

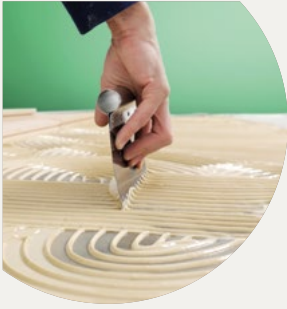


Synthomer plc:
Innovative, sustainable solutions

Annual Report 2022

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We are a world-leading supplier of high-performance speciality chemical products, and our strategy and business structure enable us to harness our focus on sustainability and innovation to serve customers in highly attractive end markets.

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Find our
previous reports at:

[www.synthomer.com/
investor-relations](http://www.synthomer.com/investor-relations)

Our year at a glance

We are a world-leading supplier of **high-performance, highly specialised chemical products** that help customers turn innovative ideas into material reality.

Our differentiated products play vital roles in key sectors such as coatings, construction, adhesives, and health and protection – growing markets that serve billions of consumers worldwide. From our innovation hubs and manufacturing centres in Europe, North America and Asia, we help more than 6,000 customers create new products and enhance existing ones. And with our expert teams focused on sustainable innovation to continue meeting customer and consumer demand for low-emission and low-environmental impact solutions, we are positioned to lead the way as a speciality business whose products enhance people's homes and cities, lifestyles, transportation and healthcare.



We are:

c.5,200
employees at

41
production sites in

24
countries

We serve:

6,000+
customers through our

3
end-market focused
divisions

with
1,530+ ktes
of products

In 2022 we delivered:

£2.6bn
Total Group revenue

£265.1m
Total Group EBITDA¹

£(26.5)m
Total Group statutory
operating loss

20.6p
underlying EPS

50%
of new products with
sustainability benefits

In 2022 we:

Refreshed our strategy to strengthen our focus on specialist solutions for attractive end markets, and introduced a new market-focused divisional structure from 1 January 2023.



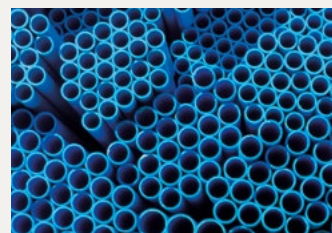
[Read more in our Review of the year on page 27](#)

Strategically managed our portfolio, integrating our new adhesive resins business and divesting our non-core laminates, films and coated fabrics businesses.



[Read more in our CEO's review on page 7](#)

Took decisive action to strengthen our balance sheet and reduce our leverage, focusing on capital allocation and costs in light of the challenging trading environment.



[Read more in our Financial review on page 30](#)

Held the London Stock Exchange Green Economy Mark, awarded to companies who earn more than 50% of their revenue from products and services that contribute to environmental objectives.



Were upgraded from 'A' to 'AA' in the latest assessment by MSCI, putting us in the top quartile for ESG performance in the Specialty Chemicals sector.



Further developed our Vision 2030 sustainability roadmap and accelerated our decarbonisation plans, including through alignment with science-based targets.



[Read more in our Sustainability review on page 39](#)

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

Underlying performance statement

The Group's performance management uses Underlying performance to plan for, control and assess the performance of the Group. Underlying performance differs from the statutory IFRS performance as it excludes the effect of Special Items, which are detailed in note 4 to the financial statements. The Board's view is that Underlying performance provides additional clarity for the Group's investors and stakeholders and so it is the primary focus of the Group's narrative reporting. Where appropriate, IFRS performance inclusive of Special Items is also described. References to 'unit margin' and 'margin' are used in the commentary on Underlying performance.

Unit margin (or margin) is calculated on selling price less variable raw material and logistics costs.

Free Cash Flow is the movement in net debt before financing activities, foreign exchange and the cash impact of Special Items, asset disposals and business combinations.

All statistics shown on page 2 reflect the Total Group during 2022.

Chair's statement

“ In a challenging year for Synthomer, the Board has focused on decisive steps to strengthen the balance sheet and on the refreshed strategy, which will position the Group well as market conditions improve. ”

Caroline Johnstone

Chair

This has been a tough year for Synthomer, for our people and for our shareholders. But we have made progress on a number of fronts, embedding a significant acquisition, overseeing a deep review and refresh of our strategy which places sustainability at its heart, completing a disposal that shows our strategy in action and focusing on decisive steps to strengthen the balance sheet – all undertaken despite significant economic headwinds and disruption in our markets.

A more focused business, with sustainable innovation at its heart

I want to start by thanking everyone in Synthomer for their hard work, dedication and resilience this year. Throughout, our people have stayed close to our customers, demonstrated our values and embodied our purpose – creating innovative and sustainable polymer solutions for the benefit of customers and society. I'd also like to welcome our new colleagues who joined us in our adhesives business when we acquired Eastman Adhesive Resins in April 2022, and to thank those colleagues who left Synthomer when we completed the disposal of our Laminates, Films and Coated Fabrics businesses in February 2023; we wish them well.



This was our CEO Michael Willome's first full year in role. He brings huge experience of the speciality chemicals industry, real commercial acumen and a talent for developing diverse teams. He has a compelling vision for the business. The Board and I have been impressed at how quickly he settled in, and with the pace and focus which Michael has injected into the business – putting the building blocks in place to deliver our strategy, at the same time as responding to the very tough market conditions.

Facing up to the challenges; Building for the future

The Board has taken some very difficult decisions through 2022, all after rigorous review and debate. We have focused on balancing the interests of all our stakeholders and on the actions which will deliver future sustainable value for our shareholders and other stakeholders.

Since 2015, our strategy has been to pursue both organic and inorganic growth, building an increasingly global, speciality chemical solutions business, with leading positions in attractive end markets. We appreciated shareholders' support for this strategy, accepting elevated levels of leverage while we embedded acquisitions and deleveraged back to our stated norm of 1 to 2x net debt to EBITDA – as we did following the OMNOVA transaction in 2020.

This year, however, has seen powerful and exceptional headwinds. We remain a strong, profitable business, with FY 2022 EBITDA of £265.1 million, but there is no doubt that the business has faced challenges. Following exceptional demand for our NBR nitriles products during the COVID-19 pandemic, 2022 saw an unprecedented downturn caused by destocking. While the long-term prospects for nitriles remain very attractive, we do not expect the period of low NBR demand caused by this destocking to abate before the end of 2023. At the same time, the after-effects of the pandemic have disrupted supply chains, with some raw material prices doubling. While we have been able to pass through much of these costs, particularly in our speciality businesses, they have led to higher working capital levels than in the past. The Russian invasion of Ukraine compounded this supply chain disruption and raised energy costs, while demand has been dampened by recessionary pressures worldwide. Turbulence in the UK economy has also affected interest rates and exchange rates. Many of these factors have also affected the demand environment in our new adhesive resins business in the final quarter of the year. In addition, the business has experienced supply chain and plant reliability challenges that are

being resolved, as well as lower-than-expected production capacity. While we are confident that this business is a strong fit that has a high-quality customer base, opens opportunities in attractive markets and expands our geographic reach, the Board has taken the decision to impair the goodwill associated with the acquisition by £133.7 million, as described in the Financial review on [page 29](#).

Strengthening our balance sheet

These challenges have come while we were leveraged following our acquisition – so it became clear that we needed to focus sharply on deleveraging, and build the platform to be stronger, fitter and more competitive when market conditions improve. The Board has been closely involved, supporting Michael as he and the Executive Team rapidly developed a concerted plan of detailed capex, cost control and working capital actions. We have also significantly improved our financing structure by entering into new bank facilities and a UK Export Finance facility, both of which have covenants with increased headroom reflecting current market uncertainty. We have used the proceeds of the Laminates, Films and Coated Fabrics disposal received after year end to reduce debt.

We also took the very difficult decision to suspend all dividends while we deleverage. While this followed historically high 2021 dividends based on last year's exceptional results, we know that many shareholders were very disappointed with this decision. These decisions were not taken lightly, as we discuss in The Board's year on [page 101](#).

Our CFO, Lily Liu, whom we welcomed to Synthomer in July, talks more about our balance sheet plan, our progress and our targets for 2023 in the Financial review on [page 28](#). The Board is confident that the actions we are taking to strengthen the balance sheet will give Synthomer the platform to deliver on its refreshed strategy – which I will discuss next.

A refreshed strategy, focused on sustainability and opportunity

The Board's confidence in the future prospects of the business is underpinned by our refreshed strategy, announced in October 2022, and the result of a comprehensive review of Synthomer's leadership team and strategy that Michael began when he joined in November 2021.

