm our people. All sites continue to focus on machine-pedestrian segregation to minimise the risk of collision. These mitigation activities have gone some way to improving performance and reducing the level of risk but being "world-class" requires much more of a transformational and cultural change mindset over the next three to five years.

STRATEGIC RISK: Macroeconomic environment

Change in risk level

Unchanged

Ownership

Chief Financial Officer

Relevance

Industry general

Risk description

The Company operates across a broad range of global and geographic markets many of which have their own underlying fundamentals. This breadth of operation provides a degree of macroeconomic risk mitigation through geographical diversification.

The current macroeconomic and geopolitical environment has resulted in downturns in industrial production in many of our end-markets. Whilst the Company is well positioned to navigate the effects of fluctuating industrial demand, there remains a risk that concurrent downturns occur for which mitigating actions are insufficient.

Mitigation

Whilst the broad economic environment continues to be difficult with low growth rates in many end markets, the Company continues to manage its cost base so as to minimise the impact on operating margins. There is a significant level of interconnectedness between this Principal Risk and the Principal Risk around the execution of strategic plan and thus commonality in terms of the mitigating actions.

Group Executive Committee

Scott Fawcett
Chief Executive

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
December 2010

Scott was appointed as Chief Executive in January 2023, having joined Essentra in 2010 as Managing Director of the Components European business and subsequently joined the former executive committee in January 2014 leading the Components business. Prior to joining Essentra, Scott was Head of e-Commerce at RS Group (formerly Electrocomponents plc), where he held a variety of increasingly senior sales, marketing and e-Commerce positions during his 17-year career there.

Jack Clarke
Chief Financial Officer

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
April 2022

Jack was appointed Chief Financial Officer in April 2022 and joined the former executive committee. Jack was the Group Finance and Executive Director of Marshalls plc from October 2014 to April 2021. Previously, Jack served as the Strategy Director and then CFO of AMEC (E&I) between January 2010 and September 2014. Jack is a qualified chartered accountant.

Emma Reid
Company Secretary

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
January 2020

Emma joined Essentra in 2020, and was appointed as Company Secretary in 2023. Prior to becoming Company Secretary, Emma was Head of Governance, and previously worked for Which? and Imagination Technologies. Emma has extensive governance, legal and DE&I experience at board level. Emma is a qualified company secretary.

Rob Baker
Chief Operating Officer

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
October 2021

Rob joined Essentra in 2021 as Supply Chain Director of the Components business. Rob has over 25 years of supply chain experience covering end-to-end supply chain across both industrial products and consumer goods sectors. Prior to joining Essentra, Rob's background combines both senior operational leadership roles with business consulting, with a focus on operational transformation, performance improvement and sustainable procurement.

Sam Edwards
Chief Digital Information Officer

Appointed to the Group Executive Committee
January 2023

Joined Essentra:
June 2014

Sam joined in 2014 and during his time with Essentra has been primarily responsible for digital and hassle-free strategic programmes along with embedding digital and data into the business globally. Prior to joining Essentra, Sam spent 11 years at RS Components in a number of increasingly senior digital and commercial roles.

SCOTT FAWCETT
Chief Executive

JACK CLARKE
Chief Financial Officer

EMMA REID
Company Secretary

ROB BAKER
Chief Operating Officer

SAM EDWARDS
Chief Digital Information Officer

More information on the background and experience held by our Group Executive Committee can be found in the Notice of our Annual General Meeting

Hugues Delcourt
Managing Director, EMEA

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
July 2019

Hugues joined Essentra in 2019 as Managing Director of the Components European business and was appointed to his current role in July 2022. Prior to joining Essentra, Hugues was Global Commercial Director at Coats, where he held a variety of increasingly senior Commercial and P&L management positions during his 16-year career there. Hugues started his career at Moss Plastic Parts and Alliance Plastics, which later formed part of Essentra.

Gabriele Hannen
Chief Strategy Officer

Appointed to the Group Executive Committee:
March 2023

Joined Essentra:
August 2019

Gabriele joined Essentra in 2019 as Finance Director for the Components business. Prior to joining Essentra, she worked across Manufacturing & Distribution, Consumer, Media and Market Research in privately owned and listed businesses. Gabriele held a variety of Finance and wider leadership roles with a focus on business growth and change. She is a professional certified Coach from Henley Business School.

Richard Sederman
Managing Director, APAC

Appointed to the Group Executive Committee:
January 2024

Joined Essentra:
September 2003

Richard joined Essentra in 2003 as part of the graduate programme and was promoted to Managing Director, APAC in January 2024. During his time with Essentra, Richard has held several roles within Product and Marketing of increasing seniority. Richard has also been instrumental in several acquisitions, and in developing our sustainable materials expertise and initiatives. Richard brings a strong commercial background with previous experience of having integrated and ran the APAC based Abric Security Seals acquisition.

Chris Brooks
President, Americas

Appointed to the Group Executive Committee:
February 2024

Joined Essentra:
February 2024

Chris Brooks joined Essentra in February 2024 as President, Americas. Prior to joining Essentra, Chris was President of X-Rite, a former Danaher operating company, and brings a wealth of experience with a diverse industrial manufacturing background. He has more than 20 years of experience as a general manager of global operations and various functional enterprise disciplines.

HUGUES DELCOURT
Managing Director, EMEA

GABRIELE HANNEN
Chief Strategy Officer

RICHARD SEDERMAN
Managing Director, APAC

CHRIS BROOKS
President, Americas

As at the date of signing, on 18th March 2024, Catherine Lynch, Chief People Officer, was also a member of the GEC.

Directors' Report

IN THIS SECTION

Chair's Corporate Governance statement

PAUL LESTER, CBE
Chair

Dear Shareholder

The 2023 Corporate Governance statement and report provides you with a more detailed look into how we approach Corporate Governance at Essentra and how it supports our purpose and strategy.

We have reported on activity over the last year and where relevant we have included forward-looking information, to provide you with the fullest picture of our approach to Corporate Governance and how the business operates in practice against our governance framework.

The Board has the highest regard for good governance and is mindful that all its discussions and decisions should consider the principles of the 2018 UK Corporate Governance Code ("2018 Code"). The Board keeps under review the way it operates and responds to changes in the business and external environment, including the forthcoming changes under the UK Corporate Governance Code 2024 ("2024 Code"). The Board considers that it applies the principles of the 2018 Code to its discussions and decision making.

The Board is pleased to confirm that from 1 January 2023, it was, and remains, in full compliance with all aspects of the 2018 Code. The Corporate Governance report that follows sets out in more detail how the Board has observed and applied the 2018 Code, what action was taken to achieve this and the outcomes which support the Company's long-term success. Additional information has been provided where this will better inform stakeholders. Information required to be reported under the Directors' Report is reported here and within the Strategic Report. The ESG report contains additional disclosures and we have included cross-references throughout for ease.

Our Section 172 Statement can be found on page 56. This includes reporting on all stakeholder engagement and gives a sense for the matters that the Board considers during the year. The Board continues to engage directly with employees through our Board Champions to listen first-hand to their views. More information can be found on pages 90 to 91.

The Board considered its own composition, and will keep this under review to ensure the Board composition best supports the business. The Board continues to support and develop the skills and composition of the Group Executive Committee ("GEC"). More information on the GEC and the Board, can be found on page 74 and page 78. As the Board composition has remained static over the last year, gender balance remains at 38% women, just under the 40% target set by the FTSE Women Leaders initiative and the Financial Conduct Authority. We remain committed to exceeding this figure when we actively recruit. Our commitment to diversity is clear, as we continue to exceed "At least One by 2021" that was set by the Parker Review. This is further supported by setting a voluntary Ethnicity Target of 20% by 2027, as requested by the Parker Review. We also have a woman appointed as our Senior Independent Director. These disclosures also meet reporting requirements.

Throughout the year, the Board oversaw performance of the businesses, as well as carrying out an in-depth review of strategy, which provided an opportunity to ensure the business was focused in the right areas for growth.

The Board and its committees continued to receive regular reports in key areas, such as health and safety and the environment, compliance, controls and risk management. The Board reviewed risks and mitigations several times. Given the changing nature of the business, it was opportune to ensure our view of risks considered the most significant opportunities within our strategy.

Through delegated authority to the ESG Committee and Audit and Risk Committee ("ARC"), we spent time challenging and ensuring our environmental sustainability targets were sufficiently stretching to bring about a noticeable change, and to consider whether internal controls need further strengthening to meet the recently published 2024 Code, which will be effective from the end of 2026 . You can read more on these topics in the ESG Committee report on page 100 and ARC report on page 109.

As in other years, we completed the year with a board evaluation. More information can be found on page 103.

This is my last year as Chair of the Board, having joined in 2015. It has been both interesting and challenging and I leave a business that has been significantly transformed over the last nine years.

Paul Lester, CBE
Chair
18 March 2024

"The Board is pleased to confirm that from 1 January 2023, it was, and remains, in full compliance with all aspects of the 2018 Code."

Board of Directors

Experienced, effective and diverse leadership. Our Business is led by our Board of Directors, biographical details of the Directors are available at essentraplc.com/about-us/board-of-directors.

- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee
- ESG Committee
- C Committee Chair

PAUL LESTER, CBE
Non-Executive Chair

SCOTT FAWCETT
Chief Executive

JACK CLARKE
Chief Financial Officer

MARY REILLY
Senior Independent Director

Paul Lester, CBE

Chair & Non-Executive Director
Independent on appointment

Appointed to the Board:
23 December 2015

Skills and experience:
Paul is a highly experienced plc chair and has led the Company through a series of significant changes. Appointed to the Board in December 2015, he became Non-Executive Chair in 2016. Paul brings a wealth of experience to Essentra, gained in a broad range of senior operational and strategic executive roles and has also served on a number of Boards in an executive and Non-Executive capacity for over 30 years. Paul's former roles include CEO of engineering services company, VT Group plc and Group Managing Director of Balfour Beatty plc. Paul has also been Chair of McCarthy & Stone plc, Forterra plc, John Laing Infrastructure, Greenenergy, Knight Square Holdings and a Non-executive Director of Invensys plc.

Other current appointments:
- Non-Executive Chair, Telent Technologies Limited
- Non-Executive Chair, Funeral Partners Limited

Jack Clarke

Chief Financial Officer & Executive Director
Independent on appointment

Appointed to the Board:
19 May 2022

Skills and experience:
Jack was appointed as Chief Financial Officer Designate on 4 April 2022 and as a Director of the Board following his election at the AGM in 2022. Since joining, Jack has contributed to the transformation of the business into a pure-play components business. Jack has extensive experience of leading M&A strategies which remains an important area of growth for Essentra. Jack's former roles include CFO of Marshalls plc from 2014 until 2021 and CFO of AMEC E&I including several other positions, having joined in 2006.

Other current appointments:
- Director, Martyr Court Limited

Scott Fawcett

Chief Executive & Executive Director

Appointed to the Board:
1 January 2023

Skills and experience:
Scott was appointed as Chief Executive in January 2023, having joined the Group Executive Committee in January 2014 as the Managing Director for the former Components division. Previously, Scott was Head of e-Commerce at RS Group plc and during a 17-year career held a variety of increasingly senior sales, marketing and e-Commerce positions. Scott has an excellent track record within the components industry and has proven experience in creating strong organisational purpose, and employee engagement. He is customer focused and continues to be a well-respected Chief Executive across the business.

Other current appointments:
- None

Mary Reilly

Senior Independent Director
Independent on appointment

Appointed to the Board:
1 June 2017

Skills and experience:
Mary was appointed as the Senior Independent Director in May 2021, and is also a Board Champion, responsible for bringing the "Voice of the Employee" to the Boardroom. Mary is currently Non-Executive Director for a range of businesses and brings a wealth of finance and international experience to Essentra, having previously been a Partner of Deloitte LLP for more than 20 years, as well as serving on a number of Boards in a Non-Executive capacity since 2000. She also serves as a trustee on a range of charities.

Other current appointments:
- Non-Executive Director, Chair of Audit Committee, Member of Nomination Committee, Mitie plc
- Non-Executive Director, Gemfields Group Limited
- Non-Executive Director, Cazoo Group Limited
- Non-Executive Director, Mar HoldCo Sarl

Kath Durrant

Non-Executive Director

Independent on appointment

Appointed to the Board:
3 January 2023

Skills and experience:
Kath has more than 30 years' human resources experience, with a strong operational and strategic track record, gained at several large global manufacturing companies. As well as working at GlaxoSmithKline plc and AstraZeneca plc she has served as the Group Human Resources Director of Rolls-Royce plc, and was most recently Group HR Director of Ferguson plc and Chief HR Officer of CRH plc.

Other current appointments:
- Senior Independent Director, SIG plc
- Non-Executive Director, Vesuvius plc

Adrian Peace

Non-Executive Director

Independent on appointment

Appointed to the Board:
28 June 2021

Skills and experience:
Adrian is a member of the ARC and ESG Committee, as well as being a Board Champion. Adrian holds the position of President, Performance Technologies, at Modine Manufacturing Company. He has experience of leading full P&Ls, digitising businesses and driving operational efficiencies that have transformed the businesses he has worked in. Adrian has also worked with WW Grainger and then Republic Services as Senior Vice President, Emerging Business Operations, where he led Republic's sustainability initiatives, driving forward Environmental Social and Governance issues.

Other current appointments:
- Independent Strategy Adviser & Director, AIP LLC
- President, Performance Technologies, Modine Manufacturing Company

Dupsy Abiola

Non-Executive Director

Independent on appointment

Appointed to the Board:
18 March 2022

Skills and experience:
Dupsy is an experienced senior executive and tech leader who works across a range of sectors. She is also a former commercial lawyer and tech founder by background. Her most recent role was Vice President, Chief of Staff at Monzo, the UK's leading digital bank. Her career has focused on leading impactful strategic projects and programmes.

Other current appointments:
- Director, Alphathinx Limited

Ralf K. Wunderlich

Non-Executive Director

Independent on appointment

Appointed to the Board:
1 June 2017

Skills and experience:
Ralf is Chair of the ESG Committee and additionally served as Chair of the Remuneration Committee since the 2022 AGM, as well as being a Board Champion. Ralf is currently Non-Executive Director of Aptar Group Inc, Huhtamaki Oyj, Klöckner Pentaplast Group and Shepherd Building Group Limited. He is also an adviser to the Board of Nordmeccanica Group. Ralf has direct experience of being responsible for businesses with injection moulding capabilities gained over many years living and working across three continents.

Other current appointments:
- Non-Executive Director and member of Management Development and Compensation Committee, Aptar Group Inc
- Non-Executive Director and member of HR Committee, Huhtmaki Oyi
- Non-Executive Director and member of Audit & Risk, Nomination and Remuneration Committee, Shepherd Building Group Board Ltd
- Advisory to the Board of Nordmeccanica Group
- Non-Executive Director and member of the HR Committee, Klöckner Pentaplast Group

More information on the background and experience held by our Board can be found in the Notice of our Annual General Meeting

EMMA REID
Company Secretary

Appointed to the Board:
Secretary to the Board in January 2023

As the Company Secretary, Emma is also part of the Group Executive Committee. For full biography, see page 74

DUPSY ABIOLA
Non-Executive Director

KATH DURRANT
Non-Executive Director

ADRIAN PEACE
Non-Executive Director

RALF K. WUNDERLICH
Non-Executive Director

Corporate governance report

Governance at Essentra supports good decision making and is key to ensuring information flows up and down the organisation efficiently. Our governance framework is designed to support our ambitious growth plans in a responsible and sustainable manner.

The Board can confirm that during 2023, it has applied and complied with all of the Principles of the UK Corporate Governance Code ("2018 Code"). In the prior year, 2022, Principle 38, relating to pension contribution rates, was not in full compliance as a transition plan was in place to gradually move to the same rate paid to all members of the pension for the former CEO. However, upon the appointment of Scott Fawcett as CEO on 1 January 2023, Principle 38 was complied with in full as Scott receives the same contribution to his pension as the workforce. From 1 January 2023, the Company has been in full compliance with all provisions of the 2018 Code.

The following Corporate Governance report addresses each of the pillars of the 2018 Code and provides an explanation to our stakeholders of how we have approached compliance with the 2018 Code. Some of the information that we are required to report on under the 2018 Code is included in the Strategic Report under s414C(11) of the Companies Act 2006 and where that is the case, we have provided a cross-reference to avoid duplication. In all instances, we have provided additional relevant information to provide the fullest picture to stakeholders.

Board membership and attendance

	Board meetings during the year
Paul Lester Chair	8 (8)
Scott Fawcett Chief Executive Officer	8 (8)
Jack Clarke Chief Financial Officer	8 (8)
Dupsy Abiola Non-Executive Director	8 (8)
Kath Durrant Non-Executive Director	8 (8)
Adrian Peace Non-Executive Director	8 (8)
Mary Reilly Senior Independent Director	8 (8)
Ralf Wunderlich Non-Executive Director	8 (8)

Figures in brackets denote the maximum number of meetings that a director could have attended.

In addition, Emma Reid, the Company Secretary, attended all meetings.

CORPORATE GOVERNANCE CODE KEY TOPICS

Board leadership and purpose

The Board of Directors are appointed by shareholders, the owners of the Company, annually at the Annual General Meeting. The Board's primary role and responsibility is to provide effective and entrepreneurial leadership, to promote the long-term sustainable success of the Company and to generate value for shareholders as well as to ensure the Company contributes to wider society.

In practice, the Board achieves this through its regular meeting cycle, which includes a range of committee meetings and other events, such as opportunities to meet employees and strategy planning sessions. In these sessions the Board focuses on discussions that cover a broad range of topics including understanding and ensuring that the activity that underpins the Company's strategy, aligns with the Company's purpose and values. The Group Executive Committee ("GEC") provide the Board the support that is required to do this through delegation to the Chief Executive. This supports the Board and its delegated committee structure to focus on delivering their role in respect of setting long-term sustainable objectives, and to demonstrate effective oversight through regular review of the Company's performance, which also has regard to short and long-term risks and opportunities that the Company faces in achieving its strategy. During the year, and when considering any new initiatives the Board always considers the risks and opportunities, and this is supplemented by dedicated risk review sessions at which Principal and Emerging risks are considered in detail. More information on how the Board reviews risks and opportunities to the Company's strategy can be found on pages 65 to 73.

The schedule of matters reserved to the Board, which is available on the Essentra plc website, sets out the authority for matters that the Board has retained and those which it delegates to the Chief Executive, CFO and GEC. Below the schedule of matters reserved to the Board, the Company maintains a schedule of authority that provides members of the GEC, and their teams, with levels of authority for decision making, that operates within the parameters of the schedule of matters reserved and the business plan for any given year.

The Board meet with management throughout the year, formally and informally, to regularly understand how relevant areas of the strategy are formed, resourced and assessed, including reviewing metrics measuring progress, which supports the Board's duties. The Board assesses culture within Essentra through employee engagement and observes whether the Company's values in practice are aligned to those it has publicly committed to.

The Board, through the Audit and Risk Committee ("ARC") also receives reports from the Risk Assurance team, which carry out internal audit reviews on agreed areas of the business. These reviews provide the Board with insights into how the values operate across a range of sites over a range of territories. The Board, through the ARC and its Chair, Mary Reilly, where necessary, deploy the use of internal audit reviews as one of its tools to take corrective action.

The Board has agreed a series of norms and values that they, the GEC and senior leaders use to demonstrate the behaviours that are important to Essentra. In addition to management's own emphasis on working in accordance with these norms and values, a whistleblowing system is also in place and regular reports are provided on any cases raised and the outcomes. More information on our whistleblowing process can be found on page 36 and 113. The Board expect any corrective action to be reported on and seek continual improvements to be made in response. More information on this is available in the ARC report on page 113.

The Board assesses culture within Essentra through employee engagement

As well as the formal framework, the Board takes the opportunity to meet with employees to consider the way in which the Chief Executive and his team have adopted and demonstrated the Company's values, and how these have in turn been adopted by other leaders, and the impact this has on employees. All of the Board have opportunities to meet employees during the year, and this is further supplemented by three Non-Executive Directors who are appointed as Board Champions and hold Voice of the Employee sessions with employees across our global sites. More information on the Voice of the Employee can be found on pages 90 and 91.

During the year, the Chair of the Board, Paul Lester, regularly engaged with the Company's shareholders outside of the formal Annual General Meeting. Paul meets with shareholders to understand their views on the Company's performance and its strategy and this is fed back regularly at each Board meeting, and is supplemented by the Chair of each Board committee providing information on shareholders, as well as the Chief Executive, CFO and Investor Relations Manager's view on shareholder's perspectives. These views are taken into consideration when the Board is reviewing performance and developing strategy. During 2023, direct discussion and feedback from shareholders led the Board to make a decision to return funds from the sale of the Packaging and Filters business through a special dividend and a share buyback, having been prompted by shareholders to retain a portion of the proceeds for a longer period. The Board and management are very supportive of this reciprocal relationship and the support that shareholders continue to provide for the long-term growth of the Company. In addition to shareholder and employee views, the Board also takes into consideration views of a range of stakeholders, including customers, advisers and external influences and movements in sentiment, and always seek to respond to these in a manner that best suits the Company's strategy. More information on how the Board considers and engages with the Company's stakeholders can be found in the s172 Stakeholder Engagement report on pages 56 to 57.

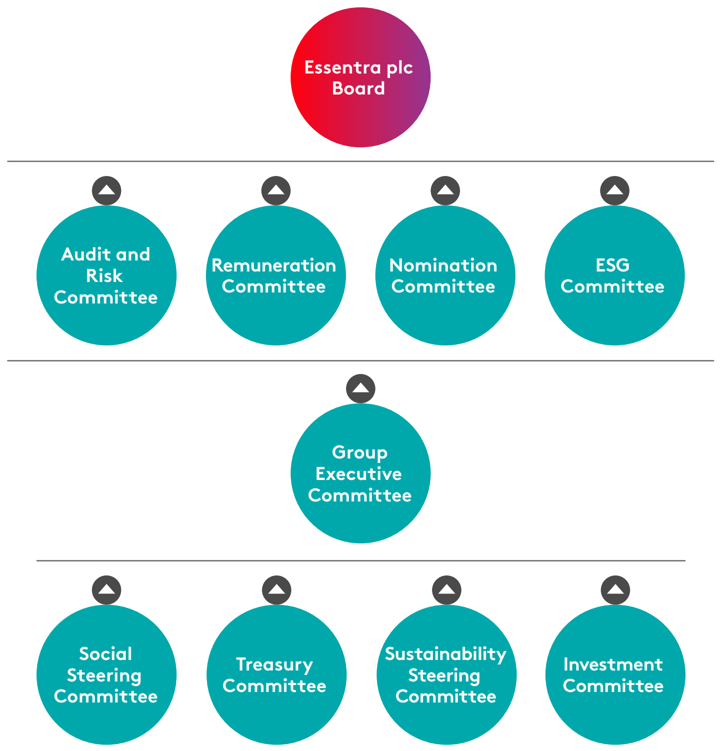
The Board, through the Remuneration Committee, and with the support of the Chief People Officer and Reward Director, give significant consideration to how the Company's employees are rewarded and the investment made in people. The Board were pleased that during 2023, a new bonus plan was developed and is now in place for 2024 onwards, that applies to all countries that Essentra operates in and brings a parity to the Company's approach to reward that had not previously been possible until the sale of the Packaging and Filters businesses. The Board are pleased, as are Essentra's employees who have given feedback at the opportunity this brings, and the focus this was given during the first year as a pure-play components business. More information on the bonus plan can be found on page 131.

At each Board meeting, the Board review a schedule of any potential conflicts of interest, both in terms of the other outside roles held by the Board members, and the percentage of their shareholding in the Company, to consider the impact that this may have on the discussions and outcome of any decision. The Board are asked to declare any new interests at each Board meeting. During the year, a declaration was made by the Chief Executive, who confirmed that his spouse works in the business. The Board were aware of this potential conflict prior to Scott's appointment and a process has been put in place that ensures any decisions relating his spouse's pay or role, sits primarily with the Chief People Officer.

Structure

At the start of 2023, a refreshed governance framework was adopted that reduced the number of formal committees, reflecting the reduction in size of the business. The same structure remains in place and below the Board, there is an ESG Committee, an Audit and Risk Committee, a Remuneration Committee and a Nomination Committee. Supporting the Board and its committees, the Group Executive Committee operates, with delegated authority from the Chief Executive, and where considered necessary a series of management level forums operate to ensure any decisions are taken with all stakeholders consulted, and progress is regularly reviewed and monitored. During 2023, at management level, a dedicated Social Steering Committee was established to move forward the Social workstream of the ESG strategy. The responsibilities of this forum have been transitioned into the People and Operations forum from 2024, reflecting the way in which ESG matters are embedded fully into the Company's operations. From the start of 2024, the Group Executive Committee implemented a range of forums to ensure decision making is made swiftly and consistently across the organisation, which further supports its approach to developing talent and empowering the organisation to own and be accountable for the Company's performance. Each of the forums is led by the relevant GEC member, operating in line with the schedule of authority. Information is cascaded to the GEC and other stakeholders as required.

Essentra Board and Executive governance structure



Terms of Reference for the Board committees and the matters reserved to the Board are available on the Essentra plc website.

Essentra plc Board (the "Board")

In fulfilling its role, the Board:

- establishes the Company's purpose, values and strategy and has satisfied itself that these and its culture are aligned
- sets, continually reviews and tests the Company's strategic aims
- determines the nature and extent of acceptable risks in achieving the Company's strategic objectives, including its approach to managing climate-related matters
- assesses shareholder and stakeholder interests from the perspective of the long-term sustainable success of the Company
- oversees the establishment of formal and transparent arrangements for the application of corporate reporting, risk management and internal control requirements and principles
- ensures that the necessary financial and human resources are in place for the Company to meet its objectives
- reviews the performance of the Company's executive management
- presents a fair, balanced and understandable assessment of the Company's position and prospects to its shareholders.

Disclosures

Disclosures within Essentra are managed by the Chief Executive, CFO and the Company Secretary, who are responsible for the identification and disclosure of inside information and ensuring that announcements comply with applicable regulatory requirements.

Audit and Risk Committee ("ARC")

The ARC supports the Board and is responsible for:

- monitoring the integrity of the Company's Financial Statements
- reviewing, challenging and approving its accounting policies
- scrutinising the effectiveness of the internal and external auditors and the Company's internal control and risk management systems.

Remuneration Committee

The Remuneration Committee is established by the Board and is responsible for setting a remuneration policy for Directors and senior executives. This policy is designed to promote the long-term success of the Company, taking into consideration the reward, incentives and conditions available to the Company's workforce, shareholders and other stakeholders. The Remuneration Committee determines an appropriate balance between fixed and performance-related and immediate and deferred remuneration. The Remuneration Committee is also responsible for setting the fees of the Chair.

Nomination Committee

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board for any changes that it considers to be appropriate. The Nomination Committee will lead the process for Board appointments and make recommendations to the Board taking into account the Company's strategic priorities, the main trends and factors affecting the long-term success and future viability of the Company and consider candidates in accordance with the Board Diversity Policy.

> "In addition to shareholder and employee views, the Board also takes into consideration views of a range of stakeholders, including customers, advisers and external influences and movements in sentiment."

ESG Committee

The ESG Committee was established in 2023 with oversight delegated to it by the Board for determining the ESG strategy and approach to ESG affairs. The ESG Committee is responsible for scrutinising the ongoing performance against sustainability targets and measuring progress of each aspect of Environmental, Social and Governance strategy. The ESG Committee provides feedback where appropriate to other committees, including the Remuneration Committee on ESG measures that are incorporated into bonusable targets.

Group Executive Committee ("GEC")

The GEC provides executive management of the business and operates within the delegated authority limits determined by the Board. The GEC supports the Chief Executive in achieving Essentra's values and goals through the execution of the businesses strategic priorities. Membership of the GEC is set out on page 74.

The GEC is responsible for monitoring Principal and Emerging Risks, and ensuring the effectiveness of business and functional risk management and formally reviews its approach to risk four times a year. Further details of the Company's risk management framework can be found on page 65.

The GEC is also responsible for overseeing the implementation of compliance programmes, policies and procedures that are required both to meet local compliance and regulatory requirements, and to meet Essentra's own values and norms. The GEC monitors the effectiveness and completion rates of training to ensure the importance of compliance across the business is clearly articulated, and the GEC support an IT lockout system, which escalates to the disciplinary process, for non-completion of training.

Tenure

The Board are appointed for terms of three years, and each Non-Executive Director may serve up to a maximum of nine years. Each Director of the Board stands for election or re-election each year as appropriate.

The Board has considered which of the Non-Executive Directors are considered to be experts in specific fields as shown below. Further information on the background and experience of our Board can be found on pages 78 and 79 and in the Notice of Annual General Meeting.

- **Risk management**
  Paul Lester, Ralf K. Wunderlich, Adrian Peace, Mary Reilly
- **Investor Relations**
  Paul Lester
- **Recent Audit and Financial**
  Mary Reilly, Ralf K. Wunderlich
- **Remuneration**
  Ralf K. Wunderlich, Kath Durrant
- **People and social**
  Kath Durrant, Adrian Peace
- **Innovation**
  Dupsy Abiola
- **Technology**
  Dupsy Abiola, Adrian Peace
- **Industry Expert**
  Adrian Peace
- **Sustainability**
  Ralf K. Wunderlich, Adrian Peace
- **Regulatory & Governance**
  Dupsy Abiola, Mary Reilly, Paul Lester, Kath Durrant

Independence

Of the eight Board members, six (75%) are considered to be independent as deemed by the 2018 Code. Whilst this includes the Chair, who was considered independent upon appointment, it is recognised the Chair's independence becomes difficult to maintain as they progress through a nine-year tenure.

Board composition	
Executive	25 %
Non-Executive	75 %

Tenure – Non Executive	
Up to 3 years	50%
3–6 years	13%
6–9 years	37%

The GEC provides executive management of the business and operates within the delegated authority limits

The GEC is directly responsible for ESG matters and receives regular reports on progress of its environmental sustainability and social initiatives and targets, which are reported onwards to the ESG Committee. Through the additional support of a working group focused on Sustainability and Social matters, these initiatives are driven forward throughout the business, both through the enthusiasm of employees with dedicated roles, and also through employees who have volunteered to become involved as they are committed to making change. The GEC wish to note their thanks to these dedicated volunteers.

Treasury Committee

The Treasury Committee operates as a sub-committee of the GEC and reports on treasury and financial operating risks to the GEC, the CFO and the ARC as may be appropriate. The Treasury Committee sets Treasury Policy for approval by the Board and reports on any treasury related risks to the GEC, which is escalated to the ARC as part of the regular reporting process to ensure the ARC is able to maintain an effective process for managing those risks.

Investment Committee

During 2023, the Investment Committee, which is a sub-committee of the GEC, formed of the Chief Executive and the CFO, met to consider, control and challenge decisions relating to major capital expenditure in excess of £250k in line with the Delegated Authority. From 2024, the Investment Committee will have an expanded composition to include the CFO, Chief Operating Officer, Chief Strategy Officer and the Finance Director.

Fair, balanced and understandable

One of the key requirements is for the Annual Report to be fair, balanced and understandable. In coming to a conclusion that the Annual Report is fair, balanced and understandable the Board is supported by the ARC, which makes recommendations to it on this and also considers the process adopted by the organisation in drafting the Annual Report, which requires Company-wide co-ordination and review. That process runs alongside the formal audit of the Financial Statements conducted by the External Auditor. The Board further takes into account representations made by management and the views of the internal and external auditors as to the integrity of the narrative and financial statements. The comprehensive review process is carried out with appropriate scrutiny, assessment and reporting from the ARC to the Board. This is followed by further critical review by the Board as a whole, prior to the Board making its determination that the 2023 Annual Report, taken as a whole presents a fair, balanced and understandable position and provides shareholders with the information necessary to assess the performance, strategy and the business model of the Company.

Essentra purpose, values and culture

Essentra renewed its purpose at the start of 2023 to align with its business model and during the year it has communicated, embedded and lived the values introduced.

Our purpose

We help customers build a sustainable future

Our vision

To be the world's leading responsible, hassle-free supplier of essential components

Our goals

- Market leader with a unique proposition in a fragmented £8–10bn market
- Clear strategy to drive organic growth and market share gains supported by digitalisation and sustainability
- High margin business with scope to expand through scale efficiencies, operational effectiveness and pricing
- Strong returns and cash conversion, enabling value enhancing M&A

Our ambition

To double the revenue and triple operating profits

Living our values

We care about our customers

We care about each other

We deliver

We are an effective team

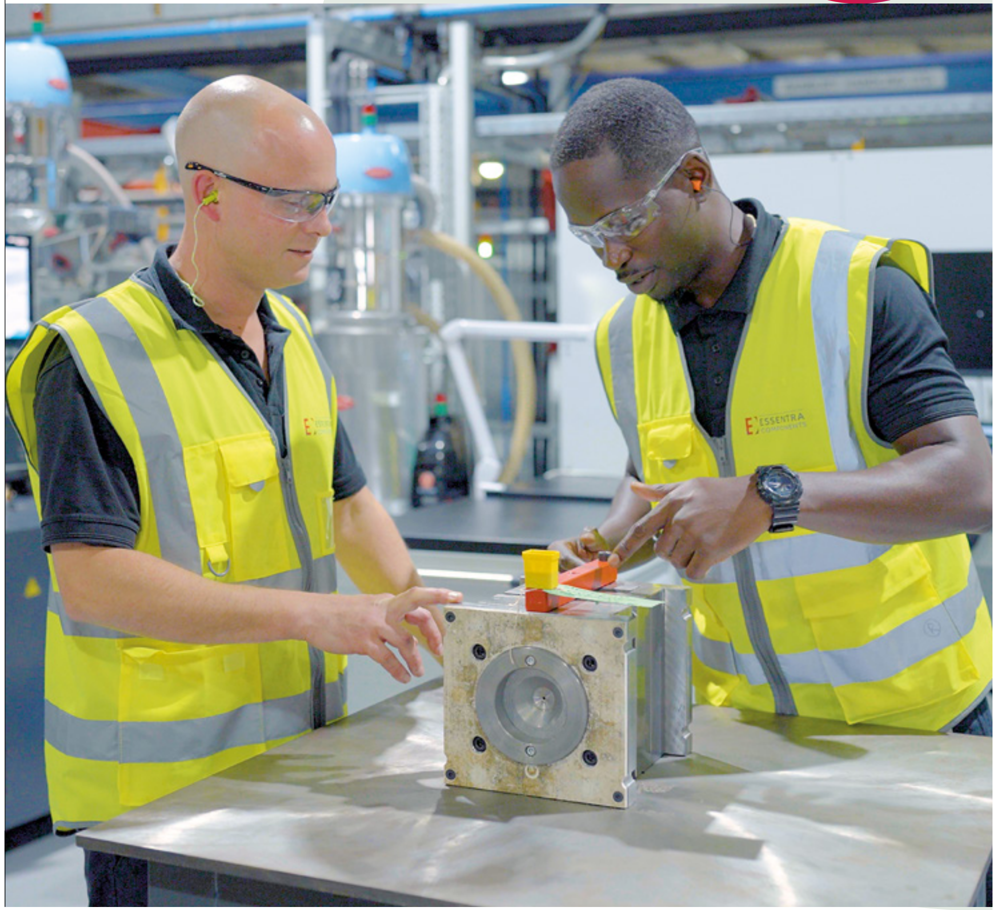
At the start of 2023, Essentra refreshed its purpose, vision, goals and values based on existing norms that the business were familiar with. In doing this, we returned to basics, to consider what the Company was here to do. On a day-to-day basis, we manufacture small component plastic parts and metal access hardware, such as locks. These are small items that make up a larger bill of materials that customers require, in sometimes a lengthy bill of materials, to build larger items, such as cabinets for cables or electrical engines for cars. Delivering small component parts to our customers, on time and in full is essential. We are continually seeking to improve our service to customers, and are working hard to be the world's leading responsible, hassle-free supplier of essential components. We are working to make our unassuming brand, Essentra, synonymous with reliability for customers where that is essential; and technical engineering expertise for where our customers require a uniquely sustainable option.

The refreshed purpose, values and cultures were launched in Q2 2023, through a series of communications and cascades across the business. The GEC took further opportunities to engage with colleagues to ensure that they recognised the values and were able to live and to demonstrate them in practice.

We care about our customers

By caring about our customers, every employee strives to provide the best service they can, whether that is to an external or internal customer, and by asking our people to identify the underlying end customer we are able to ensure our day-to-day activity brings real value and purpose through thoughtful prioritisation.

> All teams work together as one winning team – Team Essentra."



We care about each other

In caring about each other, every employee has an opportunity to take steps to create a better community and to engage with their colleagues. We care about each other supports the business in considering how our actions impact each other, and the subsequent impact this can have on whether we are able to delivering a hassle-free experience for our customers.

We deliver

To meet our purpose, it is essential that we deliver our products, but it is just as essential that everyone within Essentra delivers their purpose too, as we all contribute to meet our customers' satisfaction. Colleagues recognised that delivery was vital and therefore this resonated well and commitments both for the everyday and the extraordinary are taken seriously with the impact of non-delivery to our goals and purpose clearly understood.

We are an effective team

To achieve our purpose and our goals, to double our revenue and triple our operating profits, an ambitious ask, the business needs to have a high performing and effective team. There would only ever be one way to ensure this is achieved; with aligned, focused and cohesive teams. All teams in Essentra understand their role and their contribution to achieving our shared end-goals. We operate as one winning team – Team Essentra.

Matters considered by the Board in 2023

The Board's agenda is set by the Chair and carefully planned against the strategy to ensure that appropriate time is given to managing the affairs of the Company. This ensures focus on the Company's strategic activities and key monitoring activities, as well as reviewing significant issues so that matters are considered in line with the schedule of reserved matters. An annual cycle of agenda items is in place to support the work of the Board.

During 2023, the Board held eight scheduled meetings with additional sub-committee meetings and informal preparatory sessions in advance of key decisions being taken to support their understanding, rationale and the process used to reach the decision.

Strategy

- Approved the acquisition of BMP TAPPI, a strategic and bolt on acquisition based in North Italy
- Held a deep dive session with the Group Executive Committee to consider areas of focus to accelerate growth towards realising the ambition to double revenue and triple operating profit
- Received regular updates, as well as held in-depth sessions, on progress of the Business Process Redesign ("BPR") project which includes implementing a new ERP system
- Received updates on the completion accounts for the sale of the Filters and Packaging businesses
- Oversaw changes to the organisation design which transitioned to a regional approach, and the accompanying changes in operating model and composition of the Group Executive Committee

Financial

- Approved the Company's trading statements, Full Year and Half Year results and quarterly trading statements
- Approved the Company budget and plan for 2024
- Approved dividend payments with 2022 final year dividend of 1.0p per share, giving a full year dividend for 2022 of 3.3p per share and interim dividend for 2023 of 1.2p per share
- Considered and agreed the ways in which the proceeds from the sale of the Filters and Packaging business should be used and agreed to return funds of £89.8m to shareholders by way of a special dividend of 29.8p per share and a £60m share buyback programme

Operational and risk

- Received regular reports from the Chief Executive and the CFO
- Received detailed presentations from senior management across the businesses and considered reports from functional management about matters of material importance to the Company
- Reviewed the impact of the global economic slow down on the business, arising from the war in Ukraine and political tensions in other regions
- Undertook an in-depth review of each Principal Risk and Emerging Risk and challenged the Group Executive Committee on whether the risks were sufficiently broad and aligned to strategy. Subsequently, following a further review, considered and approved the Principal Risks for the Half Year, and approved a refreshed set of Principal and Emerging Risks for the Full Year
- Received regular updates on progress of the BPR project
- Continued consideration of cyber security risk

Governance and ethics

- Received updates from the Board Employee Champions following in-person visits to sites with insights on whether management were operating in line with the Company's culture and values
- Participated in an externally facilitated Board evaluation, review of the conclusions and agreement on subsequent action plans
- Reviewed and approved the annual Modern Slavery Statement
- Received updates from Board committees on their respective meetings

Leadership and people

- Received regular updates on the safety and wellbeing of our people
- Received regular updates on our people and related initiatives, including the roll out of a new global bonus plan
- Monitored Health & Safety throughout the organisation
- Received updates on the Parker Review ethnicity target with a view to agreeing a target
- Considered succession planning

Delay of the Year End 2022 results by one week

- Received regular weekly, then progressively more frequent updates on the progression of the year end 2022 process from the Finance team and from the external auditor, PwC
- Considered with management the additional time realistically required, being one further week, to complete the year end 2022 audit process and ensure the accuracy and reliability of the results
- Sought input from advisers on the impact of the year end results being delayed and agreed to update the market through the publication of an RNS to communicate the delays
- Commissioned a post event analysis carried out by the Company Secretary to identify the areas that had caused the delay and the lessons learned, including that the strategic reviews had created significant complexity at a time when the business had reduced headcount in readiness for becoming a pure-play components business

Acquisition of BMP TAPPI in Italy

- Approved the acquisition of BMP TAPPI, a complementary and strategic bolt on acquisition of an established business based in North Italy that manufactures and distributes protective caps and plugs, closely aligned to Essentra's own business model and delivering on the Company's commitment for inorganic growth
- Approved the purchase for an initial cash consideration of €33.5m, with a deferred contingent of up to €3.5m, on a cash-free, debt-free basis. The initial consideration was forecast to represent an acquisition multiple of c.8.0x EBITDA on a full year 2023 basis and a post synergy multiple approaching 5.3x EBITDA
- The Board agreed that BMP Srl, which was also a supplier to the business, with which there was a good working relationship, had very strong product overlap that would provide opportunities to increase margin on common lines
- There were strong opportunities for cross selling other Essentra products given the strong penetration within Essentra's core target markets by BMP TAPPI
- The existing management team in Italy are exceptionally talented, and therefore the additional capacity and site would provide opportunities for their personal professional development but also ensure the new site was integrated and assimilated smoothly into Essentra
- Future opportunities for growth through the physical location of the site were agreed to be a notable benefit
- The capacity within the site, as well as the opportunity to extend capacity through adding new machinery would align well to the existing EMEA strategy for growth

Merger Reserve Relief

- Approved a process to seek to move the Company's merger reserve relief from non-distributable reserves to distributable profits, thereby increasing the headroom to pay future dividends to shareholders
- Considered how the merger reserve had built up to such an extensive figure, noting that previous acquisitions had intentionally allocated the merger reserve to non-distributable reserves for future use and that as part of the significant separation work that had been carried out under the strategic reviews, moving the merger reserve was a final step in building a strong balance sheet
- Approved the process to be used, whereby one share of a single separate class would be issued to a third party by way of a bonus share issue (known as the Capital Reduction Share) and applying the amount standing to the credit of the merger reserve account in paying the capital reduction share in full
- Shortly following the share being issued, the share was cancelled, effecting the cancellation of the Capital Reduction share for no payment, upon application to the High Court for a court-sanctioned reduction of capital on the day following the share being cancelled and the amount credited to distributable reserves
- Approved a proposal to amend the Articles of Association to provide for the above issue of a separate class of share and the subsequent approval of Notice of General Meeting and issue of the Capital Reduction Share required to support the process

Board employee engagement

The Board and GEC believe that employee engagement is a key input and barometer for the success of the business. An engaged workforce, that are proud to work for Essentra, will want to share our common goals that supports the delivery of our short, medium-and long-term strategic priorities and goals.

Essentra fulfils the 2018 Code requirements for employee engagement in a number of ways. The key method is through designated Non-Executive Director "Board Champions" who hold Voice of the Employee ("VoE") sessions at sites. We have three Board Champions, to cover each region. Mary Reilly covers West Europe and the UK, Ralf Wunderlich covers East Europe plus APAC, Adrian Peace covers the Americas.

The Board expects each Board Champion to travel to at least two sites per year to meet with employees, holding sessions with small groups, that are closed to management. The Board Champions use the results of the employee engagement survey to focus on site relevant topics, as well as any issues that are known to management.

The Non-Executive Directors were selected for their personal interest in engaging with employees, ability to engage with people and geographical knowledge and location.

The Board ensure that each time they meet they discuss the feedback, whether any follow up is required and how this may impact their consideration of decisions they make, for instance, a visit to Barcelona provided insights on the impact of rolling out the new ERP system has on day-to-day operations at a site.

Listening to the voice of the employee

In addition to the Board Champions, the GEC led by our Chief Executive, Scott Fawcett, take particular care to ensure they travel to sites throughout the year and speak with employees in a broad range of roles to understand the culture at each site and to ensure shared behaviours and norms are displayed.

These two channels are shared at formal and informal meetings with the Board and GEC and help us to ensure that we are listening and responding to our workforce as well as providing an opportunity for Non-Executive Directors to see first hand whether our policies and practices are consistent with Essentra's values.

Voice of the Employee process

1. Board Champions visit sites and speak to employees
2. Board Champions report back to the Board on themes and findings, VoE attendees complete usefulness of how useful session
3. Employees complete confidential survey on how useful the VoE session has been
4. Company Secretary analyses feedback from trends and recommendation
5. Board Champion and Company Secretary agree key actions and recommendations
6. GEC supports actions required and ensures this aligns with priorities if required
7. GEC recommend any follow up site visits or new visits for the coming year
8. Board Champion and Company Secretary prepare for Voice of Employee session

This is also underpinned by a Right to Speak whistleblowing policy and process and the Risk Assurance team carrying out internal audit reviews.

VoE sessions are held with small groups at site, often inviting or asking for volunteers to met each Board Champion. The sessions are closed to management, and for larger sites, separate sessions are held by job family as the experience and issues of one group can differ, for instance, employees in production may have concerns around health & safety that back office employees do not share. By holding separate VoE sessions, the Board believes this provides each group with more time to share their views.

The Board, being mindful of the 2018 Code requirements, carried out a review of the effectiveness of their approach to employee engagement during 2022, with the support of the Company Secretary, who recommended a new process that ensures site visits are aligned to those under focus in any given year, and that feedback and actions to be taken after a meeting are considered by the GEC also align with priorities and investment priorities, whilst ensuring any health and safety issues, if raised, are always addressed.

VoE feedback, discussion and decision making

During the year, the most significant feedback received by the Board related to shift change patterns at Kidlington in the UK. Management at site had been tasked with increasing capacity to meet demand. The changes made in the shift patterns created challenges on implementation with delays in production. Mary Reilly heard that the change in shift patterns had created disruption and a backlog in production and it was recognised that further consideration was required as to whether the approach had been in line with Essentra's norms. As a result, the GEC reviewed the approach taken by the site's management team and agreed the site needed a closer focus and review of the change in shift pattern to ensure it was providing the outputs expected.

The visit to the Mesan operation in Silivri in Turkey provided Ralf Wunderlich with an opportunity to understand the scale of our operations and technical knowledge with regards to manufacturing access hardware. Additionally, a satellite office had been established in Istanbul that is focused on technical and digital expertise. Ralf found the sites to be well run with high levels of engagement. The visit to manufacturing sites provided Ralf and the Board with useful insights and background for ongoing discussions around the Company's access hardware strategy and the synergies that exist between the site in Turkey, and the Hengzhu acquisition made in China in 2021, which also produces access hardware.

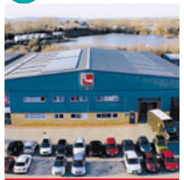
Sites visited in 2023

Board Champion site visits

During 2023, the Board Champions visited eight sites. The Board and Executive Management believe it is important to meet employees at more than one site for the employee voice to be properly heard and understood and this multi-site approach reflects the Board's commitment to engaging directly with employees.

1

Erie, US
In-person

2

Wixroyd, Chichester, UK
In-person

3

Kidlington, UK
In-person

4

Barcelona, Spain
In-person

5

Valkenswaard, Netherlands
In-person

6

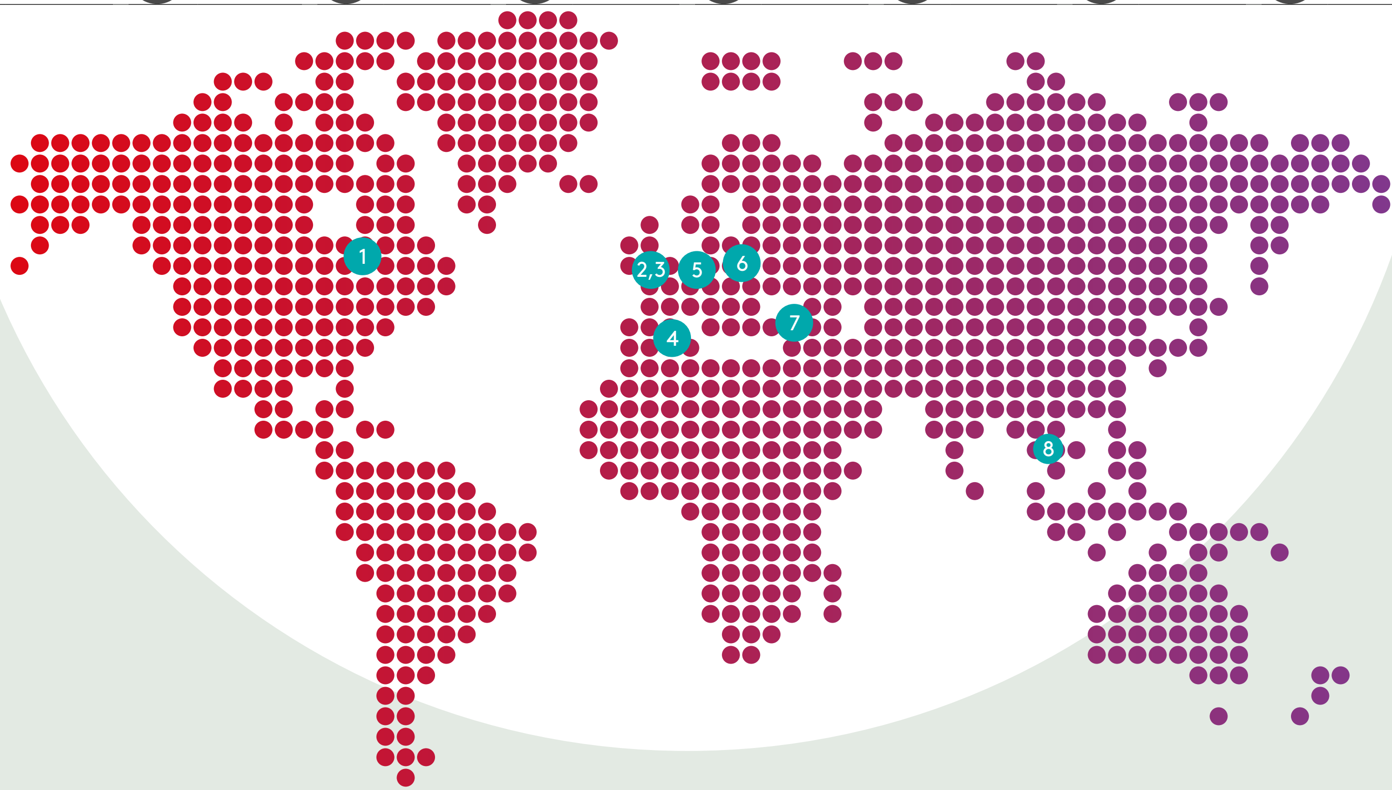
Nettetal, Germany
In-person

7

Silivri, Turkey
In-person

8

Rayong, Thailand
In-person



Division of responsibilities

The roles of the Chair and the Chief Executive are separate and clearly defined so as to ensure a clear separation of responsibilities which are set out in writing and agreed by the Board.

The Chair leads the Board and ensures its effectiveness. The Chief Executive is responsible for the executive management and performance of Essentra's operations. The Board considers that, for the year ended 31 December 2023, each of the Non-Executive Directors were independent. In making this assessment of independence, the Board considers that the Chair and Non-Executive Directors are independent of management, and free from business and other relationships which could interfere with the exercise of independent judgement now and in the future. However, the Board also recognises that the Chair has been in his role since 2015 and whilst independent upon appointment, the length of his tenure potentially creates an imbalance to his independence, but it should be noted that the Board announced last year that the Chair was due to complete his final term during 2024, and this remains the case.

The Board also note that despite the Chair's length of service, there has never been any cause to question his independence from management.

The Board believes that any shareholdings of the Chair and Non-Executive Directors serve to align their interests with those of shareholders. The Board considers that the Non-Executive Directors provide an independent view in Board discussions and in the development of the Company's strategy. Non-Executive Directors ensure a sound basis is in place that supports good corporate governance for the Company, challenging management's performance and, in conjunction with the Executive Directors, ensuring that financial controls and systems of risk management are maintained as appropriate to the needs of the businesses within Essentra.