The strategy takes the needs of consumers and customers in highly attractive, high-growth markets as its starting point, and recognises that customer and consumer demand for more sustainable products is one of the most important tailwinds driving our business.

Chair's statement continued

It creates a clear path for us to become a speciality solutions platform for the coatings and construction, adhesives, and health and protection market segments. It is focused on end markets, innovation and sustainability – making our business less complex, focusing on our strengths and creating a real platform for the next phase of our growth. And it is the blueprint for the new divisional structure we introduced in January 2023, described on [page 14](#).

The Board worked closely with Michael, his management team and external advisers over many months on the wide-ranging process of developing this strategy. It was an inclusive and rigorous process but also involved some very tough conversations and decisions. What became clear was the need to prune our growing business through a portfolio review process, and a much clearer focus on capital allocation; we succeed when we focus on what we do best. Michael describes the strategy in his statement on [page 7](#). Here, I emphasise that this is a strategy for the long term, founded on our vision for the future of the business. It has the full support of the Board, and we have already approved the first steps in its implementation, with the disposal of our Laminates, Films and Coated Fabrics businesses.

A more diverse, inclusive Synthomer, delivering on ESG issues

This year, our people have been outstanding, navigating the ongoing challenges of the pandemic and supply chain disruption, undertaking a large-scale integration programme, contributing to the refreshed strategy and preparing for a reorganisation – all in the context of a cost-of-living crisis that has an impact on everyone. Support for our employees has been a key focus of the Executive Team and Board, described in the People section on [pages 67 to 68](#).

I'd like to highlight in particular the success we have had in making Synthomer a more diverse and inclusive place for our employees to work. Diversity and inclusion is one of the pillars of our refreshed strategy, as well as an important element of our Vision 2030 programme, which is our blueprint for progress on environmental, social and governance (ESG) issues. I am delighted to say that Michael and his team have achieved real momentum in this area. Since 2019, the number of senior leaders who are women has risen from 9% to 25%, and we are seeing change across the career spectrum: women now make up 33% of our Board, and 56% of our new graduates in the last four years have been women.

Our commitment to environmental sustainability in our products and operations is absolute – it is a key enabler of our strategy. As well as aligning with

our purpose, creating sustainability benefits is an important value driver for us, as we see increasing demand for products that help our customers reduce their own environmental impacts, particularly in carbon. Our own work on decarbonisation continued in 2022, developing science-based greenhouse gas emissions targets, and setting our internal carbon price, which are important milestones on our path to net zero. [Read more in our Environment section pages 58 to 62](#).

Synthomer's commitment to keeping our employees safe remains our highest priority. While safety performance at some sites has been world-class this year, we are focused on bringing our acquired businesses in particular up to these levels; the Board supports and monitors our safety, health and environment (SHE) programme outlined on [page 54](#).

Our progress against all our Vision 2030 targets is described in our Sustainability report on [page 43](#), and I discuss the Board's leadership and oversight of ESG matters on [page 98](#).

Welcoming new directors

As well as welcoming our new CFO, Lily Liu, we also welcomed Ian Tyler to the Board in June 2022; his wealth of experience as an executive and non-executive director is already contributing significantly to the Board and the business, having taken over as Chair of the Audit Committee in November 2022.

Looking ahead

Macroeconomic conditions remain challenging, with subdued levels of demand in many of our markets in early 2023, and so a key focus for the Board is strengthening the balance sheet in the near term. At the same time, we are confident that our markets will recover over time, and therefore we will continue to balance our immediate priorities with implementation of the refreshed strategy. Fundamentally, we have a strong, global business platform in attractive end markets with excellent long-term growth prospects. We look forward to harnessing the strength of our sustainable innovation expertise and delivering our strategy to become a truly global, highly-specialised chemicals business that is ready for the opportunities we see ahead.

Caroline Johnstone
Chair

28 March 2023

Chief Executive Officer's review

“ We have restructured our business to be more end-market focused, more agile, and in a stronger position to deliver value for our customers by harnessing our expertise in sustainability and innovation. ”

Michael Willome

Chief Executive Officer

Focusing our business for future opportunities

In more challenging times it is more important than ever to be close to our customers, to focus on the things we do best and to follow a clear strategy.

2022 has certainly seen its share of challenges for Synthomer, for our people and our wider stakeholders. Following the unprecedented demand for nitrile latex in 2020 and 2021, we have experienced a prolonged destocking of medical gloves, which our customers manufacture from our nitrile butadiene latex (NBR), resulting in far weaker levels of demand. The war in Ukraine, ongoing COVID-19 disruption and broader recessionary pressures have all contributed to economic volatility, including supply chain disruptions, sustained higher raw material costs and energy price hikes. The cost-of-living crisis has affected a number of our markets, with demand deteriorating over the course of the second half of the year. And during the



fourth quarter, the macroeconomic environment also began to affect demand in our Adhesive Technology business, alongside the additional impact of supply chain issues constraining access to raw materials and site reliability challenges, which we are working to resolve, as well as the impact of lower-than-expected capacity.

We are grateful to our people, who have continued to demonstrate real commitment to deliver for our customers around the world throughout this volatile period. The Total Group revenue of £2.6 billion and EBITDA of £265.1 million delivered in 2022 was a solid performance given the challenges we have faced. At the same time, and crucially for the future of Synthomer, we have launched a refreshed strategy and reorganised our business – work that is centred on becoming a truly global specialised chemical company, concentrated on three attractive growth markets: coatings and construction, adhesives, and health and protection. It gives us a clear pathway to emerge stronger and more focused from these volatile times – and a platform from which to create sustainable value for all our stakeholders.

Towards specialised, high-performance, high-growth markets

Our refreshed strategy and new structure make our business simpler, more efficient and more sharply focused on areas where we add most value. It will move us towards the more specialised, higher-performance, higher-growth markets where we know we can win. We are becoming more end-market focused, with sustainability and innovation at the centre of what we do. We are also driving a Group-wide emphasis on making our execution bolder and faster through business excellence.

Just as importantly, the new strategy renews our focus on organic growth and portfolio management. Our business has expanded significantly through acquisitions in recent years, giving us greater reach globally and particularly in North America, opening up opportunities in attractive markets, reinforcing our innovation capabilities and strengthening our leadership positions. However, that expansion has also made our business more complex and taken us into some non-core areas – perfectly strong and sound businesses in themselves, but either more cyclical in nature or too small for us to generate strong, consistent growth.

Following a full evaluation of our portfolio we are now allocating capital more effectively, applying differentiated steering to invest in core areas where it will have the most impact. We are also rationalising our portfolio through the disposal of non-core businesses. We took an important step in this process when we announced the sale of the Laminates, Films and Coated Fabrics businesses in December 2022.

“ This year we were upgraded from an ‘A’ to a ‘AA’ ESG rating by MSCI, putting us in the top quartile of ESG performance for our sector. ”

This sale, which completed on 28 February 2023, increases the speciality weighting of our overall portfolio and is margin accretive in line with our strategy. The \$267 million cash proceeds (including \$5 million payable in 2024) will also help strengthen our balance sheet and support our drive to reduce our leverage to our medium-term target of between 1 and 2x net debt to EBITDA – another key strategic focus. Our CFO Lily Liu describes this further on [page 28](#), alongside the work we are doing to improve our working capital position and optimise our cost base.

Harnessing growth to sustainability

Our strategy aims to bring us closer to our customers, immersing us in their markets so we can identify the trends driving demand and develop the solutions to meet them.

Sustainability is one of the most important of these trends. Regulation is driving the requirement for cleaner, more environmentally friendly solutions, and for renewable raw materials. As a market leader in water-based and emission-reducing polymers, that creates a huge opportunity for Synthomer.

We have a long track record of helping our customers towards their own sustainability goals. Our emission-reducing solutions and lower-carbon-intensity operations all make a positive contribution towards customers' Scope 3 carbon footprints. Our capabilities and products can help our customers in multiple areas – whether that is replacing solvent-based coatings with water-based alternatives, developing water-based polymers and redispersible powders for construction customers, or innovating bio-based, low-carbon footprint and circular solutions for adhesives.

We are also making progress with our own sustainability objectives. Our Vision 2030 ESG programme, described on [page 43](#), is a long-term, embedded part of our business strategy – a key part of ensuring we remain competitive, as well as the responsible approach to doing business. We are committed to science-based targets to navigate our decarbonisation, and are targeting 60% of our new products to have sustainability benefits by 2030. We have already delivered a 36% reduction in absolute

Scope 1 and 2 emissions since 2019, and we are actively working on reducing Scope 3. In 2022 we made our decarbonisation objectives more ambitious and focused on absolute reductions rather than lower carbon intensity, in alignment with the 2015 Paris Agreement. We hold the London Stock Exchange Green Economy Mark, awarded to companies who earn more than 50% of their revenue from products that contribute to environmental objectives. This year we were upgraded from an 'A' to a 'AA' rating by MSCI, putting us in the top quartile of ESG performance for the Specialty Chemicals sector.

Diversity and inclusion: at the heart of our strategy

The dynamism and resilience of any business is created by the people who work there – and I strongly believe that diverse teams help create better ideas and drive innovation in what and how we deliver.

Diversity and inclusion forms a critical pillar of our refreshed business strategy, and has been a focus for me from my first day at Synthomer, because it is vital to delivering value for all our stakeholders. We have made strong progress this year, particularly in the leadership team, which has been transformed by several appointments that have broadened the range of backgrounds and experiences we can draw on, and which now contains more women than ever before. Of course there is more we can do, and to ensure we maintain our recent momentum in this area we have committed to achieving 40% gender diversity across senior management by 2030 as a stepping stone to true gender balance.

The evolution of our strategy does not mean a change in our values however – among which our highest priority remains safety, health and environment (SHE). We know that we have more to do on safety in particular. Our legacy businesses have benefited over many years from our SHE programme and continue to perform well. Our near-term objective is to ensure that newly acquired businesses are aligned to Synthomer standards within a three-year cycle. That process is on track at our former OMNOVA sites, which show good improvement since acquisition; we are applying the same rigour to the adhesive resins sites acquired in 2022.

Positioning Synthomer for profitable growth

The actions that we have taken will enable Synthomer to navigate the current difficult environment and ensure that the Group is in a strong position to make progress when macroeconomic conditions improve. Looking ahead, we will continue to enhance our efficiency through asset optimisation and by improving cost control and capacity management throughout the Group. In our new Coatings & Construction Solutions division, our focus is on driving organic growth. In Adhesive Solutions we

will increase operational and supply chain reliability, reprioritising capital expenditure to support debottlenecking and broaden raw material supply while taking further steps to reduce working capital to typical Group levels. We will also benefit from recent organisational changes and the implementation of Synthomer's operational excellence standards. Within Health & Protection and Performance Materials, we will continue to strengthen our cost competitiveness and enhance customer intimacy while reviewing opportunities to divest other non-core businesses.

Synthomer is on a journey to become a global specialised chemical company focused on three core end markets, with excellence embedded throughout our business and a sharp focus on sustainable innovation. While we are experiencing such a challenging point in the trading cycle for our key markets we will continue to focus on generating cash and strengthening our balance sheet. But cycles move on, and I am confident that our strategy is the right one – and that it will make us a trusted and responsible player in our customers' value chains, meeting the needs of the end consumer through sustainable innovation, so that we grow back stronger and continue to deliver on our purpose of creating innovative and sustainable polymer solutions for the benefit of customers and society.

Outlook

Our year to date trading performance reflects the continuation of the challenging macroeconomic conditions in the final quarter of 2022, with subdued levels of demand across most of our end markets and geographies. We expect to make progress in the second half of 2023, reflecting the benefits of our operational and cost actions, supplemented by the anticipated start of an improvement in market conditions, although visibility of this is currently limited. As previously indicated, while underlying end-market demand for medical gloves remains robust, we do not expect the unprecedented period of destocking, and hence low NBR production levels, to abate before the end of 2023.

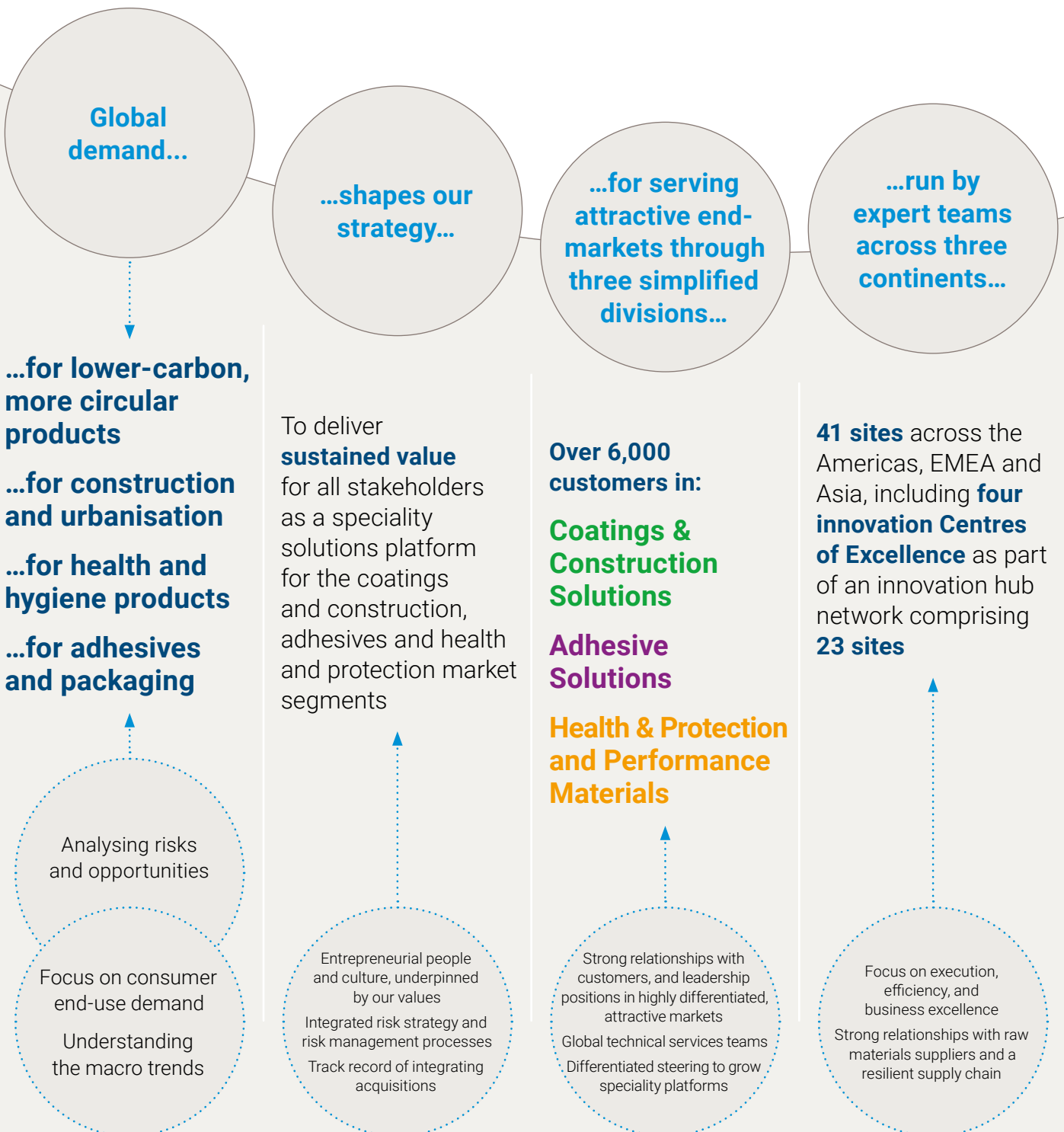
We have taken decisive actions to strengthen our business in the current difficult environment and position ourselves for profitable growth as demand recovers. We remain confident in our ability to execute Synthomer's refreshed strategy and deliver the medium-term targets we set out in October 2022, which were mid-single-digit growth in constant currency over the cycle, EBITDA margins above 15% and mid-teens return on invested capital.

Michael Willome
Chief Executive Officer

28 March 2023

Our business model

Innovation, sustainability and end-market focus are at the heart of our business model, which draws on our unique teams and assets to deliver high-performance speciality chemical products and create value for all our stakeholders.



...and create value for all stakeholders.

...that add value for customers...

...by making specialist high-performance products...

...and fulfilling our purpose...