The Board considers that, for the year ended 31 December 2023, each of the Non-Executive Directors were independent

As Senior Independent Director, Mary Reilly, is available to shareholders to discuss and develop an understanding of their issues and any concerns which cannot be resolved by discussions with the Chair, Chief Executive or CFO

The Senior Independent Director ("SID") can be contacted via the Company Secretary and through the Company's registered office. During the year, this role was held by Mary Reilly, as SID, Mary is available to shareholders to discuss and develop an understanding of their issues and any concerns which cannot be resolved by discussions with the Chair, the Chief Executive or CFO, or where such contact is inappropriate.

External commitments

The Board is fully aware of current external commitments for all of the Non-Executive Directors and is satisfied these do not distract from the time commitment required by Essentra. Non-Executive Directors are also required to discuss any additional external appointments with the Chair prior to their acceptance. In addition, the time commitments of the Chair are the subject of review by the SID, in conjunction with the other Non-Executive Directors. The Conflicts of Interest register is reviewed at each Board meeting. All of the Board have attended all Board and committee meetings this year and with their commitment to their roles clear, the Board is content that the Non-Executive Directors devote sufficient time to the business of Essentra. Executive Directors may accept outside appointments, provided that such appointments do not in any way prejudice the ability to perform their duties on behalf of Essentra.

The Chief Executive, Scott Fawcett does not hold any Non-Executive positions. The CFO is a director of a residential property company for a property he owns. The letters of appointment for Non-Executive Directors are available for review at the Company's registered office and prior to the AGM.

Directors' elections

The Company's Articles of Association require that all new Directors seek election to the Board at the AGM following their appointment and there are no other rules specified around director re-elections. In compliance with the 2018 Code, all eligible Directors will put themselves forward for re-election on an annual basis. The Board, including the Chair, is satisfied that each of the Directors being put forward for re-election continues to be independent and effective and that their ongoing commitment to the role is undiminished.

All Directors will stand for re-election at the Annual General Meeting. The Notice of Annual General Meeting includes more detailed information on the background and experience of all Directors and sets out the reasons and rationale that the Board support their election or re-election.

The conduct of Board matters

During the year, there were eight scheduled Board meetings. In addition to these scheduled formal meetings, the Board met on a further five occasions, with sub-committee meetings held to receive updates and agree final approvals for key decisions as the Board considered appropriate.

Informal discussions are also held between the Chair and the Non-Executive Directors on a regular basis and additionally prior to or after each scheduled Board meeting. Frequent contact is also maintained by the Board with the Chief Executive and with members of the GEC and during the year mentor style meetings between the GEC and the Board were initiated. The SID has also held meetings with Non-Executive Directors without the Chair present.

The Board is of the view that it has a highly competent Chair who, together with each of the other Non-Executive Directors, has considerable experience at a senior level

The Board is supported in its role by Board committees and whilst they are a valuable part of the Company's corporate governance structure, the Board, as a whole, maintains oversight of important matters and, after each committee meeting, the chairs of the committees report on the matters which have been reviewed. In particular, the Board looks to the Audit and Risk Committee to undertake the majority of the work involved in monitoring and seeking assurance as to compliance with the internal controls and risk management practices. Other specific responsibilities are delegated to the Remuneration, Nomination and ESG Committees. The Board believes that it, and its Committees, have the appropriate composition to discharge their respective duties effectively with the appropriate level of challenge and independence, and that the members of the Board in conjunction with the GEC and other senior leaders in the business, are well equipped to drive and deliver, the Company's strategic objectives.

The Board is of the view that it has a highly competent Chair who, together with each of the other Non-Executive Directors, has considerable international experience at a senior level in the management of activities broadly similar to those carried out by Essentra and the material issues likely to arise for the Company.

Operational matters and the responsibility for the day-to-day management of the business is delegated to the Chief Executive, supported by members of senior executive management as appropriate, within delegated authority limits and supported by a Schedule of Authority that ensures a strong control culture is in place.

The GEC is the executive committee and they meet on a weekly basis for a shorter catch-up style meeting, which is supported by a longer monthly meeting, which is usually held in person. Full details of the membership of the GEC can be found on pages 74 and 75.

The GEC has adopted a governance framework whereby agendas are set according to the corporate strategy and risk management framework so that all relevant matters are addressed. Papers are circulated in advance of the meetings to ensure papers can support good decision making and therefore include a broad range of views, are validated and provide sufficient information for the GEC or Board to make decisions.

Board papers

During 2022, some Board papers were submitted to the Board at short notice, reflecting the pace at which the strategic reviews were developing. During 2023, the Board requested that papers be provided with more reading time, and the Chief Executive and Company Secretary implemented a stricter approach to paper drafting and circulation as a result. This remains an area in progress and the Company Secretary has put in place methods to support papers being drafted on time. The GEC also participated in a refresher session with Board Intelligence in January 2024, to further support the provision of high-quality papers.

Applying Essentra's corporate responsibility principles

The Chief Operating Officer is responsible for oversight of the operation of policies on health and safety and sustainability; the Company Secretary is responsible for policies on Ethics,and during 2023, responsibility for compliance related policies transferred from the Head of Risk to the Company Secretary. Further details can be found in the ESG report on page 21.

Diversity

The Board, GEC and senior management are committed to ensuring ethnic and gender balance across the business to reflect the communities in which we operate and consider it as critical to the business's success. Furthermore, the Board also reported on gender during 2023 in compliance with the Companies Act and the 2018 Code.

In terms of Board diversity as at 31 December 2023, and to meet the FCA Policy Statement PS22/3 April 2022, the Board report that:

- 38% of the Board were women
- the Senior Independent Director was a woman
- the Board membership consisted of two individuals from a non-white ethnic minority background.

As the Board have not recruited since the end of 2022, the gender balance of the Board remains at the same level, however, the Board intend to take opportunities as presented when current Non-Executive Directors retire, to recruit a more gender balanced Board.

The Board maintain, that the appointment of a woman Company Secretary, who actively inputs into discussions and makes a significant contribution strengthens the gender balance on the Board. If this appointment were to be counted, the gender balance would be 44% women.

The Board continues to confirm a strong commitment to diversity including, but not limited to, gender and ethnicity diversity at all levels of the Company, and considers its own composition provides a reasonable indication of its approach to this commitment. The Board Diversity Policy continues to serve to ensure that all candidates for Board appointments are considered in accordance with the Policy during the nomination process.

In continued support of increasing diversity for all UK listed companies, the Board commenced a search for its next Board trainee and looks forward to making an announcement once the trainee has been appointed. Further information on diversity within the GEC and below the GEC, can be found on pages 55 and 105, whilst more information on ESG can be found on pages 21 to 39.

The Board has set a target, as per the Parker Review, to increase ethnicity representation across the senior leadership of the Company to 20% by 2027, and to 25% by 2030. The Board considered the current baseline of the organisation and benchmarks for an organisation similar to Essentra, to establish what a useful and meaningful target would be the organisation.

Whilst supportive of the Parker Review target, the Board considers that the Parker Review target takes a UK centric approach. The ethnicity categories are defined from a UK viewpoint and very narrow and they do reflect how ethnicity is viewed in other countries, such as the Americas. In addition, in some countries that Essentra operates, including France, it is not possible to ask for ethnicity or diversity data and therefore targets and data disclosed provides an imperfect picture of the progress being made.

The Board continues to confirm a strong commitment to diversity including, but not limited to, gender and ethnicity diversity at all levels of the Company."

In addition to Board and GEC level diversity, through the adoption of an Equal Opportunities Policy, the Company's approach to recruitment throughout the organisation gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. When in employment with Essentra, as is the case for all employees. ongoing appropriate training is provided to support individuals in both delivering their roles and to further develop their roles.

Conflicts of interest

Directors have a statutory duty to avoid actual or potential conflicts of interest. The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company.

The decision to authorise a conflict of interest can only be made by non-conflicted Directors. A register of Directors' Interests is maintained so that any potential concerns are addressed before any material issues may arise. The Conflicts of Interest register and the schedule of Directors' Interests is reviewed at each Board meeting. There were no conflicts declared during the year.

Information and professional development

The Chair, supported by the Company Secretary, takes responsibility for ensuring that the Directors receive accurate, timely and clear information. On appointment, an induction programme tailored to their individual needs is available to Directors, and is designed to assist them in their understanding of Essentra and its operations.

Throughout a Director's tenure, they are encouraged to develop their knowledge of the Company through meetings with senior management and site visits.

The Directors are also provided with updates, as appropriate, on matters such as fiduciary duties, Companies Act requirements, share dealing restrictions and corporate governance matters. All Directors have access to the advice and services of the Company Secretary. In the furtherance of their duties, there are agreed procedures for the Directors to take independent professional advice, if necessary, at the Company's expense. No Director took independent professional advice during the year in respect of Board matters.

Shareholder communications

The Board recognises the importance of effective communication, and seeks to maintain open and transparent relationships with its shareholders and other stakeholders, including providers of finance, customers and suppliers. This is achieved by regular updates through public announcements, the corporate website, other published material, meeting shareholders in person at the Annual General Meeting, and meetings with shareholders that are scheduled throughout the year as may be requested.

All shareholders can meet any of the Directors of the Company should they so wish. In particular, the SID is available to shareholders should they have concerns or wish to share their views. Feedback from meetings with shareholders is provided regularly to the Board so they are aware of any issues or concerns, and ensures that the Board has a balanced view from major investors.

Since 2020, the Board have held General Meetings both as hybrid, in person only and online only. As the Board are keen to encourage shareholders to participate in the General Meeting, it is the intention to hold a hybrid style meeting so that shareholders can join virtually for the AGM in May 2024. This is balanced against the prior experience that whilst offering this, there may be few shareholders who take up this option, and as a result the Board have selected a cost effective method that will allow shareholders to join and ask questions, but not vote at meetings.

Shareholders should refer to the AGM Notice for details of how to join the meeting whether in person or virtually.

At the AGM, the level of proxy votes lodged on each resolution is made available, both at the meeting and subsequently on the Company's website. Each substantially separate issue is presented as a separate resolution, and the Chairs of the Audit and Risk, Nomination, Remuneration and ESG Committees are available to answer questions from shareholders.

The Company communicates and engages regularly with its major institutional shareholders and ensures that all the Directors, including the Non-Executive Directors, understand the views and concerns of major shareholders in relation specifically to their views on governance and performance of the Company against strategy. The Chief Executive, CFO and Investor Relations Manager have primary responsibility for investor relations. Hybrid presentations for analysts and shareholders were held during the year, and both virtual and in-person meetings were also undertaken with key institutional investors to discuss strategy, financial performance and investment activities. Presentations are made immediately available after the Full and Half Year results, and are also available on the Company's website to view and download.

"Directors understand the views and concerns of major shareholders in relation specifically to their views on environmental, social and governance issues and the way in which they are embedded in strategy and measured in the performance of the Company against strategy."

The Company ensures that any price-sensitive information is released to all shareholders at the same time, in accordance with regulatory requirements.

At each Board meeting, reports are presented detailing the engagements with shareholders to ensure that the Board as a whole has a clear understanding of the views of shareholders.

Roles and responsibilities

Chair

- Sets the Board agenda primarily focused on strategy, performance, value creation, culture, stakeholders and accountability, and ensuring that issues relevant to these areas are reserved for Board decision
- Shapes the culture in the Boardroom
- Encourages Board members to engage in Board and committee meetings and ensures sufficient time is allocated to promote effective debate to support sound decision making
- Fosters relationships based on trust, mutual respect and open communication between Non-Executive Directors and the Group Executive Committee
- Develops a working relationship with the Chief Executive
- Provides guidance and mentoring to new Directors as appropriate
- Maintains a dialogue with shareholders on the governance of the Company

Senior Independent Director ("SID")

- Provides a "sounding board" for the Chair
- Serves as an intermediary for the other Directors when necessary
- Acts as an alternative point of contact for shareholders where contact through the normal channels of Chair, or other Executive Directors, has failed to resolve any concerns, or for which such contact is inappropriate
- Leads the annual assessment of the effectiveness of the Chair
- Leads the search and appointment process and makes the recommendation to the Board for a new Chair

Non-Executive Directors

- Provides constructive and independent challenge to executive management
- Brings experience and objectivity to the Board's discussions and decision-making
- Monitors the delivery of the Company's strategy against the governance, risk and control framework established by the Board
- Responsible for evaluating the performance of the Chair, led by the SID

Chief Executive

- Proposes the strategy to the Board and implements the strategy which has been approved by the Board
- Communicates to the workforce the expectations in respect of the Company's culture and ensures that operational policies and practices drive appropriate behaviour
- Develops manageable goals and priorities for the GEC
- Leads and motivates senior management
- Ensures that the Board is aware of the views of the senior management team on business issues
- Develops proposals to present to the Board on all areas reserved for its judgement

Chief Financial Officer

- Leads, directs and oversees all aspects of the finance and accounting functions of the Company
- Contributes to the development of strategy and management of the Company's business
- Manages relationships with the external auditor and key financial institutions and advisers
- Ensures effective internal controls are in place and compliance with appropriate accounting regulations for financial, regulatory and tax reporting

Company Secretary

- Maintains a record of attendance at Board meetings and committee meetings
- Responsible for ensuring good information flows to the Board and its committees, and between the GEC and the Non-Executive Directors
- Advises the Board on all regulatory and corporate governance matters
- Assists the Chair in ensuring that the Directors have suitably tailored and detailed induction and ongoing training and professional development programmes

Financial reporting

The Directors have acknowledged, in the Statement of Directors' Responsibilities set out on page 147, their responsibility for preparing the Financial Statements of the Company. The Directors are responsible for preparing the Annual Report and Accounts, and they consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable. The External Auditor has included a statement about their reporting responsibilities in the Independent Auditors' Report, set out on pages 216 to 223.

The Directors understand the views and concerns of major shareholders in relation to the Company's strategy as well as their views on environmental, social and governance ("ESG") issues. The Company has embedded its strategy in relation to ESG within the wider strategy and performance of the Company against strategy is regularly assessed by the Board. The Directors are also responsible for the publication of Half Year and Full Year results, as required by the Disclosure and Transparency Rules of the Financial Conduct Authority. This provides a general description of the financial position and performance of the Company during the relevant period. In accordance with the 2018 Code, the Board acknowledges its overall responsibility to shareholders to ensure that an adequate system of risk management and internal control is in place. The Risk Assurance team who manage the risk management process and carry out audits of internal controls, continue to provide assurance around the risk process and the Board are satisfied that the depth of knowledge held by the Risk Assurance team also supports this process.

> "An established internal control system is essential for reliable financial reporting and also for the effective management of the Company."

Internal controls

In accordance with the 2018 Code, the Board acknowledges its overall responsibility to shareholders to ensure that an adequate system of risk management and internal control is in place and for reviewing the effectiveness of this system. Such a system can only be designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives, and can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss. An established internal control system is essential for reliable financial reporting and also for the effective management of the Company. The internal control and risk management process for financial reporting processes is documented within the Essentra Accounting Manual (the "Manual") that is updated as required. The Manual sets out the procedures and processes established for internal and external financial reporting and incorporates accounting policies that are adopted by the Company, as well as processes and controls relating to tax and treasury matters.

The Manual sets out clear processes that cover, amongst other matters, segregation of duties, reporting responsibilities and review and approval requirements. The Manual prohibits management overrides and the processes set out within the Manual are also reflected within financial reporting systems and the framework for financial controls within the Company.

A Delegation of Authority is in place, that is also reviewed and updated on a regular basis, that identifies approval processes for different matters. The Manual is applied across the entire Company and supported by twice-yearly confirmations from management in relation to adherence to the Company's accounting policies and internal controls.

The Board have considered the publication of the updated UK Corporate Governance Code 2024 ("2024 Code"). With management's support, it is the Board's intention to ensure the 2024 Code is implemented appropriately for the Company that will extend its responsibility for establishing and maintaining internal controls, reviewing the effectiveness of the risk management and the internal control framework. The ARC have initiated a programme of work during 2024 that will strengthen and embed existing processes towards supporting the ARC, and the Board's responsibility for reviewing the effectiveness of risk management and the internal control framework. More information on this has been included in the ARC report on page 111, whilst further details on the Company's risk management system can be found on page 65.

The following currently enables the Board to review the effectiveness of the system of internal control and the financial reporting processes:

- the ARC meets regularly and receives reports from the Risk Assurance team on the effectiveness of internal controls and then reports to the Board, no less frequently than at every Board meeting following an ARC meeting
- the terms of reference provide a framework for the ARC to review and oversee the quality, integrity, appropriateness and effectiveness of the Company's internal control framework
- the Board received updates from the CEO with additional reporting provided from GEC members, with regular updates on Compliance from the Global Compliance and Controls Officer
- during the period, certificates were required from each region to confirm compliance with the Company's policies (including financial) and procedures at both the Half Year and Full Year.

Directors' and Officers' insurance

In accordance with the Company's Articles of Association, and to the extent permitted by the laws of England and Wales, the Directors are granted an indemnity from the Company in respect of those liabilities incurred as a result of their office. In respect of those matters for which the Directors may not be indemnified, the Company maintained a Directors' and Officers' Liability Insurance Policy throughout the year and this was in place at the time of the signing of financial statements. It is anticipated this policy will be renewed. Neither the Company's indemnity, nor the insurance policy provide cover, to the extent that a Director is proven to have acted dishonestly or fraudulently.

ESG Committee report

Our overall approach to ESG stems from our ambition to make real change. The Company believes that a strategic focus on environmental and social sustainability provides opportunities to demonstrate our competitive advantage to our suppliers, customers, employees and investors by reducing our impacts on nature and climate, whilst ensuring our people are valued and the communities we work within benefit from our presence.

RALF K. WUNDERLICH
Non-Executive Director

Roles and responsibilities

The ESG Committee was formed in 2020 with an initial remit of environmental sustainability. This was expanded to incorporate social and governance activities, in 2022. Consequently, the roles and responsibilities have developed to reflect this increased oversight.

- Overseeing the Company's approach to its ESG and ensuring it aligns with the Company's overall strategic plan to promote the Company's long-term sustainable success
- Providing advice and assurance to the Group Executive Committee and other Board Committees on developing ESG targets, and monitoring the Company's progress towards the achievement of these targets
- Reviewing and advising on the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and the Taskforce on Nature-related Financial Disclosures ("TNFD")
- Ensuring policies relating to ESG matters are in place with onward recommendation to other Board committees as necessary
- Working with other Board committees to ensure information is passed between each committee, and up to the Board to support the Board's responsibility for ESG

Membership and attendance

	Meetings during the year
Ralf K. Wunderlich Chair	**4 (4)**
Dupsy Abiola	**4 (4)**
Kath Durrant	**4 (4)**
Scott Fawcett	**4 (4)**
Adrian Peace	**4 (4)**
Mary Reilly	**4 (4)**

Figures in brackets denote the maximum number of meetings that could have been attended.

Other attendees

During 2023, Paul Lester, Chair of the Board, attended every meeting. Other regular attendees included Jennifer Spence, ESG Director, Emma Reid, Company Secretary, Jack Clarke, CFO and the Chief People Officer.

Key activities 2023

2023 was the first year of the ESG Committee operating with its expanded remit of environmental, social and governance oversight, and the following activities demonstrate the breadth of this expansion:

- reviewed the inaugural climate transition plan
- approved Essentra's commitment and submission to the Science Based Target initiative ("SBTi"), committing to near-term and net-zero targets for our scope one, two and three emissions
- monitored reporting and progress across all of our ESG targets, including environmental targets on waste, materials and emissions; social targets, including safety and wellbeing, diversity, equality and inclusion, our supply chain and customers; and governance targets on ethics training and compliance
- where targets have been met, endorsed new targets to 2030 for:
  - i) total waste production
  - ii) the percentage of packaging and materials from sustainable sources and
  - iii) scope one, two and three greenhouse gas ("GHG") emissions
- led deep dives into a selection of our ESG targets via a defined rotation of topics throughout the year across our environment, social and governance targets, to ensure that each remains on track and relevant to the Company, and to understand the longer term trajectories required to meet our goals
- provided oversight to the ongoing development of our scope three emissions inventory
- reviewed engagement with the value chain to foster information sharing from suppliers on product level emissions and to customers by providing product lifecycle assessments
- reviewed ESG reporting for the 2022 Annual Report, and agreed the reporting approach for the 2023 Annual Report, reflecting the aim to embed ESG matters across the business
- reviewed the regulatory disclosures on TCFD and assessed ways in which they can be integrated into the business to bring about greater impact
- considered the Company's approach to external benchmarking and ratings agencies, including submissions and the outcomes for CDP, EcoVadis, SBTi and UN Global Compact
- reviewed the ESG criteria used when considering potential acquisitions both during the due diligence phase and the acquisition phase, and reviewed the effectiveness of the criteria developed in the recent acquisition of BMP TAPPI, providing greater clarity on the current ESG performance of the acquisition
- collaboration with the Nomination Committee to recommend they approve the current Diversity, Equality and Inclusion policy
- reviewed all proposed short- and long-term ESG-related remuneration targets.

Our progress

The overall approach to ESG adopted across the business arises out of our ambition to make real change. The Company believes that a strategic focus on environmental and social sustainability provides opportunity to our Non-Executive Directors to provide competitive advantage, gained by reducing our impacts on nature and climate, whilst ensuring our people are valued and the communities we work within benefit from our presence. This in turn enables management to channel its resources to identify and implement essential changes effectively and efficiently. The targets selected are chosen because they provide a positive and measurable impact on our environmental, social and governance goals, selected through a materiality matrix, and at the same time, they are also the right thing to do for a broad range of stakeholders including regulatory bodies. This approach is enabling us to run a better business for the benefit of all stakeholders.

In 2023, the business developed its first climate transition plan, which can be viewed on pages 40 to 53. This plan has been developed by management with particular attention paid to the recommendations of the transition plan taskforce, and provides the ESG Committee with an overview of the key set of strategic actions the business will undertake in its journey to net-zero, alongside providing credibility to investors on the businesses commitment to decarbonisation.

During the year, the ESG Committee continued to review the progress made towards meeting our ESG targets, and considered and endorsed, if appropriate, any new targets set in the year. To ensure robust plans were in place to meet targets, the ESG Committee worked with management to ensure actions were in place to form a bridge from actual achievement, to mid- and long-term targets, and the ESG Committee carefully assessed the robustness of these bridges. An overview of our ESG progress can be found on page 24.

The ESG Committee was pleased to continue its practice of inviting guest speakers to join meetings and recognising that ESG requirements are constantly evolving, and collaboration is key to making progress on our own journey, extended invites to two guest speakers in 2023. The first, a large UK based bank, provided an overview of their own ESG journey and a broader look at how externalities are influencing the ESG agenda in the financial sector. The ESG Committee was particularly interested to learn more about how a bank views the effectiveness of ESG activities in providing a sustainable business model, and how those activities can provide preferential financing. In addition, and aligned to the ESG Committee's recent expansion to incorporate social strategy into its remit, the ESG Committee invited a senior executive from a large pharmaceutical company to provide insights into leading an effective social strategy. Given the Company's increasing focus on diversity, equality and inclusion ("DE&I"), the wisdom shared on this topic proved to be timely.

The ESG Committee also reviewed the effectiveness of the recently refined ESG criteria for acquisitions, which was used during the recent acquisition of BMP TAPPI. The use of the criteria is pivotal for supporting the business in its inorganic growth strategy and therefore the criteria covers the diligence phase, and post-acquisition integration to best assess how, and if, an acquisition can be integrated into the existing business as effectively as possible.

TCFD and TNFD

During the year, the ESG Committee considered its approach to TCFD and the upcoming TNFD. For TCFD, a multi-disciplinary approach was used to review the risks and opportunities most material to the Company in relation to climate change. Colleagues from Sustainability, Risk Assurance, Finance, Operations and Governance teams reviewed the building blocks for assessing disclosures on governance, strategy, risk management and metrics and targets for 2023. The ESG Committee concluded that the scenarios and consequent updates remain relevant, and it would support the business as the output from the TCFD report was integrated into the business plan for the coming year. The ESG Committee, and management, also considered the range of risks identified within the TCFD report and agreed that some risks were no longer relevant and were therefore removed. The ESG Committee reviewed all TCFD disclosures in detail, including the progress made on quantifying risk and how this impacted the Long-Term Viability Statement, with reporting on this shared with the Audit and Risk Committee.

The full report on TCFD is available on pages 58 to 64.

With the upcoming TNFD disclosure requirements, the ESG Committee has considered the recommendations published in late 2023, and the business plans to adopt the measures in 2024 onwards.

Membership

The ESG Committee continues to be chaired by Ralf K. Wunderlich with the support of the following colleagues:

- Kath Durrant
- Dupsy Abiola
- Adrian Peace
- Mary Reilly
- Scott Fawcett

Jennifer Spence, ESG Director, and Emma Reid, Company Secretary, have a standing invitation to attend every meeting, reflecting their day-to-day responsibility for the overall ESG strategy.

Jack Clarke, CFO, also attends every meeting, reflecting the significance of ESG to our overall strategy.

The ESG Committee extends an invite to all members of the Board to all meetings, and the GEC are invited to join meetings when guest speakers are present or when specific topics are discussed of relevance. The ESG Committee also invites subject experts from across the business to present on their individual specialisms.

The Terms of Reference, which are reviewed annually for the ESG Committee, are available on our website www.essentraplc.com

Outlook to 2024

Each year, on an ongoing basis and formally towards the end of the year, the ESG Committee evaluates its performance and whether its Terms of Reference remain relevant and fit for purpose. In 2023, the ESG Committee contributed to the review of a new model set of terms of reference that the Chartered Governance Institute UK & Ireland were developing for Board level ESG Committees. The ESG Committee was pleased to note our Terms of Reference are very closely aligned to the model in development.

During 2024, the ESG Committee will continue to champion and to provide the business with the momentum required to ensure that ESG related opportunities drive the business forward towards long-term sustainable success. The business, and the ESG Committee, recognise that there are interdependencies between each of the environmental, social and governance related topics, such as the impact of end-to-end supply chain governance on our scope three emissions, or how employee engagement impacts our ability to implement effective energy and waste reduction projects. Therefore, full oversight and governance of this area is critical for the Board, and to ensure this is carefully monitored and challenged, the Board has delegated this work to the ESG Committee. Through the ESG Committee, the Board is able to ensure that more time is given to each of these areas, and that they are monitored closely to ensure they support the long-term strategic objectives.

At the AGM in 2024, the ESG Committee, with the Board's support, will seek shareholder support for the Company's climate transition plan. This non-binding advisory vote will provide investors an opportunity to assess the business climate transition plan, and provide feedback.

Alongside our continued focus on climate, we have planned an increased focus on our nature related impacts, recognising the interdependencies between our impacts on nature, our scope three emissions, and our ability to mitigate the impacts of climate change.

Ralf K. Wunderlich
Non-Executive Director
ESG Committee Chair
18 March 2024

To learn more about our full ESG strategy, our goals and progress, refer to pages 21 to 39.

Nomination Committee report

The Nomination Committee has maintained its focus on ensuring the Board's composition is strong and diverse, providing support and advice to enable management to steer the Company forward as a pure-play components business.

PAUL LESTER, CBE
Board Chair

Roles and responsibilities

- Leading the process for appointments to the Board and senior management roles, using a established, rigorous and transparent procedure that meets the Board Diversity Policy
- Reviewing the skills of the Board to ensure their combined skills meet the needs and support the long-term strategic objectives of the business
- Reviewing the independence and time commitment made by the Non-Executive Directors to discharging their duties
- Reviewing and making recommendations on the composition of the Board
- Overseeing a diverse succession pipeline for Board and other senior management roles
- Arranging the external evaluation of the Board's effectiveness
- Evaluating the effectiveness of the Company's policy on diversity, equality and inclusion
- Reviewing the Company's approach to gender and ethnicity diversity of the Board and senior management
- Reviewing and agreeing the induction for new Non-Executive Directors and the training needs for each Director and the Board as a whole

Membership and attendance

	Meetings during the year
Paul Lester Chair	3 (3)
Dupsy Abiola Non-Executive Director	3 (3)
Kath Durrant Non-Executive Director	3 (3)
Adrian Peace Non-Executive Director	3 (3)
Mary Reilly Senior Independent Director	3 (3)
Ralf K. Wunderlich Non-Executive Director	3 (3)

Figures in brackets denote the total number of meetings a Director could attend.

Other attendees

During the year, as deemed appropriate, Chief Executive, Scott Fawcett, attended the meetings, as did the Chief People Officer. The Company Secretary attended all meetings.

Key activities 2023

- Agreed the approach for the recruitment of the Chair of the Board, including agreement of the job specification, time commitment required, appointment of the head hunter and selection process to be used
- Reviewed and recommended the appointment of Kath Durrrant as chair of the Remuneration Committee, to take effect from the close of the AGM in 2024
- Kept under review the size and composition of the Group Executive Committee and other key senior leadership roles to ensure the business was appropriately supported
- Oversaw the external board evaluation process
- Reviewed the gender and ethnicity targets and gender and ethnicity reporting as part of the Nomination Committee's responsibility for the DE&I strategy and for the voluntary target setting under the Parker Review
- Reviewed and approved an updated Diversity, Equality and Inclusion Policy for the Company
- Reviewed and approved an updated Board Diversity Policy
- Reviewed and approved the Nomination Committee Report for inclusion in the 2022 Annual Report
- Reviewed and agreed the revised Terms of Reference for the Nomination Committee

Key activities for 2024

- Overseeing the appointment process and induction programme of the incoming Chair of the Board
- Overseeing the appointment process and induction programme for an incoming Board Trainee
- Overseeing ongoing training for all Board members to ensure they receive relevant training in line with their skills and experience
- Providing guidance on the ongoing development of plans to support the DE&I strategy
- Overseeing the succession plan that supports a diverse pipeline of talent for Board and senior management roles

Chair of the Board Recruitment

Paul Lester was appointed to the Board in December 2015, initially as a Non-Executive Director, and became Chair in May 2016. By December 2024, Paul will have served nine years as a Non-Executive Director and eight years as Chair of the Board. In line with the guidance provide by the 2018 Code, the Nomination Committee and Paul, acknowledged that this would be his last year as Chair. Accordingly, a recruitment process is required to identify a new Chair.

Mary Reilly, as Senior Independent Director, is leading the process. A proposal was put to the Nomination Committee, aligned to the existing Non-Executive Director recruitment process, that would ensure a robust, transparent and staged recruitment process will take place. The Nomination Committee agreed with the approach, and the initial phase, which involved a tender process for the selection of a head hunter, resulted in the Inzito Partnership being successfully appointed. It was noted that the Company had worked with the Inzito Partnership previously to place other key senior leaders and they had a good understanding of the business and its requirements in order to successfully place a candidate, but otherwise has no other connection with the Company or individual Directors. The Inzito Partnership are committed to providing a diverse range of candidates in line with our Board Diversity Policy.

As the recruitment process remains ongoing. The Company expects to provide an update on recruitment at a future date.

Board Trainee Recruitment

As part of the recruitment process for the Chair, the Inzito Partnership were asked to also oversee the recruitment of the second Board Trainee. The same approach to identifying a Board Trainee has been adopted as is used for Non-Executive Directors, and a three-stage process will be used. As the process is ongoing, the Company will provide an update on this at a future date.

Senior Leadership Team

Within the Group Executive Committee ("GEC") and wider Senior Leadership Team, during the first year as a pure-play components business, the GEC agreed to re-structure the business by region and accordingly the GEC composition was amended to reflect this. Three regional leaders lead EMEA, APAC and the Americas. Their appointments were reported to the Nomination Committee for approval who were pleased to be able to support those appointments.

Succession Planning

For the Board, the GEC and senior management, the Nomination Committee has regard to the need to maintain a diverse pipeline of talent. During the year, following the transition of Essentra to being a pure-play components business, succession planning was re-visited as an ongoing mitigation of the Principle Risk on Leadership Talent and Capability. Developing the pipeline remains an area of ongoing development into 2024 to ensure the pipeline is robust and diverse, supported by a formally recorded process with the existing skills matrix updated.

Key appointments take into account the potential of the role to progress further, and where gaps have been identified, the approach to recruitment will consider the growth potential of a candidate to ensure that the business has the bench strength required and expected for the Company's size and structure. Building the pipeline below GEC will also form a key area of focus during 2024.

Board Training

As reported within the Corporate Governance Report on page 80, the Nomination Committee ensured the Board received appropriate training. A formal training session on Directors' Duties under the Listing Rules and the Health and Safety At Work Act was provided by Slaughter and May during the year. The Board were also provided with opportunities to gain further insights into processes that supported their decisions during the year, such as ensuring the Board had a full understanding of the steps required to complete the merger reserve reduction, with opportunities to speak to experts on this matter.

The Nomination Committee also noted that the ESG Committee continued to provide opportunities to gain new insights with the inclusion of two guest speakers at their meetings.

Diversity, Equality and Inclusion

During the year, the Nomination Committee considered its role towards Diversity, Equality and Inclusion. The Nomination Committee and the Board continue to believe and support recruitment that creates a diverse, inclusive and equal workplace. This is further championed by the CEO and the GEC, who likewise, believe that the strongest and best in class businesses are built on strong diverse foundations and is reinstated through both the Board Diversity Policy and the Company wide Diversity Equality and Inclusion policy which was refreshed in 2023 and will be subject to a further review in 2024.

The Nomination Committee, and the Board, continue to believe and support recruitment that creates a diverse, inclusive and equal workplace

More information on the output of the application of the Company wide policy can be found in the ESG report on pages 21 to 39, where there are further explanations about the Company's overall diversity.

As part of the Company's transition to a pure-play components business, a new ESG strategy was launched, with five pillars, two of which relate directly to DE&I – our Culture and Our Communities. These two pillars are underpinned by longer-term plans and activity that places greater emphasis on increasing DE&I within the business and creating opportunities for communities, including vendors, that are owned or operated by minority groups, to receive equal opportunities.

Board and GEC Diversity

The Board maintains a Board Diversity Policy which it reviews at least annually and has careful regard of when considering succession planning for the Board, and in its approach to recruitment for the Board. The Board Diversity Policy's objective is to ensure the Board and its committees are diverse and inclusive as they will operate at their most effective when composition reflects the workforce and the wider geography in which Essentra operate. The Policy applies to the Board and all its committees. The Board Diversity Policy is available at www.essentraplc.com.

The Board's and GEC's diversity is set out below and the disclosures are intended to meet FCA LR 9.8.6 R(9), FCA Policy Statement PS 22/3 April 2022.

The Board remain committed to meeting and exceeding the 40% target when actively recruiting and note that the last two NED appointments have both been women.

Gender

	Number of Board members	Percentage of the Board members	Number of senior positions on the Board	Number in executive management	Percentage of executive management
Men	5	62%	1	2	25%
Women	3	38%	1	–	–
Other	–	–	–	–	–
Not specified	–	–	–	–	–

Ethnicity

	Number of Board members	Percentage of the Board members	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White	6	75%	4	2	25%
Mixed/Multiple Ethnic Groups	1	12.5%	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	12.5%	–	–	–
Other Ethnic Group	–	–	–	–	–
Not specified	–	–	–	–	–

Updates on the 2022 Board Evaluation

The internal Board Evaluation carried out in 2022, identified five areas of focus and agreed five subsequent actions to be taken.

Action 1

Ensure sufficient time is provided by the Board to pursue strategic discussions, including considerations of the skills required within the business to deliver the strategy

Action 2

Ensure a suite of KPIs were developed that supported the Board and the business in monitoring its progress

Action 3

Develop deeper relationships between the Board and the new executive management (the "GEC") through a mentoring programme between the Board and the GEC

Action 4

Oversee the ESG strategy and the resources required to support its delivery, through establishing the ESG Committee

Action 5

Assess and monitor current approaches to stakeholder engagement, keeping this under review both inside and outside of Board meetings

The Nomination Committee consider that satisfactory progress has been made on each of the agreed actions, as outlined below.

	Mechanism	Progress made
Action 1	Strategic discussions and skills alignment	• A strategy session held during the year provided a springboard for more in depth discussions around the execution of strategy which resulted in a regional focus and subsequent re-shape of the organisation to align with this • The subsequent need to ensure the GEC possessed the appropriate skills to drive the business forward and changes to the overall composition of the GEC resulted
Action 2	KPIs to be developed and reviewed	• KPIs in place have been agreed by the Board, a large portion of which are published in this Annual Report, with other internal KPIs providing the Board with effective oversight
Action 3	Board and GEC to be paired as mentors to each other	• GEC and Board mentors met during the year and there was significant value derived: the Board were able to discuss issues in greater depth whilst the GEC have benefitted from exposure to the Board. The mentor arrangement will continue with new pairings in 2024
Action 4	ESG Committee established	• ESG Committee is now established and meets quarterly. It has a robust set of Terms of Reference, which are closely aligned to the draft CGI model version. Its remit is clear and it has spent further time focused on ways to lend its support to furthering the Social aspects of the ESG strategy
		Voice of the employee
Action 5	Refreshing the Voice of the Employee initiative Greater focus on Investor Relations reporting	• The Board agreed a structured approach that ensures fair representation across all sites over the course of a year, with accompanied visits by the Company Secretary to ensure that feedback is collected and acted upon, both in line with the business's strategy and in line with the Companies' values
		Investor relations
		• Greater focus has been placed on Investor Relations reporting and in addition to raising the item on the Board agenda earlier in the meeting, the Investor Relations Manager, Claire Goodman, has been invited to attend Board meetings to present the item and provide her own views of shareholder meetings

> "KPIs introduced at the start of 2023 were relevant and supported the Board in monitoring the performance of the business."

Group Executive Committee Diversity

The Board and the GEC recognise that the GEC's diversity requires further challenge and to support this, our DEI strategy includes targets for increasing gender balance and ethnicity at senior levels.

With the GEC composition having changed over the last year, the focus of the targets are to build diverse succession pipelines. The senior leadership team, being the team who report directly to the GEC, have a 69% men to 31% women gender balance ratio. The target for this group is to achieve at least 40% women. More information is available on page 36.

The Board have also agreed, as requested by the Parker Review, an overall target of 20% by 2027, and 25% by 2030, to increase the ethnicity within the senior leadership team. More information can be found about this target on page 35 of the ESG Report.

External Board Evaluation

For 2023, the Board Evaluation has been facilitated externally, by Red Bridge Advisory. Red Bridge Advisory previously provided outsourced governance services to the Company during late 2021 and early 2022 when the Governance Team were engaged in work relating to the Strategic Review and required additional support for a limited scope of works. The Board and the Nomination Committee did not consider this to be a matter that would impact Red Bridge Advisory's view or interpretation of the results. The team at Red Bridge Advisory have conducted board evaluations for a total of 12 years, and specifically for the Company, they have provided support for internal reviews for the last two years.

The decision to use Red Bridge Advisory was made by the Nomination Committee, with the Company Secretary identified as the person responsible within the Company for providing any support and resources that may be required.

The Nomination Committee agreed that Paul Lester would be the nominated individual responsible for escalation throughout the process. Red Bridge Advisory consider that they meet the CGI's Principles of Good Practice for Listed Companies Using External Board Reviewers.

Whist the Nomination Committee recognised that Red Bridge Advisory had provided services in the past, they were considered to have no connection with the Company or individual Directors that would impact the results of the review.

The Nomination Committee agreed that a series of interviews, supported by a questionnaire, would be appropriate, and the Company Secretary and Chair of the Board oversaw the review, agreeing with challenge from Red Bridge Advisory on the questions and topics to be discussed, with a specific request that a series of questions be put to the GEC also, to ascertain their view on the role of the Board and their value in leading the business. The scope of the review extended to the evaluation of the Board's effectiveness and that of all the Board committees.

2023 Board Evaluation Findings

The most recent review identified the following areas of strength:

- Board members continue to work well with each other, they communicate well and participate at Board meetings
- The Chair of the Board was rated very highly
- Committees particularly function well and support the Board in their duties. The review noted mechanisms were in place and would continue to evolve to ensure that ESG metrics that were agreed by the ESG Committee and related to remuneration outcomes, would receive due scrutiny by the Remuneration Committee as well as the ARC, to ensure the process supporting the activity was robust
- Mentoring that had started in 2023 had been well received and the Board wished to continue this into 2024
- KPIs introduced at the start of 2023 were relevant and supported the Board in monitoring the performance of the business.

Paul Lester, CBE
Non-Executive Chair
Nomination Committee Chair
18 March 2024

Areas for focus during 2024

	Mechanism	Action	Mechanism
Action 1	Improvements to the annual strategy planning process and agreement of priorities	• The Board and GEC to engage earlier to agree expectations and areas of focus for short-, medium- and long-term plans	• CEO, Company Secretary and CSO to engage Board on areas of focus
Action 2	Improvements to the quality of information provided to the Board, which is expected to improve as the GEC also becomes more established	• Deep dives to be provided on a regular cadence, with opportunities for regional performance to be reviewed • Board paper quality and timeliness to be an area of focus with regular feedback to be sought	• Refreshed forward agenda to be agreed with CEO and Chair • Board Intelligence's Question Driven Insights tool and training to be refreshed throughout the organisation by the Company Secretary
Action 3	Review the skills of the Board in view of impending changes to the composition of the Board	• Nomination Committee to extend its regular review of the composition and skills of the board to take account of a impending changes at Board level as well as to consider whether the Board have the skills and experience required to support a pure-play components business in the medium- to long-term	• Skills matrix to be refreshed and reviewed
Action 4	Continue mentoring between the Board and GEC to provide opportunities for both groups to get to know the business and each other better to produce better quality discussions	• Mentoring to continue between the Board and the GEC to deepen knowledge and understanding of each other's roles and to provide greater knowledge of the business	• New mentoring partners to be agreed and handover sessions to be held
Action 5	Review the process for investor meetings once a new Chair has been onboarded	• The existing approach to investor meetings will be considered by a new Chair, once appointed	• A new Chair will be asked to consider appropriate mechanisms for shareholder engagement
Action 6	Monitor the refreshed Voice of the Employee process to ensure outputs provide useful insights for the business	• A refreshed approach to the Voice of the Employee has been agreed and will be reported on to the Board at each meeting	• A feedback loop will be used, involving employees, GEC and the Board to ensure value is derived from the Voice of the Employee programme

Chair of the Audit and Risk Committee's letter

MARY REILLY
Senior Independent Non-Executive Director
Audit and Risk Committee Chair

During the year, the Audit and Risk Committee continued to assist the Board in fulfilling its oversight responsibilities by monitoring and robustly challenging the integrity of the Company's financial reporting; reviewing and challenging the use of accounting policies, scrutinising the systems of internal control and the risk management framework.

Roles and responsibilities

The main roles and responsibilities of the Committee include:

- ensuring the interests of the shareholders are properly protected in relation to financial reporting and internal controls
- monitoring the integrity of the financial statements and any formal announcements relating to financial performance
- reviewing and challenging the accounting policies presented to the Board for approval
- reviewing internal financial controls and reviewing the internal control and risk management systems
- monitoring and reviewing the effectiveness of the Risk Assurance function
- making recommendations to the Board in relation to the appointment, re-appointment and removal of the External Auditor and approving the remuneration and terms of engagement of the External Auditor
- monitoring and reviewing the effectiveness of the External Auditor
- reviewing the External Auditor's independence and objectivity.

Additionally, the Committee is also responsible for:

- challenging significant accounting judgements
- agreeing the annual Risk Assurance internal audit plan and monitoring its delivery
- monitoring the Right to Speak arrangements and the assessment and investigation of any claims made through this mechanism
- reviewing regular compliance updates and assessing progress on the compliance transformation programme
- monitoring the engagement policy of the External Auditor to supply non-audit services
- reviewing and discussing reports presented by the external auditor at each meeting.

Membership and attendance

	Meetings during the year
Mary Reilly Chair	5 (5)
Ralf K. Wunderlich	5 (5)
Adrian Peace	5 (5)

Figures in brackets denote the number of meetings that could have been attended.

Other attendees

The External Auditor, Chair of the Board, other Non-Executive Directors, Chief Executive, Chief Financial Officer, Head of Risk Assurance, Group Financial Controller and members of the Group Executive Committee ("GEC") attended meetings by invitations, as appropriate. During the year, the ARC met the External Auditor, PricewaterhouseCoopers LLP ("PwC"), and the Head of Risk Assurance without the Executive Directors being present.

The ARC received presentations from the Chief Executive, the Chief Financial Officer, Group Financial Controller, Head of Risk Assurance, Group Head of Tax, Group Head of Treasury, the Head of Cyber Security and the Chief Digital Information Officer.

During 2023, the Company Secretary attended all the meetings.

Dear Shareholder

As Chair of the Essentra plc Audit and Risk Committee ("ARC"), I am pleased to present my report for the year ended 31 December 2023 to shareholders.

During the year, the ARC continued to assist the Board in fulfilling its oversight responsibilities by monitoring and robustly challenging the integrity of the Company's financial reporting, the systems of internal control and its risk management framework. This report gives an overview of the activities undertaken and overseen during the year and explains how the ARC has met the requirements placed on audit committees by the 2018 Code and applicable guidance, laws and regulations. In carrying out its duties the ARC also operated in accordance with recommendations set out in the FRC Guidance on Audit Committees which was published in April 2016 and remains cognisant of updated FRC guidance, letters and reports that are relevant to the work of the ARC.

The ARC worked largely to a recurring and structured programme of activities which, following the completion of the strategic review in late 2022, was focused on the Company's new direction as a pure-play components business whilst also covering, and supporting, the remaining separation activities for the Packaging and Filters businesses.

The 2023 internal audit plan was presented to the ARC at the end of 2022 in the knowledge that, whilst the strategic reviews of the Packaging and Filters businesses were complete, there would still need to be an agile and flexible approach to ensure that the ARC and the Board would have the level of assurance required in an evolving environment. The internal audit plan proposed a blend of audits that focused on the

> "During the year, the ARC continued to assist the Board in fulfilling its oversight responsibilities by monitoring and robustly challenging the integrity of the Company's financial reporting, systems of internal control and risk management framework."

Principal Risks, strategic initiatives and traditional site visits. Of the 11 Principal Risks presented during 2023, the internal audit plan focused on seven of those areas, which provided good coverage but also allowed the internal audit team the capacity and time required to support separation activities.

The Principal Risk areas covered during 2023 have included environmental, governance, operational and supply chain disruption, digital transformation, cyber events, execution of strategic plan projects and health and safety performance.

Members of the Risk Assurance team also spent considerable time during the year providing assurance and support over the separation of co-mingled data from systems and data repositories in support of the separation of the Packaging and Filters businesses.

A key role of the ARC is to support the Board in its assessment of the Principal and Emerging Risks and effectiveness of mitigation plans. The ARC considered the profile of some of the Company's Principal Risks which changed throughout the year reflecting both the changed shape of the Company and the embedding of a new leadership team. In December 2023, the ARC agreed to recommend to the Board updates to the Principal and Emerging Risks that were relevant to the business and reflected its ongoing goals and ambitions.

The ARC continued to receive regular reports on the Company's Compliance Programme. The ARC noted that the business had continued to encourage and enhance compliance reporting and emphasised that the importance of compliance remained following a period of intense change. There were no material compliance breaches identified during the year.

In August 2023, the Company received a letter from the FRC which had carried out a review of the Annual Report and Accounts for the year ended 31 December 2022. This review was focused on considering compliance with reporting requirements and did not seek to provide assurance that the 2022 annual report and accounts were correct in all material respects, nor did it seek to verify the information provided. The FRC accepts no liability for reliance on the letter by the Company or any third party. The outcome of the review was positive and concluded that there were no questions or queries to be raised in respect of the 2022 Annual Report at that time. A number of improvement opportunities for existing disclosures were noted and, in September 2023, an update was provided to the Board on how these were to be addressed for 2023. All material improvement observations have been reflected in the 2023 Annual Report and Accounts.

Finally, as Chair of the ARC, I am pleased to engage with shareholders and continue to be available to meet if asked.

Mary Reilly
Senior Independent Non-Executive Director
Audit and Risk Committee Chair
18 March 2024

Report of the Audit and Risk Committee

The Terms of Reference provide a framework for the ARC's work to review and oversee the quality, integrity, appropriateness and effectiveness including the following:

- Financial Statements and external financial reporting
- Internal controls
- Significant financial judgements
- Tax and Treasury function
- Cyber security response
- The compliance programme
- The efficacy of the Risk Assurance (Internal Audit) function
- The risk management processes and practice
- The relationship with, and performance of, the External Auditor

Governance

Financial Statements and external financial reporting

All the Audit and Risk Committee ("ARC") members are independent Non-Executive Directors and have financial, risk management or related business experience gained in senior positions at other large diverse organisations.

Mary Reilly has been the Chair of the ARC since April 2018, and the Board is satisfied that Mary has recent and relevant financial experience. Mary spent the majority of her career at Deloitte and is an experienced audit Chair. Each of the other ARC members also have relevant experience: Ralf K. Wunderlich has a deep understanding of internal capital market regulations and is a member of other firms' audit committees and Adrian Peace has extensive financial experience as a manufacturing industry expert.

Biographies of the ARC members can be found on pages 78 and 79 and in the Notice of Annual General Meeting. As a whole, the Board believes that the members of the ARC are competent in the business sectors within which Essentra operates. The ARC supports the Board and reports to it following each of its meetings. No member of the ARC has a connection with the current External Auditor.

The ARC has independent access to Head of Risk Assurance, who leads the Internal Audit team, and the External Auditors and may obtain outside professional advice if required. Risk Assurance and the External Auditor have direct access to the Chair of the ARC who held a number of meetings with the Risk Assurance Team and the External Auditor during the year outside formal ARC meetings. The Chair of the ARC also liaises with the Chief Financial Officer, and other senior members of the finance function, as well as the Company Secretary as necessary to ensure there is robust oversight and challenge in relation to financial control, risk management and compliance.

An internal evaluation of the ARC is carried out on an annual basis, the last review being performed in 2023 and concluding that the ARC continued to be a well-run committee, operating in line with the 2018 Code and with the opportunity for all members to contribute and consider issues properly.

The ARC observes an annual cycle of items that covers the requirements of the external audit cycle and any other relevant matters, as detailed in the ARC's Terms of Reference. The agenda cycle is reviewed annually to ensure that the ARC remains proactive and relevant. The current Terms of Reference for the ARC are available at www.essentraplc.com.

Ensuring the integrity of the Financial Statements and associated announcements is a fundamental responsibility of the ARC. In recommending to the Board, with regard to the approval of the 31 December 2022 Annual Report and the 30 June 2023 Half Year Report, the ARC reviewed, examined and challenged the Chief Financial Officer and External Auditor on their respective

"Ensuring the integrity of the Financial Statements and associated announcements is a fundamental responsibility of the ARC."

assessments on such items as the estimate and disclosure of Packaging and Filters final disposal consideration, presentation of separation costs, the allocation of goodwill following disposals, the presentation of discontinued operations, the presentation of new segmented results for the retained business, accounting for loans and hedging relationship and their presentation in the financial statements, developments in accounting standards which might affect the Group's financial statements, the acquisition of Wixroyd Group, hyperinflation in Turkey, accounting policies and disclosures, any financial reporting issues, significant financial judgements made, the triggers that led to an impairment assessment at the Half Year and appropriate levels of disclosures to ensure that the reports are fair, balanced and understandable. The ARC also challenged the External Auditor on the appropriateness of their audit coverage and their measure of materiality.

As part of the process for the year ended 31 December 2023, the ARC reported on its assessment of the Financial Statements so that the Remuneration Committee could consider whether it needed to exercise its discretion when considering the outturns for 2023.

During the year, the ARC also considered the adequacy of the Group's Long-Term Viability Statement and going concern, and challenged the risk scenarios, the range of sensitivities applied and the potential impacts considered in line with FRC guidance. The risk scenarios used for the Year End 2023 reflected the critical importance of the strategic reviews, alongside areas regularly monitored by the businesses, such as operational and supply chain disruption, which remained common concerns across our three regions.

Following consideration of these assessments, the ARC confirmed that the application of the going concern basis for the preparation of the Financial Statements continued to be appropriate.

Tax and treasury

During the year, presentations were made to the ARC on the subject of Treasury and Tax.

Particular attention in the presentations was drawn to:

- the underlying tax rate of 21.5% at Year End 2022 (represented for continuing group) and the assumptions and judgements used to forecast the effective tax rate during the year
- the underlying tax rate of 23.6% at Half Year 2023 (again represented for continuing group)
- the tax costs of the restructuring projects to support the strategic review process
- the status of tax assets and liabilities held on the balance sheet
- the provisions in place for uncertain and central tax items
- a review of FX exposures which confirmed the business was operating in line with the Treasury Policy.