£265.1m
Total Group EBITDA

5,200
Employees in 24 countries
(2021: 4,600 employees)

£266.1m
wages and salaries
(2021: £243.7m)

£33.7m
R&D spend
(2021: £28.9m)

50%
of new products with sustainability benefits

£1.9bn
spend with suppliers
(2021: £1.6bn)

£99.5m
returned to shareholders
(2021: £73.5m)

£65.6m
corporate tax paid
(2021: £86.4m)

Responding to consumer needs in thousands of applications

Outstanding product and process innovation

Focusing on sustainability benefits for our customers and end users

Focused on sustainable, emissions-reducing chemistries including:

- Acrylic and vinylic water-based dispersions
- Adhesive tackifying products
- Speciality chemical additives and non-water-based chemistry
- Acrylate monomers
- Water-based nitrile butadiene latex and performance materials

Highly differentiated portfolio
Improved products with improved margins

Formulations designed for use in customer-specific products to meet consumer needs

Close technical services partnerships with customers to advise on applications, sustainability and end use

London Stock Exchange
Green Economy Mark

...creating innovative and sustainable polymer solutions for the benefit of customers and society

Vision 2030, our ESG roadmap and alignment with science-based targets for our net zero commitment

Our values:
Safety, health and environment
Accountability
Integrity
Teamwork
Innovation

Our strategy

Our strategy aims to drive Synthomer forward as a speciality solutions platform for the coatings and construction, adhesives, and health and protection market segments in order to create sustained value for all our stakeholders.

Everything we do is underpinned by sustainability, end-market focus and innovation.

How have we chosen our end markets?

Our strategy takes the consumer as the starting point, anticipating global megatrends and identifying sectors where we can get closer to our customers in attractive end markets where Synthomer has the products, skills and leadership positions to win.

Coatings, construction and adhesives are all markets projected to grow at around 4-5% over the cycle, driven by strong demand for sustainable products – and the health and protection markets are forecast to grow at 6%+. As we describe on [page 14](#), in January 2023 we reorganised our business to create three new divisions targeted at these markets: Coatings & Construction Solutions (CCS), Adhesive Solutions (AS), and Health & Protection and Performance Materials (HPPM).

Why focus on speciality platforms?

Specialisation creates access to GDP+ growth, driven by global megatrends – climate change and sustainability, urbanisation, demographic changes and the continuing shift in economic activity to Asia. Base chemical businesses can still be highly successful but are more cyclical, with volumes subject to fluctuating supply and demand.

So we are applying rigorous portfolio management as a pillar of our strategy, ensuring we focus on businesses where we can win. This will mean divestment of non-core businesses, organic growth of our core businesses, and – when the time and opportunity is right – strategic acquisitions. We are also focused on differentiated steering – allocating talent and capital to driving growth in our speciality platforms, and to cash generation in our base platforms.



A new strategy to drive value

Synthomer is a speciality solutions platform for coatings and construction, adhesives, and health and protection market segments



Organic growth in attractive end markets



Rigorous and consistent portfolio management to build focused, leading positions



Operational and commercial excellence in how we run our business



Differentiated steering in how we allocate capital and talent



Diversity, equity and inclusion and holistic people development

End-market orientation in everything we do

Sustainability as a value driver and a principle for how we run our business
[See page 39](#)

Innovation as a critical enabler
[See page 24](#)

Objective:
Speciality chemicals company focused on select attractive end markets

Our new divisional structure

We have changed the way we do business so we are closer to consumers, more embedded in our customers' markets, and better able to deliver the sustainable innovations that will drive our success. As of 1 January 2023* we have three new, market-focused divisions with strong commercial positions and global reach.



Coatings & Construction Solutions

Our specialist polymers enhance the sustainable performance of a wide range of coatings and construction products. We work across architectural and masonry coatings, mortar modification, waterproofing and flooring, fibre bonding, and energy solutions. [Read more on page 16](#)

2022 revenue

£996.1m

2021: £920.2m

2022 EBITDA

£120.8m

2021: £141.1m



Adhesive Solutions

Our adhesive solutions bond, modify and compatibilise surfaces and components for products including tapes and labels, packaging, hygiene, tyres and plastic modification, helping improve permeability, strength, elasticity, damping, dispersion and grip. [Read more on page 18](#)

2022 revenue

£572.9m

2021: £155.5m

2022 EBITDA

£67.2m

2021: £22.5m



Health & Protection and Performance Materials

We help enhance protection and performance in a wide range of industries including medical glove manufacture, speciality paper, food packaging, carpet and artificial turf, gel foam elastomers, and vinyl-coated seating fabrics.

[Read more on page 20](#)