The ARC considered the matters presented and were satisfied with the approach being taken.

Additional details on the Group Tax Strategy can be found at www.essentraplc.com/responsibility.

Cyber security response

During the year, the Chief Digital Information officer met with the ARC Chair regularly and was invited to attend ARC meetings as necessary.

Following the completion of the strategic reviews, the responsibility for Cyber Security passed to the newly appointed Chief Digital Information Officer, supported by the Head of Cyber Security. Both individuals attended ARC meetings in June and December to update the Committee on the status of the Company's cyber control framework and the steps being taken to mitigate the risk of cyber events.

Key activities 2023

- Ongoing review and roll out of compliance training
- Regular discussions with the Group Compliance Officer to assess and monitor the approach to compliance and understand its effectiveness
- Monitoring and testing the effectiveness of the 2023 compliance programme
- Review the compliance plan for 2024
- Continued focus on third party due diligence, notably in higher risk jurisdictions
- Regular review of training completion rates across the Group
- Monitoring the Company's processes for understanding and managing its Principal, Emerging and key risks
- The Company reviewed a letter from the FRC regarding a review of the 2022 Annual Report and Accounts. The FRC had no questions or queries but ARC recommended to the Board that additional disclosures around these points be developed. The review conducted by the FRC was based solely on the Group's published Annual Report and does not provide assurance that the Annual Report is correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements
- Following the sale of the Filters business on 3 December 2022, the Company is no longer subject to the Deferred Prosecution Agreement to the US Department of Justice and its reporting requirements but continues to adhere to applicable sanctions regimes as part of its compliance activities

Compliance

The Company's commitment to conducting its business activities in accordance with all applicable laws and regulations continued to be prioritised during the year. The Compliance programme therefore operated on a business-as-usual basis, with opportunities for raising awareness and the requirement for training remaining regular features during the year, with some changes as set out below.

Following the change in Company's focus resulting from the strategic reviews in 2022, the work formerly undertaken by the Group Compliance Committee was transitioned to the Group Executive Committee.

The business has continued its approach to compliance, training and awareness, regulatory and sanctions compliance, third-party due diligence, insider dealing and data privacy and undertook activities that supported these key areas.

The GEC received regular reports monitoring compliance training whilst the ARC continued to receive broad compliance reports from the Group Compliance Officer on key compliance risks and the status of the programme of activities designed to mitigate exposure.

Right to speak and whistleblowing

The ARC received updates at each of its meetings on any Right to Speak issues raised and sought assurance from management on these issues and the Company's response. The ARC noted that the Company has responded to each report received through the Ethics Point reporting system, and carried out an investigation, using internal or external resources depending on the nature of the report, or by referring the case for resolution pursuant to HR grievance protocols.

During the year, the issues raised related predominantly to specific HR concerns and where there were particular concerns expressed, the ARC had oversight of the actions taken in response which it found to be appropriate.

Internal control and internal audit

The ARC is supported in this work by the Risk Assurance team, who are responsible for internal audits and are independent of management. The ARC is supported in this work by the Risk Assurance team, who are responsible for internal audits and are independent of management.

In 2023, the Risk Assurance Team augmented the progress made through the business partnering approach implemented during 2021 in order to continue to deliver value-adding objective reports. Given the new direction of the business and resulting dynamic risk environment, the ARC agreed that for 2023, Risk Assurance should continue to have an agile and adaptable mindset. Audit reviews were prioritised against current risk exposures and alignment with longer-term strategic objectives.

This ensured Risk Assurance continued to meet its core function as well as providing support to the Company where it was needed the most and accomplished its objectives through a systematic and disciplined approach to the evaluation, assurance and improvement in the effectiveness of the organisation's risk management, internal control and governance processes. It provided independent assessments of key processes and controls across the Company in support of its business objectives and strategies.

In order to achieve this the ARC reviewed:

- the internal audit plan and its achievement of the approved internal audit plan's activities
- the level and skills of the resource available to the Risk Assurance function in line with the budget
- the effectiveness of the Risk Assurance function including its structure, and how it was supporting the new pure-play components business
- internal audit activities with a focus on unsatisfactory audit results
- the adequacy of management's response and the necessary actions taken to address and rectify any weaknesses identified in a timely manner.

At the ARC meetings, Risk Assurance provided a report on the latest position with regards to the Company's systems of internal control, its effectiveness in managing Principal Risks and identifying any control failings or weaknesses.

Risk Assurance also reported on resourcing of the function. In June 2023, the Head of Risk moved to another internal position and was replaced on an interim basis by an existing member of the Risk Assurance team. In January 2024, the interim role was confirmed in this position on a permanent basis. In 2023, the Internal Audit plan was delivered entirely through internal resources. The team also provided assurance over certain specific activities relating to the separation of the Packaging and Filters businesses.

For the Business Process Redesign ("BPR") programme and Monterrey facility project, the Risk Assurance team performed agreed specific procedures to provide assurance over the controls in place.

The 2024 internal Audit Plan comprises a blend of audits focused on Principal Risks, strategic initiatives and more traditional site-based controls audits.

Risk management process

The ARC's discussions and considerations and oversight of the risk management process continued throughout the year working closely with the Group Executive Committee and the Risk Assurance function. In 2023, the focus was on ensuring that the Company's Principal and Emerging Risks remained appropriate in the light of changing geopolitical and macroeconomic environments.

In addition to considering the adequacy of Principal and Emerging Risks, the existing risk management process continued to enable the ARC to assess the quality of existing practices and processes used to identify, assess and mitigate responses to existing and evolving risks to the Company achieving its long-term strategic objectives. This approach, combined with the risk management approach supported the ARC's challenge of the effectiveness of the Company's response, its actions and the process used to consider the effectiveness of the mitigations.

The ARC concluded that the process had been very thorough and remained fit for purpose and that the risks had been reviewed and challenged thoroughly, with appropriate resilience testing of assumptions also having been undertaken. The ARC's work in turn supported the Board by providing it with the assurance it needed as to the robust nature of the process used by the Company to identify risk.

The ARC's oversight of risk management continued throughout the year and included working closely with the GEC

The ARC concluded at Half Year 2023 that the Principal and Emerging risks remained appropriate. The ARC also concluded that the changes proposed to the narrative and mitigation of certain Principal Risks and the addition of two new Emerging Risks at the full year were appropriate.

More information on Principal and Emerging Risks can be found on pages 69 to 73, the Long-Term Viability Statement on page 145 and the Risk management process on 66.

External Auditor

During the year the ARC:

- performed a debrief on the 2022 external audit process with PwC
- engaged with Katherine Birch-Evans, the new PwC audit partner and supported the handover process
- agreed the terms of engagement and fees to be paid to the External Auditor
- reviewed and agreed the scope and strategic nature of the audit work to be undertaken, with changes to sites in scope reflecting the change in the shape of the Company
- reviewed the qualifications, resources and independence of the External Auditor and assessed its performance with particular regard to the overall quality of the external audit
- reviewed the level of non-audit work carried out by the External Auditor which, during 2023, was limited to an interim review of the half-year financial statements and subscription to access PwC's accounting and corporate reporting guidance
- the Chair of the ARC met with the External Audit partner frequently outside of the meeting schedule.

Assessment of the External Auditor

The ARC is dedicated to ensuring that the Company receives a high quality and effective external audit. Throughout the year, the ARC is provided with reports, reviews, information and advice, as set out in the terms of the External Auditor's engagement and performance is formally assessed by the ARC in conjunction with the GEC. The ARC assesses the External Auditor's independence annually and remains satisfied that the External Auditor is effective and provided appropriate independent challenge to the Company's management.

Independence of the External Auditor

The ARC believes that it is important to maintain the objectivity and independence of the External Auditor by minimising their involvement in projects of a non-audit nature. The Company policy complies with the FRC Revised Ethical Standard 2019 which provides a whitelist of services which may be provided to public interest entities and reflects best practice in relation to the engagement of the External Auditor to supply non-audit services in compliance with the whitelist, with defined parameters and approval requirements.

The ARC Chair, without the approval of the ARC, is authorised by the Company to engage the External Auditor on non-audit related work where the service is in compliance with the whitelist of services under the Revised Ethical Standard 2019, and the fees per project are not considered to be significant, provided that the annual aggregate of non-audit related fees shall not exceed 70% of the average of the audit fees paid in the last three consecutive financial years.

Following the substantial reduction in non-audit services following the conclusion of the strategic reviews in 2022, fees were expected to be comfortably within the 70% fee cap (calculated based on the average of the last three years' audit fees).

Details of the fees paid to PwC up until 31 December 2023 can be found in Note 2 of the Notes to the Consolidated Financial Statements, which includes fees paid to the External Auditor and its network firms for audit services, audit-related services and non-audit services. PwC provided a letter confirming that it believes it remains independent within the meaning of the regulations on this matter and in accordance with their professional standards.

The ARC formally reviewed the letter which describes arrangements in place to identify, report, and manage any conflicts of interests and policies and procedures, including the extent of non-audit services, to maintain independence and the subsequent monitoring.

Effectiveness of the External Auditor

The ARC assessed the effectiveness of the External Auditor by reviewing:

- the External Auditor's fulfilment of the agreed audit plan and the quality of their work including the depth and appropriate challenges of management
- feedback highlighting the major issues that arose during the course of the audit
- feedback from the businesses and management evaluating the performance of each assigned audit team.

Engagement of the External Auditor

The External Auditor was originally engaged by the Company in 2017, following a competitive tendering process. The External Auditor is engaged to express an audit opinion on the truth and fairness of the Financial Statements. The external audit includes the review and testing of the system of internal financial controls and the data contained in the Financial Statements to the extent necessary. In order to protect independence and objectivity and provide fresh challenge to the business, the External Auditor periodically changes the audit partners at a Group, regional and country level, in accordance with professional and regulatory standards. As noted, Katherine Birch-Evans was welcomed as the new Group audit partner during the year. Such changes are carefully planned to ensure that the Group benefits from staff continuity without incurring undue risk of inefficiency.

The ARC has been kept up to date with the development of regulations concerning audit tenure and the longevity of audit firm relationships with companies they audit. In 2016, a comprehensive competitive tender was undertaken for the external audit and subsequently the appointment of PwC to replace the Company's previous auditors was approved by the shareholders at the 2017 AGM. As detailed above, the ARC is satisfied with the External Auditor's effectiveness and independence and accordingly has recommended to the Board that PwC be reappointed as the Company's External Auditor at the 2024 AGM.

The Company has discussed the rotation of the external auditor and continues to consider, on a regular basis, any potential benefits from tendering the audit process having regard, in particular, to the importance of audit quality or the continued independence of the External Auditor. There are no contractual obligations in place that restrict the Company's choice of statutory auditor.

The Company currently anticipates that it will tender for the role of external auditor during 2025 or 2026 to ensure that, if a change is deemed appropriate, the new external auditor is able to familiarise themselves with the business. The Company believes this timeline will best serve the interests of shareholders by minimising disruption to the business. The Company will provide an update if this approach changes.

The Company has complied throughout the year with the Statutory Order 2014 issued by the Competition and Markets Authority.

> The ARC supports the Board in meeting its responsibility for maintaining and monitoring sound risk management and internal control systems. It achieves this by assessing the effectiveness of those systems."

Significant Accounting Matters

Valuation of non-current assets

As required by IAS 36, the Company undertakes an assessment of the carrying value of intangible assets on an annual basis, or more frequently if there is an indication of impairment. The details of the work carried out and the results are in Note 8 of the Notes to the Financial Statements. The assumptions for 2024 and beyond (such as the annual growth rate and the terminal growth rate) are based on the 2024 annual plan and management's financial projections in subsequent years and are risk-adjusted. The impairment reviews performed by management contain a number of significant judgements and estimates including Revenue growth, profit margins and discount rates. A change in these assumptions can result in material changes in the valuation of the assets and the eventual outcome of the impairment assessment. The ARC evaluated and challenged the methodology of the impairment review and the assumptions on which it was based, including the financial plans approved by the Board.

The ARC discussed the current year assessment, focusing on regional growth rates, purchasing manager index data, customer sentiment and the risks inherent with the annual plan and management's longer term projections. Specific consideration was given to impairment reviews in APAC, for the parent company investment and in relation to certain investment properties.

Significant Accounting Matters continued

Adjusting items

The Financial Statements include certain items which are disclosed as adjusting items. The nature of these items is explained within the Group Accounting Policy, and includes transaction costs and gains or losses relating to acquisitions and disposals of businesses, acquisition related integration and restructuring costs, and other items such as impairment losses. Following an extensive review, the ARC is satisfied that the Company's definition of adjusting items remains clear and the appropriate level of disclosure is included.

The ARC challenged the Chief Financial Officer about the appropriateness of items presented including, costs relating to major Software-as-a-Service ("Saas") projects, impairments, acquisition costs and ongoing activities relating to the separation of the Packaging and Filters businesses to ensure they are one-off material items, rather than incurred in the ordinary course of business, to allow a better understanding of the Company's ongoing activities. Further details can be found in Notes 8 and 24 of the Notes to the Financial Statements.

Tax liabilities

The Company is, on occasion, subject to tax assessments that may represent potential future tax exposures, which arise from tax authorities in a number of the jurisdictions in which it operates. The Company assesses all such exposures in the context of specific country tax laws, and where applicable, makes provisions for any settlements which it considers appropriate. The Company operates in a number of tax jurisdictions, and recognises tax based on interpretation of local laws and regulations which are sometimes opaque. Where the amount of tax payable is uncertain, the Directors are required to exercise significant judgement in determining the appropriate amount to provide in respect of potential tax exposures.

The ARC challenged the nature and extent of the Company's tax provisions and sought assurance that the Company was working diligently to resolve outstanding liabilities in an appropriate fashion. The potential tax exposures over the Company's transfer pricing position and the deductibility of interest on internal financing are also considered. The ARC reviewed the assumptions of the tax liabilities at the start of the year, those created during the year and the effective tax rate. The ARC challenged the Chief Financial Officer and Head of Tax as to the appropriateness of the Company's risk attitude and appetite in this area. The ARC was satisfied that the tax liabilities are appropriate, and that the Company's tax disclosures are adequate given the nature of its activities.

Going concern and Long-Term Viability assessment

The ARC reviewed the assumptions applied for going concern and long-term viability assessment. At Half Year 2023 and at Full Year 2023, an extensive process was applied to the going concern that assessed the outcome of a range of scenarios.

The Company has considered a downside scenario that includes reasonably plausible changes in macroeconomic conditions and is considered to represent a severe but plausible scenario.

The results of this downside scenario show that there is sufficient liquidity in the business for a period of 18 months from the date of approval of these Financial Statements, and do not indicate any covenant breach during the test period.

The External Auditor challenged the ARC on the process used to make the assessment and the outcome of the scenarios. The ARC, on behalf of the Board, also challenged management on the assumptions and sensitivities used within the scenarios to ensure they captured sufficient macro and micro environmental factors, as well as where judgement had been applied, and sought an explanation from management on this. Management provided this assurance and explained to the ARC that the scenarios had been carefully calculated with dedicated resource provided to test the range of outcomes. The ARC was satisfied that the process used to assess the Company's going concern position was appropriate and made a recommendation to the Board in line with this view.

More information on the going concern can be found on pages 144 to 145.

The ARC reviewed the long-term viability assessment for the period to 31 December 2026 which considered a range of scenarios based on an assessment of four risks: ESG risks, Operational and Supply Chain Disruption, Macroeconomic Environment and Execution of Strategic Plan, which were selected from the Principal Risks. The ARC considered the process used to assess the long-term viability against these risks and challenged management on the assumptions. The External Auditor in turn challenged the ARC on the process that had been adopted and was satisfied that the process used was robust and thorough.

The ARC was satisfied that they could make a recommendation to the Board on the Group's long-term viability.

The ARC also reviewed the information supporting the Critical Accounting Judgments and Estimates section of the Financial Statements starting on page 165.

Other significant matters

The ARC also considered the following significant matters during the course of the year:

- the estimation and valuation of completion accounts payments in relation to the disposal of the Filters business
- the estimation and valuation of contingent consideration receivable, or earn-out, in relation to the disposal of the Filters business
- provisions in relation to contractual obligations following the disposal of the Packaging and Filters businesses
- valuation of net assets following the acquisition of BMP TAPPI
- the funding position on the Company's defined benefit pension schemes
- the appropriateness and accuracy of hyperinflationary accounting in the Company's business in Turkey
- updates to inventory provisioning calculation inputs following the disposal of the Group's Packaging and Filters businesses in 2022.

Chair of the Remuneration Committee's letter

RALF K. WUNDERLICH
Non-Executive Director

Dear Shareholder,

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 December 2023.

As we reflect on the accomplishments of the past year, it is evident that 2023 has been a notable period for the business, marking a significant step forward in our journey as the new Essentra plc. The dedication and hard work of our team has been instrumental in ensuring the successful realisation of our commitments to the market.

New Policy

At the May 2024 AGM, we are proposing a binding shareholder vote on our new Directors' Remuneration Policy ("Policy") which is required under the standard three-year approval cycle. The Remuneration Committee discussed the existing Policy over a series of meetings which considered the strategic priorities of Essentra, governance requirements and evolving market practice.

The conclusion of the review was that the structure of the existing Directors' Remuneration Policy had operated as intended, that it remained fit for purpose and that it would continue to provide strong alignment between performance and the remuneration of the Executive Directors. Accordingly, there are no material changes in the new Policy (full details of which are set out on pages 133 to 140).

We consulted with our major shareholders and proxy voting bodies on the new Policy and I am pleased to say that respondents in that consultation were supportive. I would like to express my thanks to all those who took the time to participate in this process.

Implementation of new Policy in 2024

Principles

Our approach to setting executive remuneration continues to be guided by the following principles:

- Rewarding the creation of sustainable, long-term performance, with long-term value creation for shareholders and pay for performance being at the heart of our policy and practices
- Incentivising and rewarding delivery of the business strategy, with market competitive pay in return for performance against our strategic objectives
- Attracting and retaining the talent we need to lead our business. This must also reflect the complexities of a global business, attracting and nurturing a mix of talent with a range of backgrounds, skills and capabilities that will enable Essentra to thrive
- Consideration of stakeholder interests. ensuring our reward packages are appropriate and fair in the context of the experience of our key stakeholders – employees, shareholders and customers
- Flexible in our approach to remuneration so that we can respond to a rapidly changing world.

In principle, our pay policy for our wider workforce is closely aligned with our Policy, reflecting our commitment to fairness and consistency in compensation practices throughout the organisation. However, it is essential to note that there are some differences, primarily in the treatment of variable and non-variable pay components.

This means that the variable and non-variable pay structures for our workforce may diverge from those of our Directors to accommodate the diverse needs and roles within our organisation. While our Policy may include specific provisions tailored to the unique roles and responsibilities of our executive team, our strategic drivers, and objectives flow throughout the organisation.

THIS REPORT INCLUDES

- **Our proposed new Directors' Remuneration Policy (the "Policy")**
- **The Annual Report on Remuneration, which describes how the current Policy has been put into practice during 2023 and how we plan to implement the new Policy in 2024**

These key differences are carefully considered to ensure that our pay policy remains equitable and relevant across all employee levels, effectively addressing the specific requirements of each group while adhering to the overarching principles of fairness, performance-based incentives and competitive remuneration. Our ultimate goal is to maintain a unified framework that promotes a culture of fairness and inclusion while recognising the distinctive attributes of our various employee categories.

Salary increases in 2024

Salaries for 2024 (effective 1 April) are £558,900 and £362,250 for the Chief Executive and Chief Financial Officer, respectively. These represent a 3.5% year-on-year increase in both cases. The increases were determined by the Remuneration Committee having taken into account Group and individual performance and are slightly below the 4% average salary increase awarded to our UK employee workforce for 2024.

Linking reward to strategy – incentive plans in 2024

We've made substantial strides in advancing our sustainability agenda in 2023. Our focus for 2024 has shifted towards waste reduction, especially within our Customer Supply Chain teams. Our philosophy remains to set ESG targets that are stretching and well above 'business as usual' standards within our industry.

As well as Essentra's resilient financial performance, I am pleased with the significant progress that we have made as an organisation on our journey to becoming the world's leading responsible hassle-free supplier of essential industrial components, with Customer Service Net Promoter Score featuring across the entire organisation's incentive plans.

We are pleased our health and safety record has improved this year with 10 Lost Time Incidents ("LTIs") compared to 23 LTIs in 2022. This is a LTI rate of 0.42 for 2023 compared to 0.96 for 2022. Each site signed up to a safety pledge at the start of the year, ensuring health and safety is embedded and owned by every individual within the business, and we continue to place emphasis on running our business safely as our first priority.

We have taken a balanced approach to setting the annual bonus and LTIP performance targets given the uncertain economic environment in which the awards are being made. The Remuneration Committee retains the discretion to adjust the outcomes of the incentive awards to reflect the overall performance of the business over the performance period.

Our current intention is that LTIP awards for 2024 will be granted for shares worth 150% of salary to both the Chief Executive and Chief Financial Officer although, as in previous years, the Remuneration Committee will carefully consider the appropriateness of these award sizes shortly before the grant date.

> **"The Committee reflected on the remuneration outcomes in the context of a year of exceptional change and believes they appropriately reflect the performance of the Company and the broader stakeholder experience."**

Business performance in 2023

Essentra has demonstrated resilience throughout 2023 in its first year as a pure-play components business, delivering both operational and financial progress in 2023 whilst navigating a changing macroeconomic backdrop across our three operating regions. The organisation has delivered good margin progression, despite a reduction in operational leverage from sales volume declines. The Company has taken a pro-active approach to cost control, which has included the right-sizing of central corporate costs, as well as procurement initiatives and disciplined pricing actions which have offset inflationary pressures in the year – the business has been exposed to the cost of raw materials and wage inflation in particular.

Further progress has been made towards the Components growth strategy with the successful acquisition in Italy of BMP TAPPI in October, the second acquisition in a 13 month period, following Wixroyd in

KPI	2023	2024	Strategic rationale
Annual Bonus: one-year performance			
Adjusted operating profit	50%	50%	The metrics are designed to provide a balanced alignment with our goals of generating sustainable, profitable growth and strong cash generation.
Adjusted operating cash flow	20%	20%	
ESG	10%	10%	The ESG metric will be based on waste reduction as outlined above.
Personal Objectives	20%	20%	
LTIP: three-year performance			
Relative TSR	30%	30%	The measures are designed to provide a balanced alignment with our goals of delivering shareholders a superior return on their investment and generating sustainable, profitable growth.
Adjusted EPS	50%	50%	
ESG	20%	20%	Our Environmental targets now align to SBTi standards, while the Social aspect of ESG focuses on our commitment to diversity.

> In 2023, we emphasised alignment of our bonus programmes for 2024 with our strategic goals. Sales teams being incentivised to drive revenue and cross-selling, while our customer supply chain team focuses on NPS and waste reduction at each site."

December 2022, which will strengthen and enhance the Group's existing product range, and further expand the Group's manufacturing footprint in Europe.

Despite a period of transition for people across our organisation and operating within a more challenging trading environment, customer satisfaction as measured by our Customer Service Net Promoter Score ("NPS") has increased by six points to 40 in 2023, supported by focus on customer service. The Company has also maintained the employee engagement score at 82, with 86% participation, which is above benchmark levels of engagement.

The business also made significant progress towards our sustainability agenda. We have installed our first solar panel array in Rayong, Thailand, and have continued to make great progress on the percentage of raw materials from sustainable sources across our polymer range as an organisation, delivering our 2025 commitment of 20% recycled content in 2023, two years ahead of schedule.

Linking reward to performance in 2023

2023 annual bonus

The Remuneration Committee gave careful consideration to the formulaic outturn of the annual bonus which produced an overall outturn of 50.3%. In light of overall financial performance and the experience of our various stakeholders during the year, the Committee noted that although overall financial and operational performance had been delivered during the year, this performance had not yet been reflected in enhanced shareholder value. The Remuneration Committee also noted the particularly challenging market that the Group currently faces. Having considered the above factors, and with the full support of the Board, the Remuneration Committee exercised its discretion to reduce bonus pay-outs to 30% of maximum.

Vesting of 2021 Long Term Investment Plan ("LTIP") award

Last year's Remuneration Report highlighted that the materiality of the Packaging and Filters transactions during 2022 created a number of complexities for the measurement and assessment of performance for in-flight incentive awards. It also laid out the following principles that the Remuneration Committee would use to ensure a fair and robust measurement and assessment process applied for the affected awards:

- maintain consistency between the basis on which targets are set and how performance is measured
- ensure use of a consistent approach across affected awards where possible
- maintain the original performance periods
- use audited data to the extent that this is feasible.

More detail on the Remuneration Committee's specific application of these principles to the 2021 LTIP award is set out on page 127.

Following a performance assessment at the end of the three-year performance period, the 2021 LTIP award vested at 63.5% of maximum – details of which are set out on page 127. The Committee was satisfied that this outturn was appropriate having considered underlying business performance and successful strategic execution over the three-year period. Its conclusion also took into account the challenge of ensuring that the LTIP remains a credible reward and retention device for employees given the partial vesting of only one LTIP award in the preceding seven award cycles.

Employee reward and engagement

In an effort to promote a performance-driven culture, we made significant changes this year in our bonus structure which will directly impact all employees in 2024. Some of the key reasons for the change were to have a greater alignment to our key strategic pillars and promote a high performance culture. A special emphasis was placed on aligning our bonus programmes to our strategic objectives with sales teams focusing on revenue delivery and driving cross sell, and our customer supply chain team (which is our largest employee population) focused on Net Promoter Score ("NPS") and waste reduction across each site. This new approach intends to empower each of our people to have a greater influence on their bonus outcomes, aligning their efforts with our core strategic pillars.

Our consultation with employees, which is covered in more detail on page 134 as well as in the ESG and Corporate Governance chapters, includes explanations of how executive remuneration aligns with our wider company pay policy. During 2023, our Board Champions met with employees, giving them the opportunity to raise remuneration as a topic with them.

Two of the Board Champions include the Remuneration Committee Chair and the Senior Independent Director, who is also a member of the Remuneration Committee.

AGM votes

There will be five remuneration-related votes at the 2024 AGM. These comprise:

- The usual advisory vote on the Annual Report on Remuneration
- A binding vote on a new Policy as outlined above
- Binding votes to approve the renewal of each of the LTIP, the Deferred Bonus Plan and the Sharesave Plan. These renewals are required because the existing plans are all approaching their expiry date (10th anniversary of their approval by shareholders). Full details of the terms of the plan rules will be in the Notice of AGM although changes to the existing plan rules are limited and principally reflect governance requirements and evolutions in market practice over the past decade.

Conclusion

This is my last letter as Chair of the Remuneration Committee and Kath Durrant will succeed me following the AGM. I would like to express my immense thanks to the Board Chair and the members of the Remuneration Committee for the invaluable support and engagement that they have given me during my tenure.

Looking ahead, we remain committed to fostering growth, innovation, and excellence across all facets of our operations. As we navigate the complexities of the business landscape, we appreciate the hard work and dedication of each member of the Essentra team.

I have greatly valued feedback received from shareholders, which has been considered by the Remuneration Committee, as relevant, within our regular meetings. I hope that you will find this report to be clear and helpful in understanding our remuneration practices and that you will support the remuneration resolutions at the forthcoming AGM.

The annual report on remuneration has been approved by the Board of Directors and signed on its behalf by,

Ralf K. Wunderlich
Non-Executive Director
Remuneration Committee Chair
18 March 2024

Our people are key to our success. Keeping our people safe, and working in a thriving workplace is at the heart of everything we do

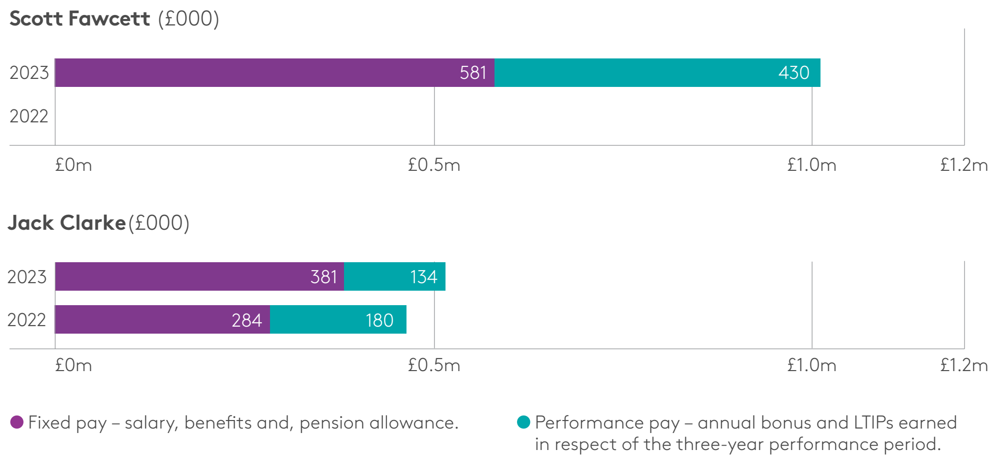
Remuneration at a glance

2023 remuneration structure for Executive Directors.

RALF K. WUNDERLICH
Remuneration Committee Chair

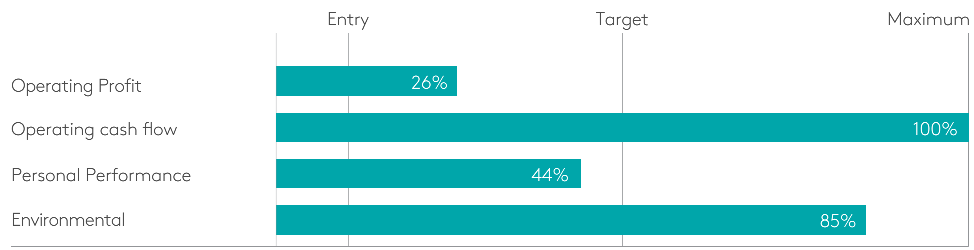
"Enhancing customer service has remained a focus, we're pleased to see Net Promoter Score increase by an additional six points to 40. We remain focused on our customers and continue to work towards our target of 50."

2023 total remuneration



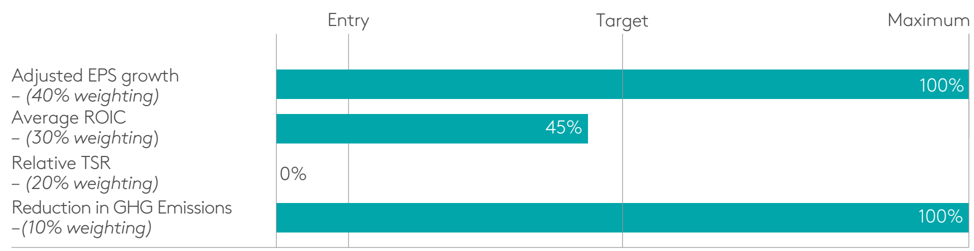
Data in these charts relates to the period that individuals were Board members.
Jack Clarke joined the Board in April 2022.
Scott Fawcett joined the Board in January 2023.

2023 Annual bonus 30%[1]



1 Bonus outturn reflects the Committee's use of downward discretion as reflected in the Chair's letter.

Long Term Incentive 63.5%



Annual Report on Remuneration

This section of the Remuneration Report will be subject to an advisory vote at the 2024 AGM together with the Annual Statement from the Remuneration Committee Chair

Key activities

Meetings during 2023

Q1 2023

- Approved Remuneration Report
- Approved 2022 Management Bonus Outturn
- Approved 2022 deferred bonus share awards
- Approved targets, participation and grant of the 2023 LTIP
- Approved Proposed 2023 Management Bonus targets and rules
- Approved personal objectives for GEC for 2023
- Approved SAYE invitation for UK staff

Q3 2023

- Director Remuneration Policy review and approval
- Approved changes to LTIP, Deferred Bonus and SAYE rules

Q4 2023

- Review of Chair fees
- Approved 2024 Executive Director Objectives
- Approved 2024 LTIP measures and targets
- Agreed 2024 Bonus measures

Membership and attendance

	Meetings during the year
Ralf K. Wunderlich Non-Executive Director	5 (5)
Mary Reilly Non-Executive Director	5 (5)
Dupsy Abiola Non-Executive Director	5 (5)
Kath Durrant Non-Executive Director	5 (5)

Other attendees

In the past year, the Remuneration Committee engaged with the Board Chair, CEO, CFO, CPO, and Reward Director, for insights and advice. Notably, none participated in discussions about their own remuneration. The Company Secretary serves as the secretary and attends all meetings.

The Committee consistently oversees the Company's relationships with independent advisers. Independent advice was sought from Deloitte LLP, a member of the Remuneration Consultants Group. Deloitte, adhering to the Group's Code of Conduct, provided counsel on executive and senior staff remuneration. The Remuneration Committee annually reviews Deloitte's performance and is selected based on expertise and experience in executive remuneration. The Remuneration Committee selected Deloitte through a majority vote as a result of the quality of their services and independence, and as a result they continue to be the preferred consultant. The fees for the year for advice to the committee amounted to £63,200, charged based on time and expenses. Deloitte also offered additional share plan, consulting and tax services to the Company in 2023.

Total Single Figure of Remuneration Table for 2023 (audited)

The remuneration received by Executive Directors and Non-Executive Directors for the year ended 31 December 2023 (and the 31 December 2022 comparative) was as follows:

	Year	Salary and fees for the year or from the date of appointment £000	Taxable benefits[1] £000	Pension[2] £000	Total fixed remuneration £000	Bonus (cash and deferred shares) £000	Long-Term Incentive Plan £000	Other £000	Total variable remuneration £000	Total £000
Executive Directors										
Scott Fawcett[3]	2023	540	14	27	581	243	182[8]	5[9]	430	1,011
Jack Clarke[4]	2023	350	13	18	381	131	–	3[9]	134	515
	2022	261	10	13	284	180	–	–	180	464
Non-Executive Directors										
Paul Lester	2023	225[5]	–	–	225	–	–	–	–	225
	2022	250	–	–	250	–	–	–	–	250
Mary Reilly	2023	85	3	–	88	–	–	–	–	88
	2022	85	–	–	85	–	–	–	–	85
Ralf K. Wunderlich	2023	86	14	–	100	–	–	–	–	100
	2022	80	6	–	86	–	–	–	–	86
Adrian Peace	2023	62	20	–	82	–	–	–	–	82
	2022	62	13	–	75	–	–	–	–	75
Dupsy Abiola[6]	2023	52	–	–	52	–	–	–	–	52
	2022	42	–	–	42	–	–	–	–	42
Kath Durrant[7]	2023	52	4	–	56	–	–	–	–	56
Totals	2023	1,452	68	45	1,565	374	182	8	564	2,129
Totals	2022	780	29	13	822	180	0	0	180	1,002[10]

Notes:
1 Taxable benefits comprise a car allowance, private medical insurance and life insurance cover for Executive Directors and for Non-Executive Directors covers travel allowance under the Travel Policy.
2 None of the Executive Directors are entitled to any benefit under the Essentra Defined Benefit Pension Scheme. Pension may be received as Cash in lieu of pension. The amount stated above is the employer pension contribution.
3 Scott Fawcett became the CEO 1 January 2023.
4 Jack Clarke joined as CFO in April 2022.
5 Paul Lester had a reduction in fees, effective 1 January 2023.
6 Dupsy Abiola joined the Board in March 2022.
7 Kath Durrant joined the Board in January 2023.
8 2021 LTIP vesting approximate value based on average share price over the last three months of 2023 of 158.2p. The value includes zero share price appreciation since grant.
9 SAYE discount (15%).
10 These totals exclude Directors who ceased their directorships during 2022. Total remuneration inclusive of all directors in the year was £2.668m (see page 112 of the 2022 Annual Report).

CEO pay ratio (unaudited)

This marks the fifth year of publishing our CEO pay ratio. We have opted for Option A in the regulations, utilising full-time equivalent pay and benefits for all UK employees in 2023. This choice, ensures a more accurate portrayal of the Chief Executive's compensation relative to the broader UK workforce.

	25th Percentile	50th Percentile	75th Percentile
Salary	£ 24,807	£ 35,194	£ 54,243
Total pay	£ 26,879	£ 38,321	£ 59,386
FY 2023	38:1	26:1	17:1
FY 2022	57:1	40:1	25:1
FY 2021	68:1	54:1	34:1
FY 2020	38:1	30:1	19:1
FY 2019	67:1	50:1	36:1

The salaries for employees at specified percentiles represent typical compensation for operational roles, including Customer Service Assistant, Supply Planner, and Category Manager. Primarily fixed, these roles have minimal performance-linked components. Ratios are calculated using the Chief Executive's total remuneration for 2023, outlined in the Single Figure Table. The Company deems the median pay ratio in line with its UK employee pay, reward, and progression policies.

The day by reference to which the Company determined the date for the three percentile employees was 31 December 2023. The Company believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole.

The CEO pay ratio for 2023, has decreased to 26:1 at the median.

The CEO pay ratio will vary annually due to the Chief Executive's higher variable remuneration tied to Essentra's performance and share price. Consequently, the Remuneration Committee does not set a specific target for the CEO pay ratio. Instead, the Remuneration Committee will yearly evaluate if the ratio's fluctuations align with Company performance and employee reward decisions.

Annual bonus (audited)

Under the terms of the annual bonus arrangements for 2023, Scott Fawcett was potentially entitled to a maximum bonus of up to 150% of basic salary and Jack Clarke was potentially entitled to a maximum bonus of up to 125% of basic salary. 50% of bonus earned is deferred in shares for three years and is usually dependent on continued employment.

As outlined in last year's Remuneration Report, the balance of the performance measures for the 2023 annual bonus were intended to align with the strategy of Essentra as a pure-play components business. In particular, the metrics were designed to provide a balanced alignment with our goals of generating sustainable, profitable growth and strong cash generation.

Irrespective of the outcome, the bonus design includes a 'gate' whereby no bonus is payable unless the Remuneration Committee determines that the Company's 2023 financial performance is satisfactory. As both financial measures met the Entry performance target, the Committee was satisfied that this 'gate' had been satisfied.

Additionally, the Remuneration Committee gave careful consideration to the formulaic outturn of the annual bonus in light of overall financial performance and the experience of our various stakeholders during the year. It noted that although financial and operational performance had been solid during the year, this performance had not as yet been reflected in enhanced shareholder value. It also noted the particularly challenging market that the Group currently faces. Having considered the above factors, and with the full support of the Board, the Remuneration Committee exercised its discretion to reduce bonus pay-outs to 30% of maximum.

2023 Annual Bonus Outturn

Performance measure	Weighting	Entry performance[1]	Target performance[1]	Maximum performance[1]	Actual performance	% of overall bonus payable
Adjusted Operating Profit[2]	50%	£39.4m	£46.3m	£48.6m	£43.0m[2]	13.0%
Adjusted Operating Cash Flow[2]	20%	£34.7m	£38.6m	£40.5m	£55.7m[2]	20%
ESG – Recycled Content	10%	17%	20%	21%	20.7%	8.5%
Other strategic objectives	20%		Details in analysis below			CEO – 8.8% CFO – 8.8%
Total formulaic outturn						**CEO – 50.3% CFO – 50.3%**
Post downward discretion applied						**CEO – 30% CFO – 30%**

Notes:

1 0%, 50% and 100% of the relevant portion of the bonus was payable for achieving Entry, on Target and Maximum performance, respectively.

2 As in prior years, outturn was adjusted to be consistent with plan FX rates in order to align with the targets. Adjusted Operating Profit outturn disclosed here is before the discretionary adjustment disclosed above.

Personal objectives 2023

2023 has been a challenging year with management required to not only deliver strong operational performance and profitability from 'business as usual' activities but also to devote considerable amounts of time to ensure successful standing up of the new pure-play components business.

The following table sets out a summary of the Remuneration Committee's assessment in each of the key areas of strategic performance identified for 2023, as well as the Committee's overall assessment of the outcome for each objective. As outlined above, these outcomes in combination with the outcomes from the financial metrics were further assessed by the Remuneration Committee in the context of relevant factors, including overall Group performance.

Scott Fawcett

Strategic area and associated performance target	Weighting	Assessment of performance	Outcome
Customer service – Focus on smooth hassle-free customer service underpins the priorities of the business. Performance measured by year-on-year improvement in Net Promoter Score – maximum target for 2023 of 39 relative to 2022 score of 34.	20%	Net Promoter Score has increased from 34 to 40 in 2023. This exceeds the maximum target set for this objective.	Fully met
Employee Engagement – World-leading employee engagement leads to world-leading customer service which in turn leads to world-leading financial results. Performance measured by Group score in our employee engagement survey – maximum target for 2023 of 85 relative to 2022 score of 83.	20%	Despite a challenging year, we have maintained a high employment engagement score of 82 in 2023, a very pleasing outcome given the degree of organisational change in 2023.	Partially met
Cross sell – This is an important element of our organic growth strategy. The acquisition of Wixroyd Group in 2022 expanded Essentra's capabilities in hardware components and created significant cross-selling opportunities across a range of Essentra's current end markets. Performance measured by year-on-year improvement in categories per target customer.	20%	Our strategic objective to enhance cross-selling encountered a challenging environment, primarily due to wider macroeconomic factors which led to a reduction in our customers' investment in new projects, impacting the number of opportunities for cross-selling. Additionally, the stabilisation and improvement of supply chains in a market with lower demand have resulted in a decreased inclination among customers to switch suppliers. Despite these headwinds, cross-selling remains a cornerstone of our strategy. Recognising its importance, we introduced a sales incentive plan for 2024 to align our sales team's efforts with this objective. Moreover, in anticipation of a market recovery, we have proactively invested in stock. This strategic stockpiling positions us advantageously against competitors facing service challenges, thereby enhancing our capability to capitalise on cross-selling opportunities in the upcoming growth cycle.	Not met
M&A – Delivery of value enhancing M&A is an important component of our strategic growth ambitions. Performance measured by assessment of M&A pipeline and successful delivery of value enhancing transactions.	20%	In September 2023, we announced the acquisition of BMP TAPPI, Italy's leading manufacturer of protective caps and plugs. This acquisition will strengthen Essentra's product portfolio, unlock further cross-selling opportunities, and will enhance the Group's manufacturing footprint in Europe. BMP TAPPI is expected to be accretive to Group margins and adjusted EPS in the first full year post-completion. The acquisition was successfully completed in October 2023.	Fully met
Digitalisation of back office – Successful delivery of the Business Process Redesign (BPR) project is strategically important to mitigate the risk of legacy systems and misaligned data and processes to future proof our strategic ambition and further improve our service. Performance measured by assessment of implementation of BPR relative to agreed plan.	20%	Understanding the importance of meticulous planning and execution in such transformative initiatives, we opted for a postponement of the BPR go-live in Eastern Europe. While this impacted the ability to achieve this particular bonus-able objective, it was agreed with senior management to ensure we stayed aligned with our commitment to operational excellence.	Not met

Jack Clarke

Strategic area and associated performance target	Weighting	Assessment of performance	Outcome
Customer service – Focus on smooth hassle-free customer service underpins the priorities of the business. Performance measured by year-on-year improvement in Net Promoter Score – maximum target for 2023 of 39 relative to 2022 score of 34.	20%	Net Promoter Score has increased from 34 to 40 in 2023. This exceeds the maximum target set for this objective.	Fully met
Employee Engagement – World-leading employee engagement leads to world-leading customer service which in turn leads to world-leading financial results. Performance measured by Group score in our employee engagement survey – maximum target for 2023 of 85 relative to 2022 score of 83.	20%	Despite a challenging year, we have maintained a high employment engagement score of 82 for 2023, a very pleasing outcome given the degree of organisational change in 2023.	Partially met
Investor relations – Growth of our shareholder base and the associated continued access to capital is vitally importance to Essentra's long-term success. Performance measured by development of shareholder base during 2023.	20%	This was partially achieved throughout 2023 with development of our shareholder base including some new investors joining our Essentra journey. However we were not able to attract as many major new investors as we had ambitiously targeted, and so this objective was only partially met. We will continue to work towards this target in 2024.	Partially met
Cost control – This objective was included by the Committee on the basis that it was vital for management to not just focus on growth' activities, but to also ensure the Components business is a cost-effective, fully functioning plc. Performance measured by assessment of 2023 central costs relative to plan and successful implementation of central cost allocation methodology.	20%	Central costs for 2023 were lower than plan assumptions and allocation methodology for central costs was successfully implemented in line with market best practice	Fully met
Digitalisation of back office – Successful delivery of the Business Process Redesign (BPR) project is strategically important to mitigate the risk of legacy systems and misaligned data and processes to future proof our strategic ambition and further improve our service. Performance measured by assessment of implementation of BPR relative to agreed plan.	20%	Understanding the importance of meticulous planning and execution in such transformative initiatives, we opted for a postponement of the BPR go-live in Eastern Europe. While this impacted the ability to achieve this particular bonus-able objective, it was agreed with senior management to ensure we stayed aligned with our commitment to operational excellence.	Not met

Equity incentives (audited)

Details of the awards granted and outstanding during the year to the Executive Directors under the LTIP, DASB and SAYE are as follows:

	Date of grant	At 1 Jan 2023	Awarded in 2023	Exercised/ transferred in 2023	Lapsed in 2023	At 31 Dec 2023	Share price at date of grant	Earliest vesting date	Expiry date
Scott Fawcett									
LTIP	31 Mar 21	149,589[5]	–	–	54,600	115,122[4]	291.8p	31 Mar 24	31 Mar 26
LTIP	04 Oct 22	189,210[5]	–	–	–	189,210	210.5p	04 Oct 25	04 Oct 27
LTIP[1]	31 Mar 23	–	413,687	–	–	413,687	195.8p	31 Mar 26	31 Mar 28
DASB[3]	30 Mar 21	–	–	–	–	–	–	–	–
DASB[2]	04 Oct 22	42,261	–	–	–	42,261	210.5p	04 Oct 25	04 Oct 25
DASB[2]	31 Mar 23	–	30,519	–	–	30,519	195.8p	31 Mar 26	31 Mar 26
SAYE	01 May 21	7,258	–	–	7,258	–	248.0p	01 May 26	01 May 26
SAYE	01 Jul 23	–	24,042[6]	–	–	24,042[6]	169.7p	01 Jul 28	01 Jul 28
Jack Clarke									
LTIP[1]	31 Mar 23	–	268,131	–	–	268,131	195.8p	31 Mar 26	31 Mar 28
LTIP[1]	04 Oct 22	214,739	–	–	–	214,739	210.5p	04 Oct 25	04 Oct 27
DASB[2]	31 Mar 23	–	46,011	–	–	46,011	195.8p	31 Mar 26	31 Mar 26
SAYE	01 Jul 23	–	10,606	–	–	10,606	169.7p	01 Jul 28	01 Jul 28

Notes:
1 Subject to a two-year holding period post vesting and is calculated as a percentage of base salary.
2 DASB is deferred for three years from grant and not subject to any performance conditions and is calculated as 50% of annual bonus awarded.
3 No DASB awarded in 2021 as there was no bonus in 2020.
4 2021 LTIP was awarded with a face value at time of grant of £436k, and saw a total value depreciation of c42% and vested at 63.5%. The vesting amount includes an additional dividend of 20,133 shares.
5 Granted prior to becoming a CEO
6 Includes 6,364 SAYE options held by spouse

LTIP awards (audited)

Performance Conditions for LTIP awards made in 2021[1]

Condition	Threshold (25% Vesting)	Maximum	Actual outturn	Vesting
Compound Annual Growth in Adjusted EPS (40%)	5%	13%	14.2%	100%
ROIC (30%)	8.5%	14.5%	10.1%	45%
Relative TSR v FTSE 250[2] (20%)	Median	Upper quartile	Below median	0%
Reduction in GHG Emissions[3] (10%)	10%	15%	21.7%	100%
			Overall Vesting	**63.5%**

1 Following the Packaging and Filters transactions, performance continued to be measured over the original three-year performance period for the 2021 LTIP award. In order to ensure a fair and robust process, the Remuneration Committee determined that assessment of the EPS, ROIC and GHG emissions performance measures should be a combination of Essentra Group performance up to 2022 and Components performance in 2023. In order to provide consistent year-on-year comparisons, Essentra Group performance in 2022 included a combination of actual performance and forecast performance for the Packaging business and the Filters business for the short period that they were no longer owned by Essentra (Packaging: October – December 2022; Filters: December 2022). The assumption of forecast performance for this purpose was considered more appropriate by the Remuneration Committee than use of the original Plan figures which would have produced a slightly higher vesting outcome. As the original targets assumed an assessment of Essentra Group performance over the full three-year period, the Remuneration Committee reviewed whether any changes were required to the targets to ensure they remained consistent with the logic that underlay them when they were originally set. Following that review, the Remuneration Committee was satisfied that the original targets retained the required level of stretch when applied to the performance assessment process outlined above.
2 FTSE 250 excluding companies in the following industries: basic materials, energy, financial services, real estate, utilities and travel and leisure.
3 Externally audited scope 1 and 2 GHG emissions consistent with our publicly stated commitment to be carbon neutral by 2040, and an interim reduction of 25% by 2025 relative to a 2019 baseline.

LTIP awards (audited)

Performance Conditions for LTIP awards made in 2023

Measures	Weighting	Threshold	Maximum
Adjusted EPS growth	50%	7% CAGR for 25% of the EPS element to vest	12.5% CAGR for 100% of the EPS element to vest
Relative TSR vs comparator group of the FTSE 250 index excluding the following industries: basic materials, energy, financial services, real estate, utilities and travel and leisure.	30%	If median rank is achieved, 25% of the TSR element vests	If upper quartile rank is achieved, 100% of the TSR element vests
ESG comprised of	20%		
GHG reduction comprised of Scope 1 & 2 emissions -(10%)		11.5% reduction for 25% of the GHG reduction to vest	17% reduction for 100% of the GHG reduction to vest
Diversity of gender in our Group Leadership team, including the GEC. (10%)		28% female representation for 0% of the Diversity target to vest.	40% female representation for 100% of the Diversity target to vest

Share awards granted during the year (audited)

The following conditional share awards were granted to Executive Directors on 31 March 2023.

Executive	Type of award	Number of awards granted	Share price used to determine award	Face value	Percentage which vests at threshold
Scott Fawcett	Conditional share award[1]	413,687	195.8p	£809,999 (150% of salary)	25%
	DASB Share awards	30,519	195.8p	£59,756	N/A
Jack Clarke	Conditional share award[1]	268,131	195.8p	£525,000 (150% of salary)	25%
	DASB Share awards	46,011	195.8p	£90,090	N/A

Notes:
1 The performance period for these awards is three financial years to 31 December 2025 plus an additional two-year holding period following vesting. The vesting takes place on the third anniversary of the grant.

Face value is based on the mid-market closing share price on the day preceding the grant, ie 30 March 2023.

Directors' shareholdings (audited)

The beneficial interests of the current Directors in office and their connected persons at the end of the year, in the issued ordinary share capital of the Company were as follows:

There have been no changes in the Directors' interests between 31 December 2023 and the date of this Report.

	Beneficially owned[1]		LTIP	DASB	SAYE Options
	31 Dec 2022	31 Dec 2023	Unvested	Unvested	Unvested
Executive Directors					
Scott Fawcett	47,847	53,108[3]	602,897	72,780	17,678
Jack Clarke	–	13,500	482,870	46,011	10,606
Non-Executive Directors					
Paul Lester	21,346	32,546	–	–	–
Ralf K. Wunderlich	170,230	180,230	–	–	–
Mary Reilly	14,423	16,423	–	–	–
Adrian Peace	–	2,000	–	–	–
Dupsy Abiola	–	2,011	–	–	–
Kath Durrant[2]	–	7,500	–	–	–

Notes:
1 Beneficially owned includes the vested after tax shares as at 31 Dec 2022 and 31 Dec 2023.
2 Kath Durrant joined the Board in January 2023.
3 Of the DASB amount vested in 2023, 4,325 have been sold to cover tax, in line with plan rules and the Remuneration Policy, with the remainder included in the amount disclosed as beneficially owned.
4 The DASB share awards are subject to continued service, however are not performance related, but can be counted towards the post-employment shareholding requirements

Scott Fawcett and Jack Clarke are required to build up a shareholding worth 300% and 200% of salary, respectively. Beneficially owned shares include the vested DASB awards and shares held directly. The shareholding guidelines are to be achieved up by retaining 50% of post-tax vested shares from the date of approval of this Policy. The current holdings (which include the vested and unvested DASBs) as a percentage of salary for Scott Fawcett is 39.5% and Jack Clarke is 28.8%.

Salary used is the prevailing annual salary as at 31 December 2023.

The Executive Directors are regarded as being interested in a portion of the 9,180 ordinary shares in Essentra plc that are held by the Essentra Employee Benefit Trust ("EBT") as they are, together with other Essentra employees, potential beneficiaries of the EBT.

Performance graph (unaudited)

The graph represents the comparative Total Shareholder Return ("TSR") performance of the Company versus the FTSE 250 (excluding investment trusts) index for the last ten years.

This index has been selected as it is considered the most appropriate published general index in which the Company is a constituent.

This graph shows the value, by 31 December 2023, of £100 invested in Essentra on 31 December 2013, compared with the value of £100 invested in the FTSE 250 (excluding Investment Trusts) Index.

The other points plotted are the values at intervening financial year ends.

Chief Executive remuneration table (unaudited)

	Colin Day			Paul Forman						Scott Fawcett
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Total remuneration (£000)	5,661	2,281	876	1,267	1,420	1,296	800	1,483	1,410	1,011
Annual bonus (% maximum)	60	46.2	0	48	64.2	30.2	0	67	54.9	30
LTIP vesting (% maximum)	100	50	0	0	0	13.5	0	0	0	63.5

Colin Day retired as Chief Executive on 31 December 2016. Paul Forman was appointed as Chief Executive on 1 January 2017, and stepped down on the 31st December 2022. Scott Fawcett was appointed as Chief Executive on 1 January 2023.

Year-on-year change in pay for Directors compared to the average of employees (unaudited)

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which implement Articles 9a and 9b of the European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive), the table below shows the percentage change in Directors' remuneration and average remuneration of employees from the year ended 31 December 2020 to the year ended 31 December 2023. Given that the Essentra plc entity has no employees, as a voluntary disclosure, data for all employees of the Essentra Group has been included.

	2023			2022			2021			2020		
	Salary	**Bonus**	**Benefits**	**Salary**	**Bonus**	**Benefits**	**Salary**	**Bonus**	**Benefits**	**Salary**	**Bonus**	**Benefits**
Average employee[1]	+17.6%	+2.2%	+31.0%	-6.3%	+17.6%	-7.3%	+4.6%	-7.3%	+14.6%	+1.7%	-73.3%	+4.7%
Directors												
Paul Forman[2]	n/a	n/a	n/a	+3.4%	-17.3%	-0.6%	+6.3%	n/a	-9.0%	-4.3%	n/a	0%
Lily Lui[3]	n/a	n/a	n/a	-82.2%	n/a	-47.8%	+8.1%	n/a	-9.0%	+0.9%	n/a	-57.6%
Paul Lester[4]	-10%	n/a	n/a	0.0%	n/a	n/a	+4.8%	n/a	n/a	-4.8%	n/a	n/a
Dupsy Abiola[5]	+23.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ralf K. Wunderlich[6]	+7.5%	n/a	+133.3%[7]	+15.1%	n/a	+16.7%	+5.5%	n/a	n/a	+21%	n/a	n/a
Mary Reilly[8]	0%	n/a	n/a	+4.7%	n/a	n/a	+12.3%	n/a	n/a	-7.8%	n/a	n/a
Kath Durrant[9]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Adrian Peace[10]	0%	n/a	+53.8%	+58.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jack Clarke[11]	+34.1%	-27.2%	+34.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Scott Fawcett[12]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:
1 The average employee salary is based on all global employees. The average employee benefits and bonus are based on global employee data located in the UK and USA. The differing approach reflects the information held in global systems.
2 Paul Forman stepped down in 2022.
3 Lily Liu stepped down in 2022.
4 Paul Lester received a reduction in salary effective 1 January 2023.
5 Dupsy Abiola joined in March 2022. 2023 was the first full year fees paid.
6 Ralf Wunderlich had an increase in fees in May 2022 as a result of taking on additional responsibility. The increase shown relates to a full year on the new fees for 2023.
7 Ralf Wunderlich has significant increase in travel as an Board Champion, and the benefits relate to a taxable travel allowance.
8 Mary Reilly was paid a taxable travel allowance in 2023 which she had not previously received.
9 Kath Durrant joined in 2023, so no prior year to compare to.
10 Adrian Peace benefits relate to a taxable travel allowance.
11 Jack Clarke joined in 2022, so the perceived increase is due to a partial years data in 2022. Jack did not receive a pay increase in 2023.
12 Scott Fawcett became CEO in January 2023, so no prior year to compare to.

Relative importance of spend on pay (unaudited)

	2023 £m	**2022 £m**	**% change**
Wages and salaries[1]	90.7	105.4	-13.9
Distributions to shareholders[2]	6.5	19.0	-65.8
Revenue – total[3]	316.3	337.9	-6.4
Adjusted Operating Profit – total[3]	43.2	25.1	72.1

Notes:
1 Wages and salary costs are as per Note 5 of the Financial Statements.
2 This excludes the £89.8m special dividend paid to shareholders in April 2023.
3 Revenue and Adjusted Operating Profit included in this analysis as indicators of the continuing operations of the business performance and can be found on page 151 of the annual report.

Payments for loss of office (audited)

As detailed in the 2022 annual report, Paul Forman stepped down as CEO for Essentra plc on 31 December 2022 and received a loss of office payment, disbursed in monthly instalments of £62,637 (gross) per month. The last instalment, totalling £31,318, was adjusted pro rata to account for the unexpired notice period as of October 2023, which totalled £595,051 in 2023. The Company also provided a payment to Paul in lieu of accrued, untaken holiday entitlement to the value of £52,428 as of 31 December 2022. Furthermore, the Remuneration Committee exercised discretion to treat Paul as a 'good leaver'. Paul received his 2022 Annual bonus in 2023, which came to a total of £561,378.

Payments to past Directors (audited)

Paul Forman, in his capacity as an Executive Director of Essentra plc, was awarded Performance Shares in 2021. As of March 30, 2024, Paul Forman's pro-rated shares are set to vest at 63.5%, with an estimated value of £294,970. (Share price used is based on the average share price over the last three months of the financial year.)

Executive Director Contracts and NED letters of appointment

The Executive Directors have open-ended contracts containing 12 months' notice periods with their reappointment being confirmed annually at the AGM.

The Chair and Non-Executive Directors do not have service contracts, instead they have letters of appointment for an initial period of 3 years which may be terminated at three-months' notice.

Implementation of Remuneration Policy for 2024 (unaudited)

When considering the implementation of the policy for 2024, the Remuneration Committee was mindful of the 2018 Code and considers that the executive remuneration framework appropriately addresses the following factors:

Clarity	We provide open and transparent disclosures both internally and externally in relation to our executive remuneration arrangements.
Simplicity	Variable remuneration arrangements for our executives and our wider workforce are simple in nature with individuals eligible for a bonus and, at more senior levels, a single long-term incentive plan. These are well understood by both participants and shareholders.
Predictability	Our executive remuneration framework contains maximum opportunity levels for each component of remuneration with variable incentive outcomes varying depending on the level of performance achieved against specific measures.
Alignment to culture	The performance measures used for annual bonus and LTIP awards are KPIs that drive behaviours that are closely aligned to our strategy and Company values. Including a greenhouse gas ("GHG") emissions measure and a waste reduction measure.
Proportionality and risk	The Remuneration Committee believes that our variable pay structures provide a fair and proportionate link between Company performance and reward. In particular, the use for Executive Directors of annual bonus deferral, LTIP holding periods and shareholding requirements provide a clear link to the ongoing performance of the Company and therefore long-term alignment with stakeholders. For example, the shareholding guideline for Executive Directors continues two years after leaving Essentra. We are also satisfied that the variable pay structures do not encourage inappropriate risk-taking. Notwithstanding this, the Remuneration Committee retains an overriding discretion that allows it to adjust formulaic outcomes from incentive plans so as to guard against disproportionate out-turns. Malus and clawback provisions also apply to both the annual bonus and LTIP.

Salary

Basic salary for each Executive Director is determined by the Remuneration Committee, taking into account the role, responsibilities, performance, experience of the individual and market movement. Any salary change is normally effective in April each year.

We are awarding Executive Directors a 3.5% increase, in line with the wider UK workforce.

	Scott Fawcett[1] £	Jack Clarke £
Annual salary effective from 1 April 2024	558,900	362,250
Annual salary effective from 1 April 2023	540,000	350,000

Notes:
1 Scott Fawcett was promoted to CEO on 1 January 2023 on a salary of £540,000.

Benefits

Executive Directors are provided with the following benefits:

- car allowance
- private medical insurance with family level cover
- life assurance cover of four times basic salary.

Pension

In line with best practice, our Executive Directors' pension contributions are aligned with the wider workforce. The contributions for our CFO, Jack Clarke, have been aligned since his appointment April 2022, and the contributions for our CEO, Scott Fawcett, were set at 5% of salary from appointment in January 2023. This completes the phased approach to align with the wider UK workforce by the end of 2022 and ensures we are fully compliant with provision 38 of the 2018 Code going forward.

2024 Annual bonus

Under the terms of the annual bonus arrangements for 2024, the CEO is potentially entitled to a maximum bonus of up to 150% of basic salary and the CFO is potentially entitled to a maximum bonus of up to 125% of basic salary.

The metrics used in the 2024 annual bonus (table below) are intended to align with the strategy of Essentra plc. In particular, the metrics are designed to provide a balanced alignment with our goals of generating sustainable, profitable growth and strong cash generation.

Measures	2023 Weighting (%)	2024 Weighting (%)
Adjusted Operating Profit	50%	50%
Adjusted Operating Cash Flow	20%	20%
Strategic Objectives	20%	20%
Environmental targets	10%	10%

In 2024, there will be no bonus payable unless the Remuneration Committee determines that the Company's 2024 financial performance is satisfactory. For achieving threshold Adjusted Operating Profit and Adjusted Operating Cash Flow, 20% of the relevant portion of the bonus will be payable. Progress against environmental targets will be reviewed by the ESG Committee.

Targets are considered to be commercially sensitive so will be disclosed retrospectively in next year's Remuneration Report.

2024 LTIP

An award granted under the LTIP consists of a conditional right to receive shares in the Company, subject to satisfaction of performance conditions over a three-year period. An additional two-year holding period applies. Malus and clawback provisions also apply to LTIP awards for three years from vesting.

The following LTIP awards are intended to be granted to the CEO and CFO during 2024.

Condition	Scott Fawcett	Jack Clarke
LTIP awards as a percentage of salary	150%	150%

Condition	Threshold[4]	Maximum
Compound Annual Growth in Adjusted EPS[1] (50%)	7%	12.5%
Relative TSR v FTSE 250[1] (30%)	Median	Upper quartile
ESG		
GHG[3] – reduction in GHG emissions over the three-year LTIP (10%)	11.5%	17%
Social – Diversity of gender in our Leadership teams both GEC and the GEC – 1 (10%)	30%	40%

Notes:
1 Adjusted EPS is subject to adjustment from portfolio management/changes.
2 FTSE 250 excluding companies in the following industries: basic materials, energy, financial services, real estate, utilities and travel and leisure.
3 Externally audited scope 1 and 2 GHG emissions consistent with our publicly stated commitment to be carbon neutral by 2040, and an interim reduction of 25% by 2025 relative to a 2019 baseline.
4 25% vests at threshold, with the exception of the Diversity measure, where 0% vests at threshold.

Non-Executive Director fees

The fees for the Chair are set by the Remuneration Committee, while fees for the Non-Executive Directors are determined by the Chief Executive and the Chair. Fee reviews take into account a range of relevant factors, including time commitment and responsibilities for individual Non-Executive Director roles and relevant market data. Following the most recent review, the Company Chair's fee increased by 2.2% to £230,000 effective 1 January 2024 and the basic Non-Executive Director fee will increase from £52,000 to £60,000 effective 1 June 2024. This is the first increase in the basic Non-Executive Director fee since 2015.

Annual fee effective	Chair	Non-Executive Director	Additional fee for Senior Independent Director	Additional fee for Audit and Remuneration Committee chairs	Additional fee for sustainability Committee chair	Additional fee for Employee Champions
From 1 Jan/June 2024	£230,000	£60,000	£10,000	£13,000	£11,000	£10,000

Statement of shareholder voting (unaudited)

The results of shareholder voting in relation to the approval of the 2021 Directors' Remuneration Policy and the Directors' Remuneration Report at the 2023 AGM, respectively, were as follows:

	Annual Report on Remuneration excluding the Policy (2023 AGM)		Remuneration Policy Report (2021 AGM)	
	No. of votes	%	No. of votes	%
Votes cast in favour	232,551,056	97.11	255,799,845	94.14
Votes cast against	6,925,444	2.89	15,919,880	5.86
Total votes cast	239,476,500		271,719,725	
Abstentions	23,339	–	7,852	–

The Directors' Remuneration Policy report

The Directors' Remuneration Policy Report (the "Policy Report") sets out the policies under which the Executive and Non-Executive Directors are remunerated. The Policy Report is designed to be in full compliance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the 2018 Code as issued by the Financial Reporting Council and the Listing Rules.

The current Directors' Remuneration Policy was approved by our shareholders at the AGM in 2021. We are required by law to put a new Policy to our shareholders for approval three years later. This will be presented at the 2024 AGM. The current Policy Report can be found in full in the Essentra Annual Report 2021, a copy of which can be downloaded from www.essentraplc.com.

The Remuneration Committee has reviewed the continued appropriateness of the current Policy Report in the context of the Company's corporate strategy. Shareholder approval will be sought at the AGM on 23 May 2024 for the updated Policy Report set out below. Subject to shareholder approval, the updated Policy Report will take effect immediately after the AGM and will apply to the 2024 financial year.

The Remuneration Committee discussed this Policy Report over a series of meetings which considered the strategic priorities of the business post the strategic review and moving to a standalone pure-play components business, governance requirements and evolving market practice. Input was sought from the CEO, CFO and members of the HR team, while ensuring that conflicts of interests were suitably mitigated. Consideration was given to the wider workforce when evaluating the approach to Directors' remuneration.

No employees were directly consulted on the development of the Policy.

We have consulted with our major shareholders and taken advice from our independent advisers, Deloitte

Summary of key changes:

As discussed in the Remuneration Committee Chair's letter, the updated Policy Report is materially unchanged from the existing Policy Report approved at the 2021 AGM with the only changes of note being:

- Amendment to the Chair and NED fees section to provide flexibility to meet the costs of providing tax advice and tax return assistance for international NEDs
- Addition of discretion, in line with Investment Association guidance, for the Remuneration Committee to adjust formulaic incentive outturns so that they properly reflect the performance of the executives and the business, the experience of stakeholders and the general market environment.

Remuneration Policy

1. Overview

The Remuneration Committee determines and recommends to the Board the framework for the remuneration of the Executive Directors and the Chair of the Board. The remuneration of the Non-Executive Directors is the responsibility of the Board as a whole. No Director is involved in determining or voting on their own remuneration.

The Chief Executive's remuneration proposals for the other members of the Group Executive Committee, including the Company Secretary ("GEC") are reviewed by the Remuneration Committee, and the Remuneration Committee's recommendations with regards to those proposals are made to the Board.

The Remuneration Committee also takes note of the remuneration policy as detailed by the Chief Executive in respect of other levels of management in the Company and makes such recommendations to the Chief Executive as the Remuneration Committee deems appropriate. The Remuneration Committee has regard to the proposed remuneration policy for other management and employees across the Group, when determining recommendations on remuneration for the Executive Directors and other senior executives.

The Remuneration Committee places significant focus on, and spends considerable time reviewing the risks surrounding the Company's existing remuneration policies on an annual basis and has determined that there are currently no significant concerns with the structure or operation of the remuneration policy.

The Remuneration Committee's main responsibilities are to:

- Develop the Company's Remuneration Policy for the Chair, Executive Directors, the members of the GEC and other senior executives, covering basic salary, bonus, long-term incentives, retirement provisions and other benefits
- Strike an appropriate balance between:
  - the fixed and variable; and
  - the cash and equity-related components of total remuneration packages.
- Review and determine the terms of employment and remuneration of the individual Executive Directors and nominated senior management, including any specific retirement or severance terms
- Determine the remuneration of the Chair of the Board
- Establish and review the operation of any employee share plans, including the granting of awards, the setting and testing of performance conditions and exercising of any awards under long-term incentive plans
- Review the workforce remuneration and related policies and the alignment of incentives and reward with the Company culture
- Select, appoint and determine the terms of reference for independent consultants to advise the Remuneration Committee on remuneration matters

In determining the policy for the Executive Directors, the Remuneration Committee's key objectives are to:

- Ensure that senior executives' remuneration is designed so as to attract, retain and motivate high quality executives in a manner that aligns their remuneration with the interests of shareholders and other stakeholders, particularly in the design of the performance-related elements of their remuneration packages and their shareholding guidelines
- Promote the achievement of both the Company's annual and longer-term strategic objectives. The Remuneration Committee considers the alignment of Company performance and the remuneration of its senior executives, including the Executive Directors, to be an important element of driving shareholder value. It believes that senior executives should be highly rewarded (on a market-competitive basis) for the delivery of stretching goals but should also receive reduced rewards when the business does not perform to expectations
- Encourage Executive Directors to act in a fair and responsible manner without unnecessary risk-taking having regard to the long-term performance of the Company.

The Remuneration Committee considers all elements of the remuneration package as a whole. It looks to ensure that an appropriate balance is maintained between them so that the need for both short-term success and long-term sustainable growth is recognised. The Remuneration Committee also ensures that non-financial business measures and individual objectives reflect adequately the Company's Environmental, Social and Governance ("ESG") responsibilities.

2. Summary of components of Executive Directors' remuneration

The Remuneration Committee structures Executive Directors' remuneration in two distinct parts:

- fixed remuneration of basic salary, pension provision and benefits; and
- variable performance-related remuneration in the form of cash bonuses, deferred share bonuses and long-term incentive arrangements.

Remuneration for Executive Directors is structured so that the variable performance-related pay element forms a significant portion of each package. A significant portion of total remuneration at the maximum performance level will derive from the Company's long-term incentive arrangements. All incentives are designed to be aligned to delivery of Essentra's strategic priorities.

3. Policy Table

Basic salary

Purpose and link to strategy

To reflect the particular skills and experience of an individual and to provide a competitive basic salary.

Operation

Generally reviewed annually with any increase normally taking effect from 1 April, although the Remuneration Committee may award increases at other times of the year if it considers it appropriate.

The review takes into consideration a number of factors, including (but not limited to):

- The individual Director's role, experience and performance
- Business performance
- Pay and conditions elsewhere in the Group
- Market data for comparable roles in appropriate pay comparators
- Overall external climate around the cost of living

Opportunity

No absolute maximum has been set for Executive Director base salaries.

Any annual increase in salaries is at the discretion of the Remuneration Committee taking into account the factors stated in this table and the following principles:

- Salaries would typically be increased at a rate consistent with the average salary increase (in percentage of salary terms) for the relevant workforce.
- Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group).
- Larger increases may also be considered appropriate if a Director has been initially appointed to the Board at a lower than typical salary.

Performance measure

Not applicable.

Bonus

Purpose and link to strategy

To ensure the delivery of Company performance-related objectives, aid retention and to align Directors' interests with those of the Company's shareholders.

Operation

One half of the total bonus is usually paid in cash shortly after the announcement of the annual results.

The other half is usually deferred into shares in the Deferred Annual Share Bonus Plan (the "DASB") which will normally vest after three years subject to continued service.

Performance is assessed against measures and targets which are established by the Remuneration Committee. As performance increases so does the percentage payable up to the maximum.

The bonus is subject to malus and clawback provisions for a period of three years following the determination of the bonus. Circumstances in which these provisions could be applied by the Remuneration Committee include material misstatement in the Company's Financial Statements, error in assessing the performance conditions, a material failure in risk management, serious misconduct or material error by an individual, business failure or serious reputational damage to the Company or a relevant business unit.

An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the deferral period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).

Opportunity

150% of basic salary.

Performance measure

The bonus will be based on performance using appropriate financial, strategic and individual performance measures.

The majority of the bonus will normally be determined by measure(s) of the Company's financial performance. The remainder of the bonus will be based on financial, strategic, ESG, operational or other suitable business measures appropriate to the individual Director.

No more than 20% of each financial measure will be payable at threshold performance.

3. Policy Table continued

Long-Term Incentive Plan ("LTIP")

Purpose and link to strategy

To drive the long-term delivery of the Company's strategic objectives, aid retention and to align Directors' interests with those of the Company's shareholders.

Operation

An annual grant of performance share awards usually with a three-year performance and additional two-year holding period.

Awards are subject to the LTIP plan rules, including malus and clawback provisions for a period of three years following the vesting of the awards. Circumstances in which these provisions could be applied by the Remuneration Committee include material misstatement in the Company's Financial Statements, error in assessing the performance conditions, a material failure in risk management serious misconduct or material error by an individual, business failure or serious reputational damage to the Company or a relevant business unit.

An additional payment (in the form of cash or shares) may be made in respect of shares which vest under LTIP awards to reflect the value of dividends which would have been paid on those shares during the period up to the release of the shares (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).

Opportunity

An award to any Executive Director would be limited to a maximum of 300% of salary.

Performance measure

Vesting will be subject to performance conditions as determined by the Remuneration Committee on an annual basis.

The performance conditions will usually be some combination of relative TSR, adjusted EPS, adjusted cumulative operating cash flow, ESG and a capital return measure although the Remuneration Committee will retain discretion to use alternative performance measures which are aligned to the corporate strategy.

The Remuneration Committee may adjust the weightings of the performance conditions for each award, although usually each condition would have a weighting in the range of 10% to 40% of the award.

Performance will usually be measured over a three-year period.

Up to 25% of each element vests at threshold performance, usually rising on a straight-line basis for performance up to the maximum level for full payment. If below threshold performance, that element of the award will not vest.

Employment and Post-Employment Shareholding guideline

Purpose and link to strategy

To align the interests of Executive Directors and shareholders, encourage a focus on long-term performance and risk management.

Operation

Whilst in employment, Executive Directors are expected to build up a shareholding worth 300% of salary for the Chief Executive and 200% for the Chief Financial Officer. The shareholding is to be built up by retaining a minimum of 50% of post-tax vested shares (subsequent to the 2021 AGM).

The Remuneration Committee will review progress towards the guidelines on an annual basis and has the discretion to adjust the guidelines in what it feels are appropriate circumstances.

Executive Directors will also be expected to remain compliant with the above guideline for a period of two years post-employment. This guideline applies to shares from incentive awards released subsequent to the 2021 AGM. The Remuneration Committee would retain discretion to waive this guideline if it is not considered appropriate in the specific circumstances.

Non-Executive Directors are encouraged to hold a minimum of 7,500 shares.

Opportunity

Not applicable.

Performance measure

Not applicable.

Pension

Purpose and link to strategy

To provide cost-effective long-term benefits comparable with similar roles in similar companies.

Operation

A contribution to a defined contribution plan or paid as a cash supplement.

Opportunity

The Executive Directors have a pension provision in line with the relevant workforce. This is currently 5% of base salary.

Performance measure

Not applicable.

Employee Plans – Sharesave

Purpose and link to strategy

To create alignment of employees' interests with those of shareholders.

Operation

Under the UK Sharesave, employees (including Executive Directors) are invited to enter a savings contract of three years or five years, whereby the proceeds can be used towards the exercise of an option granted at the time they choose to participate. The Remuneration Committee has the discretion to set the option price up to a 20% discount on the share price in line with HMRC legislation.

An equivalent US plan is operated under applicable US tax legislation, with options granted at up to a 15% discount on the share price.

Opportunity

For the UK plan, shares worth up to the value of the savings an Executive Director makes over the saving period at the previously agreed option price may be purchased. The savings amount is subject to the HMRC limit, currently £500 per month.

The US Plan is usually limited to the monthly dollar equivalent of the UK Sharesave plan.

Performance measure

The Remuneration Committee agree the annual discount to be applied to the Sharesave schemes.

No performance conditions apply to All Employee Plans.

Other benefits

Purpose and link to strategy

To provide cost-effective benefits comparable with similar roles in similar companies.

Operation

Other benefits include family medical expenses, life insurance, and car allowance.

The Remuneration Committee may vary these benefits from time to time to suit business needs, but they will usually be provided on broadly similar terms to those offered to other Group employees.

Executive Directors are entitled to reimbursement of reasonable expenses plus any associated tax thereon.

Opportunity

There is no overall maximum, as the level of benefits depends on the annual cost of providing individual benefits in the relevant local market and the individual's specific role.

Performance measure

Not applicable.

Chair and Non-Executive Directors – Fees

Purpose and link to strategy

To attract a high-calibre Chair and Non-Executive Directors with the relevant experience and skills.

Operation

A basic fee is payable to the Chair and Non-Executive Directors ("NEDs") with supplementary fees for those NEDs with additional responsibilities, such as acting as Senior Independent Director, chairing a Board Committee, an additional defined role such as a Board Champion or for a significantly increased time commitment.

Additional payments may be made to NEDs for time spent travelling on Company business.

Fees are reviewed periodically with reference to market levels in companies of a comparable size, complexity and taking account of the responsibilities and time commitment of each role.

The Chair and the NEDs do not participate in the Group's incentive arrangements or pension plan.

Where travel to the Company's registered office is recognised as a taxable benefit, the Chair or a NEDs may receive the grossed-up costs of travel as a benefit. The Company may also meet the costs (including tax thereon) of providing tax advice and tax return assistance for international NEDs.

The Chair and NEDs are entitled to reimbursement of reasonable expenses plus any associated tax thereon.

Opportunity

Fees for the current year are stated in the Annual Report on Remuneration.

Fee increases may be greater than those of the wider workforce in any particular year as they reflect changes to responsibilities and time commitments and the periodic nature of any increases.

Performance measure

Not applicable.

4. Remuneration Committee discretion

The Remuneration Committee will operate the bonus plan and long-term incentive plans according to their respective rules and will be consistent with normal market practice, the Listing Rules and relevant income tax and social security rules, including flexibility in a number of regards. These include:

- when to make awards and payments
- how to determine the size of an award or a payment, or when and how much of an award should vest
- who receives an award or payment
- whether awards are settled in shares or cash
- how to deal with a change of control or restructuring of the Group
- whether a participant is a good / bad leaver for incentive plan purposes, and whether and what proportion of awards vest and timing of delivery
- how and whether an award (or an award of shares outlined in this Policy that is yet to be granted) may be adjusted in certain circumstances (eg rights issues, corporate restructuring, events and special dividends)
- what the weighting, measures and targets should be for the bonus plan and LTIP from year to year.

The Remuneration Committee may use its discretion to amend the formulaic outturn upwards or downwards if it does not consider the formulaic outcome as appropriate in the context of overall performance / stakeholder experience / general market environment. The Remuneration Committee also retains the ability within the Remuneration Policy to adjust the targets and / or set different measures and alter weightings and the formulaic outcomes for the bonus plan and LTIP, and to adjust targets for the LTIP if events occur which cause it to determine that the conditions are unable to fulfil their original intended purpose.

The Remuneration Committee may make minor amendments to the Remuneration Policy as set for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

5. Existing awards

The Remuneration Committee reserves the right to make any remuneration payments and / or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Remuneration Policy 2024 (set out above) where the terms of the payment were agreed:

(i) before the Remuneration Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or

(ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

6. Choice of performance measures and approach to target setting

The Remuneration Committee sets performance metrics under both the bonus plan and LTIP which are clearly aligned to the Group's strategy and are usually part of its Key Performance Indicators ("KPIs"). Personal objective performance measures within the bonus are also directly linked to key strategic objectives.

Targets are set at the start of each performance period by the Remuneration Committee taking into account relevant internal and external reference points and are designed to be appropriately stretching.

7. Remuneration mix

The graphs below demonstrate the potential remuneration mix for both of the Executive Directors in 2024 in four theoretical scenarios: minimum, meeting expectations, maximum (assumed no share price growth) and maximum (assumed 50% share price growth over the LTIP performance period).

2024 potential remuneration mix

Assumptions:
1 Salary: to be paid effective 1 April 2024.
2 Benefits: 2023 reported taxable benefits.
3 Bonus maximum of 150% of salary for Scott Fawcett and 125% of salary Jack Clarke.
4 LTIP award of 150% of salary for Scott Fawcett and 150% of salary for Jack Clarke.
5 Pension allowance assumed to be 5%.
6 Meeting expectations scenario assumptions – 50% of bonus maximum paid and 25% of LTIP award vests.
7 Maximum scenarios assumptions – 100% of bonus maximum paid and 100% of LTIP award vests.
8 No dividend accrual considered.
9 Sharesave awards have been ignored

8. New appointments

Basic salary

Will be set based on relevant market data, experience and skills of the individual, internal relativities across the Company and the individual's current basic salary. Any annual increase in salary for a new appointment would be at the discretion of the Remuneration Committee and would typically be broadly consistent with the average salary increase for the relevant workforce. However, larger increases may be considered appropriate in certain circumstances. For example, where new appointees have initial basic salaries set below market rates, any shortfall will be managed with phased increases (which may be greater than those offered to the relevant workforce) over a period of two to three years, subject to their development in the role.

Bonus

New appointees will be able to participate in the bonus plan up to the limit described in the Policy Table; and, in the first year, being pro-rated to reflect the proportion of employment during the year. In the first year, the Remuneration Committee may set different performance measures and targets for the bonus to those of the other Executive Directors, depending on the timing and scope of any appointment. In order to facilitate recruitment, the Remuneration Committee may compensate for any bonus forgone when the individual leaves their previous employer.

Share incentives

New appointees will be granted awards under the LTIP up to the limit described in the Policy Table. An award may be made shortly following a new appointment. In the first year, the Remuneration Committee may set different performance measures and targets for the LTIP to those of the other Executive Directors, depending on the timing and scope of any appointment.

Pension

A contribution to a defined contribution plan or a cash supplement as described in the policy table in line with the relevant workforce.

Other benefits

As provided to current Executive Directors. Where necessary the Remuneration Committee may approve the payment of relocation expenses to facilitate recruitment, and flexibility is retained for the Company to pay for legal fees and other costs incurred by the individual in relation to their appointment.

Buy-out awards

To potentially facilitate the recruitment through the buy-out of existing awards and compensation arrangements from their current employer, the Remuneration Committee will retain the ability to make a one-off buy-out award. In doing so, the Remuneration Committee will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting / performance period remaining and the form of the award (eg cash or shares). The overriding principle will be that any buy-out award should be of comparable commercial value to the compensation which has been forfeited. Buy-out awards will be made using existing incentive arrangements where possible, but it may be necessary to use the exemption under Listing Rule 9.4.2. Shareholders will be informed of any such payments at the time of appointment.

In the case of internal appointments or appointments following the Company's acquisition of or merger with another company or business, any variable pay element or legacy arrangements in respect of the prior role would normally be allowed to pay-out according to its terms, adjusted as relevant, to take into account the appointment.

Non-Executive Directors

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will normally be in line with the structure set out in the Policy Table for Non-Executive Directors. In the event that a Non-Executive Director is required to temporarily take on the role of an Executive Director, their remuneration may include any of the elements listed in the Policy Table for Executive Directors.

9. Service contracts and exit payments

Service contracts normally continue until the Director's agreed retirement date or such other date as the parties agree.

- The policy for executive service contracts is that notice periods will normally not exceed 12 months. Scott Fawcett has a service contract dated 31 October 2022, (effective 1 January 2023) and Jack Clarke has a service contract dated 10 March 2022 (effective 4 April 2022), both with a notice period of 12 months from either party. The service contracts for the Executive Directors are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office
- The Remuneration Committee's policy in relation to termination of service contracts is to apply an appropriate level of mitigation, having regard to all of the circumstances of the individual, the termination of employment, and to any legal advice received. The Company has the right to make a payment in lieu of notice (such payment being made based on salary and at the Remuneration Committee's discretion as to the value of benefits), and any such payment may be made in monthly instalments at the Company's discretion, with a requirement for the individual to make reasonable endeavours to find alternative employment and may be reduced to take into account any sums earned during the payment period by way of employment elsewhere
- There are no enhanced provisions on a change of control
- In certain circumstances, such as gross misconduct, the Company may terminate employment immediately without notice or payment
- The Remuneration Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment
- Any such payments may include, but are not limited to, paying any fees for outplacement assistance and / or the Director's legal and / or professional advice fees in connection with their cessation of office or employment. In some cases they may receive a modest leaving gift
- The service contract for any new appointment would be on a similar basis to that described above
- The payment of any bonus will be at the Remuneration Committee's discretion, based on the individual circumstances and would usually be pro-rated for the period of service and may be paid entirely in cash. In determining the level of bonus to be paid, the Remuneration Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Remuneration Committee

- Under the rules of the LTIP, outstanding awards may vest if a participant leaves for specified reasons, including injury, disability, ill health, death, redundancy, the business or company in which the participant is employed ceasing to be part of the Group, at the discretion of the Remuneration Committee (except where a participant leaves by reason of gross misconduct) or on a change of control. In these circumstances, a participant's award vests on an appropriate time pro rata basis (unless the Remuneration Committee decides it is inappropriate to do so) subject to the satisfaction of the relevant performance criteria at the normal vesting date with the balance of the award lapsing. The Remuneration Committee has the discretion to determine that the award will vest earlier with an earlier performance assessment if it feels this is appropriate. If, however, the termination of employment is not for one of the specified reasons, and the Remuneration Committee does not exercise its discretion to allow an award to vest, a participant's award lapses in full on the date of cessation. The Remuneration Committee retains discretion to allow the holding period for vested awards to expire at the end of the normal two year period or, if appropriate, at an earlier date
- The DASB awards may vest if a participant leaves for specified reasons, including injury, disability, ill health or redundancy, the business or company in which the participant is employed ceasing to be part of the Group or at the discretion of the Remuneration Committee (except where a participant leaves by reason of gross misconduct). In these circumstances, DASB awards will usually vest on the normal vesting date unless the Remuneration Committee exercises its discretion to determine that the award will vest earlier. Where a participant dies, their DASB award will usually vest as soon as is practicable thereafter. On a change of control, DASB awards will usually automatically vest

10. Non-Executive Directors

The Chair and Non-Executive Directors do not have service contracts and do not participate in any Company pension, share or incentive schemes. In accordance with best practice, letters of appointment have been issued for all Non-Executive Directors for an initial period of three years but may be terminated by either party with three months' notice. No compensation is payable on termination, except for fees and expenses accrued to date. These letters are available for inspection by shareholders at each AGM and during normal business hours at the Company's registered office.

11. Relationship between remuneration of Executive Directors and other employees

The Remuneration Committee is kept informed of pay and employment conditions in the wider Group and this is factored into deliberations when setting the Remuneration Policy for Executive Directors. The Group-wide salary increase budget and the proposed increase for permanent employees in the relevant markets, or employees of such other jurisdiction within which the Executive Directors operate or reside, is considered by the Remuneration Committee when determining any basic salary increase for Executive Directors.

As stated previously, the overall remuneration package for Executive Directors is structured so that the variable performance-related pay element forms a more significant portion compared to pay for other employees. This Policy is to ensure there is a clear link between the individual and corporate performance achieved, the value this creates for shareholders and the overall reward to Executive Directors. The weighting of variable pay will vary throughout the Group, based on the seniority of the individual, the role and specific responsibilities. The Essentra Management Bonus Plan also provides a consistent approach for the Executive Directors and Managers within Essentra by aligning the same performance conditions for their bonus plans.

Essentra currently manages a number of employee forums, including sessions with the three Employee Champions, and with specific groups covering diversity and inclusion, employee engagement focus groups, leadership team sessions and other focus groups. Executive pay is not normally a discussion in these forums, and there has been no specific consultation on this Remuneration Policy, however information on executive pay is made available on our internal intranet sites.

12. How the views of shareholders are taken into account

The Remuneration Committee has consulted with major shareholders and investor bodies in the past when material changes to the Policy have been proposed, and this approach will continue in the future with the overall aim to maintain an open and transparent dialogue. A thorough consultation process was undertaken with our major shareholders and representative bodies before this updated Policy Report was submitted for the approval of all shareholders.

13. External appointments

Essentra recognises its senior executives can benefit from serving in a personal capacity as Non-Executive Directors of non-Essentra Group companies. It is, at the same time, conscious of the corporate governance recommendations that Executive Directors should take account of the time commitment required by a non-executive position. Executive Directors are permitted to accept non-executive directorships offered by listed companies and other organisations, which provide industry experience or public service. Such outside appointments are subject to prior Board approval, taking into account existing duties, potential conflicts of interest and time commitments outside of Essentra's responsibilities. Any fees earned from these roles may be retained by the Executive Director.

Ralf K. Wunderlich
Non-Executive Director
Remuneration Committee Chair
18 March 2024

Other statutory information

The Directors present their Report prepared in accordance with the Companies Act 2006, which requires the Company to provide a fair review of the business of the Group during the financial year ended 31 December 2023 and audited Financial Statements of the Company and its subsidiary undertakings for the year ended 31 December 2023. The Company's Registered Office is Langford Locks, Kidlington, Oxford OX5 1HX.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4 is set out in the Directors' Report.

IN THIS SECTION

The Directors' Report comprises pages 76 to 149, and where information has been included in the Strategic Report sections of the Annual Report this has been incorporated by reference and as set out as per the below:

Results and dividends

The adjusted profit after tax of the total Group for the year ended 31 December 2023 was £31.1m (2022: £5.7m).

As at 19 March 2024, the Company has paid the following dividend in respect of the year ended 31 December 2023.

	Per share p	Total £m
Interim dividend paid 27 October 2023	1.2	3.3

The Directors recommend that a final dividend of 2.4p (2022: 1.0p) per share be paid, making a total dividend distribution for the year of 3.6p (2022: 3.3p).

The final dividend, subject to shareholders approval at the AGM, will be paid on 5 July 2024 to shareholders on the register on 17 May 2024. The ex-dividend date will be 16 May 2024.

The Company announced a Special Dividend and Share Buyback Programme on 2 February 2023, using the proceeds of the sale of the Filters and Packaging businesses. The Special Dividend, of approximately 29.8p per share was paid on 27 April 2023 to shareholders on the register on 21 March 2023. This equates to a total Special Dividend of £89.8m.

The Share Buyback Programme commenced on 29 March 2023, following the release of the Full Year results for an amount of approximately £60m, and remains ongoing. As at 31 December 2023, the Company has purchased 13,364,814 shares for a total consideration of £23,987,973 and retained 5,039,265 shares in Treasury.

Directors

As at 31 December 2023 the Board of Directors comprised:

Paul Lester	Non-Executive Chair
Scott Fawcett	Chief Executive
Jack Clarke	Chief Financial Officer
Dupsy Abiola	Non-Executive Director
Kath Durrant	Non-Executive Director
Mary Reilly	Non-Executive Director
Ralf K. Wunderlich	Non-Executive Director
Adrian Peace	Non-Executive Director

The Company requires all Directors appointed since the last AGM to be elected at the following AGM and for all other Directors to be re-elected at each AGM.

None of the Non-Executive Directors have service contracts. In accordance with the Company's Conflict of Interests policy, Directors are required to review their potential conflict of interests at least on an annual basis and to notify any changes to the Company Secretary as soon as possible.

During 2023, the current register of conflicts was approved at each Board meeting. At no time during the year was a Director considered to have a conflict with a matter under consideration by the Board.

At no time during the year has any Director had any material interest in a contract with the Group, being a contract of significance in relation to the Group's business. A statement of Directors' interests in shares of the Company as at 31 December 2023 and as at the date of this Report is shown on page 128.

Share capital

The issued share capital of the Company is shown in Note 20 of the Notes to the Financial Statements.

On 31 December 2023, there were 293,546,403 ordinary shares of 25p each in issue. There were 5,039,265 ordinary shares of 25p each held in treasury. The rights and obligations attaching to the Company's ordinary shares, and the provisions governing the appointment and replacement of, as well as the powers of, the Company's Directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company, except, in the case of transfers of securities:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws)
- whereby, pursuant to the Listing Rules of the Financial Conduct Authority, certain employees of the Company require approval of the Company to deal in the Company's ordinary shares.

No persons hold securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Articles of Association

There are no rules relating to the amendment of the Articles of Association other than the usual tabling of proposed amendments through resolutions tabled at the AGM.

Substantial shareholders

As at 31 December 2023, the Company was advised of the following voting rights attaching to the Company's shares in accordance with the Disclosure and Transparency Rules:

	% holding
SFM UK Management LLP	9.86%
FIL Limited	9.32%
M&G plc	5.00%
Liontrust Asset Management plc	5.00%
Ninety One UK Limited	4.98%
Ameriprise Financial, Inc. and its group	4.98%
Invesco	4.90%
Royal London Asset Management	4.90%
Standard Life	4.82%
AXA Investment Managers	4.81%
Heronbridge	4.80%
BlackRock, Inc	4.78%
Sterling Strategic Value Fund SA	3.04%
Kames Capital	2.99%
Norge Bank	2.98%

Employees

As at 31 December 2023, the Company employed 3,070 people globally and 473 people in the UK. Information on the Company's policies on employee recruitment, engagement and the employment of disabled persons can be found on page 95.

Political contributions

In line with Group policy, the Company made no political contributions (2022: £nil).

Environmental

The disclosures concerning CO_2 emissions required by law are included in ESG section on page 25. The Company's approach to ESG forms a key element of its strategy. The Company minimises its carbon footprint where possible, which includes using public transport and has never operated or used private aeroplanes.

Directors' indemnities

During the year, and as at the date of signing of the Financial Statements and this Report, qualifying third-party indemnities are in force under which the Company has agreed to indemnify the Directors and the Company Secretary, in addition to other senior executives who are Directors of subsidiaries of the Company, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as a Director or Officer of the Company or any of its subsidiaries, including the pension scheme trustee companies. The scope of the indemnities extends to include liabilities to third parties.

Significant agreements

The Company has a multicurrency revolving credit facility ("RCF") of which £15.2m was drawn as at 31 December 2023. All other terms and conditions of the RCF remain in place with six syndicated banks until October 2026.

In January 2023, a portion of the proceeds from the sale of the Filters and Packaging businesses, was used to repay the 2017 and 2019 USPP notes in full and the par offer for the 2021 notes. at the date of this report, the Company holds $102.5m of medium- and long-dated debt in private placement notes.

Annual General Meeting

The AGM of the Company will be held at Langford Locks, KIdlington, Oxford OX5 1HX on 23 May 2024 at 13:00. The meeting will be held in person with a virtual, non-voting link, for shareholders who may wish to join. Details of how to join virtually are available in the AGM Notice.

In addition to the ordinary business of the AGM, resolutions in respect of the following matters of special business are included in the Notice of Annual General Meeting:

Authority to allot unissued shares

At the 2023 AGM, the Directors were granted authority to allot relevant securities up to a nominal amount of £25,065,901, which expires at the end of the forthcoming AGM.

At this year's AGM, shareholders will be asked to grant the Directors' authority to allot shares or grant rights to subscribe for or convert any security into shares: (i) up to an aggregate nominal amount of £23,686,577 representing approximately one-third of the Company's issued share capital, excluding treasury shares, at 12 March 2023 (such an amount to be reduced by the nominal mount allotted or granted under section (ii) below in excess of such sum); and (ii) comprising equity securities up to an aggregate nominal amount of £47,373,155 representing approximately two-thirds of the issued share capital, excluding treasury shares, at 12 March 2023 (such an amount to be reduced by any allotments or grants made under section (i) above) in connection with an offer by way of a rights issue.

The proposal conforms to the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded. The Directors have no present intention of exercising either of these authorities, which will expire at the end of next year's AGM (or, if earlier, the close of business on 23 August 2025), except in relation to share options.

Allotment of shares for cash

At the 2023 AGM, shareholders approved a special resolution to enable the Directors to allot shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That approval expires at the end of the forthcoming AGM and resolutions 17 and 18 in the Notice of AGM seek to renew it.

Following changes in the Pre-Emption Group's Statement of Principles, made in November 2022, and the updated guidance on Share Capital Management Guidelines, which was issued by the Investment Association in February 2023, the Company intends to again seek a resolution which authorises disapplication of pre-emption rights in respect of up to an aggregate nominal amount of £7,177,750 (representing 28,711,003 ordinary shares).

This aggregate nominal amount represents approximately 10% of the issued ordinary share capital of the Company (excluding treasury shares). The Board did not use this authority last year.

In addition to the above Resolution, the Company seeks a Resolution which authorises disapplication of pre-emption rights in respect of up to an aggregate nominal amount of £7,177,750 (representing 28,711,003 ordinary shares)in connection with acquisitions and other capital investments, which is in line with the Pre-Emption Group's Statement of Principles and the guidance of The Investment Association. This aggregate nominal amount represents an additional 10% of the issued ordinary share capital of the Company (excluding treasury shares).

The Board did not use this authority last year and does not currently intend to make use of these resolutions. The Board continues to believe the flexibility that the increased levels to which pre-emption rights may be disapplied, provides the Company flexibility for future opportunities however, the Board intends to only issue any amount in excess of one-third on a fully pre-emptive basis. The Board therefore support both these resolutions which seek authority to disapply pre-emption rights at the amount of 10% of the ordinary share capital (excluding treasury shares).

These authorities will expire at the conclusion of the following AGM or, if earlier, on 23 August 2025. The proposal conforms to the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded.

Purchase of own shares

The Company announced on 2 February 2023, the intention to launch a share buyback programme of approximately £60m ("Share Buyback Programme") which commenced following the Company's Full Year results on 29 March 2023. The Share Buyback Programme returns funds to shareholders following the sale of the Filters and Packaging businesses.

The purpose of the Share Buyback Programme is to return funds to shareholders following the divestment of the Filters and Packaging businesses during 2022 and this has reduced the share capital of the Company. The Directors consider the Share Buyback Programme to be in the best interests of the Company and of its shareholders generally, and it is expected over the long term that the implementation of the Share Buyback Programme will enhance earnings per share.

To support the ongoing Share Buyback Programme, the Board have proposed a resolution which would authorise the Company to purchase 10% (excluding any treasury shares) of its own shares which will be put to shareholders at the 2024 AGM.

Under the arrangements for the Share Buyback Programme, shares once purchased, will be cancelled or held in treasury. The power would apply until the end of next year's AGM (or if earlier, 23 August 2025).

Other than the Share Buyback Programme, the Directors have no immediate plans to exercise this authority, but will keep under review the need to do so in light of business and investment opportunities. Purchases of the Company's own shares, where made, would be in the best interests of the Company and of its shareholder generally and could generally be expected to result in an increase in earnings per share.

In accordance with the requirements of the Listing Rules of the Financial Conduct Authority, the minimum price (exclusive of expenses) which may be paid for a share is its nominal value and the maximum price (exclusive of expenses) for shares which may be paid is the highest of: (i) an amount equal to 105% of the average market value for a share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

During the financial year ending 31 December 2023, no ordinary shares were transferred out of Treasury by the Company to satisfy share options under the Company's Sharesave and executive share incentive plans.

No dividends have been paid on shares while held in Treasury and no voting rights attach to the treasury shares.

External Auditor

PricewaterhouseCoopers LLP have expressed their willingness to continue to be appointed as External Auditor of the Company. Upon the recommendation of the Audit and Risk Committee, resolutions to appoint them as External Auditor and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Recommendation

The Directors believe that the resolutions in the Notice of Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and unanimously recommend that shareholders vote in favour of each resolution.

Derivatives

Information related to derivatives is included in the Accounting Policies on page 156 and in Note 15 and Note 19 to the Notes of the Financial Statements.

Going concern

The Directors have prepared the Consolidated Financial Statements for the year ended 31 December 2023 on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's balance sheet position, forecast earnings and cash flows for a period of 18 months from the date of approval of these Consolidated Financial Statements.

Information regarding the financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in the Financial Review on pages 16 to 18.

In addition, Note 19 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit, market and liquidity risk. Cash balances and borrowings are detailed in Note 22.

At 31 December 2023, the Group's external financing arrangements amounted to £280.7m, comprising United States Private Placement Loan Notes ("USPP") of US$102.5m (with a range of expiry dates from July 2028 to July 2033) and a multi-currency revolving credit facility ("RCF") of £200.0m.

An amount of £15.2m was drawn down under the RCF as at 31 December 2023, with the available undrawn balance amounting to £184.8m. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges. Despite significant economic and operational challenges in the recent years, the Group has not sought to change either of the two covenants. The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing borrowing facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 18 months following the date of approval of the Financial Statements, and no breaches of covenants are expected.

As part of the going concern assessment, the Board has considered a downside scenario that includes reasonably plausible changes in macroeconomic conditions and is considered to represent a severe but plausible scenario.

The results of this downside scenario show that there is sufficient liquidity in the business for a period of 18 months from the date of approval of these Financial Statements, and do not indicate any covenant breach during the test period.

The downside scenario assumes a period of prolonged revenue decline in 2024, and subsequently delays market recovery to 2025. The downside scenario also assumes a higher inflationary cost environment, the impacts of which are not fully offset by price increases and also includes transition risks associated with a 'middle of the road scenario' without the inclusion of any opportunities from the climate change quantitative analysis. The financial impact of the severe but plausible downside scenario in 2024 and 2025 is a reduction in adjusted operating profits by 24.5% and 19.0% respectively compared to the Group strategic plan.

The overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalent) at 31 December 2023 was £244.5m, which was significantly lower than the £621.4m as at 31 December 2022. As anticipated in the 2022 Annual Report and Accounts, the Group saw partial repayment of borrowings in 2023 for the USPP of c.$247m, the special dividend of £90m and commencement of a £60m share buyback programme.

Capital expenditure, sales and general overheads, and working capital will continue to be managed closely to ensure sufficient liquidity.

The scenarios assessed do not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. Based on these, and taking into consideration the risks detailed in Note 19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly have adopted the going concern basis in preparing the Consolidated Financial Statements. This disclosure has been prepared in accordance with the 2018 Code.

Long-term viability statement

In accordance with provision 31 of the 2018 Code, the Directors have assessed the long-term viability of the Company over the three-year period to December 2026.

The assessment has been based on the Company's strategic plan, balance sheet and financing position, and the potential impact of the key risks and uncertainties described as part of the Financial Statements. The Company strategy has been translated into a three-year strategic plan comprising a one-year detailed budget and a financial forecast for the following two years. The plan will be subject to annual updates by management and review by the Board. As a consequence, the Directors have chosen a three-year time horizon for the Long-Term Viability Statement ("LTVS") as being an appropriate timeframe for assessing the viability of the Company, as this is the period reviewed by the Board in its strategic planning process.

The Directors believe that this presents a reasonable degree of confidence over this longer-term outlook, However, the Directors have also given due consideration to any potential significant risks beyond this time horizon.

This assessment includes the potential financial impact of the following Principal Risks materialising over the three-year period:

- operational & supply chain disruption including business disruption due to a cyber related event
- macroeconomic environment uncertainties including GDP decline, inflation and cost pass-through
- execution of the strategic plan
- environmental relating to climate change related transition risks and opportunities.

In order to support the assessment of the viability, the Directors have considered three realistic and plausible scenarios. The Directors have assumed that the Principle Risks in each scenario would all crystallise simultaneously. In Scenario 3, the Directors have considered the worst case events from each of the selected Principal Risks.

Scenario 1

	Level of severity tested
Environment, Social and Governance (low)	Transition risks and opportunities from the climate change quantitative analysis, and a 'middle of the road' scenario, leading to an increase in operating profit of £0.8m, £1.6m and £2.4m respectively for 2024, 2025 and 2026.
Operational and Supply Chain disruption (severe)	Key manufacturing and distribution sites are subject to supply chain disruption, or business disruption due to a cyber related event, causing £4.8m revenue loss and £1.8m operating loss in 2024 and 2025.
Macroeconomic environment (low)	£15.8m reduction in sales, and £7.7m reduction in 2024, with a subsequent reduction in operating profit of £10.1m in 2025 and £12.7m in 2026.
Execution of strategic plan (low)	Per base case.

Scenario 2

	Level of severity tested
Environment, Social and Governance (severe)	Transition risks assumed, without opportunities from the climate change quantitative analysis, and a 'middle of the road' scenario, leading to a reduction in operating profit by £0.3m, £0.7m and £1.0m respectively for 2024, 2025 and 2026.
Operational and Supply Chain disruption (severe)	Key manufacturing and distribution sites are subject to supply chain disruption, or business disruption due to a cyber related event, causing £4.8m revenue loss and £1.8m operating loss in 2024 and 2025.
Macroeconomic environment (medium)	£20.1m reduction in sales, and £9.8m reduction in 2024, with a subsequent reduction in operating profit of £12.2m in 2025 and £14.6m in 2026.
Execution of strategic plan (severe)	£3.3m reduction in operating profit in 2024 and £3.6m reduction in operating profit in 2025.