2022 continuing revenue

£814.9m

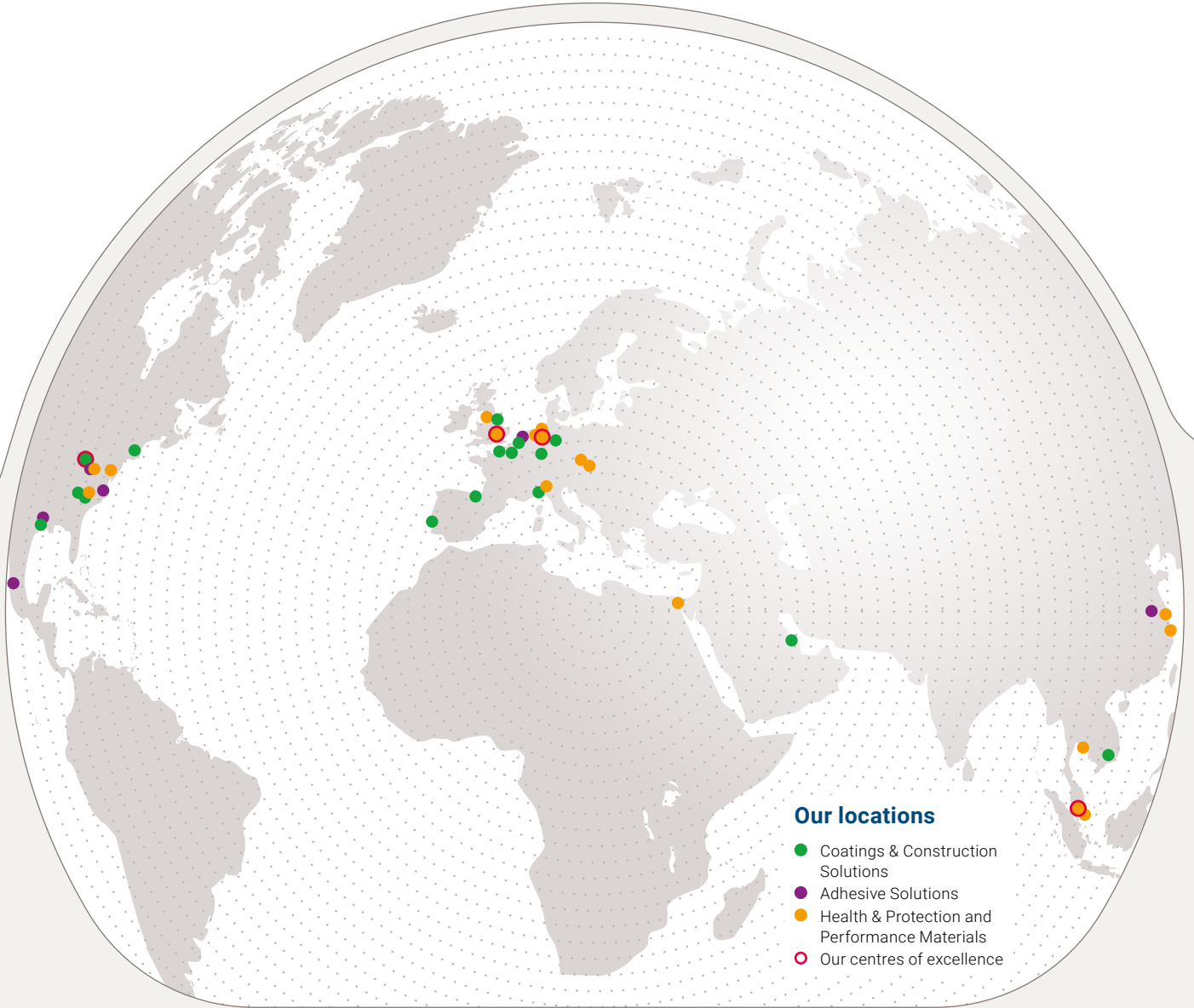
2021: £1,068.5m

2022 continuing EBITDA

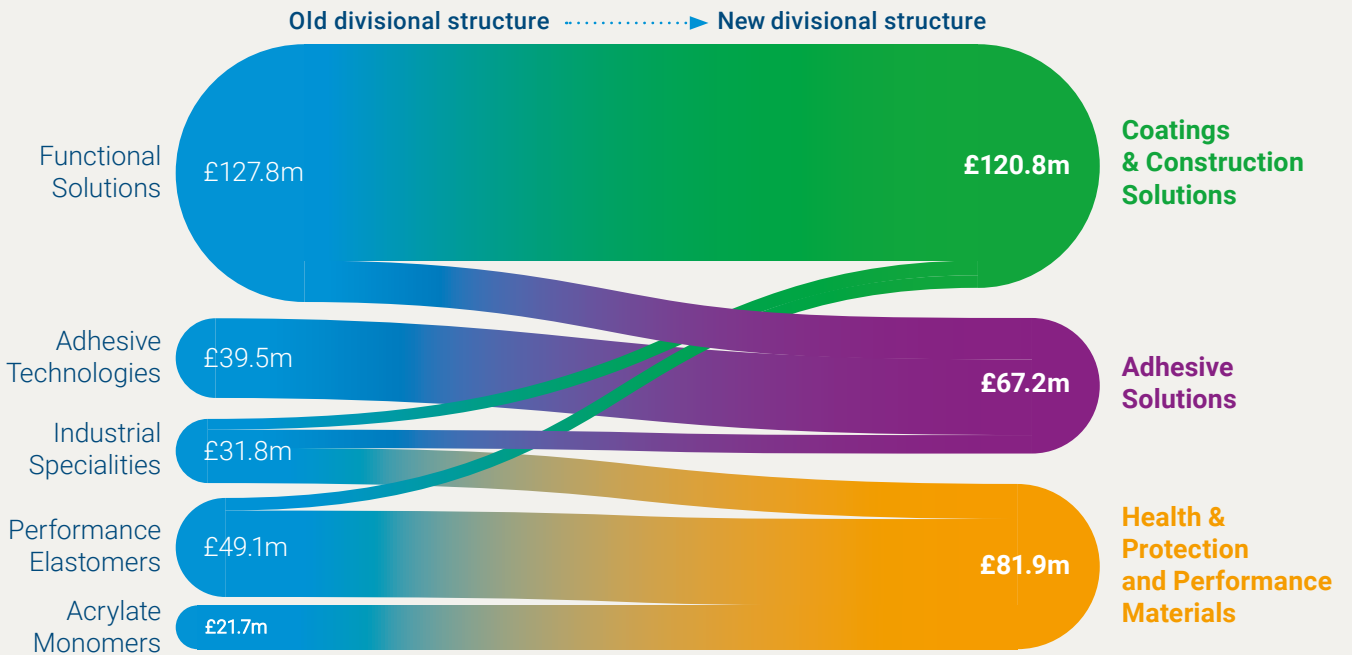
£81.9m

2021: £355.0m

*We report in line with the five divisions that were in place during the reporting period to 31 December 2022 in our Review of the year [pages 28 to 38](#) and Financial statements [pages 161 to 202](#).



2022 EBITDA contribution under old and new divisional structures*



* £20.7 million in corporate costs not allocated.

Who we are and what we do

Introducing: **Coatings & Construction Solutions**



Our Coatings & Construction Solutions division (CCS) was created in January 2023, bringing together a range of Synthomer businesses focused on two end markets where we have leadership positions and potential for growth. President, Coatings & Construction Solutions **Ana Perroni Laloe** describes the opportunities ahead for her division.

Why is the division focused on the coatings and construction markets?

Ana Perroni Laloe Accelerating urbanisation is one of the biggest megatrends around the world. People will always need a place to live!

Whether we are serving customers who are engaged in building whole new cities, or customers who supply you and me with the materials to repaint our own houses, there's a clear opportunity for innovative, sustainable products to meet demand. Both markets demonstrate GDP+ growth, and both require specialised, highly differentiated products with sustainability benefits – the products Synthomer does best. We've focused the division on getting closer to these end markets, and closer to customers. We have really talented people across the division, experienced and knowledgeable teams and strong geographic coverage.

Main markets

Architectural and masonry coatings

Waterproofing and flooring

Fibre bonding

Energy solutions

Addressable market

£8bn+

1,900
employees
in 17 plants

Where do you see your biggest opportunities?

AP In coatings, we already have a competitive advantage because of the sustainability benefits of our water-based technologies in applications such as architectural coatings, coatings for wood and metal, and automotive. These will continue – consumers want these benefits, and regulations increasingly require them. We see the opportunity to do more in industrial coatings in particular, where our innovation gives us a potential edge.

There is a particular opportunity in insulation, where our specialist products are used to coat the glass fibre in insulation systems – we can all see insulation growing strongly as consumers and governments respond to the climate crisis and energy prices (see case study, below).

Construction generally is similar in that sustainability is a big driver – customers value products that support their own net zero ambitions, and we can really help with that.

What might surprise people about the division?

AP One area where we are very strong, but which people may not know about, is in Energy Solutions. On the one hand our advanced liquid and dry cementing products – and high-performance drilling fluid additives – are used in challenging operational environments around the world. But what is very exciting at the moment is our water-based anode binders that help deliver high charge capacity, reliability and long life in lithium-ion batteries for electric vehicles, energy storage

and other devices – supporting the transition to a decarbonised world. Styrene butadiene rubber (SBR) has become the most widely used lithium-ion anode binder because of its balance of versatility and electrochemical performance. Our SBR binders have been engineered to meet cell manufacturers' needs and can fit straight into their existing manufacturing processes and deliver excellent battery performance.

Sustainability is clearly a focus – how do you support customers with their sustainability goals?

AP We can deliver sustainability benefits throughout the value chain. The first benefit is that our water-based and powder-based solutions each reduce emissions, in different ways. We can help customers reduce or eliminate substances of concern, such as formaldehyde, and help reduce the need for energy in their processes, supporting their ambitions on Scope 3 carbon emissions.

What are you focusing on in your first year?

AP Safety is always the highest priority. We want the same standard of excellence across the division – and that links to the connected goal of ensuring our sites are reliable and efficient, so we can focus on delivering what our customers want now, and what they'll want in the future. Sustainability benefits will play a big part in that, so we are really driving innovation. Together, these will help put us on the path to the growth we know can be unlocked in our end markets.

QuickShield: energy-saving innovation in the growing insulation market

Energy prices and the drive to tackle the climate crisis have meant that consumers and governments are increasingly focused on one of the best ways to conserve energy: quality insulation.

That's created a surge in demand in the Glass EIFS (Exterior Insulation and Finishing Systems) sector, which is growing faster than GDP. As the leading supplier of resins for EIFS bonding in Europe, insulation is one of the markets where our leadership position and specialist product offer give us a great opportunity to expand.

We offer state-of-the-art XSBR (crosslinked styrene-butadiene rubber) products to bond the glass fibres together to create the mesh structure that gives EIFS mechanical and structural stability. At the same time, our new QuickShield system uses a patented heat cure mechanism to help glass mesh producers to cure their products below the traditional temperature profile, saving energy in the process.



Who we are and what we do

Introducing: Adhesive Solutions



Adhesive Solutions (AS) was created in January 2023. It brings together several Synthomer businesses focused on adhesives, including our former Adhesive Technologies division, which integrated our acquisition of the Adhesive Resins business of Eastman Chemical Company in 2022. President, Adhesive Solutions, **Toby Heppenstall** describes what his division does – and where it is going.

What does the division do – and where does it fit into Synthomer's business?

Toby Heppenstall In a nutshell, we develop, manufacture and sell tackifying resins and polymers that are used primarily in adhesives, but also as modifiers of rubber and plastic.

Helping automotive customers cut carbon and increase recyclability

The automotive sector is a hugely attractive end market for Adhesive Solutions, with tyre additives alone representing an estimated \$0.9 billion addressable market that we rate as GDP++.

It is also an area where our leadership in sustainable products is a key competitive advantage.

For example, upgrading tyre performance contributes to fuel efficiency – a key opportunity for our resins. Our Impera Performance resins enable the creation of high-performance tyres with low rolling resistance while still offering high wet and dry grip. At the same time, gum rosin-based plasticisers for tread compounds are bio-based.