Scenario 3

	Level of severity tested
Environment, Social and Governance (severe)	Transition risks assumed, without opportunities from the climate change quantitative analysis, and a 'middle of the road' scenario, leading to a reduction in operating profit by £0.3m, £0.7m and £1.0m respectively for 2024, 2025 and 2026.
Operational and Supply Chain disruption (severe)	Key manufacturing and distribution sites are subject to supply chain disruption, or business disruption due to a cyber related event, causing £4.8m revenue loss and £1.8m operating loss in 2024 and 2025.
Macroeconomic environment (severe)	£33.8m reduction in sales, and £16.5m reduction in 2024, with a subsequent reduction in operating profit of £19.2m in 2025 and £22.1m in 2026.
Execution of strategic plan (severe)	£3.3m reduction in operating profit in 2024 and £3.6m reduction in operating profit in 2025.

In all of the scenarios assessed, there is no indication of potential breaches of banking covenants, and there remains sufficient liquidity headroom from the Group's current borrowing facilities. In making the assessment, the Directors have assumed that capital markets and bank funding will continue to be available over the period. Furthermore, management would be in a position to implement effective mitigation actions to reduce the impact a potential risk event and to preserve cash resources.

Mitigating actions considered by management include availability of alternative sources of funding, cost rationalisation measures, working capital and capital expenditure management and potential disposal of non-core assets.

Based on the viability assessment undertaken, the Directors have a reasonable expectation that the Group will be able to continue in operational existence and meet its liabilities as they fall due over the period of the assessment.

Directors' statement as to disclosure of information to the External Auditor

As required by Section 418(2) of the Companies Act 2006, the Directors who were members of the Board at the time of approving this Report, having made enquiries of fellow Directors and of the External Auditor, confirm that:

- as far as each Director is aware, there is no relevant audit information of which the Company's External Auditor is unaware
- each Director has taken all reasonable steps that they ought to have taken as a Director to ascertain any relevant audit information, and to ensure that the Company's External Auditor is aware of that information
- the Strategic Report and Directors' Report, including the Report of the Remuneration Committee, were approved by the Board on 18 March 2023.

By order of the Board

Emma Reid
Company Secretary
18 March 2024

Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted International Accounting Standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 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 UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, 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 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

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group Financial Statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the Principal Risks and uncertainties that it faces.

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.

Scott Fawcett
Chief Executive

Jack Clarke
Chief Financial Officer
18 March 2024

Independent Limited Assurance Report to Essentra plc

ERM Certification and Verification Services Limited ("ERM CVS") was engaged by Essentra plc ("Essentra") to provide limited assurance in relation to the selected information set out below and presented in Essentra's Annual Report 2023 (the "Report").

Engagement summary

Scope of our assurance engagement

Whether the 2023 data for the following selected indicators, as indicated on pages 24-25 of the Annual Report are fairly presented, in all material respects, in accordance with the reporting criteria.

- Total Scope 1 GHG emissions (metric tonnes of CO_2e)
- Total Scope 2 GHG emissions (location-based) (metric tonnes of CO_2e)
- Total Scope 2 GHG emissions (market-based) (metric tonnes of CO_2e)
- Total Scope 3 GHG emissions from the following categories (metric tonnes of CO_2e):
  - Category 1: Purchased goods and services
  - Category 2: Capital goods
  - Category 3: Fuel- and energy-related activities
  - Category 4: Upstream transportation and distribution
  - Category 5: Waste generated in operations
  - Category 7: Employee commuting
  - Category 12: End-of-life treatment of sold products
- Total solid hazardous and non-hazardous waste by destination (Recycling, Recovery, Incineration, Landfill) (metric tonnes)
- Total liquid hazardous and non-hazardous waste by destination (Recycling, Recovery, Incineration, Landfill) (cubic metres)
- Zero waste to landfill sites (number)
- Total water usage (cubic metres)
- Percentage of raw materials from sustainable sources in polymer ranges
- Percentage of spend with targeted suppliers which have signed up to Essentra's Code of Conduct
- Products introduced with sustainability criteria (number)
- Recycled content in packaging materials (percentage)

Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Report.

Reporting period

1 January 2023 – 31 December 2023

Reporting criteria

- WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting and Reporting Standard for the Scope 1 and Scope 2 GHG emissions;
- WBCSD/WRI Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard for the Scope 3 GHG emissions; and
- Essentra's internal definitions and methodology for the waste, zero waste to landfill, water, raw materials, supplier, product and packaging metrics.

Assurance standard and level of assurance

We performed a limited assurance engagement, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Respective responsibilities

Essentra is responsible for preparing the Report and for the collection and presentation of the information within it, and for the designing, implementing and maintaining of internal controls relevant to the preparation and presentation of the Report.

ERM CVS' responsibility is to provide a conclusion to Essentra on the agreed scope based on our engagement terms with Essentra the assurance activities performed and exercising our professional judgement.

Our conclusion

Based on our activities, as described below, nothing has come to our attention to indicate that the 2023 data for the indicators listed under 'Scope' above are not fairly presented in the Report, in all material respects, in accordance with the reporting criteria.

Our assurance activities

Considering the level of assurance and our assessment of the risk of material misstatement of the 2023 data a multi-disciplinary team of sustainability and assurance specialists performed a range of procedures that included, but was not restricted to, the following:

- Evaluating the appropriateness of the reporting criteria for the selected indicators
- Interviews with relevant staff to understand and evaluate the management systems and processes (including internal review and control processes) used for collecting and reporting the selected disclosures
- A review at corporate level of a sample of qualitative and quantitative evidence supporting the reported data and information
- An analytical review of the year end data submitted by locations included in the consolidated 2023 Group data for the selected indicators which included testing the completeness and mathematical accuracy of conversions and calculations, and consolidation in line with the stated reporting boundary
- Conducting in-person visits to Essentra operations in Istanbul, Turkey and Nettetal, Germany, and a virtual visit to Hengzhu, China to review site level data management and reporting processes and assess the consistency of reported 2023 data for the indicators with underlying source data and related information
- Testing the accuracy of the Scope 1, 2 and Scope 3 GHG emissions calculations from the underlying activity data including a review of the conversion and emission factors used in these calculations
- Reviewing the presentation of information relevant to the scope of our work in the Annual Report to ensure consistency with our findings.

The limitations of our engagement

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our independence, integrity and quality control

ERM CVS is an independent certification and verification body accredited by UKAS to ISO 17021:2015. Accordingly, we maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our quality management system is at least as demanding as the relevant sections of ISQM-1 and ISQM-2 (2022).

ERM CVS applies a Code of Conduct and related policies to ensure that its employees maintain integrity, objectivity, professional competence and high ethical standards in their work. Our processes are designed and implemented to ensure that the work we undertake is objective, impartial and free from bias and conflict of interest. Our certified management system covers independence and ethical requirements that are at least as demanding as the relevant sections of the IESBA Code relating to assurance engagements.

ERM CVS has extensive experience in conducting assurance on environmental, social, ethical and health and safety information, systems and processes, and provides no consultancy related services to Essentra in any respect.

Gareth Manning

Partner, Corporate Assurance
London, United Kingdom
18 March 2024
On behalf of:
ERM Certification and Verification Services Limited
www.ermcvs.com | post@ermcvs.com

Financial statements

IN THIS SECTION

Consolidated Income Statement

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Revenue	1	**316.3**	337.9
Gross profit	1	**141.8**	148.2
Operating profit/(loss)[1]	1	**10.9**	(11.3)
Finance income	3	**11.0**	7.1
Finance expense	3	**(13.5)**	(24.9)
Profit/(loss) before tax		**8.4**	(29.1)
Income tax expense	4	**(2.6)**	(2.0)
Profit/(loss) for the year from continuing operations		**5.8**	(31.1)
Loss from discontinued operations	24	**(0.4)**	(152.7)
Profit/(loss) for the year		**5.4**	(183.8)
Attributable to:			
Equity holders of Essentra plc		**5.4**	(188.0)
Non-controlling interests		**–**	4.2
Profit/(loss) for the year		**5.4**	(183.8)
Earnings per share attributable to equity holders of Essentra plc:			
Basic	6	**1.8p**	(62.4)p
Diluted	6	**1.8p**	(62.4)p
Earnings per share from continuing operations attributable to equity holders of Essentra plc:			
Basic	6	**2.0p**	(10.3)p
Diluted	6	**2.0p**	(10.3)p

Adjusted profit measure: continuing operations	Note	2023 £m	2022 £m
Operating profit/(loss)		**10.9**	(11.3)
Amortisation of acquired intangible assets	2	**11.3**	10.4
Adjusting items	2	**21.0**	26.0
Adjusted operating profit[2]		**43.2**	25.1

Notes:
1 Includes impairment charge on trade receivables of £0.4m (2022: £0.8m). See note 19.
2 See note 27 for further details of the adjusted profit measure.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit/(loss) for the year		**5.4**	(183.8)
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of defined benefit pension schemes	18	**(1.3)**	(20.5)
Deferred tax on remeasurement of defined benefit pension schemes	4,16	**0.3**	5.1
		(1.0)	(15.4)
Items that may be reclassified to profit or loss in subsequent periods:			
Effective portion of changes in fair value of cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement	15	**2.4**	(16.4)
Ineffective portion of changes in fair value of cash flow hedges transferred to the income statement	15	**–**	1.0
Effective portion of changes in fair value of cash flow hedges	15	**(1.8)**	16.1
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations		**(19.4)**	54.6
Recycling of foreign currency translation reserve		**–**	(38.7)
Arising on effective net investment hedges		**0.7**	(21.7)
Net income tax credit	4	**0.6**	0.9
Attributable to non-controlling interests		**–**	(0.1)
		(17.5)	(4.3)
Total other comprehensive expense for the year, net of tax		**(18.5)**	(19.7)
Total comprehensive expense for the year		**(13.1)**	(203.5)
Attributable to:			
Equity holders of Essentra plc		**(13.1)**	(207.6)
Non-controlling interests		**–**	4.1
Total comprehensive expense for the year		**(13.1)**	(203.5)
Attributable to:			
Continuing operations		**(12.7)**	(12.1)
Discontinued operations		**(0.4)**	(191.4)
Total comprehensive expense for the year		**(13.1)**	(203.5)

Consolidated Balance Sheet

At 31 December 2023

	Note	31 December 2023 £m	31 December 2022 £m
Assets			
Property, plant and equipment	7	**68.1**	65.2
Lease right-of-use asset	9	**27.9**	21.0
Investment properties	7	**3.3**	7.0
Intangible assets	8	**215.0**	206.6
Long-term receivables	19	**10.1**	11.6
Derivative assets	15, 19	**4.2**	8.3
Deferred tax assets	16	**12.2**	11.7
Retirement benefit assets	18	**7.9**	7.9
Total non-current assets		**348.7**	339.3
Inventories	10	**64.7**	65.0
Income tax receivable		**1.4**	1.1
Trade and other receivables	11, 19	**61.5**	66.4
Derivative assets	15, 19	**–**	0.2
Cash and cash equivalents	12, 19, 22	**59.7**	421.4
Total current assets		**187.3**	554.1
Total assets		**536.0**	893.4
Equity			
Issued share capital	20	**73.3**	75.6
Merger reserve	20	**–**	385.2
Capital redemption reserve	20	**2.4**	0.1
Other reserve	21	**(132.8)**	(132.8)
Cash flow hedging reserve		**(0.2)**	(0.8)
Translation reserve		**(70.5)**	(52.4)
Retained earnings	21	**401.0**	129.2
Attributable to equity holders of Essentra plc		**273.2**	404.1
Total equity		**273.2**	404.1

	Note	31 December 2023 £m	31 December 2022 £m
Liabilities			
Interest bearing loans and borrowings	14, 19, 22	**95.5**	85.0
Lease liabilities	19, 22	**23.8**	18.0
Retirement benefit obligations	18	**17.5**	18.5
Provisions	17	**0.2**	1.1
Other financial liabilities	19	**–**	2.4
Deferred tax liabilities	16	**12.4**	7.6
Total non-current liabilities		**149.4**	132.6
Interest bearing loans and borrowings	14, 19, 22	**–**	208.0
Lease liabilities	19, 22	**7.1**	4.9
Derivative liabilities	15, 19	**–**	1.3
Income tax payable		**12.0**	16.2
Trade and other payables	13, 19	**60.7**	91.5
Other financial liabilities	19	**28.0**	24.1
Provisions	17	**5.6**	10.7
Total current liabilities		**113.4**	356.7
Total liabilities		**262.8**	489.3
Total equity and liabilities		**536.0**	893.4

The consolidated financial statements on pages 151 to 205 were approved by the Board of Directors on 18 March 2024 and were signed on its behalf by:

Scott Fawcett
Chief Executive

Jack Clarke
Chief Financial Officer

Company registration no: 05444653

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Issued capital £m	Merger reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging and cost of hedging reserves[1] £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
										2023
At 1 January 2023		**75.6**	**385.2**	**0.1**	**(132.8)**	**(0.8)**	**(52.4)**	**129.2**	**–**	**404.1**
Profit for the year		–	–	–	–	–	–	5.4	–	5.4
Other comprehensive (expense)/income		–	–	–	–	0.6	(18.1)	(1.0)	–	(18.5)
Total comprehensive (expense)/income for the year		–	–	–	–	0.6	(18.1)	4.4	–	(13.1)
Share option expense		–	–	–	–	–	–	1.4	–	1.4
Tax relating to share-based incentives		–	–	–	–	–	–	(0.3)	–	(0.3)
Net impact of hyperinflation[2]		–	–	–	–	–	–	1.4	–	1.4
Purchase of own shares		–	–	–	–	–	–	(24.0)	–	(24.0)
Cancellation of shares		(2.3)	–	2.3	–	–	–	–	–	–
Reduction of capital		–	(385.2)	–	–	–	–	385.2	–	–
Dividends paid	25	–	–	–	–	–	–	(96.3)	–	(96.3)
At 31 December 2023		**73.3**	**–**	**2.4**	**(132.8)**	**(0.2)**	**(70.5)**	**401.0**	**–**	**273.2**

	Note	Issued capital £m	Merger reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging and cost of hedging reserves[1] £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
										2022
At 1 January 2022		75.6	385.2	0.1	(132.8)	(1.5)	(47.5)	333.6	16.2	628.9
Loss for the year		–	–	–	–	–	–	(188.0)	4.2	(183.8)
Other comprehensive (expense)/income		–	–	–	–	0.7	(4.9)	(15.4)	(0.1)	(19.7)
Total comprehensive (expense)/income for the year		–	–	–	–	0.7	(4.9)	(203.4)	4.1	(203.5)
Recycling of non-controlling interest	24	–	–	–	–	–	–	–	(18.4)	(18.4)
Share option expense		–	–	–	–	–	–	3.1	–	3.1
Tax relating to share-based incentives		–	–	–	–	–	–	(0.6)	–	(0.6)
Net impact of hyperinflation[2]		–	–	–	–	–	–	15.5	–	15.5
Dividends paid	25	–	–	–	–	–	–	(19.0)	(1.9)	(20.9)
At 31 December 2022		75.6	385.2	0.1	(132.8)	(0.8)	(52.4)	129.2	–	404.1

Notes:
1 See note 15 for details of hedging reserve movements in relation to derivatives.
2 The net impact on retained earnings as a result of the index-based adjustments in Turkey under IAS 29 *Financial Reporting in Hyperinflationary Economies*.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Operating activities			
Profit/(loss) for the year from:			
Continuing operations		**5.8**	(31.1)
Discontinued operations		**(0.4)**	(152.7)
Profit/(loss) for the year		**5.4**	(183.8)
Adjustments for:			
Income tax credit	4	**(1.1)**	(2.0)
Net finance expense	3,24	**2.5**	18.4
Intangible amortisation	2,8,24	**14.2**	19.6
Adjusting items	2	**13.9**	26.0
Loss on business disposals	24	**3.7**	19.0
Impairment of acquired intangible assets on discontinued operations		**–**	182.7
Depreciation of property, plant and equipment	7	**11.1**	29.5
Lease right-of-use asset depreciation	9	**5.9**	10.1
Loss on disposal of right of use asset		**–**	0.2
Loss on disposal of fixed assets		**–**	0.3
Impairment of fixed assets	2	**7.1**	0.5
Share option expense	5,18	**1.4**	2.6
Hedging activities and other movements		**(0.5)**	0.8
Increase in inventories		**(3.1)**	(27.4)
Decrease/(increase) in trade and other receivables		**10.0**	(35.5)
(Decrease)/increase in trade and other payables		**(10.1)**	41.2
Cash outflow in respect of adjusting items	27	**(23.6)**	(23.7)
Movement in provisions		**(2.8)**	1.0
Adjustment for pension contributions		**–**	0.2
Movement due to hyperinflation		**–**	(3.2)
Cash inflow from operating activities		**34.0**	76.5
Income tax paid		**(4.5)**	(12.5)
Net cash inflow from operating activities		**29.5**	64.0

	Note	2023 £m	2022 £m
Investing activities			
Interest received		**3.5**	2.3
Acquisition of property, plant and equipment[3]		**(12.4)**	(39.7)
Proceeds from sale of property, plant and equipment		**–**	0.5
Payments for intangible assets		**(0.8)**	(1.0)
Acquisition of businesses net of cash acquired[1]	23	**(33.3)**	(27.9)
Proceeds from sale of businesses net of cash disposed[2]	24	**–**	416.9
Cash outflow from cost of business disposals	24	**(17.8)**	(31.5)
Net cash (outflow)/inflow from investing activities		**(60.8)**	319.6
Financing activities			
Interest paid		**(9.9)**	(19.5)
Dividends paid to equity holders	25	**(96.3)**	(19.0)
Dividends paid to non-controlling interests		**–**	(1.9)
Repayment of short-term loans		**(208.0)**	–
Repayments of long-term loans		**(46.9)**	(124.2)
Proceeds from long-term loans		**61.8**	65.0
Proceeds from early settlement of derivative contracts		**–**	6.5
Lease liability principal repayments		**(5.4)**	(11.5)
Purchase of own shares		**(24.0)**	–
Net cash outflow from financing activities		**(328.7)**	(104.6)
Net (decrease)/increase in cash and cash equivalents		**(360.0)**	279.0

	Note	2023 £m	2022 £m
Net cash and cash equivalents at the beginning of the year		**421.4**	136.3
Net (decrease)/increase in cash and cash equivalents		**(360.0)**	279.0
Net effect of currency translation on cash and cash equivalents		**(1.7)**	6.1
Net cash and cash equivalents at the end of the year	12,22	**59.7**	421.4

Notes:
1 Acquisition of businesses is net of cash acquired of £5.3m (2022: £3.5m). See note 23.
2 In 2022 proceeds from sale of businesses is net of cash disposed of £45.7m. See note 24.
3 Acquisition of property, plant and equipment includes capex accrual movements of £nil (2022: £0.4m).

Basis of Preparation and Principal Accounting Policies

a Basis of preparation

Essentra plc is a public company limited by shares that is incorporated and domiciled in England and Wales (registration no 05444653). The address of its registered office is Langford Locks, Kidlington, Oxford, OX5 1HX, United Kingdom. The Company's ordinary shares are publicly traded on the London Stock Exchange. For the purposes of these consolidated financial statements "Essentra" or "the Group" means Essentra plc (the "Company") and its subsidiaries.

The Group's principal activities are focused on the manufacture and distribution of a comprehensive range of components, used in diverse industrial applications and end-markets.

The Group's consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with UK-adopted International Accounting Standards and comply with the requirements of the Companies Act 2006.

These consolidated financial statements are prepared under the historical cost convention unless otherwise stated.

The Company has elected to prepare its individual company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"); these are presented on page 208.

The principal accounting policies used in the preparation of the consolidated financial statements for the year ended 31 December 2023 are detailed below. These policies, except those set out below under the heading 'Changes in accounting policies' adopted during the year, have been consistently applied to all periods presented.

In preparing the consolidated financial statements, management have taken into account the potential effects of climate changes, including medium- to longer-term transitional risks resulting from the relative uncertainty created by the global shift towards a more sustainable, net-zero economy, which include regulatory, geopolitical and social pressures that may impact the operations of the business in future. Management have considered the potential effects of climate related changes in its assessment of going concern, and longer term viability of the business, in preparing the Group's future cash flow forecasts underpinning impairment testing, and in its assessment of the residual values of property, plant and equipment. Management have determined that, other than the expected capital expenditure due to the future spend on machine replacement and efficiency upgrades factored into the Group's cash flow forecasts, there is no material impact on these financial statements.

Going concern

The Directors have prepared the consolidated financial statements for the year ended 31 December 2023 on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's balance sheet position, forecast earnings and cash flows for a period of 18 months from the date of approval of these consolidated financial statements.

Information regarding the financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in the Financial Review on pages 16 to 18. In addition, note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit, market and liquidity risk. Cash balances and borrowings are detailed in note 22.

At 31 December 2023, the Group's external financing arrangements amounted to £280.7m, comprising United States Private Placement Loan Notes ("USPP") of US$102.5m (with a range of expiry dates from July 2028 to July 2033) and a multi-currency revolving credit facility ("RCF") of £200.0m (expiring in October 2026).

£15.2m was drawn under the RCF as at 31 December 2023, with the available undrawn balance amounting to £184.8m. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges. Despite the significant economic and operational challenges in the recent years, the Group has not sought to change either of the two covenants. The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing borrowing facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next 18 months following the date of approval of the financial statements, and no breaches of covenants are expected.

As part of the going concern assessment, the Board has considered a downside scenario that includes severe, but reasonably plausible changes in macro-economic conditions. The results of this scenario show that there is sufficient liquidity in the business for a period of 18 months from the date of approval of these financial statements, and does not indicate any covenant breach during the test period. The downside scenario assumes a period of prolonged revenue decline in 2024, and subsequently delays in market recovery to 2025. The downside scenario also assumes a higher inflationary cost environment, the impacts of which are not fully offset by price increases and also includes transition risks associated with a "middle of the road scenario" without the inclusion of any opportunities from the climate change quantitative analysis. The financial impact of the severe but plausible downside scenario in 2024 and 2025 is a reduction in adjusted operating profits by 24.5% and 19.0%, respectively, compared to the Group strategic plan.

The overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalent) at 31 December 2023 was £244.5m. Adjusting for share repurchases of £36.0m under the remainder of the buyback programme of £60.0m, this still leaves overall liquidity at £208.5m. Capital expenditure, sales and general overhead, and working capital will continue to be managed closely to ensure sufficient liquidity.

a Basis of preparation continued

The scenarios do not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. Based on these, and taking into consideration the risks detailed in note 19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly, have adopted the going concern basis in preparing the consolidated financial statements. This disclosure has been prepared in accordance with the Financial Reporting Council's UK Corporate Governance Code.

Changes in accounting policies

Other pronouncements

The Group adopted the following new pronouncements during 2023, which did not have a material impact on the Group's financial statements:

- Amendments to IAS 12 – *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;*
- Amendments to IAS1 – *Disclosure of Accounting Policies;* and
- Amendments to IAS 8 – *Definition of Accounting Estimates*.

The following standards and amendments, issued before 31 December 2023 with an effective date on or after 1 January 2024, have not been early adopted by the Group, they do not have a material impact on the Group's financial statements:

- Amendment to IFRS 16 – *Leases on sale and leaseback*;
- Amendment to IAS 1 – *Non-current liabilities with covenants*;
- Amendment to IAS 7 and IFRS 7 – *Supplier finance*;
- Amendments to IAS 21 – *Lack of Exchangeability*.

Impact of Pillar two rules

The Organisation for Economic Cooperation and Development ("OECD") Global Anti-Base Erosion Model Rules (Pillar Two rules) were initially introduced by the OECD in December 2021 and adopted by the UK in Finance Act (no. 2) Act 2023. The rules will come into effect for the Essentra Group in relation to accounting periods beginning on or after 1 January 2024. A Pillar 2 Effective Tax Rate ("ETR") is calculated for every jurisdiction in which the Group operates, and Pillar 2 Income Taxes will arise when the Pillar 2 ETR is less than 15%. Pillar Two Income Taxes could be payable in the UK, or the local jurisdiction if it has introduced a Qualifying Domestic Minimum top-up Tax.

Recognising that there is still uncertainty in how the Pillar Two rules will impact existing and future deferred tax positions, as well as whether the Pillar Two rules create permanent differences, both the AASB and IASB have issued amendments to IAS12 'Income Taxes'. The amendments contain a mandatory temporary exemption to IAS12 which exempts a company from disclosing changes to deferred tax assets/liabilities related to the Pillar Two rules. As the parent of the Essentra Group of companies, Essentra plc is applying the exemption IAS 12 for the year ended 31 December 2023.

The amendments also require Essentra plc to disclose information regarding the estimated impact of the Pillar Two rules and has performed an initial analysis under the UK legislation of potential exposure to additional tax under the Pillar Two rules based on the Group's most recent finalised country-by-country reporting data, income tax return filings and consolidated accounts (for the year ended 31 December 2022). Based on the data for the year ended 31 December 2022, in most of the territories in which the Group operates it will meet the financial thresholds required to apply the transitional safe harbour rules which will exempt the Group from applying the Pillar Two rules in those territories. There are a small number of territories where, based on data for the year ended 31 December 2022, the Group may not have access to the transitional safe harbour rules, and the Group has assessed that the potential liability to additional tax under the Pillar Two rules in those territories is not expected to be material.

The Group continues to refine its analysis of its potential exposure to the Pillar Two rules and will refresh its analysis based on its country-by-country reporting data, income tax return filings and consolidated accounts for the year ended 31 December 2023 once finalised.

b Principal accounting policies

Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by Essentra. Control exists when Essentra is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. The Group's subsidiaries (including dormant entities) at 31 December 2023, are set out within the Essentra plc companies accounts on pages 213 to 215.

Non-controlling interests ("NCI") are measured at their proportionate share of the investee's identifiable net assets at the date of acquisition.

When the group loses control of a subsidiary, it derecognises the net assets of the subsidiary together with any NCI and other related components of equity. Any resulting gain or loss on disposal is recognised in the consolidated income statement. On 3 December 2022, the Group completed the sale of Essentra Filter Holdings Limited and its respective subsidiary companies (the 'Filters business') which included the Group's investments in ITC Essentra Limited (India) (50% owned) and China Tobacco Essentra (Xiamen) Filters Co., Ltd (China) (49% owned).

Previously, the ownership held by the Group in these companies through its holding of ordinary shares were accounted for as subsidiaries of the Group in the consolidated financial statements due to the control achieved via board membership. Following the disposal of the Group's investments in India and China as part of the wider Filters business disposal, the associated balance of NCI arising on consolidation was derecognised.

b Principal accounting policies continued

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expense arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Foreign currency

With the exception of the financial statements of the Group's foreign operations in hyperinflationary economies (see 'Adjustments for hyperinflation' below), items included in the financial statements of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates ("functional currency"). The consolidated financial statements are presented in sterling (the functional currency of the Company). On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular operation is recognised in the consolidated income statement as part of the gain/loss on disposal.

(i) Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date and recognised in the income statement unless hedge accounting criteria apply (see policy for financial instruments).

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from their functional currency into sterling at the exchange rate ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at average exchange rates.

(iii) Net investment in foreign operations

Exchange differences on retranslation at the closing rate of the opening balances of overseas entities are taken to other comprehensive income, as are exchange differences arising on related foreign currency borrowings and derivatives designated as net investment hedges, to the extent that they are effective. Other exchange differences are taken to the income statement. Differences arising prior to 1 January 2004 are included in retained earnings.

(iv) Adjustments for hyperinflation

The Group applies hyperinflationary accounting to the financial statements of foreign operations that meet the requirements to be designated a hyperinflationary economy as specified in IAS 29 *Financial Reporting in Hyperinflationary Economies*. In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, comparative amounts are not restated.

Under IAS 29, the results and non-monetary asset and liability balances are revalued to present value equivalent local currency amounts, based on an inflation index, before translation to sterling at the reporting-date exchange rates. The gain or loss on net monetary assets resulting from the application of IAS 29 is recognised in the consolidated income statement within net finance expense. Subsequent IAS 29 equity restatement effects and the impact of currency movements are presented under amounts arising on translation of foreign operations within other comprehensive income. The Group also presents the gain or loss on cash and cash equivalents as monetary items together with the effect of inflation as operating, investing and financing cash flows in the consolidated statement of cash flows.

The Group's foreign operations in Turkey, whose functional currency is the Turkish Lira, were designated as hyperinflationary during the year ended 31 December 2022. For the year ended 31 December 2023, the Turkish economy continued to be designated as hyperinflationary, and therefore the Group has continued to apply hyperinflationary accounting using the historic cost approach to its Turkish operations for the reporting period ended 31 December 2023. The price index used to apply IAS 29 is the Turkish Consumer Price Index. At 31 December 2023, the price index was 1,860.90 (31 December 2022: 1,128.45, 31 December 2021: 686.95).

Alternative performance measures

The consolidated financial statements provide further disclosures and measures of financial performance, including adjusted operating profit and adjusted earnings per share, which are not defined or specified in accordance with UK adopted International Financial Reporting Standards. The presentation of alternative performance measures enables management to reflect the underlying performance of the continuing operations of the Group and provides investors with a more meaningful comparison of how the business is managed and measured on a periodic basis.

Adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are identified separately in order for the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations, by excluding items which, in management's view, do not form part of the Group's underlying operating results, such as gains, losses or costs arising from business acquisition and disposal activities, significant restructuring and closure costs, costs of major Software as a Service projects, defined benefit pension scheme charges that no longer pertain to the continuing operations of the Group and items which are non-recurring or one-off in nature (such as impairment of acquired intangible assets, impairment of investment property, historic indemnity claims and the costs of fundamental strategic review and reorganisation). Operating profit before adjusting items and acquired intangible amortisation is called adjusted operating profit, which forms the primary basis for management's review and assessment of the operational performance of the Group's businesses.

b Principal accounting policies continued

(i) Expense/(credit) relating to acquisitions, disposals and restructuring following disposals of businesses

In 2023 and 2022, Essentra incurred advisory and reorganisation costs in relation to major restructuring activities to "right size" the continuing operations of the business following the disposal of the Filters and Packaging businesses. These costs do not include costs relating to the disposal of those businesses, which form part of the result from discontinued operations (refer to note 24).

In 2023, Essentra acquired BMP TAPPI, incurring one-off acquisition related costs (refer to note 23).

In 2022, Essentra acquired the Wixroyd Group, incurring one-off acquisition related costs (refer to note 23).

(ii) Acquisition integration and restructuring costs

These relate to costs incurred on the integration of acquired businesses and restructuring associated with acquisitions.

(iii) Customisation and configuration costs of significant Software as a Service ("SaaS") arrangements

These relate to costs incurred on implementation (customisation and configuration) of significant "software as a service" ("SaaS") arrangements. In the view of management, these are investments to upgrade the Group's technical capabilities, and therefore their costs are excluded from adjusted operating profit.

(iv) Defined benefit pension scheme charges (from 2022)

These relate to costs incurred in relation to defined benefit pension scheme charges which, following the completion of the strategic review, no longer pertain to employees of the continuing Group and are therefore excluded from adjusted operating profit.

(v) Impairment of non-current assets

In 2023, this comprised impairment of investment property which is held in excess of the Group's operational requirements and impairment of intangible and other non-current assets in Hengzhu (following an impairment review in that CGU).

(vi) Other adjusting items

In 2023, this comprised professional fees relating to the capital reduction completed during 2023, and £0.8m provision relating to a historic indemnity claim.

In 2022, this comprised costs in respect of the write-down of centrally held IT assets following the completion of the strategic review, and costs of restructuring activities within the continuing European and Americas businesses, offset by a credit relating to adjustments to the carrying value of right of use assets.

Further details of the Group's adjusting items are included in note 2. The Group has also provided a reconciliation of its adjusted performance measures in note 27 to the consolidated financial statements.

Discontinued operations

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Segment reporting

A segment is identified on the basis of internal reports that are regularly reviewed by the Board of Directors (identified as the Chief Operating Decision Maker) in order to allocate resources to the segment and assess its performance.

Revenue

Revenue from the sale of component parts is recognised in the income statement with reference to the amount invoiced to the customer, net of expected discounts, rebates, refunds, credits, price concessions or other similar items, when the associated performance obligation has been satisfied, and control of the goods has been transferred to the customer. Customer volume discounts and right to return goods purchased are calculated by estimating the expected discount percentage that will be achieved for the contractual period using historical data adjusted for current experience and those obligations are included in other payables.

The substantial majority of the Group's revenue is generated through delivery of component parts which results in revenue being recognised at a point where control has been transferred to the customer as opposed to over a performance obligation period.

A significant part of the Group's businesses sell goods on an ex-works basis, where the Group, as seller, makes its goods ready for collection at its premises on an agreed upon sales date and the buyer incurs all transportation and handling costs and bears the risks for bringing the goods to their chosen destination.

Where the Group operates non ex-works terms with customers, revenue is recognised when the control of the goods has been transferred to the customer. These terms include consignment stock agreements, where revenue is recognised upon the customer removing goods from consignment stock provided the relevant conditions for revenue recognition are met. Each customer arrangement/contract is assessed to identify the performance obligations being provided to the customer.

b Principal accounting policies continued

Finance income and expense

Finance income is recognised in the consolidated income statement as it accrues by reference to the principal outstanding and at the effective interest rate applicable.

Finance expense consists of interest and other expenses that are incurred in connection with the Group's external financing arrangements and is recognised in the consolidated income statement as it accrues. Prepaid facility fees are amortised over the term of the related debt financing using the effective interest method. Finance expense includes the interest portion of lease liabilities.

Income tax

Income tax in the consolidated income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using the applicable tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in prior years. Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the financial statements. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable tax rates enacted or substantively enacted at the balance sheet dates.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Business combinations

Business combinations are accounted for using the acquisition method. Goodwill arising in a business combination represents the difference between the fair value of the assets given in consideration and the fair value of identifiable assets, liabilities and contingent liabilities assumed of the acquiree, at the date of acquisition.

Costs attributable to acquisitions are expensed in the consolidated income statement. Given their one-off nature, these costs are generally presented within adjusting items.

Where consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration amount is measured at fair value at the acquisition date. Subsequent changes in the fair value of such contingent consideration is adjusted against the cost of acquisition where they result from additional information, obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in the consolidated income statement.

Intangible assets

(i) Goodwill

Goodwill is initially recognised as an intangible asset at cost and subsequently measured at cost less accumulated impairment. Goodwill is allocated to the cash-generating unit ("CGU") or group of CGUs expected to benefit from the synergies related to the business combination.

(ii) Research and development

Research costs are expensed to the income statement in the year in which they are incurred.

Development costs relating to new products are capitalised when the Group is able to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

(iii) Acquired intangible assets

An intangible asset acquired in a business combination is recognised at fair value to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably.

Intangible assets principally relate to customer relationships, which are valued using discounted cash flows based on historical customer attrition rates, and developed technology, which is valued using an income approach. The cost of intangible assets is amortised through the income statement on a straight-line basis over their estimated useful economic life.

b Principal accounting policies continued

(iv) Other intangible assets

Other intangible assets which are not acquired through a business combination ("non-acquired intangible assets") are recognised at cost to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably, and amortised on a straight-line basis over their estimated useful economic life.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Where costs incurred for the development of software code enhances, modifies, or creates additional capability to existing on-premise systems and meets the definition of and recognition criteria for an intangible asset, these costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

Intangibles are amortised over their estimated remaining useful lives on a straight-line basis at the following annual rates:

Customer relationships	6–12%
Other intangibles – research and development	7–20%
Other intangibles – development of e-commerce	10–20%
Other intangibles – software and software development	10–20%

Impairment

All assets are reviewed regularly to determine whether there is any indication of impairment. Goodwill is tested for impairment annually.

An impairment loss is recognised whenever the carrying amount of a non-financial asset or the CGU to which it belongs exceeds its recoverable amount, being the greater of value in use and fair value less costs to sell, and is recognised in the income statement. Value in use is estimated based on future cash flows discounted using a pre-tax discount rate based upon the Group's weighted average cost of capital.

Financial assets are assessed for impairment using the expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Changes to the expected credit loss are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Previously revalued properties were treated as being held at deemed cost upon transition to adopted IFRS.

Where parts of an item of property, plant and equipment or other assets have different useful lives, they are accounted for as separate items. The carrying values of property, plant and equipment and other assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Property, plant and equipment are depreciated over their estimated remaining useful lives on a straight-line basis at the following annual rates:

Land and buildings – Freehold land	Not depreciated
Land and buildings – Buildings	2% or life of lease if shorter
Plant and machinery	7–20%
Fixtures, fittings and equipment	10–33%

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

Inventories

Inventories are valued at the lower of standard cost and net realisable value. Cost are assigned to individual items based on first-in first-out which is approximated using a standard cost methodology in valuing the inventory. For work-in-progress and finished goods, standard cost includes an appropriate proportion of direct production labour costs and overheads attributable to bringing inventory items to their present location and condition, allocated by rates based upon a budgeted level of normal activity. Net realisable value is based on the estimated selling price net of the expected costs to sell. Provision is made for slow-moving, defective and obsolete items where appropriate.

Following the disposal of its Packaging and Filters businesses in 2022, and the Group's transition to a pure-play components business, based upon the most recent reliable information, the Group has updated the inputs into its inventory provisioning calculations in order to ensure that inventories continue to be measured at the lower of cost and net realisable value.

b Principal accounting policies continued

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and fixed term investments whose maturities are three months or less from the date of acquisition. Bank overdrafts repayable on demand form an integral part of Essentra's cash management and are included as part of cash and cash equivalents in the statement of cash flows.

Loans and borrowings
Loans and other borrowings are initially recorded at cost (which is equal to fair value at inception plus interest cost) and are subsequently measured at amortised cost using the effective interest method.

Trade and other receivables
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, which is generally equivalent to recognition at nominal value less impairment loss calculated using the expected loss model.

The Group applies the simplified model to recognise lifetime expected credit losses for its trade and other receivables, including those due in greater than 12 months, by making an accounting policy election. The expected loss rate estimated for each ageing period is as follows: Current 0.2%; Overdue 1-30 days 0.5%; Overdue 31-60 days 1%; Overdue 61-90 days 5%; Overdue 91-180 days 10%; Overdue 181-360 days 50%; and Overdue over 360 days 100%.

Trade other payables
Trade payables are non-interest bearing and are recognised initially at fair value and subsequently at amortised cost.

Deferred consideration
Deferred consideration is recognised and held at fair value. Changes in its fair value are recognised in profit or loss, within adjusting items.

Financial instruments
(i) Financial assets
Financial assets comprise trade and other receivables, cash and cash equivalents, deferred consideration receivable and derivative financial instruments.

(ii) Financial liabilities
Financial liabilities comprise trade and other payables, deferred consideration payable, and financing liabilities.

Interest bearing loans and borrowings and other financial liabilities (excluding derivatives) are initially measured at cost (which is equal to fair value at inception plus issuance cost) and are subsequently measured at amortised cost using the effective interest method, unless they are included in a hedge accounting relationship. See note 15 for separate disclosure of hedge types.

(iii) Derivative financial instruments and hedge accounting
Derivatives are measured initially at fair value with any related transaction costs expensed as incurred. Subsequent measurement in the financial statements depends on the classification of the derivative as follows:

Fair value hedges
Where a derivative is used to hedge the foreign exchange exposure of a monetary asset or liability, any gain or loss on the derivative is recognised in the income statement.

Cash flow hedges
Where a derivative is designated as a hedging instrument in a cash flow hedge, the change in fair value is recognised in other comprehensive income to the extent that it is effective and any ineffective portion is recognised in the income statement. Where the underlying transaction results in a financial asset, accumulated gains and losses are recognised in the income statement in the same period as the hedged item affects profit or loss. Where the hedged item results in a non-financial asset the accumulated gains and losses previously recognised in other comprehensive income are included in the initial carrying value of the asset.

Hedges of net investment in foreign operations
The gain or loss on an instrument used to hedge a net investment in a foreign operation that is deemed effective is recognised in other comprehensive income. Any ineffective portion is recognised in the income statement.

Unhedged derivatives
The movements in the fair value of derivatives which are not designated as an effective hedge relationships are charged/credited to the profit or loss.

Lease liabilities and lease right-of-use assets
Leases greater than 12 months in length, and those not of low-value, are recognised as a lease right-of-use asset with the associated future lease payment terms recognised as a lease liability. The right-of-use assets and the associated lease liabilities are recognised by discounting the future lease payments at the rate implicit to the lease or, if the rate implicit to the lease cannot be readily determined, at the relevant incremental borrowing rate.

Determining the incremental borrowing rate incorporates three key elements: risk-free rate (reflecting specific country and currency); credit spread (reflecting the specific risk for each subsidiary within the Group); and an asset class adjustment (reflecting the variation in risk between asset categories).

The Group has leases of certain equipment (e.g. printing and photocopying machines) that are considered of low value. Rentals associated with leases that are of low-value or less than 12 months in length are expensed to the income statement on a straight-line basis. The associated lease incentives are amortised in the income statement over the life of the lease.

b Principal accounting policies continued

(i) The Group's leasing activities

The Group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 20 years, but might have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the right-of-use asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of 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;
- amounts expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

(ii) Variable lease payments

The Group has certain assets which may include variable lease payments based on usage, although this is a small proportion of the Group's assets. These include vehicles, with variable lease payments based on mileage or equipment such as printers, of which the lease payments vary based on their usage. The variable lease payments are not material for the Group.

Any future variable payment increase that requires either speculation or an estimate is not included. Future lease payments should then be applied only when they are known, with no change to the discount rate.

(iii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Provisions

A provision is recognised when there is a probable legal or constructive obligation as a result of a past event and a reliable estimate can be made of the outflow of resources that will be required to settle the obligation. The outflow is the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Unavoidable costs include a reasonable allocation of shared costs that can be directly linked to fulfilling contractual obligations. The provision is calculated as the lower of the termination costs payable for an early exit from the contract and the expected net cost to fulfil the Group's unavoidable contract obligations.

b Principal accounting policies continued

Retirement benefit obligations

(i) Defined contribution schemes

Obligations for contributions to defined contribution pension schemes are expensed to the income statement as incurred.

(ii) Defined benefit schemes

The net obligations in respect of defined benefit pension schemes are calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted.

The discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating to the terms of Essentra's obligations. The calculation is performed by a qualified independent actuary using the projected unit credit method. Net interest on defined benefit assets is presented within finance income, and net interest on defined benefit liabilities is presented within finance expense.

Actuarial gains and losses that have arisen are recognised in full in the consolidated statement of comprehensive income.

The amounts charged to operating profit are the current service cost, past service cost (including curtailments) and gains and losses on settlement.

The value of a net pension asset is the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Share-based payments

Essentra operates equity-settled, share-based incentive plans. A charge is made in the income statement based on the fair value of option awards using the Monte Carlo or binomial valuation models and relevant quoted share price information with a corresponding increase in equity. The fair value is measured at grant date and spread over the period between grant date and vesting date of the options. The amount recognised as an expense will be adjusted to reflect the actual number of share options that vest with the exception of options that fail to vest because market conditions are not met.

Dividends

Dividends are recognised as a liability in the period in which they are approved in a general meeting by the shareholders of the Company (final dividend) or paid (interim dividend).

Investment in own shares

The shares held in the Essentra Employee Benefit Trust for the purpose of fulfilling obligations in respect of share option plans are treated as belonging to the Company and are deducted from its retained earnings. The cost of shares held directly (treasury shares) are also deducted from retained earnings.

Net debt

Net debt is defined as cash and cash equivalents, short-term liquid investments and derivatives hedging against placement loans, net of lease liabilities and interest bearing loans and borrowings.

Investment properties

Properties that are either owned or leased by the Group that are held to earn rental income or for capital appreciation, or both, are accounted for as investment properties. Investment properties are measured initially at cost including directly related transaction costs, and subsequently, applying the cost model.

Under the cost model, the carrying value of investment properties where the Group owns the freehold to the properties, is stated at cost less accumulated depreciation (on a straight-line basis) and impairment losses. The useful lives of investment properties where the Group owns the freehold are adjusted, as appropriate, at each balance sheet date.

Where an investment property is owned through a long leasehold arrangement under which the Group is a lessee rather than owning the freehold to the property, a right-of-use asset is recognised at the commencement date of the lease and accounted for as an investment property. The cost of leased investment properties recognised in right-of-use assets includes the present value of future lease payments recognised together with lease payments made before commencement of the lease, less any incentives received. A corresponding lease liability is recognised on the balance sheet.

The Group transfers a property to or from its classification of investment properties only when there is a change in use. For example, when it is the Group's intention to end or commence owner-occupation is the point at which the property respectively meets or ceases to meet the definition of an investment property, the determination of which, may require the application of management judgement.

Investment properties are classified as non-current assets in the consolidated balance sheet. The carrying value of investment properties is periodically reviewed for impairment when events and circumstances indicate that the carrying amount may not be recoverable.

Lessor income

Essentra lets out a small number of properties that are owned or held under a leased contract which is in excess of the Group's operational requirements. Lessor income from operating leases is recognised on a straight-line basis over the term of the lease. Where the Group is an intermediate lessor, the sublease income classification is assessed with reference to the head lease right of use asset. The head lease right of use asset is depreciated over the term of the sublease on a straight-line basis.

Critical Accounting Judgements and Estimates

The preparation of the consolidated financial statements requires the Directors and management to make judgements and estimates in respect of certain items where the choice of accounting policy and assumptions applied in determining the judgement or estimate could materially affect the Group's financial position, results, or cash flows at the reporting date.

Management regularly reviews the critical accounting judgements that significantly impact the amounts recognised in the consolidated financial statements and the critical accounting estimates that due to their significant estimation uncertainty, may give rise to a material adjustment in the next financial reporting period.

Although the determination of accounting estimates is based on management's best estimate considering its knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future reporting periods.

The Group's critical accounting judgements and estimates are detailed below.

Accounting Judgements

Adjusting items

Adjusting items are separately presented from other items of financial performance as this enables management to reflect the underlying performance of the continuing operations of the Group. Judgement is required to determine whether such items of financial performance should be included within adjusting items by virtue of their nature, size or incidence. The Group's accounting policy concerning adjusting items is detailed under alternative performance measures.

Adjusting items of £21.0m (2022: £26.0m) have been reported in continuing operations which includes £1.3m of costs incurred relating to restructuring of the continuing business following the sale of the Filters and Packaging divisions, a £1.0m credit relating to acquisitions of businesses, £10.8m has been incurred in relation to the customisation and configuration costs of significant "software as a service" ("SaaS") arrangements, which, in management's judgement, constitute material one-off charges to upgrade the Group's technical capabilities and meets the Group's policy for being categorised as adjusting items, £1.8m in relation to legacy defined benefit pension charges, £0.8m in respect of indemnity provisions raised for historic claims on previous acquisitions, £3.4m in relation to impairment of fixed assets following an impairment assessment and £3.7m in relation to impairment of investment properties.

A complete analysis of the amounts included in adjusting items is detailed in note 2.

"Software as a Service" ("SaaS") arrangements

The recognition of customisation and configuration costs of £10.8m (2022: £12.4m) (which are included within adjusting items) relating to SaaS arrangements involves a number of key judgements:

- whether a software arrangement is a SaaS arrangement: management considers the fact pattern of the software arrangement carefully to identify SaaS arrangements, distinguishing from other arrangements such as "platform as a service" or "infrastructure as a service";
- whether any cost incurred in customisation and configuration results in additional code from which the Group has the power to obtain the future economic benefits and restricts other third parties access to those benefits: management considered whether the code can be used in or transferred to another computing arrangement;
- whether the customisation and configuration service provided by the SaaS provider is distinct from the regular SaaS arrangement: management considers factors such as whether the Group can benefit from the service separately from the other elements of deliverables from the SaaS provider;
- whether a third party providing customisation and configuration service is in effect a subcontractor of the SaaS provider: management considers factors such as the nature of the contractual and working relationship between the SaaS provider and the third party, the obligations of the third party who has the primary responsibility for the services that it provides.

Leases and lease right-of-use assets

A key judgement in determining the right-of-use asset and lease liability is establishing whether it is reasonably certain that an option to extend the lease will be exercised. Distinguishing whether a lease will be extended or otherwise could have a material impact on the value of the right-of-use assets and lease liabilities recognised on the balance sheet, but may not have a material impact on the income statement.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Recognition of Retirement benefit assets

A key judgement when recognising a retirement benefit asset is whether the Company has an unconditional right to a refund on such a surplus. A retirement benefit assets for £7.9m (2022: £7.9m) has been recognised on the Group's European pension surplus because it was judged that the trustees cannot use trustee's discretionary power to use this surplus to augment member benefits.

Accounting Estimates

Business disposals – completion accounts

At 31 December 2023, the Group has recognised £23.0m (2022: £18.0m) in other financial liabilities in relation to the completion accounts processes in respect of the Group's business disposals in 2022.

The amount recognised, based on the facts and circumstances that were present and known at the balance sheet date, represents management's best estimate of the expected settlement payable through the respective completion accounts processes and other mechanisms allowed by the share purchase agreements ("SPA"). Although the outcome of the completion accounts process for the Filters business remains inherently uncertain at the end of the reporting period, given that the SPA terms related to the completion accounts mechanisms are complex, and the completion accounts could be the subject of commercial negotiation and, in the absence of agreement, an expert determination process, it is therefore recognised that the final amount agreed could be materially different from the estimate.

The future range of possible outcomes associated with the various assumptions and judgements applied in the determination of the total value of the financial liability recognised at 31 December 2023 could therefore lead to an increase or decrease in the value of the financial liability recognised in the next financial year. The assessed range of possible future outcomes in the next financial year could potentially lead to a decrease in the liability of up to £2.0m or an increase of up to £1.9m.

Business disposals – measurement of contingent consideration

During 2022, the Group recognised a net loss of £16.6m on the disposal of the Filters business. The value of the loss is subject to finalisation of the deferred contingent consideration receivable which requires judgement. The maximum potential undiscounted deferred contingent consideration amount that the Group could receive is £20.0m. Deferred consideration is structured as an earn-out in two tranches of up to £10.0m, with each tranche contingent upon the Filters business achieving certain contractual profit performance targets in its financial years ending 31 December 2023 and 31 December 2024 (the "earn-out years"), respectively.

Management has, with the assistance of an external valuation specialist, determined the fair value of contingent consideration receivable using an option pricing model which applies prudent assumptions to risk-free cash flows in each of the earn-out years. For valuation purposes, as inputs into the model are intended to be risk-neutral, profit forecasts for the earn-out years are discounted to neutralise forecast risk by applying a risk-adjusted rate to expected cash flows based on an industry specific and geographically derived weighted average cost of capital. The resulting risk-adjusted profit for each earn-out year has been modelled against the respective contractually agreed profit performance target with the calculated earn-out achieved discounted to present value by applying a rate that reflects counterparty credit risk and the timing of future cash flows.

At 31 December 2023, deferred contingent consideration receivable with a fair value of £9.3m (2022: £10.6m) has been classified as a long-term receivable and £9.7m (2022: £nil) has been classified as trade and other receivables in the consolidated financial statements (refer to note 19). The actual earn-out receivable when the contingent consideration is finalised may differ materially from the fair value estimate at 31 December 2023 as a result of reasonable changes to assumptions applied.

Based on information available at the reporting date, the assessed range of possible future outcomes could potentially lead to an increase of up to £nil in the earn-out receivable being recognised in the next financial year, or a decrease of £9.3m were the conditions for the earn-out to fail in their entirety, representing the resolution of the uncertainty inherent in the cash flows. Any future movements in fair value of the deferred contingent consideration when remeasured at subsequent reporting period end dates will be taken through the consolidated income statement, and recognised as part of the result from discontinued operations.

Taxation

Liabilities for tax contingencies require management judgements and estimates in respect of tax audit issues and exposures in each of the jurisdictions in which it operates. Management is also required to make an estimate of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. Where Management conclude a tax position is uncertain, a current tax liability is held for anticipated taxes that are considered probable based on the information available.

Key judgement areas for the Group include the pricing of intercompany goods and services as well as the tax consequences arising from restructuring operations. Management may engage with professional advisers in making their assessment and, if appropriate, will liaise with the relevant taxation authorities to resolve the matter. The tax liability is reassessed in each period to reflect Management's best estimate in light of information available. If the final outcome of these matters differs to the liability held in the financial statements, the difference may impact the income tax charge/(credit) in the year the matter is concluded.