Elsewhere in the car, our speciality tapes help keep increasingly complex electronics neat and tidy, and our dispersions, tackifiers and lithene products all contribute to sound damping, an important focus for electric car makers. Our recently launched High Heat Amorphous Polyolefins (APOs), meanwhile, are helping car makers advance the light-weighting and recyclability of their car interiors.



Much of the division is formed of our adhesive resins acquisition completed on 1 April 2022. Our rationale for the transaction was that we had long identified adhesives as a very attractive growth market. It offers increased specialisation and is margin accretive, and supports our sustainability goals by offering renewable products and exciting circularity options. The business is also very end-market focused – we have strong exposure to attractive end markets covering growth areas such as hygiene, packaging and tyres. Now Synthomer has the broadest offering in the industry, with leading positions in EMEA and the Americas across all tackifier product groups.

The integration also identified \$25-30 million in potential synergies, and we are making progress towards those – which is all thanks to the people from every function in the division who are going the extra mile to make it work.

What are the applications for your products?

TH There are lots, because our products can do three important things: bonding, modifying and compatibilising. For example, in your car alone you could find our products in the sound damping, the carpet backing, and the tyre tread, where our Impera resins are a market leader. In your shopping basket you might find them in cardboard and plastic food packaging, nappies, carton-closing mechanisms, adhesive tapes, labels or metallised film.

Some of these are products that have been around for many years, playing a critical role in the supply chain. But thanks to continual innovation we also have within our speciality portfolio many newer, high-margin products playing in smaller, high-value, high-growth markets.

Where do you see your biggest opportunities?

TH Demand is driven by major megatrends – most of which are in some way underpinned by sustainability.

Our portfolio is uniquely positioned to help drive circular solutions – including through the introduction of circular feedstocks. Our high-performance water-based polymers can also displace solvent-borne adhesives – a trend that plays to our leadership in innovation.

One example is ‘sustainable convenience’ – the drive to keep making convenient packaging for consumers, but with reduced environmental impacts. Adhesives have a key role to play here in helping customers create lighter, more recyclable packaging.

Another is ‘sustainable mobility’ – especially cars, where we can help car makers boost fuel efficiency, recyclability and light-weighting (see case study, below, left).

Who – and where – are your customers?

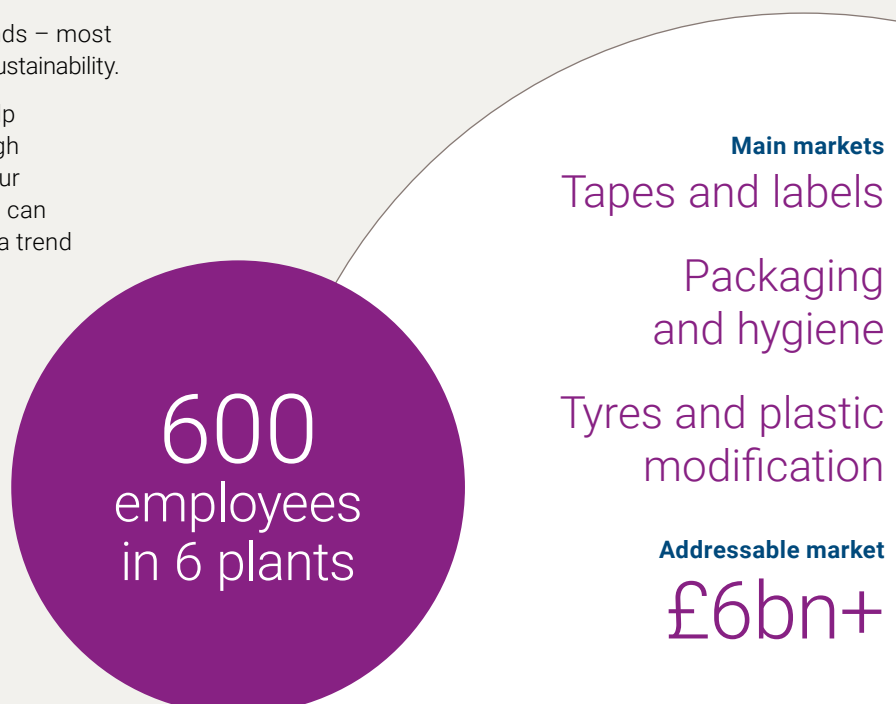
TH We have over 300 customers – many of them blue chip – and our products are sold in more than 600 locations around the world.

In fact our customer base is a particular strength of the division. We have strong relationships with many of them, on average for 15 years and in many cases much longer than that, and those relationships are based on us listening and understanding their needs. That’s why we have a large, technically capable, customer-facing team that helps our customers develop solutions.

What are you focusing on in your first year?

TH We will continue to focus on safety as a priority. Synthomer has industry-leading SHE standards and we are integrating our new businesses into our SHE programmes, while at the same time recognising that the chemistries and processes we use in Adhesive Solutions are inherently higher-hazard.

Beyond safety, our main focus is on completing the integration of the acquired adhesive resins business fully into Synthomer, increasing its operational stability and broadening the raw material supply chain. This will lay the foundation for us to grasp the long-term opportunities we see ahead for this important part of our refreshed strategy.



Who we are and what we do

Introducing: Health & Protection and Performance Materials



Our Health & Protection and Performance Materials (HPPM) division was created in January 2023, bringing together our NBR business, the second-largest in the world, with a range of non-core performance materials businesses with leadership positions in the paper and carpet markets. President, HPPM, **Rob Tupker** describes the opportunities ahead for his new division.

Why is Synthomer focused on the health and protection market?

Rob Tupker Long-term demand for health and protection products is one of the strongest megatrends underpinning Synthomer's strategy. The nitrile butadiene latex (NBR) market is already a \$3 billion addressable market, and we believe it is set to continue to grow at a rate of 6+% per annum during the coming years. We are a world leader in NBR, which our customers use for glove-dipping. The gloves our customers make are used in a wide range of healthcare settings, and they're also increasingly used in many other sectors – food preparation and hospitality, for example.

The growth in urbanisation and healthcare in emerging markets is a particular opportunity. Around 400 billion gloves are already used each year worldwide, but they are disproportionately used in developed markets – per capita use in the USA is 200 compared to around 100 in Europe, and much lower in developing regions. We believe that gap will close over time. So while compared to the rest of Synthomer you could describe this division as a 'base' rather than 'speciality' business, it is focused on a very high-growth market – meaning that Health & Protection is very much a core business.

1,300
employees
in 14 plants

Main markets

Medical glove
manufacture

Speciality paper
and food
packaging

Addressable market

£4bn+

Supporting customers through customer service and sustainability

Getting close to our customers and meeting their needs – including for more sustainable products – is central to our approach. So we were proud to be recognised this year by Ansell, a global leader in protection solutions and a market-leading glove manufacturer. At Ansell's Supplier Summit in February 2023, Synthomer received an Outstanding Performance Award, recognising the contribution our teams had made in 2022 to ensuring Ansell had the nitrile latex supplies they needed to meet high demand, and in supporting their sustainability ambitions through our work and transparency around our Scope 1 and Scope 2 emissions.



What gives the division competitive advantage in this sector?

RT First, product quality. Gloves made from our speciality NBR ensure a combination of high tensile strength, good elongation and relaxation.

That product quality is driven by our second competitive advantage: process and product innovation. The jewel in the crown of our innovation resources is our Asia Innovation Centre (AIC) in Malaysia. The AIC has state-of-the-art R&D reactor capabilities and application technology, including a robotic glove-dipping laboratory. It gives us a real edge, having such great capabilities located so close to many of our customers.

An important third factor is our scale. We are the second-largest player in the NBR market, and we are competitive on cost. And an increasingly important factor is our work on sustainability – another megatrend that will shape the sector in the future.

How are you making the NBR business more sustainable?

RT We can help customers create more sustainable gloves in a number of ways. One is by improving our processes to make them more energy efficient. Another is by improving the product so that customers can improve the energy efficiency of their own processes. Thirdly, we are increasing our collaboration with customers and other partners across the whole chain to improve the overall carbon footprint of the glove lifecycle, with several initiatives focused on recyclability and

bio-degradability. The industry faces a significant challenge as well as opportunity here, given that most gloves used in healthcare have to be incinerated for safety reasons.

SyNovus™ is our latest innovation platform for developing sustainable NBR for glove manufacturing. It enables customers to use lower curing temperatures in their process, reducing their energy costs and carbon footprint. We've also developed SyNovus™ Plus, which is accelerator-free and has a reduced chemical loading, minimising the risk of some allergies. Gloves made with SyNovus™ Plus are readily recyclable into new rubber products, such as soles for shoes.

What other sectors does the division compete in?

RT Health & Protection is the largest part of the division, but we have a number of smaller niche performance materials businesses focused on markets including paper, carpet, acrylate monomers, speciality vinyl polymers, elastomeric modifiers and inorganic specialities. While these are attractive businesses where we have leadership positions, they have been assessed as non-core to the wider Group strategy.

What are your priorities for 2023?

RT We need to maintain our focus on safety as a priority. Our NBR business has an excellent safety record and we want the whole division to meet those standards. We also need to remain cost-competitive, focusing on process innovation while developing further lifecycle sustainability benefits for our products and getting closer to our customers.

Our key performance indicators

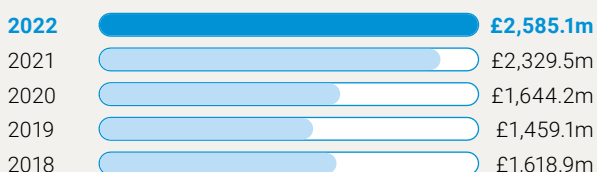
Measuring the delivery of our strategy.

As part of our strategy refresh in 2022, we also reviewed our KPIs to ensure they continued to measure our performance and provide valuable insight to us and our stakeholders. To fully reflect our five strategic pillars, we added return on invested capital (ROIC), revenue and gender diversity as KPIs. We now report absolute Scope 1 and Scope 2 carbon emissions, replacing our previous energy intensity

KPI. All performance KPIs are shown for the Total Group as operated in the year. We set out our performance against all of our Vision 2030 sustainability targets on [page 43](#). We no longer report revenue volumes or underlying profit before tax as KPIs. All performance KPIs are shown for the Total Group as operated in the year.

Financial

Revenue



Strategy



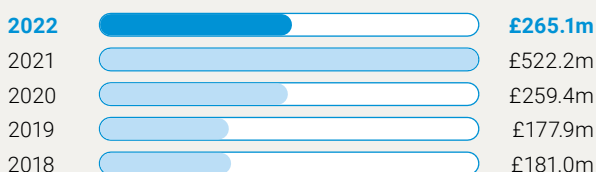
Definition

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

Comment

Revenue in 2022 increased by 11.0% to £2,585.1m, principally reflecting nine months of revenues from our new adhesive resins business, offset by a substantial reduction in revenue from our Performance Elastomers division when compared to the exceptional performance of 2021, largely driven by unprecedented destocking of nitrile gloves.

EBITDA



Strategy



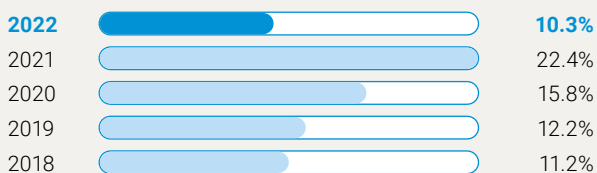
Definition

Operating profit before depreciation, amortisation and Special Items.

Comment

Group EBITDA of £265.1m reduced by 50.8% compared to the exceptional performance of 2021. Reduced EBITDA from Performance Elastomers and weakening demand in the second half in our other businesses was partially mitigated by robust price management.

EBITDA %



Strategy



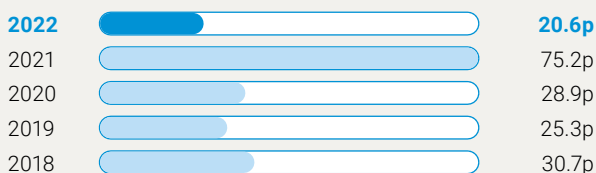
Definition

EBITDA as a percentage of revenue

Comment

While speciality businesses were largely successful in passing through substantial increases in raw material and energy costs, margins were reduced in base businesses.

Underlying EPS



Strategy



Definition

Basic Underlying earnings per share before Special Items.

Comment

The reduction in underlying EPS reflects increased interest costs following our acquisition of our new adhesives business, alongside reduced EBITDA.

Link to strategy



Organic growth in attractive end markets



Rigorous and consistent portfolio management to build focused, leading positions



Operational and commercial excellence in how we run our business



Differentiated steering in how we allocate capital and talent



Diversity, equity and inclusion, and holistic people development

Financial KPIs continued

Free Cash Flow



Strategy



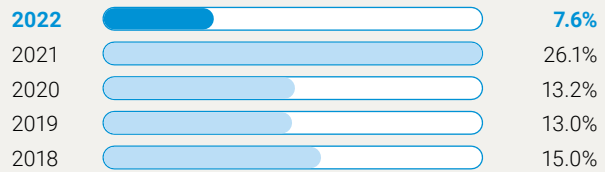
Definition

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

Comment

Free Cash Flow of £69.2m in 2022 reflects an outflow of £(62.0)m in H1, driven largely by significant raw materials price increases, and an improvement of 131.2m in H2, as the Group took action to focus on cash as macroeconomic conditions deteriorated.

ROIC



Strategy



Definition

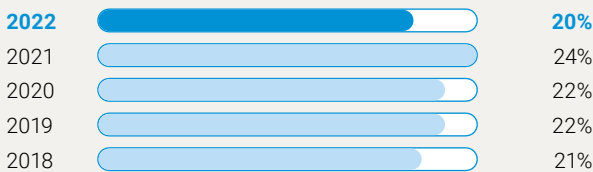
Underlying operating profit after tax divided by average invested capital at start and end of year (comprising equity, net debt, post-retirement benefit obligations and lease liabilities).

Comment

2022 ROIC was lower than both the exceptional 2021 level and previous years, reflecting the lower operating profit and the capital deployed for the adhesive resins acquisition.

Non-financial

% New and protected products (NPP)



Strategy



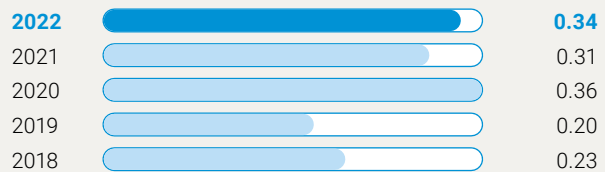
Definition

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

Comment

The decrease in NPP reflected the ongoing effects of COVID-19, which slowed the commercialisation of some new products in early 2022, and the integration of our new adhesives business.

Recordable case rate



Strategy

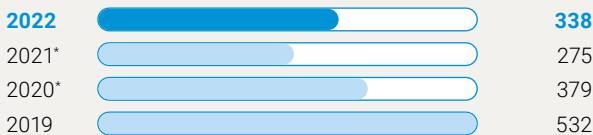


Definition

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

Comment

Businesses acquired in 2020 and 2022 increased our recordable case rate relative to the legacy portfolio which have benefited over many years from our SHE programme. We aim to ensure that newly acquired businesses are fully aligned to Synthomer standards within a three-year cycle.

Scope 1 & 2 emissions ktes CO₂e*

Strategy



Definition

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

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

Comment

The significant reduction in absolute emissions versus 2019 has three major components: production volumes; progress in transition to renewable electricity and the closure of the Sokolov site's coal-fired power station. In 2022 this was partially offset by the acquired adhesive resins business, which is higher energy intensity compared with the rest of the Group.

* Excluding Adhesive Technologies

Gender diversity in senior management



Strategy



Definition

Proportion of women in the senior management population (members of the Executive Team and their direct reports).

Comment

Since 2019 the number of senior leaders who are women has risen from 9% to 25%. We have committed to achieving 40% gender diversity across senior management by 2030 as a stepping stone to true gender balance.

Innovation

At the heart of our strategy for specialisation



“ Innovation is a key enabler of Synthomer’s refreshed business strategy, driving specialisation, sustainability and growth. ”

Marshall Moore

Chief Technology Officer and President, Americas

Focused innovation that meets customers’ needs

End-market focus, sustainability and innovation – these are the three enablers of Synthomer’s strategy for becoming a speciality chemicals company, as described on [pages 12 and 13](#). So it makes sense that our innovation has sustainability and end markets constantly in mind – because everything we do should bring us closer to our customers’ needs, including their need for more sustainable, more specialised products.

Our work on new product design, process improvements, and new application development aims to deliver more sustainable innovations and offer value-added performance to our customers, while driving Synthomer’s growth. We apply the principles of the three pillars of our Technology Platforms approach – sustainability, enhanced performance, and formulation and process efficiency – while identifying innovation opportunities through market research and collaborations with customers. We measure our progress towards two important targets. Our first goal is that 60% of new products should have a defined sustainability benefit by 2030. At the same time, we are aiming to ensure that new and protected products make up at least 20% of our sales volume – the NPP metric* – over the long term.