Uncertain tax provisions

At 31 December 2023, included in the tax payable is a liability of £4.0m (2022: £4.4m) for transfer pricing matters and £5.8m (2022: £11.7m) for other uncertain tax positions. The reduction in each provision is primarily due to the expiry of statute of limitations following the passage of time, favourable agreements reached with tax authorities on previous matters and part of the liability transferring with disposed entities. Adjustments for current year transactions and foreign exchange movements complete the movement in the year. Of the amount recognised at the end of the reporting period, a possible range of outcomes could potentially see between £3.7m and £4.8m resolved in the next financial year as a result of expiring statute of limitations and completion of tax audits.

UK Deferred tax assets

The Group has recognised a net deferred tax asset of £5.7m in the UK. The assessed range of possible future outcomes in the next financial year could potentially lead to a decrease in the deferred tax asset of up to £1.9m or an increase of up to £4.0m. For more details see note 16.

Accounting Estimates continued

Retirement benefit obligations

At 31 December 2023, the net retirement benefit liability was £9.6m (2022: £10.6m), including a retirement benefit liability of £17.5m (2022: £18.5m). The measurement of defined benefit obligations requires the application of judgement in relation to the key assumptions used, particularly in determining the discount rate, inflation rate, and mortality rates.

In consultation with Essentra's actuaries, management determines the point within the range of possible outcomes for those assumptions applied at the balance sheet date that most appropriately reflects Essentra's circumstances. Small changes to these assumptions can have a material impact on the valuation and consequently reported amounts. Accordingly, the Group performs a sensitivity analysis for the key assumptions applied in determining post-employment costs and liabilities, as detailed in note 18.

Provision for contractual obligations

The provision for contractual obligations represents amounts that the Group may be liable to pay arising from the disposal of the Packaging and Filters businesses during the year.

At 31 December 2023 provisions for contractual obligations amounted to £3.4m (2022: £5.5m), representing the Group's estimate of ongoing obligations due to each of the buyers under the respective Share Purchase Agreements. The assessed range of possible future outcomes in the next financial year could potentially lead to a decrease in the provision of up to £2m or an increase of up to £1.0m.

Business combinations and intangible assets

IFRS 3 *Business Combinations* requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates and judgements such as customer attrition, cash flow generation from the existing relationships with customers and returns on other assets. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement and balance sheet.

Goodwill is not amortised but is tested annually for impairment, along with the finite-lived intangible assets and other assets of the Group's cash-generating units. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. An estimate is also required in identifying the events which indicate potential impairment, and in assessing fair value of individual assets when allocating an impairment loss in a cash-generating unit or groups of cash-generating units. The Group performs various sensitivity analyses in respect of the tests for impairment and recognises impairments when required. The critical estimates made for the year ended 31 December 2023 are related to the APAC region, as detailed in note 8.

The useful lives of the Group's finite-lived intangible assets are reviewed following the tests for impairment annually.

Estimate of inventory obsolescence

Inventories represent a material proportion of the Group's net assets. At 31 December 2023, the Group had £64.7m (2022: £65.0m) of inventories on the balance sheet.

The Group estimates the net realisable value of inventories in order to determine the value of any provision required. These estimations are based on recent experience and knowledge of the products held in inventory estimations, include any impact of obsolescence including that related to regulatory changes including climate change, are made in relation to the number of years of sales of each product and the value recoverable from those inventories.

The Group undertakes periodic reviews of inventory levels and quality, and following those reviews provides for all inventory that is considered obsolete. Furthermore, the Group provides in full for unsold or slow moving inventory.

Following the disposal of its Packaging and Filters businesses in 2022, and based upon the most recent reliable information, the Group has updated the inputs into its inventory provisioning calculations in order to ensure that inventories continue to be measured at the lower of cost and net realisable value. The impact on inventory provisioning resulted in an increase in inventories and a resultant credit to gross profit (see note 10).

Notes to the Consolidated Financial Statements

1. Segment analysis

The Group has determined its operating segments based upon the information reported to the Board of Directors ("Board"), which is the Group's Chief Operating Decision Maker. Segment information is reported on a geographical basis consistent with the basis upon which the Group manages its operations, allocates resources, and assesses performance. Central corporate costs include executive and non-executive management, investor relations, corporate development, corporate reward, governance, risk and assurance, group finance, tax, treasury and related information technology costs.

Following the disposal of the Packaging and Filters businesses during the year ended 31 December 2022, the Group has changed the way its information is reported to the Board. Previously performance was reported on a divisional basis. Performance is now managed on a geographical basis with Gross profit introduced as an additional segment profit measure. Central corporate costs (previously disclosed as Central Services) now exclude certain costs that are now regarded as attributable to the operating segments.

							2023
	EMEA £m	Americas £m	APAC £m	Unallocated items[1] £m	Continuing operations £m	Discontinued operations[3] £m	Total £m
Income statement information							
External revenue	**170.8**	**106.2**	**39.3**	**–**	**316.3**	**–**	**316.3**
Gross profit	87.5	40.3	14.0	–	**141.8**	–	**141.8**
Adjusted operating profit/(loss) before corporate costs	53.9	19.5	3.5	(22.1)	**54.8**	(0.4)	**54.4**
Central corporate costs[2]				(11.6)	**(11.6)**	–	**(11.6)**
Adjusted operating profit/(loss)	**53.9**	**19.5**	**3.5**	**(33.7)**	**43.2**	**(0.4)**	**42.8**
Amortisation of acquired intangible assets	(4.0)	(5.5)	(1.8)	–	**(11.3)**	–	**(11.3)**
Adjusting items	0.8	(1.5)	(3.4)	(16.9)	**(21.0)**	–	**(21.0)**
Operating profit/(loss)	**50.7**	**12.5**	**(1.7)**	**(50.6)**	**10.9**	**(0.4)**	**10.5**
Balance sheet information							
Segment assets	110.8	70.2	25.8	28.8	**235.6**	–	**235.6**
Intangible assets	147.0	53.3	9.0	5.7	**215.0**	–	**215.0**
Unallocated items[4]				85.4	**85.4**	–	**85.4**
Total assets	**257.8**	**123.5**	**34.8**	**119.9**	**536.0**	**–**	**536.0**
						–	
Segment liabilities	44.2	27.9	7.7	45.6	**125.4**	–	**125.4**
Unallocated items[4]				137.4	**137.4**	–	**137.4**
Total liabilities	**44.2**	**27.9**	**7.7**	**183.0**	**262.8**	**–**	**262.8**
Other segment information							
Capital expenditure (cash spend)	3.7	6.3	1.7	1.5	**13.2**	–	**13.2**
Depreciation of plant, property and equipment	4.3	2.8	1.9	2.1	**11.1**	–	**11.1**
Average number of employees	1,180	727	950	194	**3,051**	–	**3,051**

1. Segment analysis continued

							(re-presented) 2022
	EMEA £m	Americas £m	APAC £m	Unallocated items[1] £m	Continuing operations £m	Discontinued operations[3] £m	Total £m
Income statement information							
External revenue	167.0	123.4	47.5	–	337.9	653.9	991.8
Gross profit	84.5	47.2	16.5	–	148.2	116.9	265.1
Adjusted operating profit/(loss) before corporate costs	51.3	25.3	5.8	(20.5)	61.9	38.4	100.3
Central corporate costs[2]				(23.1)	(23.1)	–	(23.1)
Adjusted operating profit/(loss) after allocation of central costs to discontinued operations[5]	51.3	25.3	5.8	(43.6)	38.8	38.4	77.2
Operating expenses allocated to discontinued operations	–	–	–	(13.7)	(13.7)	13.7	–
Adjusted operating profit/(loss)	51.3	25.3	5.8	(57.3)	25.1	52.1	77.2
Amortisation and impairment of acquired intangible assets	(2.6)	(5.9)	(1.9)	–	(10.4)	(189.2)	(199.6)
Adjusting items	(1.4)	(0.5)	–	(24.1)	(26.0)	–	(26.0)
Operating profit/(loss)	47.3	18.9	3.9	(81.4)	(11.3)	(137.1)	(148.4)
Balance sheet information							
Segment assets	103.0	63.3	32.9	37.0	236.2	–	236.2
Intangible assets	122.7	61.9	14.3	7.7	206.6	–	206.6
Unallocated items[4]				450.6	450.6	–	450.6
Total assets	225.7	125.2	47.2	495.3	893.4	–	893.4
						–	
Segment liabilities	40.9	18.7	15.9	77.2	152.7	–	152.7
Unallocated items[4]				336.6	336.6	–	336.6
Total liabilities	40.9	18.7	15.9	413.8	489.3	–	489.3
Other segment information							
Capital expenditure (cash spend)	5.5	3.4	2.1	2.5	13.5	27.5	41.0
Depreciation of plant, property and equipment	3.6	2.8	2.1	5.4	13.9	15.6	29.5
Average number of employees	1,211	821	1,011	305	3,348	4,067	7,415

Notes:
1 Unallocated items include operating expenses related to the regions that are managed at a total trading level rather than by individual segment. Assets, liabilities and employees also managed at a total trading level are presented within Unallocated operating expenses. Segment assets of £28.8m (2022: £37.0m) includes investment property of £3.3m (2022: £7.0m).
2 Central corporate costs (previously disclosed as Central Services) include executive and non-executive management, investor relations, corporate development, governance, risk and assurance, group finance, tax, treasury, and related information technology costs. The comparative numbers have been re-presented to exclude certain costs that, following the completion of the strategic review, are now regarded as attributable to the operating segments. The effect of this change is to reallocate £1.8m of costs previously included within Central Services in 2022, to Operating expenses.
3 Operating loss from discontinued operations (see note 24) excludes the loss on disposal of £3.7m (2022: £19.0m).
4 The unallocated assets relate to income and deferred tax assets, retirement benefit assets, derivatives, other financial assets and cash and cash equivalents. The unallocated liabilities relate to interest bearing loans and borrowings, retirement benefit obligations, derivatives, deferred tax liabilities and income tax payable. Intersegment transactions are carried out on an arm's-length basis.
5 Adjusted operating profit of £38.8m in 2022 includes costs that would have otherwise been allocated to the Packaging and Filters businesses had those businesses not been disposed. Had those additional costs been adjusted for the adjusted operating profit would have been £43.0m.

On a continuing basis, no customer accounted for more than 10% of revenue in either 2023 or 2022. Non-current assets in the UK (the Company's country of domicile) total £93.6m (2022: £91.1m), with the other significant location being the USA with £106.2m (2022: £114.2m). Total Group net finance expense of £2.5m (2022: £18.4m) and total Group income tax credit of £1.1m (2022: £2.0m) cannot be meaningfully allocated by segment. The Group revenue does not include any variable consideration which is constrained.

1. Segment analysis continued

Disaggregation of revenue

% of Total Continuing External Revenue	2023	2022
Revenue by channel		
End users	**78%**	79%
Distributors	**22%**	21%
Revenue by offer type		
Standard	**63%**	64%
Configured	**31%**	28%
Custom	**6%**	8%
Revenue by customer segment		
Industrial manufacturers	**71%**	72%
Large consumer manufacturers	**20%**	21%
SME consumers	**9%**	7%

Revenue by geographical location

External revenue presented in the table below, on a continuing basis, by location of the Group operation where the sales originated.

	2023 £m	2022 £m
UK (country of domicile)	**30.2**	22.1
US	**94.6**	111.1
China	**26.9**	32.6
Turkey	**23.6**	21.6
Germany	**22.4**	23.7
Italy	**14.8**	14.4
France	**15.1**	17.4
The Netherlands	**13.8**	14.7
Spain	**12.3**	12.3
Poland	**10.9**	10.7
Rest of World	**51.7**	57.3
Total continuing Group	**316.3**	337.9

2. Net operating expense

	Note	2023 £m	2022 £m
Changes in inventories of finished goods and work-in-progress		**(2.6)**	(7.7)
Raw materials and consumables		**90.7**	109.3
Personnel expense[1]	5	**107.9**	122.7
Depreciation of property, plant and equipment	7	**11.1**	13.9
Depreciation of lease right-of-use assets	9	**5.9**	5.6
Loss on sale of property, plant and equipment		**–**	0.1
Amortisation of intangible assets[3]	8	**14.2**	13.1
Adjusting items	2	**21.0**	26.0
Exchange differences recognised in profit or loss		**(1.1)**	–
Other operating expenses[2]		**58.3**	66.2
Net operating expenses		**305.4**	349.2

Notes:
1 Excludes personnel expenses totalling £2.2m (2022: £5.1m) recognised within adjusting items.
2 Other operating expenses includes manufacturing, selling, general and administrative overheads.
3 Includes amortisation of non-acquired intangible assets of £2.9m (2022: £2.7m).

Adjusting items from continuing operations

Adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are identified separately in order for the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations, by excluding items which, in management's view, do not form part of the Group's underlying operating results, such as gains, losses or costs arising from business acquisition and disposal activities, significant restructuring and closure costs, and costs of major Software as a Service projects, items which are non-recurring or one-off in nature (such as the costs of fundamental strategic review and reorganisation), one-off impairments of non-current assets and charges relating to the Group's legacy defined benefit pension schemes, and the related tax effect.

	2023 £m	2022 £m
Costs relating to restructuring following disposals of businesses[1]	**1.3**	10.4
(Gains)/losses and transaction costs relating to acquisitions of businesses[2]	**(1.0)**	0.3
Acquisition integration and restructuring costs	**–**	0.2
Customisation and configuration costs of significant software as a service ("SaaS") arrangements[3]	**10.8**	12.4
Defined benefit pension scheme charges[4]	**1.8**	2.0
Impairment of non-current assets[5]	**7.1**	–
Other[6]	**1.0**	0.7
Adjusting items before tax	**21.0**	26.0
Tax	**(4.3)**	2.8
Adjusting items after tax	**16.7**	28.8

2. Net operating expense continued

	2023 £m	2022 £m
Reconciliation of cash flows from adjusting items:		
Adjusting items	**21.0**	26.0
Non-cash charge in adjusting items	**(5.9)**	(2.0)
Pension contribution adjustment	**1.9**	–
Utilisation of prior year and acquired accruals and provisions	**6.6**	(0.3)
Cash outflow from adjusting items	**23.6**	23.7

Notes:
1 Costs of £1.3m (2022: £9.9m), in relation to major restructuring activities to "right size" the continuing operations of the business following the disposal of the Filters and Packaging businesses; a charge of £nil (2022: £0.5m) in relation to the acceleration of share options in respect of certain senior management employees leaving the business following the completion of the strategic review.
2 A credit of £1.0m (2022: £0.3m charge) relating to acquisitions, of which £0.6m cost relates to the acquisition of BMP TAPPI in October 2023, and a £1.6m credit (2022: £0.3m charge) relating to the acquisition of Wixroyd Group, acquired in December 2022, comprising costs of £0.6m and a credit of £2.2m for the reduction in contingent consideration payable.
3 Costs of significant SaaS arrangements which, in the view of management, represents investment in upgrading the Group's technological capability, were expensed as adjusting items in accordance with the Group's accounting policies. In the current year, costs of £10.8m (2022: £12.4m) were attributable to major SaaS projects and relate primarily to the costs of implementing a new cloud-based enterprise resource planning ("ERP") system within the Group.
4 Costs of £1.8m (2022: £2.0m) were incurred in relation to defined benefit pension scheme charges which, following the outcome of the strategic review in 2022, no longer pertain to the continuing operations of the Group.
5 Includes impairment loss of £3.7m relating to a write-down of investment property to market value and a £3.4m impairment loss in relation to non-current assets held within the APAC segment.
6 Costs of £0.2m for professional fees relating to the capital reduction completed during 2023 and £0.8m provision relating to a historic indemnity claim. 2022 comprises a £0.6m write-down of centrally held IT assets following completion of the strategic review and £0.6m costs of restructuring activities within the continuing European and Americas businesses, offset by a £0.5m credit relating to adjustments to the carrying value of lease right-of-use assets.

Auditor's remuneration

Fees payable to the Company's external auditor, PricewaterhouseCoopers LLP and its associates are analysed below:

	2023 £m	2022 £m
Fees payable for the audit of the Company and the consolidated financial statements	**1.9**	3.1
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	**0.4**	0.4
Total audit fees	**2.3**	3.5
Audit-related assurance services[1]	**0.1**	0.1
Other assurance services[2]	**–**	1.2
Total non-audit fees	**0.1**	1.3
Total fees	**2.4**	4.8

Notes:
1 Audit-related assurance services mainly comprises the review of the half-year financial statements and associated results announcement.
2 In 2022, other assurance services relates to Reporting Accountant services in respect to the Class 1 Circulars issued in respect of the disposals of the Packaging business and the Filters business.

3. Net finance expense from continuing operations

	Note	2023 £m	2022 £m
Finance income			
Bank deposits		**3.5**	1.4
Other finance income[1]		**7.0**	5.1
Net interest on pension scheme assets	18	**0.5**	0.6
Total finance income		**11.0**	7.1
Finance expense			
Interest on loans and overdrafts		**(6.0)**	(15.9)
Amortisation of bank facility fees		**–**	(4.7)
Other finance expense[2]		**(4.9)**	(2.2)
Net interest on pension scheme liabilities	18	**(0.8)**	(0.6)
Interest on leases	9	**(1.8)**	(1.5)
Total finance expense		**(13.5)**	(24.9)
Net finance expense		**(2.5)**	(17.8)

Notes:
1 Included within Other finance income is £5.7m (2022: £1.8m) relating to exchange gains on cash, borrowings and leases and £1.3m (2022: £3.2m) relating to monetary gains on Hyperinflationary economies.
2 Included within Other finance expense is £2.3m (2022: £0.9m) relating to loss on derivative financial instruments, £nil (2022: £0.8m) of hedge ineffectiveness, and £2.6m (2022: £0.3m) relating to exchange losses on cash, borrowings and leases.

4. Income tax expense/(credit)

	Note	2023 £m	2022 £m
Amounts recognised in the consolidated income statement			
Current tax		**4.8**	14.5
Adjustment in respect of prior years' tax		**(2.6)**	(2.0)
Deferred tax	16	**(1.2)**	(16.3)
Adjustment in respect of prior years' deferred tax	16	**(2.1)**	1.8
Income tax credit		**(1.1)**	(2.0)
Income tax expense/(credit) attributable to:			
Expense on profit/loss from continuing operations		**2.6**	2.0
Credit on loss from discontinued operations		**(3.7)**	(4.0)
Income tax credit		**(1.1)**	(2.0)
Amounts recognised in the consolidated statement of comprehensive income			
Tax credit in respect of taxable foreign exchange taxable losses		**(1.7)**	(0.9)
Tax expense in respect of fair value hedges		**1.1**	–
Net Tax credit		**(0.6)**	(0.9)
Tax credit on remeasurement of defined benefit pension schemes		**(0.3)**	(5.1)
Net total tax credit through consolidated statement of comprehensive income		**(0.9)**	(6.0)

4. Income tax expense/(credit) continued

Factors affecting income tax for the year

The tax credit for the year ended 31 December 2023 is lower than (2022: higher than) the standard rate of corporation tax in the UK of 23.5% (2022: 19.0%). The differences are explained below:

	Note	2023 £m	2022 £m
Profit/(loss) from continuing operations before income tax		**8.4**	(29.1)
Loss from discontinued operations before income tax	24	**(4.1)**	(156.7)
		4.3	(185.8)
Tax at UK statutory rate of 23.5% (2022: 19.0%)		**1.0**	(35.3)
Effects of:			
Permanent disallowable items (including adjusting items)[1]		**1.1**	16.6
Disposal of entities[2]		**–**	4.7
Overseas state and local tax		**–**	0.3
Unrecognised tax attributes (arising)/utilised[3]		**(1.3)**	10.6
Adjustments in respect of prior years		**(4.7)**	(0.2)
Withholding tax (including on unremitted earnings)		**0.6**	1.1
Change in tax rates[4]		**–**	(1.3)
Difference between UK and overseas tax rates[5]		**–**	(2.0)
Reassessment of deferred tax recognition[6]		**2.2**	3.5
Income tax credit[7]		**(1.1)**	(2.0)

Notes:
1 This is in relation to permanent differences arising from profits/losses on disposal, impairments and other costs associated with the disposals, net of the releases of uncertain tax provisions of £2.3m (2022: £2.9m).
2 Includes £nil (2022: £5.9m) tax charge arising on an intra-group transfer of a subsidiary net of the release of an uncertain tax provision of £nil (2022: £1.2m) relating to a disposal in prior years where the statute of limitations has now expired.
3 See further information regarding deferred tax asset recognition in note 16.
4 Reflects the impact of differences in substantively enacted, or enacted corporate tax rates, for future periods to those of the current period.
5 Reflects the impact of different tax rates in the jurisdictions in which Essentra operates by reference to the UK statutory rate. This impact may vary in future years due to changes in overseas tax rates or Essentra's geographical profit split.
6 This reflects the de-recognition of deferred tax assets (on tax losses) due to changes in the year and latest forecasts which mean it is no longer probable that the related tax benefits will be realised.
7 The income tax charge in the UK is £2.2m (2022: £0.9m credit).

5. Personnel expense

Total personnel expense, including Directors, is analysed below:

	Continuing operations		Total	
	2023 £m	2022 £m	2023 £m	2022 £m
Wages and salaries	**90.7**	105.4	**90.7**	245.5
Social security expense	**13.0**	13.0	**13.0**	25.1
Pension expense (note 18)	**2.8**	2.9	**2.8**	7.4
Share option expense (note 18)	**1.4**	1.4	**1.4**	2.6
Total personnel expense	**107.9**	122.7	**107.9**	280.6

Additional personnel expenses totalling £2.2m (2022: £5.1m) were included within adjusting items, including: wages and salaries of £1.9m (2022: £4.1m); social security expense of £0.2m (2022: £0.4m); pension contributions expense of £0.1m (2022: £0.1m); and £nil (2022: £0.5m) relating to share option expense.

The Annual Report on Remuneration on pages 122 to 132 sets out information on Directors' remuneration.

Key management remuneration

	2023 £m	2022 £m
Short-term employee benefits	**3.4**	5.2
Post-employment benefits	**0.1**	0.3
Share-based payments	**0.9**	1.8
Termination benefits	**0.1**	0.9
	4.5	8.2

Essentra considers key management personnel to be the Directors and the members of the Group Executive Committee.

6. Earnings per share

	Note	2023 £m	2022 £m
Earnings from continuing operations			
Profit/(loss) attributable to equity holders of the Company		**5.8**	(31.1)
Adjustments:			
Amortisation of acquired intangible assets	2	**11.3**	10.4
Tax on amortisation of acquired intangible assets		**(2.7)**	(2.4)
Adjusting items	2	**21.0**	26.0
Tax relief on adjustments	2	**(4.3)**	2.8
Adjusted earnings attributable to equity holders of the Company[1]		**31.1**	5.7
Earnings from discontinued operations			
Earnings attributable to equity holders of Essentra plc		**(0.4)**	(156.9)

Notes:
1 Adjusted earnings per share from continuing operations is provided to reflect the underlying performance of the Group.

	2023	2022
Weighted average number of shares		
Basic weighted average number of ordinary shares outstanding (million)[1]	**294.6**	301.1
Dilutive effect of employee share option plans (million)	**2.4**	2.0
Diluted weighted average number of ordinary shares (million)	**297.0**	303.1
Earnings per share from continuing operations (pence)		
Basic earnings per share from continuing operations	**2.0p**	(10.3)p
Adjustment	**8.6p**	12.2p
Basic adjusted earnings per share from continuing operations	**10.6p**	1.9p
Diluted earnings per share from continuing operations	**2.0p**	(10.3)p
Adjustment	**8.5p**	12.2p
Diluted adjusted earnings per share from continuing operations	**10.5p**	1.9p
Earnings per share from discontinued operations (pence)		
Basic earnings per share	**(0.2)p**	(52.1)p
Diluted earnings per share	**(0.2)p**	(52.1)p
Total Earnings per share attributable to equity holders of the Company (pence)		
Basic earnings per share	**1.8p**	(62.4)p
Diluted earnings per share	**1.8p**	(62.4)p

Notes:
1 The basic weighted average number of ordinary shares in issue excludes shares held in treasury and shares held by the employee benefit trust.

7. Investment Properties, Property, plant and equipment

	Note	2023 Total Investment properties[5] £m	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	2023 Total Property, plant and equipment £m
Cost						
Beginning of year		**7.0**	**37.7**	**125.6**	**72.0**	**235.3**
Acquisitions[8]	23	–	–	4.2	–	**4.2**
Additions		–	1.3	7.0	4.1	**12.4**
Disposals		–	(0.1)	(14.1)	(7.4)	**(21.6)**
Currency translation[3]		–	0.1	(4.6)	(0.2)	**(4.7)**
End of year		**7.0**	**39.0**	**118.1**	**68.5**	**225.6**
Accumulated depreciation and impairment						
Beginning of year		**–**	**14.2**	**95.7**	**60.2**	**170.1**
Charge in period[6]		–	1.6	5.6	3.9	**11.1**
Disposals		–	(0.1)	(14.1)	(7.3)	**(21.5)**
Impairment[4,5]		3.7	–	0.9	–	**0.9**
Currency translation[3]		–	0.7	(3.6)	(0.2)	**(3.1)**
End of year		**3.7**	**16.4**	**84.5**	**56.6**	**157.5**
Net book value at end of year[1]		**3.3**	**22.6**	**33.6**	**11.9**	**68.1**

7. Investment Properties, Property, plant and equipment continued

	2022 Total Investment properties[5] £m	2022 Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost					
Beginning of year	–	79.4	386.5	78.9	544.8
Acquisitions	–	0.5	0.7	0.2	1.4
Additions	–	2.5	33.1	4.0	39.6
Disposals	–	(0.7)	(9.4)	–	(10.1)
Business Disposals	–	(43.5)	(324.5)	(14.4)	(382.4)
Transfers[7]	7.0	(7.0)	–	–	(7.0)
Currency translation[3]	-	6.5	39.2	3.3	49.0
End of year	7.0	37.7	125.6	72.0	235.3
Accumulated depreciation and impairment					
Beginning of year	–	18.0	223.7	48.8	290.5
Charge in period[6]	–	2.8	18.5	8.2	29.5
Disposals	–	(0.7)	(8.7)	–	(9.4)
Business Disposals	–	(9.0)	(161.2)	(0.1)	(170.3)
Impairment[4]	–	–	0.1	0.4	0.5
Currency translation[3]	–	3.1	23.3	2.9	29.3
End of year	–	14.2	95.7	60.2	170.1
Net book value at end of year[1]	7.0	23.5	29.9	11.8	65.2

Notes:
1 Included within land and buildings, plant and machinery and fixtures, fittings and equipment are assets in the course of construction of £2.3m (2022: £0.3m) which were not depreciated during the year.
2 Contractual commitments to purchase property, plant and equipment amounted to £0.3m at 31 December 2023 (2022: £0.3m).
3 Currency translation movement for the year includes a £1.8m increase (2022: £3.2m increase) in respect of adjustments for hyperinflation.
4 Property, plant and equipment with a net book value of £2.9m (2022: £0.6m) was impaired by £0.9m (2022: £0.6m) to a recoverable amount of £nil (2022: £nil), which represented fair value less cost to sell. £0.9m (2022: £0.6m) of this impairment has been charged to adjusting items (see note 2).
5 As at 31 December 2023, the fair value of the investment property was £3.3m and as consequence, a reduction of £3.7m has been recorded as an expense to adjusting items (see note 2).
6 Included within the depreciation charge for the period is £11.1m (2022: £13.9m) relating to continuing operations.
7 During the year to 31 December 2022, land and buildings with a net book value of £7.0m, were reclassified as investment properties. The transfer follows the disposal of the Filters business which held a pre-existing property lease arrangement with the continuing Group. At the date of disposal of the Filters business on 3 December 2022, the continuing Group ceased owner-occupation. Following its assessment of the remaining useful economic life associated to investment properties at the balance sheet date, the Group is depreciating the building element of the long-term leasehold owned investment property at 2% on a straight-line basis.
8 Acquisitions in 2023 include £4.0m relating to the acquisition of BMP TAPPI, and £0.2m final purchase price allocation adjustment relating to the acquisition of Wixroyd Group.

Investment property valuation

The property has a market value of £3.3m and is valued based on a level 3 of fair value hierarchy. The valuation was performed by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property. The valuation took into account the contractual terms of the current tenant, who has occupation until 2027 with an option to extend until 2032 with an estimated amount for typical market rent based on a 5 year term. The valuation applies a market yield of 7% until 2027 and 10% beyond 2027. The valuation takes into account, among other factors, marketability, demand, energy performance, rating assessment, size, location and condition.

No amounts were received in respect of rental income during the year.

8. Intangible assets

				2023
	Goodwill £m	Customer relationships[6] £m	Other intangible assets[1,2] £m	Total £m
Cost				
Beginning of year	**140.1**	**159.3**	**24.8**	**324.2**
Acquisitions[8] (note 23)	14.5	16.9	0.8	**32.2**
Additions	–	–	0.8	**0.8**
Disposals	–	–	(1.0)	**(1.0)**
Currency translation[7]	(6.0)	(6.9)	(0.8)	**(13.7)**
End of year	**148.6**	**169.3**	**24.6**	**342.5**
Amortisation and impairment				
Beginning of year	**4.5**	**99.1**	**14.0**	**117.6**
Charge for the year[3]	–	10.7	3.5	**14.2**
Impairment[5]	–	2.2	–	**2.2**
Disposal	–	–	(1.0)	**(1.0)**
Currency translation[7]	(0.3)	(4.6)	(0.6)	**(5.5)**
End of year	**4.2**	**107.4**	**15.9**	**127.5**
Net book value at end of year	**144.4**	**61.9**	**8.7**	**215.0**

8. Intangible assets continued

	Goodwill £m	Customer relationships[6] £m	Other intangible assets[1,2] £m	Total £m
				2022
Cost				
Beginning of year	354.9	423.2	26.4	804.5
Acquisitions	20.7	8.2	0.6	29.5
Additions	–	–	1.0	1.0
Disposals	–	–	(1.4)	(1.4)
Business disposals[4]	(271.9)	(319.2)	(2.7)	(593.8)
Currency translation[7]	36.4	47.1	0.9	84.4
End of year	140.1	159.3	24.8	324.2
Amortisation and impairment				
Beginning of year	27.9	280.9	12.2	321.0
Charge for the year[3]	-	16.6	3.0	19.6
Business disposals[4]	(214.6)	(228.0)	(1.1)	(443.7)
Impairment[5]	181.6	1.1	–	182.7
Disposal	–	–	(0.8)	(0.8)
Currency translation[7]	9.6	28.5	0.7	38.8
End of year	4.5	99.1	14.0	117.6
Net book value at end of year	135.6	60.2	10.8	206.6

Notes:

1 Other intangible assets principally comprise trade names acquired with Reid Supply, developed technology acquired with Richco, order backlog, software development and e-Commerce development costs. Salary costs of £nil (2022: £0.2m) were capitalised as part of other intangible assets during the year.
2 Included within other intangible assets at 31 December 2023, are assets in the course of construction of £0.8m (2022: £nil) which were not amortised during the year.
3 Amortisation charged on other intangible assets (which includes e-Commerce development and software development costs not acquired through a business combination), is included within operating profit before amortisation of acquired intangibles and adjusting items. Amortisation charged on customer relationships acquired in a business combination is excluded from the Group's adjusted operating profit measure. Included within the amortisation charge for the period is £14.2m (2022: £13.1m) relating to continuing operations.
4 The Group disposed of the Packaging business and the Filters business during the year to 31 December 2022. The goodwill disposed was £35.6m and £21.7m, respectively.
5 In 2023 an impairment charge of £2.2m relates to the Hengzhu CGU. In 2022, an impairment charge of £181.6m was recognised following the Group's impairment assessment in respect of the carrying value of goodwill allocated to the Packaging business prior to its disposal. An impairment charge of £1.1m was also recognised relating to intangible assets held in India following an impairment review triggered by the divestment of the Packaging business. These impairment charges have been included within the result from discontinued operations for the year ended 31 December 2022.
6 The weighted average remaining useful lives of customer relationships and other intangible assets at the end of the year were 8.5 years and 3.9 years (2022: 5.8 years and 4.3 years), respectively.
7 Currency translation movement for the year includes a £1.1m increase (2022: £13.9m increase) in respect of adjustments for hyperinflation.
8 Acquisitions includes goodwill of £15.0m and customer relationships and other intangibles of £17.7m relating to the acquisition of BMP TAPPI, less an adjustment of £0.5m relating to the finalisation of the purchase price allocation relating to the acquisition of Wixroyd Group in 2022 (see note 23).
9 Included within other intangible cost is £16.4m (2022: £16.7m) that was internally generated with a accumulated amortisation of £10.2m (2022: £8.4m). Internally generated additions amounted to £0.8m (2022: £0.7m) and amortisation £2.9m (2022: £2.7m).

Essentra tests intangible assets annually for impairment, or more frequently if there are indications of impairment. A discounted cash flow analysis is computed to compare the discounted estimated future operating cash flows to the net carrying value of the goodwill and other intangible and tangible assets for each cash generating unit or group of cash generating units as appropriate. Following an impairment assessment of the carrying value of goodwill held by the Group's operations performed by management at 31 December 2023, no impairment of goodwill was required to be recognised on the Group's continuing operations.

Goodwill is allocated to groups of cash generating units, being the operating segments, as follows:

Goodwill[1]	2023 £m
EMEA	**109.3**
Americas	**35.1**
	144.4

1 Following the disposal of the Packaging and Filters businesses in 2022, the only goodwill remaining was for the Components division which is now monitored by geographical operating segment (EMEA, Americas and APAC).

8. Intangible assets continued

Customer relationships and other intangible assets are allocated to the businesses to which they relate, as follows:

Business	2023 £m	2022 £m
Businesses of former Moss and Skiffy	**7.2**	8.3
Businesses of former Richco	**9.0**	13.4
Business of former Mesan	**0.4**	0.9
Business of former Abric	**4.3**	5.9
Business of former Micro Plastics, Inc	**3.2**	3.8
Industrial Supply	**0.3**	0.7
Innovative Components	**5.5**	6.6
Hengzhu	**4.8**	8.3
Wixroyd	**7.9**	8.8
BMP TAPPI	**17.4**	–
e-Commerce development costs	**4.9**	5.9
Other businesses	**2.9**	3.7
Components Sweden	**1.9**	2.5
Software and development costs	**0.9**	2.2
	70.6	71.0

Management have reviewed the cash-generating-units ("CGUs") across the Group, and have concluded that the CGUs for the remaining Components business continue to be primarily the manufacturing and distribution sites.

The individual CGUs were assessed for impairment and due to the underlying economic environment impacting the APAC region, there was an indicator of impairment within the CGU impact Hengzhu. As a consequence an impairment charge of £3.4m was recognised on net assets within APAC of £28.9m, comprising customer relationship intangibles (£2.2m), property, plant and equipment (£0.9m), and right of use assets (£0.3m).

Following the disposal of the Packaging and Filters businesses, the goodwill associated with those operating segments was also disposed. The remaining goodwill, previously allocated to the Components segment, has now been reallocated to the newly created geographical segments: EMEA, Americas and APAC. The allocation was made by calculating the notional goodwill for each CGU by deducting its identifiable net assets from its recoverable amount and allocating the goodwill to each CGU in the ratio: CGU notional goodwill to total notional goodwill of the three geographical segments. These new operating segments, represented by groups of cash-generating-units (the manufacturing and distribution sites), are considered to represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The impairment tests for goodwill and intangible assets (and in the case of Hengzhu, other non-current assets) are based first on the Board approved business plan (the "Plan") and then has been risk-adjusted for impairment testing purposes. The recoverable amount of each CGU (and Groups of CGUs) was determined by performing a value-in-use calculation taking into account the wider market conditions and revenue growth projections within the industry the Groups operates in. The risk-adjusted cash flow projections are over five years based on the approved annual budget for the first year and subsequent years based on the Group Strategic Plan. The key assumptions in the cash flow projections for the risk-adjusted Plan are set out below.

Region	Average annual growth rate over five-year Forecast period	Terminal growth rate from 2028 onwards	Improvement in average operating profit over five-year period	Pre-tax discount rate
Groups of cash-generating-units:				
EMEA	6.2%	3.1%	620 bps	16.9%
AMERICAS	5.8%	2.2%	770 bps	15.3%
Cash-generating-unit assumptions:				
Hengzhu (individual CGU)	6.0%	2.0%	600 bps	14.1%

Operating margin is primarily based upon the historical levels achieved, adjusted by targets set for revenue expansion and cost control and reduction within the Plan period. The values assigned to these assumptions represent management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies resulting from integration activities. The estimated cash flows are discounted using a pre-tax discount rate based upon Essentra's estimated pre-tax weighted average cost of capital by operating segment.

For the Hengzhu CGU the recoverable amount remaining is sensitive to reasonably possible changes in the underlying cash flows and key assumptions. After taking into account the £3.4m impairment, and based upon the assumptions above, the recoverable amount aligns to its carrying value. Management considered the following reasonably possible changes in the key assumptions, in the context of the macro-economic conditions in China, and the associated impact on the impairment assessment, in relation to the Hengzhu CGU:

Sensitivities impacting Hengzhu CGU	Impairment £m
50 bps increase in pre-tax discount rate	**0.5**
100 bps reduction in terminal growth rate	**0.4**
100 bps reduction in each year's growth rate	**0.1**
100 bps reduction in operating profit margin in the terminal year	**0.9**

No sensitivities are presented for the Group's other CGUs or the other two Groups of CGUs (being Americas and EMEA geographical segments) given no reasonably possible changes in inputs would lead to an impairment, there being significant headroom between their carrying amounts and respective recoverable amounts.

9. Lease right-of-use assets

				2023
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	**40.3**	**2.9**	**0.2**	**43.4**
Additions, extensions and surrenders	12.3	1.8	–	**14.1**
Terminations	(2.2)	(1.6)	(0.1)	**(3.9)**
Currency translation[4]	(1.6)	0.1	–	**(1.5)**
End of year	**48.8**	**3.2**	**0.1**	**52.1**
Accumulated depreciation and impairment				
Beginning of year	**20.4**	**1.9**	**0.1**	**22.4**
Charge for the year[3]	4.9	0.9	0.1	**5.9**
Impairment[5]	–	0.3	–	**0.3**
Terminations	(2.2)	(1.6)	(0.1)	**(3.9)**
Currency translation[4]	(0.6)	0.1	–	**(0.5)**
End of year	**22.5**	**1.6**	**0.1**	**24.2**
Net book value at end of year	**26.3**	**1.6**	**–**	**27.9**

9. Lease right-of-use assets continued

				2022
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	100.5	13.4	0.4	114.3
Additions, extensions and surrenders	7.6	2.7	–	10.3
Terminations	(6.9)	(1.5)	(0.1)	(8.5)
Business disposals	(71.2)	(12.4)	(0.2)	(83.8)
Currency translation[4]	10.3	0.7	0.1	11.1
End of year	40.3	2.9	0.2	43.4
Accumulated depreciation and impairment				
Beginning of year	56.6	7.0	0.3	63.9
Charge for the year[3]	7.4	2.5	0.2	10.1
Terminations	(6.7)	(1.3)	(0.1)	(8.1)
Disposal of businesses	(40.4)	(6.8)	(0.2)	(47.4)
Impairment write back[1]	(0.6)	–	–	(0.6)
Currency translation[4]	4.1	0.5	(0.1)	4.5
End of year	20.4	1.9	0.1	22.4
Net book value at end of year	19.9	1.0	0.1	21.0

Notes:
1 During the year, an impairment write back of £nil (2022: £0.6m) was recognised in adjusting items (refer to note 2). The assets were uplifted to their recoverable amount, which represented their fair value.
2 Contractual commitments to lease property, plant and equipment amounted to £nil at 31 December 2023 (2022: £nil).
3 Depreciation charge of £5.9m (2022: £10.1m) in the year includes an amount of £5.9m (2022: £5.6m) relating to continuing operations and £nil (2022: £4.5m) relating to discontinued operations.
4 Currency translation as at 31 December 2023 includes net book value movement of £0.2m decrease (2022: £2.7m increase) in respect of adjustments for hyperinflation.
5 During the year, an impairment of £0.3m was recognised in adjusting items (refer to note 2). The assets were written down to their recoverable amount.

9. Lease right-of-use assets continued

The income statement includes the following amounts relating to leases:

On continuing operations	Notes	2023 £m	2022 £m
Lease right-of-use asset depreciation	2, 27	**5.9**	5.6
Interest expense (included in finance costs)[1]	3	**1.8**	1.5
Exchange losses (included in finance costs)	3	**2.2**	1.2
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)[2]		**–**	0.1
Expense relating to leases of low-value assets that not shown above as short-term leases (included in operating expenses)		**0.1**	0.1
		10.0	8.5

Notes:
1 For the year ended 31 December 2023, the weighted average lessee's incremental borrowing rate applied to lease liabilities was 8.6% (2022: 7.1%).
2 The short-term leases expense for the year ending 31 December 2024 is not expected to be materially different to the expense disclosed above.

The maturity analysis on the lease liabilities has been included in note 19. The total cash outflow for leases and analysis of movements in lease liabilities are included in note 22.

10. Inventories

	2023 £m	2022 £m
Raw materials and consumables	**7.7**	10.6
Work-in-progress	**6.0**	4.3
Finished goods and goods held for resale	**51.0**	50.1
Total[1,2]	**64.7**	65.0

Notes:
1 Following the disposal of its Packaging and Filters businesses in 2022, and based upon the most recent reliable information, the Group has updated the inputs into its inventory provisioning calculation in order to ensure that inventories continue to be measured at the lower of cost and net realisable value. The impact on inventory provisioning resulted in a £4.3m increase in inventories and a resultant credit to gross profit.
2 Inventories with a total value of £nil (2022: £nil) were written down in the year.

11. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	**43.5**	45.3
Other receivables[2]	**14.7**	17.7
Prepayments and accrued income	**3.3**	3.4
Total[1]	**61.5**	66.4

Notes:
1 See note 19 for further details on the credit risk disclosures relating to trade and other receivables.
2 Other receivables includes £9.7m (2022: £nil) of contingent consideration for an earnout receivable (following the disposal of the Filters business in 2022).

12. Cash and cash equivalents

	2023 £m	2022 £m
Bank balances	**59.7**	421.4
Total	**59.7**	421.4

13. Trade and other payables

	2023 £m	2022 £m
Trade payables	**23.8**	31.9
Other tax and social security contributions	**5.4**	9.5
Other payables	**3.4**	7.9
Accruals	**28.1**	42.2
Total	**60.7**	91.5

14. Interest bearing loans and borrowings

	2023 £m	2022 £m
Non-current liabilities		
Unsecured bank loans	**15.2**	–
US Private Placement Loan Notes	**80.3**	85.0
Total	**95.5**	85.0
Current liabilities		
US Private Placement Loan Notes	**–**	208.0
Total	**–**	208.0

At 31 December 2023, the Group had £15.2m (2022: £nil) of unsecured bank loans drawn in euros at floating rates of interest set by reference to SONIA (2022: SONIA). Essentra's $102.5m US Private Placement Loan Notes are at a weighted average interest rate of 3.84% per annum (2022: 4.01%).

In October 2022, following lender consent and following the sale of the Packaging business and the expected completion of the Filters business, the decision was taken by the Directors to reduce the facility to £200m, maintaining the same terms.

Following the sale of the Packaging and Filters businesses, $247m of the US Private Placement Loan Notes were repaid in January 2023. This left $33m maturing July 2028, $35m maturing July 2031 and $35m maturing July 2033.

The currency profile of the carrying and nominal values of Essentra's loans and borrowings is as follows:

	2023		2022	
	Carrying value £m	Nominal value £m	Carrying value £m	Nominal value £m
US dollar	**80.3**	**80.7**	293.0	291.7
Euro	**15.2**	**15.2**	–	–
Total	**95.5**	**95.9**	293.0	291.7

The difference between the total nominal and carrying value of loans and borrowings relates to the amortised value of prepaid facility fees of £0.4m (2022: £0.4m) and to the accrued make-whole payments due on early repayment in January 2023 of £nil (2022: £1.7m).

15. Derivatives

Derivative financial instruments – cash flow hedges

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The carrying value of derivatives designated in cash flow hedges at the balance sheet date was as follows:

	At 31 December 2023			At 31 December 2022		
	Fair values £m	Contractual or notional amounts £m	Change in fair value £m	Fair values £m	Contractual or notional amounts £m	Change in fair value £m
Current assets						
Forward foreign exchange contracts	**–**	**2.2**	**(0.2)**	0.2	58.4	(0.3)
	–	**2.2**	**(0.2)**	0.2	58.4	(0.3)
Non-current assets						
Cross currency interest rate swaps	**4.2**	**63.0**	**(4.1)**	8.3	66.7	7.6
	4.2	**63.0**	**(4.1)**	8.3	66.7	7.6
Current liabilities						
Forward foreign exchange contracts	**–**	**1.0**	**(1.3)**	1.3	77.4	1.2
	–	**1.0**	**(1.3)**	1.3	77.4	1.2

Cash flow hedges are hedges of the currency risk exposure to variability in cash flows. They relate to trading transactions and interest and principal payments denominated in foreign currencies.

The net fair value gains or losses on open forward foreign exchange contracts that hedge foreign currency risk of anticipated future sales, purchases and interest payments are accounted for as cash flow hedges. The fair value will be transferred to profit or loss when the forecast transactions occur. All of these hedged transactions are expected to occur over the next 12 months and all derivative instruments mature in the next 12 months.

15. Derivatives continued

In July 2021, Essentra entered into a number of cross currency interest rate swap contracts to hedge the foreign currency risk of $145m of its US Private Placement Loan Notes. The maturity profile of these matched those of the underlying loan notes with $20m notional value maturing within 3 years and the remainder between 5 and 7 years. These contracts were accounted for as cash flow hedges, with the impact of cross currency basis treated as a cost of hedging. In November 2022, following the Group's strategic review, swap contracts hedging $65m were terminated on 28 November 2022 for a net receipt of £6.5m. This resulted in ineffectiveness being recognised in 2022 of £0.8m and hedge accounting being discontinued at the repayment date. At 31 December 2023, the Group has derivatives with a total notional value of $80m (2022: $80m), which are due to mature in 2028. Of these remaining derivatives, hedge accounting was discontinued in 2022 for a total notional value of $47m as the related debt was repaid in the year. The hedge ratio for these derivatives is 1:1 and ineffectiveness can arise due credit risk in the counterparty and in the Group. The average rate for the cross currency swaps in place at 31 December 2023 is $1.37/£.

Movements in the Group's hedging reserves are analysed below.

	2023			2022		
	Cost of hedging reserve £m	**Cash flow hedging reserve £m**	**Total hedging reserve £m**	Cost of hedging reserve £m	Cash flow hedging reserve £m	Total hedging reserve £m
Balance at the beginning of the year	**(1.1)**	**0.3**	**(0.8)**	0.9	(2.4)	(1.5)
Change in fair value of forward foreign exchange contracts recognised in other comprehensive income[1]	**–**	**(0.1)**	**(0.1)**	–	(0.9)	(0.9)
Amounts recycled to finance expense on discontinued hedges	**–**	**–**	**–**	–	0.2	0.2
Change in fair value of cross currency interest rate swaps recognised in other comprehensive income[1]	**1.2**	**(2.9)**	**(1.7)**	(2.0)	19.0	17.0
Ineffectiveness recognised in finance expense	**–**	**–**	**–**	–	0.8	0.8
Amounts recycled to finance expense to offset retranslation of hedged loans	**–**	**2.4**	**2.4**	–	(16.4)	(16.4)
Balance at the end of the year	**0.1**	**(0.3)**	**(0.2)**	(1.1)	0.3	(0.8)

Notes:
1 Amounts charged to other comprehensive income in the year totalled £1.8m (2022: £16.1m credit)

The following movements were recognised for the purpose of calculating hedge ineffectiveness in the year:

	Movement in hedging instrument £m	**Movement in hedged item £m**	**Ineffectiveness recognised in P&L £m**
Cumulative movement at 1 January 2023	**14.6**	**(14.9)**	**(0.3)**
Movement in year	**(4.1)**	**4.1**	**–**
Cumulative movement at 31 December 2023	**10.5**	**(10.8)**	**(0.3)**

	Movement in hedging instrument £m	Movement in hedged item £m	Ineffectiveness recognised in P&L £m
Cumulative movement at 1 January 2022	0.7	(0.2)	0.5
Movement in year	13.9	(14.7)	(0.8)
Cumulative movement at 31 December 2022	14.6	(14.9)	(0.3)

Hedges of net investments in foreign operations

Hedges of net investments are hedges of the currency risk exposure to changes in the carrying value of net investments in foreign operations. The hedge ratio is 1:1.

Essentra had other US dollar and euro denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings. Exchange gains of £1.0m (2022: losses of £21.7m) on these US dollar borrowings and the losses of £0.3m (2022: gains of £nil) on the euro borrowings were recognised in other comprehensive income.

16. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2023 Assets £m	2023 Liabilities £m	2023 Net £m	2023 Income statement: (Charge)/credit £m	2022 Assets £m	2022 Liabilities £m	2022 Net £m	2022 Income statement: (Charge)/credit £m
Property, plant and equipment[1]	**(8.4)**	**3.8**	**(4.6)**	**(0.8)**	(7.1)	2.9	(4.2)	(2.0)
Intangible assets[2]	**–**	**16.0**	**16.0**	**(1.9)**	–	13.3	13.3	(13.0)
Employee benefits[3]	**(5.6)**	**1.3**	**(4.3)**	**(0.6)**	(4.6)	0.6	(4.0)	0.1
Other[4]	**(10.4)**	**3.5**	**(6.9)**	**–**	(11.3)	2.1	(9.2)	0.4
Tax (assets)/liabilities	**(24.4)**	**24.6**	**0.2**	**–**	(23.0)	18.9	(4.1)	–
Set off of tax	**12.2**	**(12.2)**	**–**	**–**	11.3	(11.3)	–	–
Net tax (assets)/liabilities	**(12.2)**	**12.4**	**0.2**	**–**	(11.7)	7.6	(4.1)	–
Total income statement credit	**–**	**–**	**–**	**(3.3)**	–	–	–	(14.5)

Notes
1 A deferred tax liability arises on property, plant and equipment as the tax value of assets is lower than the corresponding accounting value. This arises as tax deductions are determined by the applicable tax laws in each country the Group operates in whereas accounting depreciation is calculated in line with the Group's accounting policy.
2 A deferred tax liability is provided on temporary differences arising on the Group's intangible assets as in the majority of cases the local tax authorities do not allow deduction for amortisation of these intangible assets. The increase during the period is primarily due to the acquisition of BMP TAPPI.
3 This represents deferred tax on the Group's defined benefit pension schemes and share-based incentives.
4 This includes expenditure that will be deductible in future periods for tax purposes when the amounts are settled in cash, tax losses expected to be utilised in future periods and withholding tax on overseas earnings from Group companies expected to be remitted in the foreseeable future of £1.6m (2022: £1.4m). The reductions in 2022 primarily related to the disposal of the Packaging and Filters businesses and the de-recognition of deferred tax assets on tax losses.

Movements in the year:

	2023 Total Net £m	2022 Total Net £m
Net tax (assets)/liabilities at beginning of year	**(4.1)**	33.7
Credit to the income statement in respect of current year	**(1.2)**	(16.3)
(Credit)/charge to the income statement in respect of prior years	**(2.1)**	1.8
Credit to other comprehensive income – defined benefit pensions	**(0.3)**	(5.1)
Expense to reserves – hyperinflation (IAS 29)	**1.0**	2.7
Expense to reserves on share-based incentives	**0.3**	0.6
Expense to other income in respect of fair value hedges	**1.1**	–
Acquisitions and disposals	**5.1**	(25.8)
Currency translation	**0.4**	4.3
Net tax liabilities/(assets) at end of year	**0.2**	(4.1)

As at 31 December 2023, it was expected that earnings from certain overseas Group companies will be remitted and a deferred tax liability of £1.6m (2022: £1.4m) has been recognised accordingly. This represents withholding taxes payable on the remittance of these earnings under local tax laws. The amount of unrecognised deferred tax in respect of unremitted earnings is £2.5m (2022: £2.0m).

Based on available information, management determined whether it is probable for some or all of the deferred tax assets to be recognised. In determining this, management considered the cumulative losses in prior years, the history of tax losses, the manner in which assets can be used (including time limitations under local laws), future earnings potential and expectation of future reversal of taxable temporary differences. Following management assessment, gross deferred tax assets of £0.1m (2022: £0.2m) in respect of capital losses and unutilised tax losses of £57.7m (2022: £61.6m) have not been recognised as their realisation is not probable. The capital losses have an unlimited expiry date.

The income tax losses expire as follows: £2.3m within 5 years, £4.9m in 5+ years and £51.0m with no expiry.

If future conditions change, the amount of unrecognised deferred tax assets will be reassessed. This may impact the income tax expense/credit in the year of remeasurement.

17. Provisions

2023	Reorganisation £m	Contractual obligations £m	Onerous contracts £m	Other £m	Total £m
Beginning of year	**3.6**	**5.5**	**1.9**	**0.8**	**11.8**
Provisions made/(released) during year	0.3	–	(0.5)	0.8	**0.6**
Utilised during year	(3.4)	(2.1)	(0.9)	(0.2)	**(6.6)**
Currency translation	–	–	–	–	**–**
End of year	0.5	3.4	0.5	1.4	**5.8**
Non-current	–	–	0.1	0.1	**0.2**
Current	0.5	3.4	0.4	1.3	**5.6**
End of year	**0.5**	**3.4**	**0.5**	**1.4**	**5.8**

2022	Reorganisation £m	Contractual obligations £m	Onerous contracts £m	Other £m	Total £m
Beginning of year	0.9	–	–	2.7	3.6
Provisions made during year	3.4	–	1.9	0.6	5.9
Provisions recognised on business disposal	–	6.5	–	–	6.5
Business disposals	(0.5)	–	–	(2.0)	(2.5)
Utilised during year	(0.2)	(1.0)	–	(0.7)	(1.9)
Currency translation	–	–	–	0.2	0.2
End of year	3.6	5.5	1.9	0.8	11.8
Non-current	–	–	0.7	0.4	1.1
Current	3.6	5.5	1.2	0.4	10.7
End of year	3.6	5.5	1.9	0.8	11.8

Reorganisation

Reorganisation provisions are generally held against restructuring and redundancy costs, primarily related to the integration of acquired businesses and restructuring associated with acquisitions and other businesses. During the year to 31 December 2023, £0.3m (2022: £3.4m) of costs associated to reorganisation provisions were recognised in adjusting items (see note 2).

Contractual obligations

The provision for contractual obligations represents amounts that the Group may be liable to pay arising from the disposal of the Packaging and Filters businesses in 2022. At 31 December 2023, provisions for contractual obligations amounted to £3.4m (2022: £5.5m), representing the Group's estimate of ongoing obligations due to each of the buyers under the respective Share Purchase Agreements.

Onerous contracts

At 31 December 2023, onerous contract provisions of £0.5m (2022: £1.9m) were recognised in respect of contracts for services that are now in excess of the Group's requirements following the disposal of the Packaging and Filters businesses during 2022.

Other

Other provisions relate primarily to non-lease contracts on vacant properties, lease dilapidations, employees' compensation claims, regulatory claims and other claims. Non-current provisions are generally provisions for non-lease service contracts on vacant properties and lease dilapidations which are expected to be utilised within the next 10 years. The timing of the utilisation of the lease dilapidations assumes the business continues to operate based on the most up-to-date business plan. In 2022, the release of £2.0m mainly relates to claims and non-lease property-related provisions.

18. Employee benefits

Post-employment benefits

The Group operates a number of defined benefit and defined contribution pension schemes around the world, the latter covering many of its employees. The Group also has a number of other post-employment obligations in certain countries, some of which are required under local law.

The defined benefit plans are administered by boards of trustees and the assets are held independently from Essentra. The boards of trustees comprise member nominated trustees, employer nominated trustees and independent advisory trustees. The articles of the plans prohibit a majority on the boards to be established by either the member or employer nominated trustees.

Pension costs of the defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the principal European defined benefit schemes as at 5 April 2021 and annual actuarial valuations are performed on the principal US defined benefit schemes. The assets and liabilities of the defined benefit schemes have been updated to the balance sheet date from the most recently completed actuarial valuations taking account of the investment returns achieved by the schemes and the level of contributions.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment is subject to appeal. The Trustee and Group are monitoring developments and will consider if there are any implications for the UK Pension Fund, if the ruling is upheld.

18. Employee benefits continued

The principal European defined benefit schemes entitle remaining members to a pension calculated on 1.25% or 2% of their capped final pensionable pay multiplied by the number of pensionable years of service. Some members have historical entitlements to accrual rates of 1.67%-1.9% and 3% for certain tranches of their service. The principal US defined benefit schemes entitle certain former participating employees to annuity benefits equal to 50% of final average pensionable salary, reduced for years of service less than 30, and other participating employees to annuity benefits equal to $49 per month for each year of service.

The amounts included in the consolidated financial statements on a total group basis (including discontinued operations) are as follows:

	2023 £m	2022 £m
Amounts expensed against operating profit		
Defined contribution schemes	**2.7**	7.0
Defined benefit schemes – current service cost	**1.8**	2.0
Defined benefit schemes – curtailment gain	**–**	–
Other post-employment obligations	**0.1**	0.4
Total operating expense	**4.6**	9.4
Amounts included as finance (income)/expense		
Net interest on defined benefit scheme assets[1]	**(0.5)**	(0.6)
Net interest on defined benefit scheme liabilities[2]	**0.8**	0.7
Net finance expense	**0.3**	0.1
Amounts recognised in the consolidated statement of comprehensive income		
Return on defined benefit scheme assets excluding amounts in net finance income	**(2.3)**	108.5
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	**3.6**	(88.0)
Remeasurement losses of defined benefit schemes	**1.3**	20.5

Notes:
1 Net interest income on defined benefit scheme assets on a continuing basis (note 3) was £0.5m (2022: £0.6m).
2 Net interest expense on defined benefit scheme liabilities on a continuing basis (note 3) was £0.8m (2022: £0.6m).

During the year, the Group incurred service cost expenses totalling £1.8m (2022: £2.0m) which, in management's judgement, are not considered to be part of the Group's ongoing operations. As such, these expenses have been classified as adjusting items and have been presented separately (see note 2).

During 2015, the principal defined benefit pension schemes in the UK and the US were closed to future accrual. Following the closure of the Group's principal defined benefit pension schemes to future accruals, the schemes are funded by the Group's subsidiaries and employees are not required to make any further contribution. The funding of these schemes is based on separate actuarial valuations for funding purposes for which the assumptions may differ from those used in the valuation for IAS 19 Employee Benefits purposes.

In April 2022, the Company, Essentra Components Limited and Essentra Pension Trustees Limited (the trustee of the UK Essentra Pension Plan) entered into a flexible apportionment agreement ("FAA") subject to UK legislation such that Essentra Packaging and Security Limited (a former participating employer and Group subsidiary disposed of as part of the Packaging business), and Essentra Filter Products Limited and Essentra Pte Limited (both former participating employers and Group subsidiaries disposed of as part of the Filters business) transferred all defined benefit pension liabilities to Essentra Components Limited, a continuing participating employer of the UK Essentra Pension Plan.

In consideration for the trustee entering into the FAA, it was agreed that Essentra Components Limited pay the following amounts into the Essentra section of the UK Essentra Pension Plan: (i) £0.7m (this was paid during 2022); (ii) £1.3m payable upon completion of the divestiture of the Packaging business in the year of disposal which was paid in 2023, and make further cash payments of £0.6m in each of the six years after the year of divestiture; and (iii) £1.3m payable upon completion of the divestiture of the Filters business in the year of disposal which was paid in 2023, and make further payments of £0.6m in each of the six years after the year of divestiture.

The Group's contributions to its defined benefit pension schemes are determined in consultation with trustees, taking into consideration actuarial advice, investment conditions and other local conditions and practices. The outcome of these consultations can impact the timing of future cash flows. Contributions payable by the Group to its defined benefit pension schemes during the year to 31 December 2023 amounted to £nil (2022: £nil) to its US schemes and £3.8m (2022: £0.7m) in respect of the Group's European schemes. In 2024, the Group expects to make defined benefit contributions of $2.4m to its US schemes and £0.7m in respect of the Group's European schemes.

18. Employee benefits continued

During the year, the Group's total contributions to defined contribution schemes amounted to £2.7m (2022: £7.0m). Contributions on continuing operations of £2.7m (2022: £2.9m) were paid in 2023. A similar amount is expected to be payable during the ending 31 December 2024.

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 are as follows:

	2023		2022	
	Europe	**US**	Europe	US
Increase in salaries (pre-2010)[1]	**n/a**	**n/a**	n/a	n/a
Increase in salaries (post-2010)[1]	**n/a**	**n/a**	n/a	n/a
Increase in pensions[1]				
at RPI capped at 5%	**2.9%**	**n/a**	3.0%	n/a
at CPI capped at 5%	**2.6%**	**n/a**	2.7%	n/a
at CPI minimum 3%, capped at 5%	**3.4%**	**n/a**	3.3%	n/a
at CPI capped at 2.5%	**2.0%**	**n/a**	2.2%	n/a
Discount rate	**4.6%**	**4.8%**	4.8%	5.0%
Inflation rate – RPI[2]	**3.0%**	**n/a**	3.1%	n/a
Inflation rate – CPI[2]	**2.6%**	**n/a**	2.7%	n/a

Notes:

1 For service prior to April 2010, pension at retirement is linked to salary at retirement. For service after April 2010, pension is linked to salary at April 2010 with annual increases capped at 3%.

2 During 2021, the Group changed its methodology and assumptions relating to inflation applied to the UK defined benefit pension scheme (included within Europe) pertaining to the Retail Prices Index ("RPI") and the Consumer Prices Index (CPI). This follows the government's announcement in November 2020 that RPI inflation will be aligned with CPIH inflation (CPI plus housing) from 2030. As such, the actuary derived the inflation assumption based on a 'term-based' curve approach, by weighing the Scheme's projected cash flows with the gilt-based RPI curve.

3 Due to the timescale covered, the assumptions applied may not be borne out in practice.

The life expectancy assumptions (in number of years) used to estimate defined benefit pension obligations at the year end are as follows:

	2023		2022	
	Europe	**US**	Europe	US
Male retiring today at age 65	**22.4**	**20.7**	22.0	20.5
Female retiring today at age 65	**24.8**	**22.6**	24.4	22.5
Male retiring in 20 years at age 65	**23.7**	**22.2**	23.3	22.1
Female retiring in 20 years at age 65	**26.2**	**24.1**	25.9	24.0

The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustees' investment policies. The allocation of assets is arrived at taking into consideration current market conditions and trends, the size of potential returns relative to investment risk and the extent to which asset realisation needs to match liability maturity. There are risks underlying these considerations. If asset returns fall below the returns required for scheme assets to match the present value of scheme liabilities, a scheme deficit results. Persistent deficits represent an obligation the Group has to settle through increased cash contributions. If asset maturities are not properly matched with liability maturities, there is also the risk that the Group could be required to make unplanned short-term cash contributions to resolve resulting liquidity issues. Scheme assets are invested by the trustees in asset classes and markets that are considered to be reasonably liquid, so through this matching liquidity risk is considered to be sufficiently mitigated.

18. Employee benefits continued

The fair value of scheme assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the pension scheme liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are:

					2023
	% of total fair value of scheme assets	Europe £m	% of total fair value of scheme assets	US £m	Total £m
Equities	22%	33.2	60%	29.1	62.3
Bonds/LDI	76%	112.7	38%	18.7	131.4
Other	2%	3.0	2%	0.8	3.8
Fair value of scheme assets[1]		148.9		48.6	197.5
Present value of scheme liabilities[2]		(143.5)		(63.3)	(206.8)
Net retirement benefit assets/(obligations)[3]		**5.4**		**(14.7)**	**(9.3)**

					2022
	% of total fair value of scheme assets	Europe £m	% of total fair value of scheme assets	US £m	Total £m
Equities	42%	61.8	64%	33.3	95.1
Bonds/LDI	57%	84.0	34%	17.3	101.3
Other	<1%	0.7	2%	1.2	1.9
Fair value of scheme assets[1]		146.5		51.8	198.3
Present value of scheme liabilities[2]		(141.1)		(67.6)	(208.7)
Net retirement benefit assets/(obligations)[3]		5.4		(15.8)	(10.4)

Notes:
1 The fair value of scheme assets are not intended to be realised in the short term and may be subject to significant change before they are realised.
2 The present value of the pension scheme liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain.
3 In the Consolidated Balance Sheet, the retirement benefit asset of £7.9m relates to the UK pension scheme (2022: £7.9m), and the retirement benefit obligations of £17.5m relate to the US and other smaller schemes (2022: £18.5m).

The equity, corporate bond and government bond assets are either direct investments or investments made via a managed fund for those asset classes. All of these assets have a quoted market price in an active market. The other asset class relates primarily to property and hedge funds, which are valued at their cumulative unit offer price. No direct investment in property is held. No plan assets are invested directly in the shares of Essentra plc.

The pension surplus in Europe is not restricted as the asset is considered realisable on the basis of the Group's unconditional right to a refund.

The average expected duration of the Group's European defined benefit pension liability at 31 December 2023 is 13.5 years (2022: 14.0 years). The average expected duration of the Group's US defined benefit pension liability at 31 December 2023 is 10.0 years (2022: 10.2 years).

18. Employee benefits continued

Movement in fair value of post-employment obligations recognised during the year

	2023				2022			
	Defined benefit pension schemes				Defined benefit pension schemes			
	Assets £m	**Liabilities £m**	**Other[1] £m**	**Total £m**	Assets £m	Liabilities £m	Other[1] £m	Total £m
Beginning of year	**198.3**	**(208.7)**	**(0.2)**	**(10.6)**	305.9	(293.1)	(3.8)	9.0
Current service cost and administrative expense[2]	**(1.8)**	**–**	**(0.1)**	**(1.9)**	(1.8)	(0.2)	(0.4)	(2.4)
Employer contributions	**3.7**	**0.1**	**–**	**3.8**	0.7	0.2	–	0.9
Return on plan assets excluding amounts in net finance income[3]	**2.3**	**–**	**–**	**2.3**	(108.5)	–	–	(108.5)
Actuarial (losses)/gains arising from change in financial assumptions	**–**	**(3.9)**	**–**	**(3.9)**	–	95.5	–	95.5
Actuarial gains/(losses) arising from change in demographic assumptions	**–**	**0.6**	**–**	**0.6**	–	(1.9)	–	(1.9)
Actuarial losses arising from experience adjustment	**–**	**(0.3)**	**–**	**(0.3)**	–	(5.6)	–	(5.6)
Finance income/(expense)	**9.3**	**(9.6)**	**–**	**(0.3)**	6.3	(6.3)	(0.1)	(0.1)
Benefits paid	**(11.4)**	**11.4**	**–**	**–**	(11.5)	11.5	–	–
Currency translation	**(2.9)**	**3.8**	**–**	**0.9**	7.2	(9.4)	(0.1)	(2.3)
Business combinations[4]	**–**	**(0.2)**	**–**	**(0.2)**	–	0.6	4.2	4.8
End of year	**197.5**	**(206.8)**	**(0.3)**	**(9.6)**	198.3	(208.7)	(0.2)	(10.6)
Defined benefit schemes – net retirement benefit assets/(obligations)		**(9.3)**				(10.4)		

Notes:

1 Included within the other category above are other post-employment obligations outside of Europe and the US which are required under local law.

2 During the period, the Group incurred administrative expenses totalling £1.8m (2022: £2.0m) which, in management's judgement, are not considered to be part of the Group's ongoing operations. As such, these expenses have been classified as adjusting items and have been presented separately (see note 2).

3 For 2022, included within reduction on plan assets is an actuarial loss of £10.8m relating to an investment decision to purchase a bulk purchase annuity ("buy-in") contract. A premium of £38.2m was paid to purchase buy-in to insure against liabilities within the UK defined benefits scheme. The loss represented the difference between the premium paid and the estimated present value of the obligations and was included within other comprehensive income.

4 In 2023 £0.2m pension obligation relates to BMP TAPPI acquisition. In 2022 the Group disposed of the Packaging business and the Filters business. The participating employers in the UK Essentra Pension Plan of the divested businesses transferred their defined benefit pension liabilities to Essentra Components Limited as part of the FAA executed in April 2022.

Sensitivity

For the significant assumptions used in determining defined benefit costs and liabilities, the following sensitivity analysis gives the estimate of the impact on the measurement of the scheme liabilities.

	(Increase)/decrease in schemes net liabilities as at 31 December 2023		
	Europe £m	US £m	**Total £m**
3.0% decrease in the discount rate	(74.3)	(31.3)	**(105.6)**
3.0% increase in the rate of inflation	(23.2)	n/a	**(23.2)**
1.0% increase in rate of salary/pension increases	n/a	n/a	**n/a**
1 year increase in life expectancy	(4.4)	(1.9)	**(6.3)**
1 year decrease in life expectancy	5.2	1.9	**7.1**
3.0% increase in the discount rate	39.9	18.6	**58.5**
1.0% decrease in rate of salary/pension increases	n/a	n/a	**n/a**
3.0% decrease in the rate of inflation	16.5	n/a	**16.5**

18. Employee benefits continued

Share-based incentives

Essentra operates equity-settled share-based incentive plans for its Executive Directors and employees. The total expense in respect of these plans during the year was £1.4m (2022: £2.6m). A charge of £nil (2022: £0.5m) was also recognised in the year within adjusting items, in relation to the acceleration of share options in respect of certain senior management employees leaving the business following the completion of the strategic review. Details of these plans are set out below:

Share awards/options outstanding

												2023
	At 1 Jan 2023	**Weighted average exercise price**	**Granted during the year**	**Weighted average exercise price**	**Lapsed during the year**	**Weighted average exercise price**	**Exercised during the year**	**Weighted average exercise price**	**At 31 Dec 2023**	**Weighted average exercise price**	**Exercisable at 31 Dec 2023**	**Weighted average exercise price**
LTIP Part A	**66,200**	**692.0p**	–	–	(66,200)	692.0p	–	–	**–**	**–**	**–**	**–**
LTIP Part B	**2,543,804**	**–**	1,628,540	–	(259,682)	–	(34,958)	–	**3,877,704**	**–**	**–**	**–**
DASB	**435,590**	**–**	76,530	–	–	–	(365,897)	–	**146,223**	**–**	**–**	**–**
SAYE 3-year plan	**322,012**	**249.2p**	331,917	169.7p	(267,843)	237.4p	–	–	**386,086**	**189.0p**	**17,919**	**210.9p**
SAYE 5-year plan	**110,163**	**256.2p**	93,688	169.7p	(95,416)	253.1p	–	–	**108,435**	**184.2p**	**18,595**	**184.2p**
US SAYE 2-year plan	**30,825**	**294.3p**	–	–	(25,725)	299.8p	–	–	**5,100**	**266.5p**	**–**	**–**
Restrictive Shares	**419,519**	**–**	–	–	(85,163)	–	–	–	**334,356**	**–**	**–**	**–**
	3,928,113		**2,130,675**		**(800,029)**		**(400,855)**		**4,857,904**		**36,514**	

												2022
	At 1 Jan 2022	Weighted average exercise price	Granted during the year	Weighted average exercise price	Lapsed during the year	Weighted average exercise price	Exercised during the year	Weighted average exercise price	At 31 Dec 2022	Weighted average exercise price	Exercisable at 31 Dec 2022	Weighted average exercise price
LTIP Part A	98,735	649.1p	–	–	(32,535)	562.0p	–	–	66,200	692.0p	66,200	692.0p
LTIP Part B	5,370,852	–	961,501	–	(3,788,200)	–	(349)	–	2,543,804	–	33,826	–
DASB	416,992	–	253,721	–	–	–	(235,123)	–	435,590	–	10,494	–
SAYE 3-year plan	813,975	265.7p	–	–	(487,933)	276.9p	(4,030)	248.0p	322,012	249.2p	45,591	–
SAYE 5-year plan	227,571	267.8p	–	–	(117,408)	278.7p	–	–	110,163	256.2p	31,449	–
US SAYE 2-year plan	46,818	284.8p	–	–	(15,993)	266.5p	–	–	30,825	294.3p	–	–
Restrictive Shares	–	–	419,519	–	–	–	–	–	419,519	–	–	–
	6,974,943		1,634,741		(4,442,069)		(239,502)		3,928,113		187,560	

18. Employee benefits continued

The exercise prices of options outstanding at the end of the year range from nil to 266.5p.

The weighted average share price at the date of exercise for options exercised during the year was 205.2p (2022: 257.6p). The following table shows the weighted average fair value at the date of grant for options granted during the year:

	LTIP Part A	LTIP Part B	DASB	SAYE 3-year plan	SAYE-5 year Plan	Restrictive Shares
Year ended 31 December 2023	**n/a**	**163.6p**	**175.5p**	**20.3p**	**20.3p**	**n/a**
Year ended 31 December 2022	n/a	165.4p	172.3p	n/a	n/a	230.2p

Fair value model inputs for cumulative share options awarded

2023	LTIP Part A	LTIP Part B	DASB	SAYE-3 year plan	SAYE-5 year plan	Restrictive Shares
Weighted average fair value at grant	–	**205.7p**	**174.0p**	**32.2p**	**29.6p**	**230.2p**
Weighted average share price at grant	–	**243.1p**	**202.8p**	**210.5p**	**204.2p**	**237.0p**
Weighted average exercise price	–	**0.0p**	**0.0p**	**189.0p**	**185.7p**	**0.0p**
Weighted average volatility	–	**38.1%**	**40.0%**	**36.0%**	**40.9%**	**40.0%**
Weighted average dividend yield	–	**2.86%**	**3.00%**	**2.93%**	**2.99%**	**2.50%**
Weighted risk free rate	–	**2.02%**	**3.74%**	**2.69%**	**2.98%**	**3.40%**
Expected employee retention rates	–	**92.3%**	**100.0%**	**80.0%**	**80.2%**	**85.0%**
Expected term	–	**3.00 years**	**3.00 years**	**3.20 years**	**5.20 years**	**3.00 years**
Valuation model	–	**Monte Carlo**	**Binomial**	**Binomial**	**Binomial**	**Binomial**

2022	LTIP Part A	LTIP Part B	DASB	SAYE 3-year plan	SAYE 5-year plan	Restrictive Shares
Weighted average fair value at grant	141.4p	225.8p	189.0p	69.2p	75.5p	230.2p
Weighted average share price at grant	692.0p	275.6p	223.7p	293.1p	304.2p	237.0p
Weighted average exercise price	692.0p	–	–	249.2p	265.5p	–
Weighted average volatility	27.0%	37.0%	35.8%	36.1%	40.5%	40%
Weighted average dividend yield	1.80%	2.79%	3.00%	2.74%	2.94%	2.5%
Weighted risk free rate	0.4%	1.08%	2.37%	0.21%	0.44%	3.4%
Expected employee retention rates	85.0%	81.1%	100.0%	80.1%	81.0%	85.0%
Expected term	3.00 years	2.30 years	3.00 years	3.20 years	5.20 years	3.0 years
Valuation model	Binomial	Monte Carlo	Binomial	Binomial	Binomial	Binomial

Where relevant, market conditions are taken into account in determining the fair value of the awards at grant date. The three-year average historic volatility at grant date has been used as the volatility input for the LTIP Part A, LTIP Part B, DASB and SAYE 3-year awards, and the five-year average historic volatility at grant date has been used as the volatility input for the SAYE 5-year award.

2023 and 2022	LTIP Part A	LTIP Part B	DASB	SAYE 3 year plan	SAYE 5 year Plan	Restrictive Shares
Contractual life	3–10 years	3–6 years	3 years	3 years	5 years	3 years

Details of the vesting conditions of the LTIP Part A, LTIP Part B and DASB share option schemes are set out in the Report of the Remuneration Committee on pages 127 and 128.

19. Financial risk management

Essentra's activities expose the business to a number of key financial risks which have the potential to affect its ability to achieve its business objectives.

The Board has overall responsibility for Essentra's system of internal control and financial risk management and for reviewing the effectiveness of this system. Such a system can only be designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

Essentra has a centralised treasury function to manage funding, liquidity and exposure to interest rate and foreign exchange risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of derivatives that may be employed and the criteria for investing and borrowing cash. Essentra uses derivatives only to manage currency and interest rate risk arising from underlying business activities. No transactions of a speculative nature are undertaken. The Treasury function is subject to periodic independent reviews by the Group Assurance function. Underlying policy assumptions and activities are reviewed by the Treasury Committee.

Controls over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographical presence, expertise and suitable credit rating.

The following describes Essentra's financial risk exposure and management from a quantitative and qualitative perspective.

(i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset or liability fails to meet its contractual obligations, and arises principally from trade receivables and cash and cash equivalents. With the exception deferred contingent consideration receivable of £19.0m (2022: £10.6m) in respect of the sale of the Filters business, Essentra has no significant individual concentrations of credit risk. The following is an overview of how Essentra manages its credit risk exposures.

Trade and other receivables

Essentra's exposure to credit risk is primarily driven by the profile of its customers. This is influenced by the demographics of the customer base, including the industry and country in which customers operate.

Trade receivables were assessed for impairment at the balance sheet date using an expected credit loss model which measures the required allowance at an amount equal to expected lifetime credit losses applying both a qualitative and quantitative analysis of the asset base. The Group monitors significant customers' credit limits and recognises a specific impairment of trade receivables in circumstances where a customer's credit standing has deteriorated to the extent that a credit default is considered probable. The Group also recognises an expected credit loss impairment of trade receivables through an accounting policy election, whereby default losses are expected for each ageing category as follows: Current 0.2%; Overdue 1-30 days 0.5%; Overdue 31-60 days 1%; Overdue 61-90 days 5%; Overdue 91-180 days 10%; Overdue 181-360 days 50%; and Overdue over 360 days 100%.

As at 31 December 2023, gross trade receivables were £45.2m (2022: £46.7m) of which £10.1m (2022: £15.7m) were past due. The ageing analysis of past due trade receivables is as follows:

	2023 £m	2022 £m
1-60 days	**7.5**	13.7
61-180 days	**1.6**	1.4
181-360 days	**0.6**	0.3
360+ days	**0.4**	0.3
	10.1	15.7

As at 31 December 2023, the combined specific and expected credit loss impairment of trade receivables was of £1.7m (2022: £1.4m). The analysis of the combined impairment based on the underlying receivables is as follows:

	2023 £m	2022 £m
Current	**0.3**	0.3
1-60 days	**0.1**	0.1
61-180 days	**0.3**	0.4
181-360 days	**0.6**	0.3
360+ days	**0.4**	0.3
	1.7	1.4

The movement in the provision for impaired receivables is as follows:

	2023 £m	2022 £m
Beginning of year	**1.4**	2.6
Impaired receivables acquired/(disposed)	**–**	–
Impairment loss recognised[1]	**0.4**	1.1
Business disposals	**–**	(2.3)
Utilisation	**(0.1)**	–
End of year	**1.7**	1.4

Notes:
1 Impairment loss on a continuing basis is £0.4m (2022: £0.8m).

On a periodic basis, the Group undertakes the sale of certain trade receivables to banks using facilities set up by its customers. These trade receivables are factored on a non-recourse basis, and therefore are derecognised from the Group's balance sheet at the point of sale to the bank. The Group does not operate its own invoice discounting or factoring facilities. As at 31 December 2023, £nil was drawn under invoice discounting facilities (2022: £nil), representing cash collected before it was contractually due from the customer.

19. Financial risk management continued

Long-term receivables of £10.1m (2022: £11.6m) and other receivables of £14.7m (2022: £17.7m) (see note 11) include £19.0m (2022: £10.6m) relating to a deferred contingent consideration on the disposal of the Filters business. See the Accounting Estimates section on page 166 for valuation details which includes counterparty credit risk. The remaining £5.8m (2022: £18.7m) includes indirect taxes recoverable for which no expected credit loss impairment is required.

Derivative assets

Credit risk with respect to derivatives is controlled by limiting transactions to major banking counterparties where internationally agreed standard form documentation exists. The credit ratings of these counterparties are monitored regularly. The maximum exposure to credit risk in relation to derivatives at the balance sheet date is £4.2m (2022: £8.5m) being predominantly, the fair value of cross currency interest rate swaps (see note 15).

Cash and cash equivalents

Credit risk relating to cash and cash equivalents is monitored daily, on a counterparty by counterparty basis. The credit limits imposed specify the maximum amount of cash which can be invested in, or with, any single counterparty. These limits are determined by geographic presence, expertise and credit rating. The Group regularly monitors the credit ratings of counterparties.

The following table provides information regarding the credit risk exposure of Essentra by classifying derivative assets, short-term investments and cash and cash equivalents according to credit ratings of the counterparties. AAA is the highest possible rating and all of the assets are neither impaired nor past due.

							2023
	AA £m	**A £m**	**BBB £m**	**BB £m**	**B £m**	**Not rated £m**	**Total £m**
Non-current derivative assets	**–**	**–**	**4.2**	**–**	**–**	**–**	**4.2**
Cash and cash equivalents	**3.5**	**10.0**	**44.5**	**–**	**1.0**	**0.7**	**59.7**
Total	**3.5**	**10.0**	**48.7**	**–**	**1.0**	**0.7**	**63.9**

							2022
	AA £m	A £m	BBB £m	BB £m	B £m	Not rated £m	Total £m
Current derivative assets	–	0.1	0.1	–	–	–	0.2
Non-current derivative assets	–	8.3	–	–	–	–	8.3
Cash and cash equivalents	2.8	232.4	180.9	–	–	5.3	421.4
Total	2.8	240.8	181.0	–	–	5.3	429.9

Essentra's maximum credit risk exposure is £131.4m (2022: £504.5m) and no collateral is held against this amount (2022: £nil).

(ii) Market price risk

Market price risk is the risk that changes in foreign exchange rates and interest rates will affect income or the value of financial assets and liabilities. Essentra has produced a sensitivity analysis that shows the estimated change to the income statement and equity of a 1%, 5% or 10% weakening or strengthening in sterling against all other currencies or an increase or decrease of 50 basis points ("bps"), 100bps and 200bps in market interest rates. The amounts generated from the sensitivity analysis are estimates and actual results in the future may materially differ.

Essentra is exposed to two types of market price risk: currency risk and interest rate risk.

(a) Currency risk

Essentra publishes its consolidated financial statements in sterling but conducts business in several foreign currencies. Therefore, it is subject to currency risk due to exchange rate movements which affect the translation of results and underlying net assets of its operations and their transaction costs.

Hedge of net investment in foreign operations

The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to limit the translation exposure and the resulting impact on shareholders' funds through measures such as borrowing in those currencies in which the Group has significant net assets. Essentra's US dollar denominated assets were approximately 26% (2022: 100%) hedged by $23m (2022: $205m) of US dollar denominated borrowings. Essentra's Euro denominated assets were approximately 17% (2022: 0%) hedged by €18m (2022: €nil) of euro denominated borrowings. Hedge ineffectiveness will arise if the amount of the investment in the foreign subsidiary becomes lower than the notional amount of the hedging instrument.

Transaction exposure hedging

Essentra does not formally define the proportion of highly probable forecast sales and purchases to hedge, but agrees an appropriate percentage on an individual basis with each business by reference to the Group's risk management policies and prevailing market conditions. The Group documents currency derivatives used to hedge its forecast transactions as cash flow hedges. To the extent that cash flow hedges are effective, gains and losses are recognised in other comprehensive income until the forecast transaction occurs, at which point the gains and losses are transferred either to the income statement or to the non-financial asset acquired.

The majority of Essentra's transactions are carried out in the functional currencies of its operations, and therefore transaction exposure is limited. However, where such exposure does occur, Essentra uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases over a period of up to 18 months.

In accordance with its Treasury policy, Essentra does not hold or issue derivatives for speculative purposes.

19. Financial risk management continued

Hedging of foreign currency loan principal and interest payments

In July 2021, Essentra entered into a number of cross currency interest rate swap contracts to hedge the foreign currency risk (principal and interest) of $145m of its US dollar loan notes. The maturity profile of these match those of the underlying instruments with $20m notional value maturing within 3 years and the remainder between 5 and 7 years. In November 2022, $65m of these swap contracts were terminated leaving $80m notional value maturing within 5 years.

The following table shows Essentra's sensitivity to a 1%, 5% and 10% weakening or strengthening in sterling against all currencies. To calculate the impact on the income statement for the year all currencies' average rates have been increased or decreased by 1%, 5% or 10%. The translational effect on equity is limited as a proportion of US dollar and euro exposure is hedged. Accordingly, the effect on equity is calculated by increasing or decreasing the closing rate of all currencies with an adjustment for the movement in currency hedges. It is assumed that all net investment and cash flow hedges will continue to be 100% effective. The sensitivity on profit before tax is calculated by increasing or decreasing the average rate of all currencies.

						2023
	Weakening in sterling			**Strengthening in sterling**		
	10% £m	**5% £m**	**1% £m**	**10% £m**	**5% £m**	**1% £m**
Impact on the profit before tax – gain/(loss)	**2.2**	**1.0**	**0.2**	**(1.8)**	**(0.9)**	**(0.2)**
Impact on equity – gain/(loss)	**27.6**	**13.1**	**2.5**	**(22.6)**	**(11.8)**	**(2.5)**

						2022
	Weakening in sterling			Strengthening in sterling		
	10% £m	5% £m	1% £m	10% £m	5% £m	1% £m
Impact on the profit before tax – gain/(loss)	0.4	0.2	0.0	(0.3)	(0.2)	(0.0)
Impact on equity – gain/(loss)	25.0	11.8	2.3	(20.4)	(10.7)	(2.2)

A 1 cent change to the US dollar rate against sterling will impact the adjusted operating profit by £nil (2022: £0.1m). A 1 cent change to the euro rate against sterling will impact the adjusted operating profit by £nil (2022: £0.1m).

(b) Interest rate risk

Essentra's strategy is to ensure that at least 30% of the total debt with maturities of more than one year is protected with fixed interest rates or approved interest rate derivatives.

The following table shows the Group's sensitivity to a 50bps, 100bps and 200bps decrease or increase in sterling, US dollar and euro interest rates. To calculate the impact on the income statement for the year, the interest rates on all external floating rate interest bearing loans and borrowings have been increased or decreased by 50bps, 100bps or 200bps and the resulting increase or decrease in the net interest charge has been adjusted for the effect of Essentra's interest rate derivatives. See note 14 for interest rate disclosures on loans and borrowings.

						2023
	Decrease in interest rates			**Increase in interest rates**		
	200bps £m	**100bps £m**	**50bps £m**	**200bps £m**	**100bps £m**	**50bps £m**
Impact on the income statement – gain/(loss)	**0.3**	**0.2**	**0.1**	**(0.3)**	**(0.2)**	**(0.1)**

						2022
	Decrease in interest rates			Increase in interest rates		
	200bps £m	100bps £m	50bps £m	200bps £m	100bps £m	50bps £m
Impact on the income statement – gain/(loss)	1.9	1.0	0.5	(1.9)	(1.0)	(0.5)

(iii) Liquidity risk

Liquidity risk is the risk that Essentra, although solvent, will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Essentra's objective is to maintain a balance between continuity of funding and flexibility. Essentra is primarily funded by a series of US Private Placement Loan Notes from various financial institutions totalling US$103m (2022: US$350m) and syndicated multi-currency 5-year revolving credit facilities of £200.0m (2022: £200.0m) from its banks. Following the disposal of the Packaging and Filters businesses, in January 2023 $247m of the loan notes were repaid leaving $33m maturing in July 2028, $35m in July 2031 and $35m in July 2033).

As at 31 December 2023, the amount drawn on the revolving credit facility was £15.2m (2022: £nil). The Group manages liquidity by drawing down on this revolving credit facility as and when needed throughout the year.

Amounts drawn by Essentra on its committed facilities are subject to standard banking covenants. The financial covenants require the net debt to EBITDA ratio to be less than 3.0x and interest cover to be greater than 3.5x. There has been no covenant breach during the period.

19. Financial risk management continued

Essentra's available undrawn committed facilities at 31 December were:

	2023 £m	2022 £m
Expiring before two years	–	–
Expiring after two years	**184.8**	200.0

Any loans drawn on these facilities would bear interest at floating rates with reference to SONIA for the currency and period of the loan.

The maturity of Essentra's financial liabilities, including estimated interest payments, is analysed below.

2023	Fair value £m	Carrying amount £m	Undiscounted contractual cash flows £m	<1 yr £m	1-2 yrs £m	2-5 yrs £m	>5 yrs £m
Unsecured bank loans	**15.2**	**15.2**	**17.5**	**0.8**	**0.8**	**15.9**	**–**
US Private Placement Loan Notes[1]	**70.0**	**80.3**	**90.7**	**48.9**	**1.3**	**14.4**	**26.1**
Trade and other payables[2]	**55.3**	**55.3**	**55.3**	**55.3**	**–**	**–**	**–**
Lease liabilities	**30.9**	**30.9**	**49.3**	**8.1**	**7.3**	**15.6**	**18.3**
Deferred contingent consideration[3]	**5.0**	**5.0**	**5.0**	**5.0**	**–**	**–**	**–**
Other financial liabilities	**23.0**	**23.0**	**23.0**	**23.0**	**–**	**–**	**–**
Total	**199.4**	**209.7**	**240.8**	**141.1**	**9.4**	**45.9**	**44.4**

2022	Fair value £m	Carrying amount £m	Undiscounted contractual cash flows £m	<1 yr £m	1-2 yrs £m	2-5 yrs £m	>5 yrs £m
US Private Placement Loan Notes[1]	277.7	293.0	326.4	215.3	3.3	9.9	97.9
Derivative liabilities	1.3	1.3	1.3	1.3	–	–	–
Trade and other payables[2]	82.0	82.0	82.0	82.0	–	–	–
Lease liabilities	22.9	22.9	28.3	6.3	4.9	10.5	6.6
Deferred contingent consideration[3]	2.4	2.4	2.4	–	2.4	–	–
Other financial liabilities	24.1	24.1	24.1	24.1	–	–	–
Total	410.4	425.7	464.5	329.0	10.6	20.4	104.5

Notes:
1 The fair value of the US Private Placement Loan Notes is estimated by discounting the future cash flows (interests and principal) at the prevailing market rates.
2 Total trade and other payables carried at £60.7m (2022: £91.5m), including other taxes and social security contributions of £5.4m (2022: £9.5m), are not financial liabilities and are therefore excluded from the above analysis. The fair value of the trade and other payables approximate the carrying amount as they are due to be settled within six months.
3 The value of deferred contingent consideration is primarily based on the post-acquisition financial performance of the acquired business, and reflects management's expectation of the performance during the earn-out period.

The table below shows the amount of bank overdrafts offset against the bank balances under enforceable master netting agreements with banks:

	Gross amount of recognised financial assets £m	Gross amount of recognised financial liabilities set off in the balance sheet £m	Net amount of financial assets presented in the balance sheet £m
Cash and cash equivalents:			
At 31 December 2023	**59.7**	**–**	**59.7**
At 31 December 2022	421.4	–	421.4

19. Financial risk management continued

Total financial assets and liabilities

The table below sets out Essentra's accounting categories and fair value for each class of financial asset and liability.

	2023 Fair value £m	**2023** Amortised cost £m	**2023** Total carrying value £m	2022 Fair value £m	2022 Amortised cost £m	2022 Total carrying value £m
Trade and other receivables[2]	**–**	**48.5**	**48.5**	–	63.0	63.0
Cash and cash equivalents	**–**	**59.7**	**59.7**	–	421.4	421.4
Interest bearing loans and borrowings[3]	**–**	**(95.5)**	**(95.5)**	–	(293.0)	(293.0)
Lease liabilities	**–**	**(30.9)**	**(30.9)**	–	(22.9)	(22.9)
Trade and other payables	**–**	**(55.3)**	**(55.3)**	–	(82.0)	(82.0)
Level 2 of fair value hierarchy						
Derivative assets[5]	**4.2**	**–**	**4.2**	8.5	–	8.5
Derivative liabilities[5]	**–**	**–**	**–**	(1.3)	–	(1.3)
Level 3 of fair value hierarchy						
Other financial assets[6]	**19.0**		**19.0**	11.6	–	11.6
Other non-current financial liabilities[4]	**–**	**–**	**–**	(2.4)	–	(2.4)
Other current financial liabilities[7]	**(28.0)**	**–**	**(28.0)**	(24.1)	–	(24.1)
Total Group (including discontinued operations in 2022)	**(4.8)**	**(73.5)**	**(78.3)**	(7.7)	86.5	78.8

Notes:

1 Financial assets and liabilities held at amortised cost mostly have short terms to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.

2 Total trade and other receivables carried at £61.5m (2022: £66.4m) include prepayments of £3.3m (2022: £3.4m) which are not financial assets and are therefore excluded from the above analysis and £9.7m included within level 3 of fair value hierarchy other financial assets.

3 Included within interest bearing loans and borrowings are $103m (2022: $350m) US Private Placement Loan Notes. The Loan Notes are held at amortised cost with a carrying value of £80.3m (2022: £293.0m). The Group estimates that the total fair value of the Loan Notes at 31 December 2023 is £70.0m (2022: £277.7m). Unsecured bank loans amounting to £15.2m (2022: £nil), included within interest bearing loans and borrowings, incur interest at floating rates and as a result their carrying amounts also approximate their fair values at the reporting date.

4 Included within other non-current financial liabilities (classified as level 3 in the fair value hierarchy), is an amount of £nil (2022: £2.4m) representing deferred consideration payable in respect of acquisitions (2022: £2.4m).

5 Fair values of forward foreign exchange contracts and cross currency interest rate swaps have been calculated at year end forward exchange rates compared to contracted rates using observable market data from third party financial institutions.

6 Other financial assets includes deferred contingent consideration receivable amounting to £19.0m (2022: £10.6m) following the disposal of the Filters business, £9.3m of which is due greater than 1 year and £9.7m due less than 1 year. The consideration, which is structured as an earn-out, has been classified as a long-term receivable in the consolidated financial statements. The fair value has been determined at the balance sheet date based on management's best estimate of the Filters business achieving future performance targets to which the earn-out is linked with forecast earnings being a critical unobservable input into the fair value measurement. Management have assessed and concluded that for 2022 any difference in fair value between completion date (the date at which the valuation was carried out) and 31 December 2022 would have been immaterial.

7 Other current financial liabilities include £23.0m (2022: £18.0m) which represents management's best estimate of the combined expected settlement payable by the Group through the respective completion accounts mechanisms linked to both the Filters business and Packaging business disposals. The amount recognised is based on the facts and circumstances that were present and known at the balance sheet date. Other current financial liabilities also include deferred contingent consideration of £5.0m (2022: £6.1m) in respect of acquisitions.

(iv) Capital structure

Essentra defines its capital structure as its equity and non-current interest bearing loans and borrowings, and aims to manage this to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders.

Essentra sets the amount of capital in proportion to risk. Essentra manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Essentra may return capital to shareholders through dividends and share buybacks, issue new shares or sell assets to reduce debt.

Essentra monitors its capital structure on the basis of the medium-term net debt-to-EBITDA ratio. EBITDA is defined as operating profit before depreciation and other amounts written off property, plant and equipment, share option expense, intangible amortisation and adjusting items. At 31 December 2023, the net debt was £62.5m (2022: net funding surplus of £113.8m).

Essentra's medium-term target for net-debt to Adjusted EBITDA is 0x-1.5x.

The net debt-to-EBITDA ratios at 31 December were as follows.

Total Group (including discontinued operations in 2022)	**2023 £m**	2022 £m
Net debt/(funding surplus)	**62.5**	(113.8)
Operating profit before intangible amortisation and adjusting items	**43.2**	77.2
Plus depreciation and other amounts written off property, plant and equipment, and amortisation of non-acquired intangible assets[1]	**19.9**	42.3
Plus share option expense	**1.4**	2.6
Adjusted EBITDA	**64.5**	122.1
Net debt/(funding surplus)-to-Adjusted-EBITDA ratio	**1.0**	(0.9)
Net debt/(funding surplus)-to-Adjusted-EBITDA ratio excluding the impact of IFRS 16 *Leases*	**0.5**	(1.3)

Notes:

1 Includes amortisation on non-acquired intangible assets of £2.9m (2022: £2.7m).

20. Issued share capital

	2023 £m	2022 £m
Issued, authorised and fully paid ordinary shares of 25p (2022: 25p) each:		
Beginning of year	**75.6**	75.6
Cancellation of shares of 9,223,493 shares of 25p each:	**(2.3)**	–
End of year	**73.3**	75.6

Number of ordinary shares in issue		
Beginning of year	**302,590,708**	302,590,708
Cancellation of shares	**(9,223,493)**	–
End of year	**293,367,215**	302,590,708

Purchase and cancellation of own shares

During the year, 13,364,814 (2022: nil) 25p Ordinary Shares ("shares") were purchased by the Company for total cash consideration of £24.0m (2022: £nil) at a weighted average price of 179.5 pence per share, of which 9,223,493 shares with an aggregate nominal value of £2.3m were cancelled, and £2.3m transferred from issued share capital to the capital redemption reserve.

At 31 December 2023, the Company held 5,039,265 (2022: 897,944) of its own shares with a nominal value of £1.3m (2022: £0.2m) in treasury. This represents 1.7% (2022: 0.3%) of the number of ordinary shares in issue.

Capital reduction

The capital reduction, comprising the merger reserve, was approved by shareholders at a General Meeting held on 14 November 2023. In connection with the capitalisation of the merger reserve, resolutions authorising the Directors to allot one new B ordinary share (the "Capital Reduction Share"), and to subsequently cancel the Capital Reduction Share were passed at the General Meeting. On 4 December 2023, the amount of £385,219,535 standing to the credit of the merger reserve of the Company was capitalised and applied in paying up in full at par one Capital Reduction Share with a nominal value of £385,219,535. On 14 December 2023, Essentra announced that the capital reduction had become effective following the confirmation by the Court approval on 5 December 2023 and the registration of the Court order with the Registrar of Companies on 7 December 2023.

21. Reserves

Within retained earnings, the Company has deducted the value of own shares purchased for an employee trust and treasury shares held by the Company with a total cost of £10.1m (2022: £5.5m).

Employee trust shares are ordinary shares of the Company held in an employee benefit trust.

The purpose of this trust is to hold shares in the Company for subsequent transfer to Executive Directors and employees relating to deferred share awards and options granted under the Company's share-based incentive plans. Full details are set out in the Annual Report on Remuneration on pages 122 and 132. The assets, liabilities, and expenditure of the trust have been incorporated in these financial statements. At 31 December 2023, the trust held 9,180 (2022: 410,035) shares, upon which dividends have been waived, with an aggregate nominal value of £2,295 (2022: £102,509) and market value of £15,569 (2022: £969,733).

The other reserve balance of £132.8m debit (2022: £132.8m) relates to the Group reorganisation, which took place as part of the de-merger from Bunzl plc. It represents the difference between Essentra plc's share capital and Essentra International Limited's share capital and share premium on 6 June 2005.

22. Analysis of net debt

	1 January 2023 £m	Cash flow £m	Business disposals £m	Business acquisitions £m	Lease additions £m	Exchange movements £m	Non-cash movements[1,2,4] £m	31 December 2023 £m
Cash at bank and in hand	**421.4**	**(308.9)**	**(17.8)**	**(33.3)**	**–**	**(1.7)**	**–**	**59.7**
Cash and cash equivalents in the statement of cash flows	**421.4**	**(308.9)**	**(17.8)**	**(33.3)**	**–**	**(1.7)**	**–**	**59.7**
Derivative financial instruments hedging private placement loans	**8.3**	**(0.3)**	**–**	**–**	**–**	**(3.8)**	**–**	**4.2**
Debt due within one year	**(208.0)**	**208.0**	**–**	**–**	**–**	**–**	**–**	**–**
Debt due after one year	**(85.0)**	**(14.9)**	**–**	**–**	**–**	**4.4**	**–**	**(95.5)**
Lease liabilities due within one year[3]	**(4.9)**	**7.2**	**–**	**–**	**(2.0)**	**–**	**(7.4)**	**(7.1)**
Lease liabilities due after one year[3]	**(18.0)**	**–**	**–**	**–**	**(12.0)**	**0.6**	**5.6**	**(23.8)**
Debt from financing activities	**(307.6)**	**200.0**	**–**	**–**	**(14.0)**	**1.2**	**(1.8)**	**(122.2)**
Net (debt)/funding surplus	**113.8**	**(108.9)**	**(17.8)**	**(33.3)**	**(14.0)**	**(0.5)**	**(1.8)**	**(62.5)**

	1 January 2022 £m	Cash flow £m	Business disposals £m	Business acquisitions £m	Lease additions £m	Exchange movements £m	Non-cash movements[1,2,4] £m	31 December 2022 £m
Cash at bank and in hand	123.9	(115.7)	434.9	(27.9)	–	6.2	–	421.4
Short-term deposits and investments	12.4	5.7	(18.0)	–	–	(0.1)	–	–
Cash and cash equivalents in the statement of cash flows	136.3	(110.0)	416.9	(27.9)	–	6.1	–	421.4
Derivative financial instruments hedging private placement loans	–	(6.5)	–	–	–	13.4	1.4	8.3
Debt due within one year	–	–	–	–	–	(1.2)	(206.8)	(208.0)
Debt due after one year	(313.3)	59.2	–	–	–	(31.2)	200.3	(85.0)
Lease liabilities due within one year[3]	(11.6)	14.3	7.5	–	(2.9)	(0.9)	(11.3)	(4.9)
Lease liabilities due after one year[3]	(46.1)	–	30.1	–	(7.4)	(3.3)	8.7	(18.0)
Debt from financing activities	(371.0)	67.0	37.6	-	(10.3)	(23.2)	(7.7)	(307.6)
Net (debt)/funding surplus	(234.7)	(43.0)	454.5	(27.9)	(10.3)	(17.1)	(7.7)	113.8

Notes:
1 The non-cash movements in debt due after one year represents the amortisation and write down of prepaid facility fees of £nil (2022: £4.8m amortisation of prepaid facility fees) and the revaluation of loan to fair value of £nil (2022: £1.7m). In the year ended 31 December 2022 loans of £185.0m were reallocated to debt due within one year following an agreement to repay on demand in January 2023.
2 The net non-cash movements in lease liabilities represents lease surrenders of £nil (2022: £0.2m) due to renegotiated lease terms, offset by interest on leases of £1.8m (2022 £2.8m).
3 During the year, £5.6m (2022: £8.7m) of lease liabilities moved from due after one year to due within one year.
4 Included within non-cash movements for derivative financial instruments hedging private placement loans is outflow of £2.3m (2022: £1.4m inflow) relating to the fair value movements on cross currency interest rate swaps.

The net cash outflow relating to lease liabilities for low value, short term and variable lease payments was £0.1m (2022: £0.2m) (see note 9).

23. Acquisitions

Acquisition of BMP s.r.l ("BMP TAPPI")

On 26 October 2023, Essentra acquired 100% of the equity interests of BMP TAPPI, a global provider of essential components and solutions, to strengthen the Essentra's product portfolio, unlock further cross-selling opportunities, and to enhance the Group's manufacturing footprint in Europe. The Group acquired BMP TAPPI for an initial cash consideration of €39.5m (£34.3m), up to €3.5m (£3.0m) deferred contingent consideration, and €0.7m (£0.6m) adjustment for net working capital and financial position. The deferred contingent consideration is conditional on achieving certain performance criteria over a two-year period commencing 1 January 2023.

On acquisition, the assets and liabilities of the business acquired were adjusted to reflect their fair value to Essentra. The most significant fair value adjustment arising on the acquisition of BMP TAPPI related to the attribution of fair value to the acquired customer relationships intangible asset. In determining the fair value of the intangible asset, the Group used an external valuation specialist whose assessment considered forecast cash flows from BMP TAPPI's customer contracts, expected attrition rates based on an analysis of historic customer sales data, and the application of an appropriate discount rate specific to the customer relationship asset. The resulting analysis indicated a provisional fair value for the customer relationships asset of £16.9m, with a corresponding provisional deferred tax liability in relation to the intangible asset of £4.8m.

Under IFRS 3 Business Combinations, the fair value of assets and liabilities must be finalised within a 12-month "measurement period" from the date of acquisition. At the reporting date, the purchase price allocation and fair value adjustments are provisional. The acquired business contributed revenues of £1.8m and net profit of £nil to the Group for the period from 26 October to 31 December 2023 and these results are included within these consolidated financial statements. Had the acquisition completed on 1 January 2023, the contribution to the Group's revenue and operating profit would have been £12.5m and £2.5m higher, respectively.

Acquisition-related costs of £0.6m are included within adjusting items in the consolidated income statement (see note 2) and in operating cash flows in the consolidated statement of cash flows.

The Group's provisional assessment of the fair value of assets and liabilities recognised as part of the acquisition of BMP TAPPI are detailed below:

	Provisional fair value £m
Intangible assets[1]	17.7
Property, plant and equipment	4.0
Inventories	0.2
Trade and other receivables	3.2
Cash and cash equivalents	5.3
Trade and other payables	(2.0)
Retirement benefit obligations	(0.2)
Corporation tax payable	(0.4)
Deferred tax liabilities	(4.9)
Net identifiable assets acquired	22.9
Goodwill[2]	15.0
Total consideration	37.9
Cash consideration	34.3
Deferred consideration[3]	3.6
Total consideration	**37.9**

Notes:
1 Intangible assets comprise customer relationships of £16.9m and other intangible assets of £0.8m.
2 Goodwill recognised of £15.0m represents the expected operating and financial synergies, and the value of the assembled workforce acquired. Goodwill is not deductible for tax purposes.
3 Deferred consideration includes £3.0m of deferred contingent consideration and £0.6m of adjustments to the purchase price for net financial capital and financial position.

23. Acquisitions continued

Acquisition of Wixroyd Group

On 1 December 2022, Essentra acquired 100% of the equity interests of Wixroyd Holdings Limited (the "Wixroyd Group"), a leading UK supplier of industrial parts for the engineering sector for an initial consideration of £31.4m. The consideration payable for the Wixroyd Group comprised an initial cash consideration of £31.4m and up to £7.0m deferred contingent consideration. The deferred earn-out consideration was conditional on achieving certain performance criteria for the 12 month period commencing 1 January 2023.

During 2023, Essentra reassessed the fair value adjustments and made changes to property, plant and equipment, inventories and tax. The impact of this on goodwill is a decrease of £0.5m. The process of allocating the purchase price, including the split between goodwill and intangible assets and fair value adjustments, has been concluded. Accordingly, the purchase price allocation presented in these financial statements is now final.

On finalisation of the trading performance over 2023, a reduction in the fair value of deferred contingent consideration payable was recognised resulting in a credit of £2.2m (2022: £nil) being recognised in the income statement for the year. Furthermore, a payment of £0.2m in relation to the resolution of an uncertain tax position was made to the vendor during the year. As a result, the deferred consideration recognised for Wixroyd at 31 December 2023 was £0.2m (2022: £2.6m).

Acquisition of Hengzhu

On 2 August 2021, Essentra acquired the trade and assets of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu"), an access hardware manufacturer and distributor in China via a newly incorporated entity, Essentra Hengzhu Precision Components Co Ltd, which acquired 100% of the business for ¥103m (approximately £11.8m). Essentra had subscribed and paid up 73% of the issued share capital of Essentra Hengzhu Precision Components Co Ltd with the remaining 27% stake subject to put and call options exercisable 6 months after issuance of the subsidiary's audit report for 2022. The remaining 27% stake did not confer any shareholder right (including, entitlement to dividends and right to transfer to other parties) to the vendor shareholder. Therefore, it was concluded that the amount payable under the put option of £4.7m, as of 31 December 2022, in substance represented deferred consideration and was accounted for as a financial liability as at 31 December 2022. No non-controlling interest was recognised in respect of this acquisition. During the year ended 31 December 2023, the remaining amount due under the put option was paid in full leaving a balance of £nil (2022: £4.7m) in respect of deferred consideration relating to this acquisition.

Acquisition of Micro Plastics

On 12 December 2017, Essentra acquired 100% of the share capital of Micro Plastics, Inc. The transaction was settled with cash consideration of £19.7m and deferred consideration of £3.7m, of which £1.2m (31 December 2022: £1.3m) remains payable to the vendor.

24. Discontinued operations

Disposal of Packaging and Filters businesses

On 1 October 2022, the Group completed its sale of ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc and their respective subsidiary companies (together the 'Packaging business'). On 3 December 2022, the Group also completed the sale of Essentra Filter Holdings Limited and its respective subsidiary companies (the 'Filters business'). Financial information relating to these discontinued operations is set out below. On 28 September 2022, the Group also completed the sale of its Packaging business in India for cash consideration of £1.1m.

Income statement analysis of discontinued operations

Total discontinued operations	2023 £m	2022 £m
Revenue	**–**	653.9
Operating loss[1]	**(0.4)**	(137.1)
Finance income	**–**	1.5
Finance expense	**–**	(2.1)
Loss before tax on discontinued activities	**(0.4)**	(137.7)
Loss before tax on disposal[2]	**(3.7)**	(19.0)
Total loss before tax on discontinued operations	**(4.1)**	(156.7)
Income tax credit	**3.7**	4.0
Total loss for the year from discontinued operations	**(0.4)**	(152.7)

Notes:

1 For the year ended 31 December 2023 the operating loss from discontinued operations includes gross income of £5.5m and costs of £5.9m.

2 For the year ended 31 December 2023, the loss on disposal of discontinued operations includes a charge of £3.7m based upon the Group's latest estimate of amounts due to the respective purchasers of the Packaging and Filters businesses. For the year ended 31 December 2022 refer to page 180 of the 2022 Essentra plc Annual Report for the calculation of the loss on disposal of discontinued operations of £19.0m.

The results from discontinued operations are attributable entirely to the equity holders of Essentra plc. The results for the year ended 31 December 2023 include profit after tax attributable to non-controlling interests of £nil (2022: £4.2m). The earnings per share of discontinued operations are disclosed in note 6.

Cash flows of discontinued operations

Total discontinued operations	2023 £m	2022 £m
Net cash (outflow)/inflow from operating activities	**(3.8)**	59.7
Net cash (outflow)/inflow from investing activities[1]	**(17.8)**	358.8
Net cash outflow from financing activities	**–**	(10.3)
Net (decrease)/increase in cash and cash equivalents	**(21.6)**	408.2

Notes:

1 Included within investing activities in 2023 is £5.3m for settlement of deferred consideration on the disposal of the Packaging business and £12.5m (2022: £31.5m) on cash outflow from costs of business disposal. In 2022, proceeds from the disposal of businesses of £462.6m, net of cash disposed of £45.7m was £416.9m.

25. Dividends

	Per share		Total	
	2023 p	2022 p	**2023 £m**	2022 £m
2022 interim: paid 28 October 2022		2.3		6.9
2022 special dividend: paid 27 April 2023[1]		29.8		89.8
2022 proposed final: paid 30 June 2023		1.0		3.0
2023 interim: paid 27 October 2023	**1.2**		**3.5**	
2023 proposed final: payable 5 July 2024[2]	**2.4**		**7.0**	

Notes:
1 The special dividend paid on 27 April 2023 amounted to £89.8m, and therefore this figure has been re-presented.
2 Subject to approval at the Annual General Meeting on 23 May 2024, the proposed final dividend for the year ended 31 December 2023 will be paid on 5 July 2024 to shareholders on the register of the Company on 17 May 2024. The ordinary shares will be quoted ex-dividend on 16 May 2024.

26. Related parties

During the year, the Company paid £47,937, and granted 6,364 SAYE share options to the wife of Scott Fawcett, CEO of Essentra plc, in respect of her employment by the Group. Scott's wife was employed by the Group prior to his appointment as a director of Essentra plc on 1 January 2023.

ITC Essentra Limited was 50% owned by the Group until its disposal on 3 December 2022. Until that date, its results were fully consolidated within the Group's results as it was deemed Essentra had control up to the date of disposal by virtue of its having control of the board. At the date of disposal, the entity had gross assets of £34.0m and gross liabilities of £14.6m. Operating profit for the period to disposal was £6.9m and cash decreased by £0.5m.

China Tobacco Essentra (Xiamen) Filters Co., Ltd was 49% owned by the Group until its disposal on 3 December 2022. Until that date, its results were fully consolidated within the Group's results as it was deemed Essentra had control up to the date of disposal by virtue of its having control of the board. As the date of disposal, the entity had gross assets of £30.0m and gross liabilities of £12.7m. Operating profit for the period to disposal was £2.4m and cash decreased by £0.9m.

For the Group's basis of consolidation policy, see note b within Accounting Policies.

27. Adjusted performance measures

The Group presents alternative performance measures, including adjusted operating profit, adjusted operating profit after allocation of central costs, adjusted operating cash flow and adjusted earnings per share, which are not defined or specified in accordance with UK adopted International Financial Reporting Standards. These non-GAAP measures enable management to reflect the underlying performance of the continuing operations of the Group and provides investors with a more meaningful comparison of how the business is managed and measured on a periodic basis. For further information on alternative performance measures applied by the Group, refer to pages 19 and 20.

The adjusted performance measures presented below cannot be derived directly from the Group's consolidated financial statements, and therefore a reconciliation of the adjusted performance measure to the most directly comparable reported measure in accordance with UK adopted International Financial Reporting Standards has been provided.

Reconciliation to the Group's adjusted profit measures

Continuing operations		2023 £m	2022 £m
Operating profit/(loss)	Reported statutory measure	**10.9**	(11.3)
Amortisation of acquired intangible assets	Note 2	**11.3**	10.4
Adjusting items	Note 2	**21.0**	26.0
Adjusted operating profit	Adjusted performance measure	**43.2**	25.1
Finance income	Note 3	**11.0**	7.1
Finance expenses	Note 3	**(13.5)**	(24.9)
Adjusted profit before income tax	Adjusted performance measure	**40.7**	7.3
Tax on adjusted profit		**(9.6)**	(1.6)
Adjusted net income	Adjusted performance measure	**31.1**	5.7

Reconciliation of reported statutory measures to the Group's segment analysis

		2023								2022[1]							
		EMEA £m	Americas £m	APAC £m	Unallocated operating expenses £m	Central corporate costs £m	Continuing operations £m	Discontinued operations[3] £m	Total £m	EMEA £m	Americas £m	APAC £m	Unallocated operating expenses[2] £m	Central corporate costs £m	Continuing operations £m	Discontinued operations[3] £m	Total £m
Operating profit/(loss)	Reported statutory measure	**50.7**	**12.5**	**(1.7)**	**(39.0)**	**(11.6)**	**10.9**	**(0.4)**	**10.5**	47.3	18.9	3.9	(58.3)	(23.1)	(11.3)	(137.1)	(148.4)
Adjusting items	Note 2	**(0.8)**	**1.5**	**3.4**	**16.9**	**–**	**21.0**	**–**	**21.0**	1.4	0.5	–	24.1	–	26.0	–	26.0
Amortisation of acquired intangible assets		**4.0**	**5.5**	**1.8**	**–**	**–**	**11.3**	**–**	**11.3**	2.6	5.9	1.9	–	–	10.4	189.2	199.6
Adjusted operating profit/(loss)	Adjusted performance measure	**53.9**	**19.5**	**3.5**	**(22.1)**	**(11.6)**	**43.2**	**(0.4)**	**42.8**	51.3	25.3	5.8	(34.2)	(23.1)	25.1	52.1	77.2

Notes:
1 Following the disposal of the Packaging and Filters businesses during the year ended 31 December 2022, the Group has changed its segment analysis from a divisional to a geographical basis, and therefore this note has been re-presented.
2 Includes £13.7m of operating expenses that were allocated previously to discontinued operations.
3 Discontinued operations includes £nil (2022: £6.5m) of intangible amortisation and £nil (2022: £182.7m) relating to impairments.

27. Adjusted performance measures continued

Net (debt)/funding surplus

Net (debt)/funding surplus is defined as cash and cash equivalents (including short-term liquid investments) and derivatives against hedging placement loans, net of lease liabilities and interest bearing loans and borrowings. It is a measure that provides additional information on the Group's financial position.

		2023 £m	2022 £m
Cash and cash equivalents	Reported statutory measure	**59.7**	421.4
Debt liabilities	Note 14	**(95.5)**	(293.0)
Lease liabilities	Note 19	**(30.9)**	(22.9)
Derivative financial instruments hedging placement loans	Note 15	**4.2**	8.3
Net (debt)/funding surplus	Adjusted performance measure	**(62.5)**	113.8

Reconciliation to the Group's adjusted operating cash flow measure

Adjusted operating cash flow from continuing operations is presented to exclude the impact of tax, adjusting items, interest and other items not impacting operating profit. Net capital expenditure is included in this measure as management regards investment in operational assets (tangible and intangible) as integral to the underlying cash generation capability of the Group, except amounts relating to adjusting items.

		2023 £m	2022 £m
Net cash inflow from operating activities	Reported statutory measure	**29.5**	64.0
Adjusted for: net cash inflow/(outflow) from discontinued operations	Note 24	**3.8**	(59.7)
Operating net cash inflow from continuing activities		**33.3**	4.3
Cash outflow from adjusting items	Note 2	**23.6**	23.7
Net tax paid on continuing operations		**4.5**	5.0
Net capex expenditure on continuing operations	Note 1	**(13.2)**	(12.8)
Adjusted operating cash inflow from continuing operations	Adjusted performance measure	**48.2**	20.2

		2023 £m	2022 £m
Adjusting operating profit from continuing operations	Adjusted performance measure	**43.2**	25.1
Depreciation of property, plant and equipment	Note 2	**11.1**	13.9
Lease right-of-use asset depreciation	Note 2	**5.9**	5.6
Amortisation of non-acquired intangible assets	Note 2	**2.9**	2.7
Share option expense	Note 5	**1.4**	1.4
Other non-cash items[1]		**(0.5)**	(1.5)
Working capital movements		**(2.6)**	(14.2)
Net capital expenditure		**(13.2)**	(12.8)
Adjusted operating cash inflow from continuing operations	Adjusted performance measure	**48.2**	20.2

		2023 £m	2022 £m
Reconciliation of cash flows from adjusting items:			
Adjusting items	Note 2	**21.0**	26.0
Non-cash expenses/credits in adjusting items[2]	Note 2	**(5.9)**	(2.0)
Cash adjustment for pension contributions	Note 2	**1.9**	–
Cash outflow on adjusting items recognised in the year	Adjusted performance measure	**17.0**	24.0
Utilisation of prior year end acquired accruals and provisions	Note 2,17	**6.6**	(0.3)
Cash outflow from adjusting items	Adjusted performance measure	**23.6**	23.7

Notes:
1 Other non-cash items comprise impairment of fixed assets £nil (2022: £0.5m), outflow from hedging activities and other movements £0.5m (2022: £1.1m outflow), movement in provisions £nil (2022: £0.1m) less movement due to hyperinflation £nil (2022 £3.2m).
2 Non-cash expenses/credits in adjusting items includes £3.7m (2022: £nil) investment property impairment, £3.4m (2022: £nil) impairment of non-current assets following impairment review less £1.3m (2022: add £2.0m) other non-cash movements in adjusting items.

Essentra plc Company Balance Sheet
At 31 December 2023

	Note	2023 £m	2022 £m
Fixed assets			
Investment in subsidiary undertaking	3	**426.1**	469.7
Current assets			
Debtors	4	**185.8**	515.0
Current liabilities			
Creditors: amounts falling due within one year	5	**(1.3)**	(211.8)
Net current assets		**184.5**	303.2
Non-current liabilities			
Creditors: amounts falling due after more than one year	6,7	**(80.3)**	(85.0)
Net assets		**530.3**	687.9
Capital and reserves			
Issued share capital	8	**73.3**	75.6
Merger reserve	9	**–**	385.2
Capital redemption reserve	8	**2.4**	0.1
Profit and loss account	9	**454.6**	227.0
Total shareholders' funds		**530.3**	687.9

The loss attributable to the equity holders included in the financial statements of the Company is £38.7m (2022: £0.1m profit).

The Company Financial Statements on pages 206 to 215 were approved by the Board of Directors on 18 March 2024 and were signed on its behalf by:

Scott Fawcett
Chief Executive

Jack Clarke
Chief Financial Officer

Essentra plc Company Statement of Changes in Equity

For the year ended 31 December 2023

	Issued share capital £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account: Retained earnings £m	Profit and loss account: Own shares £m	Total equity £m
1 January 2023	**75.6**	**385.2**	**0.1**	**232.5**	**(5.5)**	**687.9**
Loss for year	**–**	**–**	**–**	**(38.7)**	**–**	**(38.7)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(38.7)**	**–**	**(38.7)**
Share-based payments	**–**	**–**	**–**	**1.4**	**–**	**1.4**
Shares issued to satisfy employee share option exercises	**–**	**–**	**–**	**(3.4)**	**3.4**	**–**
Purchase of own shares	**–**	**–**	**–**	**–**	**(24.0)**	**(24.0)**
Cancellation of shares	**(2.3)**	**–**	**2.3**	**(16.0)**	**16.0**	**–**
Reduction of capital	**–**	**(385.2)**	**–**	**385.2**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(96.3)**	**–**	**(96.3)**
31 December 2023	**73.3**	**–**	**2.4**	**464.7**	**(10.1)**	**530.3**

	Issued share capital £m	Merger reserve £m	Capital redemption reserve £m	Profit and loss account: Retained earnings £m	Profit and loss account: Own shares £m	Total equity £m
1 January 2022	75.6	385.2	0.1	250.1	(7.3)	703.7
Profit for year	–	–	–	0.1	–	0.1
Total comprehensive income for the year	–	–	–	0.1	–	0.1
Share-based payments	–	–	–	3.1	–	3.1
Shares issued to satisfy employee share option exercises	–	–	–	(1.8)	1.8	–
Dividends paid	–	–	–	(19.0)	–	(19.0)
31 December 2022	75.6	385.2	0.1	232.5	(5.5)	687.9

Notes to the Company Financial Statements

1. Basis of preparation and principal accounting policies

(a) Basis of preparation

Essentra plc (the "Company") is a public limited company that is incorporated, domiciled and has its registered office in England and Wales. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

These financial statements were prepared using the historical cost convention in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and the Companies Act 2006. The Company financial statements have been prepared on a going concern basis for the reasons set out on pages 156 and 157 to the consolidated financial statements.

The profit and loss account of the Company is not presented as permitted by Section 408 of the Companies Act 2006.

In the preparation of these financial statements, the Company has applied the following disclosure exemptions available under FRS 101, which the Company intends to maintain in future years:

- the requirements of paragraph 45(b) and 46-52 of IFRS 2 *Share-Based Payments*;
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), b64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- the requirement of IFRS 7 *Financial Instruments: Disclosures*;
- the requirement of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

The results of the Company are included in the Group's consolidated financial statements. Where required, equivalent disclosures are given in the consolidated financial statements.

There are no new and mandatory effective standards in the year that would have a material impact on the financial statements.

(b) Principal accounting policies

The following principal accounting policies have been consistently applied.

Investment in subsidiary undertaking

Investment in subsidiary undertaking is held at cost less any provision for impairment. The Company assesses at each balance sheet date whether the investment in its subsidiary has been impaired.

Share-based payments

The fair value of share options is measured at grant date. It is recognised as an addition to the cost of investment in the subsidiary in which the relevant employees work over the expected period between grant and vesting date of the options, with a corresponding adjustment to reserves. Detailed disclosures for the share-based payment arrangements of the Company are provided in note 18 to the consolidated financial statements.

Own shares

The shares held in the Essentra Employee Benefit Trust for the purpose of fulfilling obligations in respect of share incentive plans are treated as belonging to the Company and are deducted from its retained earnings. The cost of shares held directly (treasury shares) is also deducted from retained earnings.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the period in which they are approved by the shareholders of the Company (final dividend) or paid (interim dividend).

Dividend income is recognised when the right to receive payment is established.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Exchange differences arising from movements in spot rates are included in the profit and loss account as exchange gains or losses, while those arising from the interest differential elements of forward currency contracts are included in external interest income or expense.

1. Basis of preparation and principal accounting policies continued

Financial assets

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's financial assets at amortised cost comprise receivables in the balance sheet.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised accordingly using the effective interest method.

Financial liabilities

Interest bearing loans and borrowings and other financial liabilities (excluding derivatives) are initially recognised at fair value net of transaction costs incurred. They are subsequently held at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of borrowings is recognised in profit or loss over the term of the borrowings.

The Company holds financial instruments which hedge the net investments in the foreign operations of its subsidiary undertakings. Gains and losses on these instruments are recognised in the profit and loss account of the Company.

Taxation

Income tax in the profit and loss account comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using the applicable tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in prior years.

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the financial statements. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable 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 that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Critical Accounting Judgements and Estimates

The preparation of the financial statements for the Company requires the Directors and management to make judgements and estimates in respect of certain items where the choice of accounting policy and assumptions applied in determining the judgement or estimate could materially affect the Company's financial position, results, or cash flows at the reporting date.

No critical accounting judgements were required. The Company's critical accounting estimates are detailed below:

Investment in subsidiary undertaking

Investment in subsidiary undertakings are required to be assessed for indications of impairment and where indications have been identified the recoverability may need to be determined through the subsidiary's underlying cash flows. The methods used to determine require the use of estimates and judgements such as customer attrition, cash flow generation from the existing relationships with customers and returns on other assets. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives.

Investment in subsidiary undertaking are tested annually for impairment, along with the other assets within the Company such as receivables in subsidiary undertakings. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. An estimate is also required in identifying the events which indicate potential impairment, and in assessing fair value of the investments when allocating an impairment loss. The Company performs various sensitivity analyses in respect of the tests for impairment, as detailed in note 3 to Essentra plc Company accounts. The investment in subsidiary is then reviewed following the tests for impairment annually.

2. Net operating charges

The auditor was paid £6,000 (2022: £5,125) for the statutory audit of the Company. Fees paid to the Company's auditor for services other than the statutory audit of the Company are disclosed in note 2 to the consolidated financial statements.

The Directors' remuneration, which was paid by Essentra International Limited, is disclosed in the Annual Report on Remuneration on pages 122 to 132. The only employees of the Company are the eight Directors and Company Secretary.

3. Investment in subsidiary undertaking

	2023 £m	2022 £m
Beginning of year	**469.7**	466.6
Additions	**1.4**	3.1
Impairment	**(45.0)**	–
End of year	**426.1**	469.7

Following an impairment assessment of the carrying value of investments, an impairment charge of £45.0m has been expensed to the profit and loss. Support for the investment valuation is primarily risk-adjusted cash flows generated from subsidiaries of which Essentra plc is the ultimate parent Company. The impairment tests for investments are based on the Board approved business plan (the "Plan") that has then been risk-adjusted for impairment testing purposes.

The recoverable amount was determined by performing a value in use calculation. Cash flow projections are over five years based upon the Group Strategic Plan and have been risk-adjusted for impairment testing purposes.

The key assumptions in the cash flow projections for the risk-adjusted Plan are set out below.

	Average annual growth rate over five year forecast period	Terminal growth rate from 2028 onwards	Improvement in average operating profit over five year forecast period	Pre-tax discount rate
Assumption applied:	6.1%	2.7%	620 bps	16.3%

Operating margin is primarily based upon the historical levels achieved, adjusted by targets set for revenue expansion and cost control and reduction within the Plan period. The values assigned to these assumptions represent management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies resulting from integration activities. The estimated cash flows are discounted using a pre-tax discount rate based upon an estimated pre-tax weighted average cost of capital.

The recoverable amount of the investment is sensitive to reasonably possible changes in the underlying cash flows and key assumptions. Based upon the assumptions above, the carrying amount exceeds its recoverable amount, prior to impairment during the year, by £45.0m. Management considered the following reasonably possible changes in the key assumptions, and the associated impact on the impairment assessment of Investment in subsidiary undertaking:

	Reduction in impairment £m	Additional to impairment £m
50 bps decrease/(increase) in pre-tax discount rate	22.7	(21.0)
100 bps increase/(decrease) in terminal growth rate	27.9	(24.1)
100 bps increase/(decrease) in each year's growth rate	16.1	(15.5)
100 bps increase/(decrease) in operating profit margin in the terminal year	16.3	(16.3)

4. Debtors

	2023 £m	2022 £m
Amounts receivable from subsidiary undertakings	**185.8**	515.0
	185.8	515.0

Receivables due from group companies to the Company are interest free and repayable on demand. Receivables from group companies have been assessed for impairment in accordance with IFRS 9 Financial Instruments. As all balances are repayable on demand, and the Company expects to be able to recover the outstanding intercompany balances if demanded, no provision has been recognised in the year ended 31 December 2023 (2022: £nil).

5. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Accruals	**1.3**	3.8
US Private Placement Loan Notes[1]	**–**	208.0
	1.3	211.8

Notes:
1. Refer to note 14 of the consolidated financial statements for details of the US Private Placement Loan Notes.

6. Creditors: amounts falling due after more than one year

	2023 £m	2022 £m
US Private Placement Loan Notes[1]	**80.3**	85.0
	80.3	85.0

Notes:
1 Refer to note 14 of the consolidated financial statements for details of the US Private Placement Loan Notes.

7. Maturity of financial liabilities

	2023 £m	2022 £m
Debt analysed as falling due:		
Within one year	**–**	208.0
Between one and five years	**25.7**	–
More than five years	**54.9**	85.4
Less prepaid facility fees	**(0.3)**	(0.4)
	80.3	293.0

8. Issued share capital

	2023 £m	2022 £m
Issued, authorised and fully paid ordinary shares of 25p (2022: 25p) each:		
Beginning of year	**75.6**	75.6
Cancellation of shares of 9,223,493 shares of 25p each:	**(2.3)**	–
End of year	**73.3**	75.6

Number of ordinary shares in issue	2023	2022
Beginning of year	**302,590,708**	302,590,708
Cancellation of shares	**(9,223,493)**	–
End of year	**293,367,215**	302,590,708

Purchase and cancellation of own shares

During the year 13,364,814 (2022: nil) 25p Ordinary Shares ("shares") were purchased by the Company for total cash consideration of £24.0m (2022: £nil) at a weighted average price of 179.5 pence per share, of which 9,223,493 shares with an aggregate nominal value of £2.3m were cancelled, and £2.3m transferred from issued share capital to the capital redemption reserve.

At 31 December 2023, the Company held 5,039,265 (2022: 897,944) of its own shares with a nominal value of £1.3m (2022: £0.2m) in treasury. This represents 1.7% (2022: 0.3%) of the number of ordinary shares in issue.

Capital reduction

The capital reduction, comprising the merger reserve, was approved by shareholders at a General Meeting held on 14 November 2023. In connection with the capitalisation of the merger reserve, resolutions authorising the Directors to allot one new B ordinary share (the "Capital Reduction Share"), and to subsequently cancel the Capital Reduction Share were passed at the General Meeting. On 4 December 2023, the amount of £385,219,535 standing to the credit of the merger reserve of the Company was capitalised and applied in paying up in full at par one Capital Reduction Share with a nominal value of £385,219,535. On 14 December 2023, Essentra announced that the capital reduction had become effective following the confirmation by the Court approval on 5 December 2023 and the registration of the Court order with the Registrar of Companies on 7 December 2023.

9. Reserves

The merger reserve amounting to £nil (2022: £385.2m) represented the excess of net proceeds received over the nominal value of shares issued subject to the provisions of s612 of the Companies Act 2006.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these Financial Statements. The loss attributable to equity holders included in the accounts of the Company is £38.7m (2022: £0.1m).

Included in the profit and loss account are accumulated share-based payments of £54.4m (2022: £53.0m) which are credited directly to reserves. Full details of these share-based payments are set out in the Annual Report on Remuneration on pages 127 and 128.

10. Dividends

	Per share		Total	
	2023 p	2022 p	**2023 £m**	2022 £m
2022 interim: paid 28 October 2022		2.3		6.9
2022 special dividend: paid 27 April 2023[1]		29.8		89.8
2022 proposed final: paid 30 June 2023		1.0		3.0
2023 interim: paid 27 October 2023	**1.2**		**3.5**	
2023 proposed final: payable 5 July 2024[2]	**2.4**		**7.0**	

Notes:
1 The special dividend paid on 27 April 2023 amounted to £89.8m, and therefore this figure has been re-presented.
2 Subject to approval at the Annual General Meeting on 23 May 2024, the proposed final dividend for the year ended 31 December 2023 will be paid on 5 July 2024 to shareholders on the register of the Company on 17 May 2024. The ordinary shares will be quoted ex-dividend on 16 May 2024.

11. Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the exemption from the requirements under section 479A of the Companies Act 2006 relating to the audit of financial statements for the year ended 31 December 2023. Essentra plc has given a parental guarantee in respect of the debts and liabilities of these subsidiaries under section 479C of the Companies Act 2006.

Company name	Company name
Essentra Components Limited	Essentra (Northampton) Ltd
ESNT Holdings (No.1) Limited	Essentra Services Limited
ESNT Holdings (No.2) Limited	Wixroyd Holdings Limited
ESNT International Limited	Wixroyd Group Limited
Essentra International Limited	Automation Components Limited
Essentra Overseas Limited	Coburg Components Ltd
Essentra Pension Trustees Limited	Teknipart Limited
Essentra Finance Limited	

12. Subsidiary undertakings

The Group's subsidiaries (including dormant entities) at 31 December 2023, are set out below and are 100% owned directly or indirectly by the Group unless otherwise indicated. Essentra International Limited is the only direct subsidiary of Essentra plc. The principal country in which each company operates is the country of incorporation. All subsidiaries have the same 31 December year end date as the Company.

All subsidiaries have the same year-end as the parent company of 31 December. Essentra International Limited is the only direct subsidiary of Essentra plc.

12. Subsidiary undertakings continued

Company name	Country of incorporation	Principal activity	Address of registered office
Essentra Components Limited	UK	Manufacturing	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
ESNT Holdings (No.1) Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
ESNT Holdings (No.2) Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
ESNT International Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra International Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Overseas Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Pension Trustees Limited	UK	Pension Trustee	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Finance Limited	UK	Treasury activities	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra (Northampton) Ltd	UK	Non-trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Services Limited	UK	Non-trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Alliance Plastics Limited	UK	Dormant[1]	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Cigarette Components Limited	UK	Dormant[1]	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
ESNT Components Limited	UK	Dormant[1]	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Filtrona Custom Moulding Limited	UK	Dormant[1]	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Stera Tape Limited	UK	Dormant[1]	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Wixroyd Holdings Limited	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Wixroyd Group Limited	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Automation Components Limited	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Coburg Components Ltd	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Teknipart Limited	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Plastics LLC	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Innovative Components, Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Micro Plastics, Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Components Inc	US	Distribution	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Components Japan Inc	US	Distribution	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Components Japan Inc – Japanese branch	Japan	Distribution	18F, Tobu Tateno Building, 2-10-27, Kitasaiwai, Nishi-ku, Yokohama-shi, Japan
ESNT Holdings Inc	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
ESNT (Porous) Holdings Inc.	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
ESNT US Holdings Corp	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Corporation	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Holdings Corp. (DE)	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
US NewCo LLC	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
ESNT Components Co.	US	Non-trading	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Components BV	Netherlands	Distribution	Dragonder 3, 5554 GM Valkenswaard, Netherlands
Blue NewCo 1 B.V.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard, Netherlands
Blue NewCo 2 B.V.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard, Netherlands
Blue NewCo 3 B.V.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard, Netherlands
Blue NewCo 4 B.V.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard, Netherlands

12. Subsidiary undertakings continued

Company name	Country of incorporation	Principal activity	Address of registered office
ESNT Holdings Cooperatie 1 W.A.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard, Netherlands
Essentra BV	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard, Netherlands
Essentra International BV/LLC	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard, Netherlands
ESNT Holdings Cooperatie 2 W.A.	Netherlands	Non-trading	Dragonder 3, 5554 GM Valkenswaard, Netherlands
Essentra Components GmbH	Austria	Holding Company	22, 5, Augasse, Neunkirchen, 2620, Austria
Essentra Pty Ltd	Australia	Treasury activities	503-505 Victoria Street, Wetherill Park, NSW, 2145, Australia
Essentra Industria E Commercio LTDA	Brazil	Manufacturing	Room 7, No 1000 Avenida Emilio Marconato, Centro Comercial, Chacara Primavera, Jaguariuna, Sao Paulo, 13.916-074, Brazil
Essentra Limited	Canada	Manufacturing	400 – 77 King Street, Toronto, Ontario, M5K OA1, Canada
Essentra Hengzhu Precision Components Co., Ltd	China	Manufacturing	No. 12 Jingfa Avenue, Yichun, Economic and Technological, Development Zone, Yichun City, Jiangxi Province, China
Essentra Precision Machinery Components (Ningbo) Co. Ltd.	China	Manufacturing	99 Huanghai Road, Beilun District, Ningbo, Zhejiang Province, China
Essentra Trading (Ningbo) Co. Ltd	China	Distribution	No.99 Huanghai Road, Beilum District, Ningbo, Zhejiang Province, China
Essentra Components International Trading (Shanghai) Co Ltd	China	Holding Company	Room 347, Xinmaolou Building, 2 Taizhong South Road, China (Shanghai) Pilot Free Trade Zone, Pudong New Area, Shanghai, 200120, China
Essentra Plastic Trading (Ningbo) Co. Ltd	China	Holding Company	99 Huanghai Road, Beilun District, Ningbo, Zhejiang, China
Componentes Innovadores Limitada	Costa Rica	Manufacturing	Cartago-Cartago Parque Industrial Y Zona Franca Zeta, Cartago, Edificios, 48C3 48C4, Costa Rica
Essentra Components sro	Czech Republic	Holding Company	Vídenská 101/119, Dolní Heršpice, Brno, 619 00, Czech Republic
Essentra Components SAS	France	Non-trading	280 rue de la Belle Étoile, 95700, Roissy, France
Essentra International Gmbh	Germany	Holding Company	3, Montel-Allee, Nettetal, 41334, Germany
Essentra Components GmbH	Germany	Manufacturing	3, Montel-Allee, Nettetal, 41334, Germany
Essentra Components Limited – Branch Germany	Germany	Distribution	Montel-Allee 3, 41334 Nettetal, Germany
Essentra (Hong Kong) Limited	Hong Kong	Non-trading	1106-8 11F, Tai Yau Building, No. 181 Johnston Road, Wanchai, Hong Kong
Essentra Components Kft	Hungary	Holding Company	1113, Nagyszolos ut 11-15, Budapest, Hungary
Essentra (India) Private Limited	India	Manufacturing	Brigade Rubix, No. 20, Unit 302, HMT Main Road, Phase-1, Jalahalli, Bengaluru, 560022, India
Essentra Components (India) Private Limited	India	Dissolved 30 December 2023	No 3, Main Rd, Phase 1 Yeshwanthpur Hobli, Bengaluru, Bangalore, Karnataka, 560058, India
ESNT Holdings SpA	Italy	Holding Company	Padulle di Sala Bolognese, Via dei Pioppi 2, Bologna, 40010, Italy
Essentra Components srl	Italy	Non-trading	Padulle di Sala Bolognese, Via dei Pioppi 2, Bologna, 40010, Italy
Essentra Filter Products Srl	Italy	Non-trading	Casoni di Gariga, Via Copernico n. 54, Casoni PC, 29027, Italy
BMP Srl	Italy	Trading	9, Via delle Industrie, Cambiago, 20040, Italy
Abric Encode Sdn Bhd	Malaysia	Manufacturing	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Essentra Malaysia Sdn Bhd	Malaysia	Non-trading	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Essentra Asia Sdn Bhd	Malaysia	Non-trading	Unit D – 3A – 10, 4th Floor, Greentown Square, Jalan Dato' Seri Ahmed Said, 30450 Ipoh, Perak, Malaysia

12. Subsidiary undertakings continued

Company name	Country of incorporation	Principal activity	Address of registered office
Essentra Components Sdn Bhd	Malaysia	Non-trading	Unit 1108, Block A Pusat Dagangan Phileo Damansara 2, 15 Jalan 16/11 Off Jalan Damansara, Petaling Jaya, Selangor, 46350, Malaysia
Essentra Components S. de R.L. de C.V.	Mexico	Manufacturing	Carretera a Huinala #510, Apodaca, NL 66640, Mexico
Essentra Sp. z o.o.	Poland	Non-trading	104a, Maratońska, Łódź, 04-007, Poland
Essentra Components SRL	Romania	Distribution	Burcuresti Sectorul 1, Strada POLANA, Nr. 68-72, Etaj 2, Biroul NR.5, Romania
Essentra Components Products Pte Limited	Singapore	Non-trading	1 Paya Lebar Link, #04-01, Paya Lebar Quarter, Singapore, 408533, Singapore
Essentra Components sro	Slovakia	Distribution	Gogol'ova 18,85202 Bratislava, Slovakia
Essentra Components (Pty) Ltd	South Africa	Distribution	71, Tsessebe Crescent, Corporate Park South, Randjisfontein Midrand, GP, 1685, South Africa
ESNT Holdings S.A.U.	Spain	Holding Company	Carrer dels Fusters 18-20, Poligono Industrial Can Cuyas, Montcada I Reixac, 08110, Barcelona, Spain
Essentra Components S.L.U	Spain	Distribution	Calle Roure Gros 1-11, Poligono Industrial Mas d'En Cisa, 08181, Spain
Essentra Components AB	Sweden	Manufacturing	7, Bäckstensgatan, Mölndal, 431 39, Sweden
Essentra Components AB – Finland Branch	Finland	Manufacturing	2A, Tallbergsgatan, Helsinki 00180, Finland
Essentra Components Sarl	Switzerland	Non-trading	MCE Avocats, rue du Grand-Chêne 1-3, 1003 LAUSANNE, Switzerland
Essentra Eastern Limited	Thailand	Non-trading	111/5 Moo 2 Tambon Makamku, Amphur Nikom Pattana, Rayong Province, Thailand
Ban Lamai Limited	Thailand	Holding Company	o. 111/5, Moo 2, Makham Khu Sub-district, Nikhom Phatthana District, Rayong Province, Thailand
Essentra Components (Thailand) Limited	Thailand	Trading	111/5 Moo 2 Tambon Makamku, Amphur Nikom Pattana, Rayong Province, Thailand
Apex Filters Company Limited	Thailand	Non-trading	31/2 Rama 3 Road, Chongnonsee, Yannawa, Bangkok 10120, Thailand
Mesan Kilit A.S.	Turkey	Distribution	Ilitelli Organzie Sanayi, , Bolgesi Metal Is San,Sit.7.Blok No24 Basaksehir, Istanbul, Turkey
Mesan Kilit Anonim Şirketi Maslak Şubesi – Digital Hub Branch	Turkey	Trading	Mimar Sinan Mah. Uluğbey Cad. Ofis İşyeri, Blok No: 5, Silivri, Istanbul, Turkey
Mesan Kilit Anonim Şirketi Silivri Şubesi – Branch	Turkey	Trading	Maslak Mahallesi, Bilim Sokak, Sun Plaza Blok No: 5A, İç Kapı No.41 Sarıyer, Istanbul, Turkey
Essentra Components Vietnam Limited Liability Company	Vietnam	Trading	11, Bis Phan Ngu, Da Kao Ward, District 01, Ho Chi Minh city, Viet Nam

Notes:
1 Exempt from requirement to prepare individual accounts by virtue of s448A of Companies Act 2006

Independent auditors' report to the members of Essentra plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Essentra plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Consolidated Balance Sheet and Essentra plc Company Balance Sheet as at 31 December 2023; the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and Essentra plc Company Statement of Changes in Equity for the year then ended; the Basis of Preparation and Principal Accounting Policies, Critical Accounting Judgements and Estimates; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 2, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

2023 represents the first year for Essentra as a pure play Components business following the disposals of the Packaging and Filters divisions in 2022. As part of our audit planning, we assessed the ongoing impacts of the disposal transactions including the consideration of the settlement of disposal liabilities. In performing our impairment assessments, we have taken into consideration the macroeconomic environment in the various global markets Essentra operates in based on the latest available market data. Our audit scope is detailed below and reflects the coverage required now that the business is pure play Components.

Overview

Audit scope

- Local PwC component teams engaged to perform full scope audit procedures over 10 reporting units
- PwC Group audit team performed full scope audit procedures over a further 15 reporting units
- Specified audit procedures were performed by component auditors over certain balances, including revenue, at a further 4 reporting units
- PwC Group audit team also performed audit procedures over specific balances within a further 4 reporting units
- The audit of the company financial statements was undertaken by the PwC Group audit team and included substantive procedures over all material balances and transactions

Key audit matters

- Impairment of assets in the APAC segment (group)
- Recoverability of the company investment (parent)
- Presentation of adjusting items (group)

Materiality

- Overall group materiality: £3,000,000 (2022: £3,500,000) based on 0.95% of revenue.
- Overall company materiality: £5,300,000 (2022: £6,879,000) based on 1% of net assets.
- Performance materiality: £2,250,000 (2022: £2,625,000) (group) and £3,975,000 (2022: £5,159,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impairment of assets in the APAC segment is a new key audit matter this year. Presentation of discontinued operations, which was a key audit matter last year, is no longer included because of the disposals completed in the prior year and therefore the magnitude of amounts recognised in discontinued operations is significantly lower in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of assets in the APAC segment (group) The APAC segment consists of a number of manufacturing and distribution sites, each determined to be a separate CGU. As there is no goodwill recognised for the APAC segment, asset impairment tests are only performed where impairment indicators exist. If such indicators exist, the recoverable amounts of the assets at each CGU are estimated in order to determine the extent of any impairment charge. An impairment charge is recognised in the income statement. As a result of the business performance in Hengzhu, China and challenging macroeconomic environment, management considered there to be an impairment trigger for this CGU. An impairment assessment using a VIU (value in use) model has been prepared to determine the recoverable amount of the Hengzhu CGU assets. The VIU model is based on a risk-adjusted Board approved plan for FY24 to FY28 and assumptions for long term growth rates into perpetuity which were discounted to the present value. Through this assessment, management identified that the carrying value of the assets in Hengzhu exceeded the VIU calculation and recognised an impairment of £3.4 million to the value of the assets as at the year end and apportioned this against the categories of assets in Hengzhu. The value of the Hengzhu assets following the impairment recognised was £9.5 million. Following the impairment of the Hengzhu assets, the value of the APAC segment assets was £28.9m. Management performed an assessment to consider whether there was any further indication of impairment within the other CGUs in this segment. No further triggers were identified.	We obtained management's models and assessed the methodology and mathematical accuracy. We engaged our valuation experts to assess the reasonableness of the discount rate and long term growth rates applied in the models. We challenged management to provide internal and external market data for the key assumptions in the model and performed our own research for further external market data for these assumptions. We assessed management's assumptions against historic results and forecasting accuracy. We performed sensitivities over the key assumptions used in management's models. We challenged the extent to which climate change had been considered and reflected in the future cash flows used in management's models.

Key audit matter	How our audit addressed the key audit matter
Impairment of assets in the APAC segment (group) – continued We consider this area to be a key audit matter since the impairment review performed by management contains a number of significant judgements and estimates, including revenue growth rates to FY28, target operating profit margins, long term (perpetuity) growth rates and discount rates. Since the impairment assessment is very sensitive, changes in these assumptions can result in a further impairment of the assets. See note 8 to the Group financial statements for details of management's impairment exercise and the Critical Accounting Judgements and Estimates section for management's disclosure of this significant accounting estimate. Also see the Significant Accounting Matters section in the Audit and Risk Committee report.	Based on these procedures, whilst sensitive to changes in assumptions, we concluded that we concur with management's assessment of the VIU and therefore the £3.4 million impairment recognised in Hengzhu and that no further impairment triggers exist in the APAC CGUs. We evaluated the disclosures in the financial statements and consider these to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the company investment (parent)	
Essentra plc holds a direct investment in Essentra International Limited, and through this entity an indirect investment in the Group as a whole. The valuation of this investment is significant to the company balance sheet. The value of the investment held by the company at year end was £426.1 million, following an impairment of £45 million being recognised. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments are estimated in order to determine the extent of any impairment charge. An impairment charge is recognised in the income statement. Given the decline in market capitalisation, an impairment trigger is deemed to have occurred. Management performed an impairment assessment using a VIU model based on a risk-adjusted Board approved plan for FY24 to FY28 and assumptions for long term growth rates into perpetuity which were discounted to the present value. Through this assessment, management identified that the carrying value of the investment exceeded the VIU calculation and recognised an impairment of £45.0 million to the investment value as at the year end. Given the magnitude of the value of the investment and the judgement involved in assessing for impairment, we have identified this area as a key audit matter for the audit of the company. The key areas of audit focus were the significant assumptions used in the VIU model including revenue growth rates to FY28, target operating profit margins, long term (perpetuity) growth rates and discount rates.	We obtained management's model and assessed the methodology and mathematical accuracy. We engaged our valuation experts to assess the reasonableness of the discount rate and long term growth rates applied in the model. We challenged management to provide internal and external market data for the key assumptions in the model and performed our own research for further external market data for these assumptions. We assessed management's assumptions against historic results and forecasting accuracy. We performed sensitivities over the key assumptions used in management's model. We challenged the extent to which climate change had been considered and reflected in the future cash flows used in management's model.

Key audit matter	How our audit addressed the key audit matter
Recoverability of the company investment (parent) – continued	
See note 3 in the company financial statements for details of the company's investment in subsidiary entities and the Critical Accounting Judgements and Estimates section for management's disclosure of this significant judgement. Also see the Significant Accounting Matters section in the Report of the Audit and Risk Committee.	We also considered alternative valuation reference points including the Group's market capitalisation at 31 December 2023 adjusted for the external debt held in the company's balance sheet. Based on these procedures, whilst sensitive to changes in assumptions, we concluded that we concur with management's assessment of the VIU and therefore the £45.0 million impairment recognised. We evaluated the disclosures in the company financial statements and consider these to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Presentation of adjusting items (group)	
The financial statements include certain items which are disclosed as adjusting items. The nature of the adjusting items is explained within the Group accounting policies and includes transaction costs relating to acquisition and disposals of businesses, acquisition integration and restructuring costs, customisation and configuration costs of significant Software as a Service ('SaaS') arrangements, material asset impairments and other items such as site closure costs and one-off projects. In the year the most significant adjusting items relates to customisation and configuration costs of SaaS arrangements of £10.8 million, impairment of non-current assets of £7.1 million and other items of £3.1m. The impairment of non current assets relates to impairment of assets in Hengzhu and an impairment of an investment property in the year. We identified this area as a key audit matter given there is judgement required by the directors in determining whether items classified as adjusting are consistent with the Group's accounting policy. Consistency in identifying and disclosing items as adjusting is important to maintain comparability of the results year on year.	We assessed the appropriateness of the Group's accounting policy for the recognition of adjusting items with reference to the applicable accounting guidance. We challenged management and considered whether the items disclosed as adjusting items were consistent with the accounting policy and the approach taken in prior years, to determine that items were appropriately classified. We did not identify any material items which we would expect to be reported in earnings before adjusting items. Customisation and configuration costs relate to costs incurred in system development and implementation have been expensed to the income statement in line with the Group's accounting policy. In 2023, the Group incurred costs of £10.8 million in relation to SaaS related projects that meet this criteria. We have selected a sample of costs incurred in the current year and obtained supporting documents to ensure the accuracy of the cost and inspected the nature of these projects to ensure they relate to SaaS arrangements. Due to the highly material nature of the costs and consistent with prior years and the Group's accounting policy, we agree with management's conclusions and presentation of this item as adjusting in the year for projects of significant value. We performed testing over the Hengzhu asset impairment of £3.4million as set out in our Key audit matter for Impairment of assets in the APAC segment as above. Due to the material impairment in the year and in line with the Group's accounting policy, we agree with management's presentation of this item as adjusting in the year.

Key audit matter	How our audit addressed the key audit matter
Presentation of adjusting items (group) – continued	
See note 2 to the Group financial statements for details of adjusting items and the Critical Accounting Judgements and Estimates section for management's disclosure of this significant judgement. Also see the Significant Accounting Matters section in the Report of the Audit and Risk Committee.	Management engaged a third party expert to prepare a valuation for the investment property. Having engaged our property valuations experts, we found the valuation prepared to be reasonable and agree with the £3.7m impairment recognised. Due to the material impairment in the year and in line with the Group's accounting policy, we agree with management's presentation of this item as adjusting in the year. We performed sample testing over the remaining categories included in adjusting items and verified samples to payroll records, supporting invoices, agreements or other evidence. The amounts tested were classified as adjusting items in line with the Group's accounting policy. We evaluated the disclosures in the financial statements and consider these to be appropriate.

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.

There were 119 reporting units within the consolidation, which included the reporting sites and other consolidation units. We identified 1 individually significant component within the Group in the US which contributes 15.2% of revenue. We determined the most effective approach was to engage PwC local component teams to perform full scope procedures over 10 reporting units, with the Group audit team performing full scope audit work over a further 15 reporting units. In addition, specified audit procedures were performed over certain balances, including revenue, at a further 4 reporting units by component auditors. The Group audit team also performed audit procedures over specific balances within a further 4 reporting units. This approach ensures that appropriate audit coverage has been obtained over all material financial statement line items. Where work was performed by component auditors, we determined the appropriate level of involvement we needed to have in that audit work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the Group financial statements as a whole. We issued written instructions to all component auditors and had regular communications with them throughout the audit cycle. This included a virtual clearance meeting with each component team and review of all significant matters reported. In addition members of the Group engagement team have reviewed working papers of a number of component audit teams and have performed oversight visits to teams in the US, Germany, Turkey and the UK. Based on the detailed audit work performed across the Group, we have gained coverage of 71% of revenue, 60% of profit before tax and 84% of net assets.

The impact of climate risk on our audit

In planning our audit, we considered the potential impact of climate change on the Group and company financial statements. Given the principal activities of the Group, it is highly likely that climate risk will have an impact on the Group's business. As part of our audit, we evaluated management's climate change risk assessment including the identified physical and transitional risks and the assessment of the impact of those risks on the Group financial statements. The material physical and transitional risks are set out in the Task Force on Climate-Related Financial Disclosures (TCFD) on pages 61 and 62. We performed procedures to evaluate the appropriateness of management's risk assessment. We considered the Group's externally published environmental targets and understood the progress made towards these targets to date in addition to plans in place to bridge to meeting these targets in the future. We challenged management on the potential additional future costs associated with meeting these targets. We assessed that the key financial statement line items and estimates which are more likely to be impacted by climate risks are those associated with future cash flows, given the more notable impacts of climate change on the business are expected to arise in the medium to long term. These included the assessment of impairment and the long term viability assessment. However, our procedures did not identify any further material impact on either the Group or company financial statements or our key audit matters for the year ended 31 December 2023 which were not already included in the cash flows.

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	£3,000,000 (2022: £3,500,000).	£5,300,000 (2022: £6,879,000).
Rationale for benchmark applied	Given the significant changes in the Group's structure following the disposal of the Packaging and Filters divisions, we considered materiality in a number of different ways, including: • revenue benchmarks; • income statement benchmarks, including adjusted profit metrics; • asset benchmarks. We determined that an appropriate level of materiality for performing the 2023 audit would be within the range of the above benchmarks, whilst at neither the upper nor lower ends. Based on our professional judgement, we selected an overall materiality level of £3,000,000, which represents 0.95% of revenue	The entity is a holding company for the rest of the Group and is not a trading entity. Therefore an asset based measure is considered appropriate and we used 1% of net assets which resulted in an overall materiality of £5,300,000

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 £380,000 and £2,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £2,250,000 (2022: £2,625,000) for the group financial statements and £3,975,000 (2022: £5,159,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £150,000 (group audit) (2022: £170,000) and £150,000 (company audit) (2022: £170,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and agreeing management's going concern assessment to the board approved business plan and ensuring that the base case scenario for the 18 month period to 30 September 2025 indicates that sufficient cash flows are generated to meet the obligations of the business as they fall due while complying with covenant arrangements;
- identifying revenue growth and operating margin as the key assumptions inherent in the plan and validating these to historical precedent and market or industry forecasts;
- analysing the cash flows in the forecast models to identify unexpected trends and relationships and ensuring the mathematical accuracy of management's models;
- evaluating management's severe but plausible downside scenario including the impact on the Group's liquidity headroom and its ability to meet debt covenants; and
- assessing that climate change is expected to have a limited impact during the period of the going concern assessment.

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. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement 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 Risk Management Report and Other Statutory Information 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 and company 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 and Risk 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 employment laws and regulations, health and safety legislation and import and export restrictions, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Listing Rules and UK and overseas 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 of journal entries to improve revenue performance or to manipulate performance metrics relating to bank covenants, and management bias in key accounting estimates.

The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Review of correspondence with legal advisors;
- Review of matters reported through the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Enquiries of management at the Group, regional and local levels;
- Enquiries of the Group's legal team;
- Enquiries with component auditors;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular their compliance procedures in respect of sanction market trading;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which result in an impact to revenue or to performance metrics relevant to banking covenants; and
- Testing of critical accounting estimates to identify evidence of management bias.

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 Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 20 April 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2017 to 31 December 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will 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 will be prepared using the single electronic format specified in the ESEF RTS.

Katherine Birch-Evans (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
18 March 2024

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Essentra would like to thank all of its employees and partners who have contributed to the drafting of the Annual Report

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