Highlights in 2022

- Completed the commercial launch of SyNovus™ Plus
- Integrated the global Technology & Innovation team from our new adhesive resins business
- Updated our sustainability assessments to capture downstream sustainability benefits for customers
- Several new-product-launch teams honoured at our Synthomer Innovation Awards

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

The three pillars of our Technology Platforms innovation approach



Sustainability

Supporting Synthomer's Vision 2030 roadmap through technologies and products that:

- Are based on more sustainable raw materials, including bio-based materials
- Have lower environmental impacts when in use
- Have lower environmental impacts at the end of their lives.



Enhanced performance

Expanding and diversifying Synthomer's portfolio by investigating new product technologies that perform better at:

- Binding, bonding and coating
- Improving adhesion, repellency, or aesthetics
- Improve productivity and durability.



Formulation and process efficiency

Developing efficient technical approaches and methodologies that:

- Make us more efficient
- Get our products to market quicker
- Enhance our product knowledge
- Give us a better return on investment.

Sustainably innovating specialist solutions

This year we achieved 50% of new products with a sustainability benefit.

We conduct sustainability benefit assessments on all our product innovation projects, and we've introduced new people and tools to conduct lifecycle assessments on candidate products during the innovation process. We've also developed our assessments this year to include the downstream benefits realised by our customers or end users – adding value for our customers and helping them meet their own sustainability targets.

We are focused on three main ways to improve the sustainability of our products: reducing or eliminating ingredients of concern, enabling circularity, and carbon emission reduction in our operations and/or in use. We describe this work in more detail in the Sustainability section of this report, on [pages 46 to 49](#) – where we also discuss the important progress we are making on increasing our use of bio-based raw materials, which have the potential to enable further

sustainability benefits for our customers in the future, particularly when it comes to carbon-footprint reduction.

Robust pipeline of innovations despite disruptions

In 2021 the ongoing effects of COVID-19 slowed the commercialisation of some of our new products, an impact that was still being felt in early 2022. This year we also integrated our new adhesive resins business, which under previous ownership historically focused innovation efforts on process efficiency rather than new products. The short-term effect is a modest decrease of our Group NPP to 20%, just at our group target. However, recent investments in the adhesives business in differentiated product innovation, such as the introduction of Aerafin amorphous polyolefins, have laid the foundations for an increase in sales from new products. Other adhesives projects focus on improved product quality, circular approaches and the use of sustainable raw materials. So in the future, the businesses that now

form our Adhesive Solutions division will not only support our NPP metric, but will also align well with our overall sustainability objectives.

At the same time, product development across the Group recovered momentum in the second half of 2022, as customers returned to assessing and qualifying new products. One of the significant new products to benefit from this recovery is SyNovus™ Plus, our new product for medical glove-makers that provides the same high-performance barrier protection as conventional nitrile latex while being recyclable and reducing GHG emissions. SyNovus™ Plus experienced delays in customer qualification in early 2022 as a result of COVID-19 restrictions in Malaysia, but following successful commercial trials later in the year, it is now positioned for full commercial adoption in 2023. It will be an important product for us, and demonstrates many elements of our new strategy – an innovation with sustainability benefits, targeting the attractive health and protection end market.

Innovation continued

Aerafin 230: an innovative adhesive for the automotive industry

We set out to innovate new products which offer customers in attractive markets high performance alongside sustainability benefits, including the elimination of undesirable chemicals. This year, our adhesives teams launched Aerafin 230, which customers use to formulate hot melt laminating adhesives that are used by the automotive industry when building car and vehicle interiors.

Technically known as a high-heat amorphous polyolefin (APO), and part of our wider Aerafin range, Aerafin 230 helps auto-makers replace adhesives based on polyurethane reactive technology. This provides a non-hazardous alternative to the use of isocyanate crosslinkers, a raw material which many customers are seeking to replace. There will be benefits at the end of the vehicle's lifecycle, too, as the use of Aerafin 230 will make disassembly for recycling easier.



Close to our customers – all over the world

We have a network of 20 innovation sites around the world. These include our four centres of innovation excellence, in the UK, Germany, Malaysia and the USA, which provide product and process innovation across all our divisions. The other 16 sites are technical centres and pilot lines located close to our manufacturing sites or the markets they serve, where they can respond to market-specific customer needs. These now include lines at Jefferson and Longview in the USA, and Middelburg in the Netherlands, which all joined our network following the integration of the adhesive resins business.

Our centres of excellence

Akron, USA
Harlow, UK
Marl, Germany
AIC, Malaysia

Our market-specific technology centres

USA: Auburn, Chester, Jeannette, Jefferson, Longview, Monroe, Roebuck, Stafford.

Rayong, Thailand
St. Albano, Italy
Shanghai, China
Sintra, Portugal
Villejust, France
Accrington, UK
Middelburg, the Netherlands

Priorities for 2023

- Continue improvement in SHE at our technical centres
- Continue our work towards 60% of new products with sustainability benefits
- NPP score above 20% following the integration of new assets
- Seek to commercially launch new products with bio-based or circular raw materials
- Develop a process technology strategy to help deliver decarbonisation of our manufacturing plants
- Attract, develop and retain innovative, collaborative scientists and engineers



Our acrylic and vinyl copolymer dispersions are low-VOC, low-odour and APEO-free, supplying customers and end users in the architectural and industrial coatings markets with binders that meet increasingly demanding environmental standards.

Review of the year

- 28 Financial review: CFO's introduction
- 30 Financial review
- 34 Performance reviews for divisions as at 31 December 2022

Financial review:

Chief Financial Officer's introduction

“ A strong balance sheet is essential to delivering our refreshed strategy. ”

Lily Liu
Chief Financial Officer

Strengthening the balance sheet as a platform for delivering our strategy

The challenges Synthomer has had to address in 2022 have already been described elsewhere. What has been clear to me in my first few months at the Company is that despite those headwinds, Synthomer has a strong underlying business, and has the strategy, structure and people in place to emerge from the current

operating environment well positioned for future success. It is also clear that in order to do that, we need a strong balance sheet – which continues to be my top priority as CFO. So before discussing the details of our performance this year I will start by outlining some of the actions we have taken to improve our balance sheet and create the platform for the delivery of our strategy.

Portfolio management to focus on core, speciality businesses

Our refreshed strategy is focused on attractive end markets where our expertise in sustainable innovation will give us competitive advantage; it has resulted in our reorganisation into three market-focused divisions and helped us to identify the core and non-core, speciality and base chemical elements of our portfolio.

While our portfolio management remains strategic rather than driven by cash considerations, making the right divestments naturally improves our balance sheet. In December 2022, we agreed the sale of our non-core Laminates, Films and Coated Fabrics businesses for net cash proceeds of \$267 million. The sale, which completed in February 2023, increases the speciality weighting of our overall portfolio in line with our strategy, and the proceeds have been used to strengthen our



Continuing revenue

£2,383.9m

2021: £2,144.2m

Continuing EBITDA

£249.2m

2021: £498.0m

Underlying EPS (Total Group)

20.6p

2021: 75.2p

Free Cash Flow:

£69.2m

2021: £217.6m

financial position. We have identified other non-core businesses which we are reviewing for potential disposal. In the future we expect our portfolio management to include bolt-on acquisitions aligned to our speciality focus – but only when the balance sheet allows it.

Our new divisional structure also enables differentiated steering in our allocation of financial and operational resources, including capital allocation. We intend to allocate c.75% of capital to our Coatings & Construction Solutions and Adhesive Solutions divisions and c.25% to Health & Protection and Performance Materials.

Delivering on working capital, headroom and costs

Given the deteriorating macroeconomic environment during the second half, we decided to scale back capital expenditure in 2022 from c.£150 million to £91 million, and expect it to be modestly lower again in 2023. We are also simplifying our organisation and scrutinising cost across the business to drive further efficiencies. We also took the decision to suspend dividend payments for a time while we focus on reducing leverage towards our medium term target of between 1 and 2x net debt to EBITDA.

Our strong focus on cash flow in the second half resulted in the H1 free cash outflow of £62.0 million reversing to a £131.2 million inflow in H2, including a new receivables factoring programme. We will take a tactical approach to working capital, and in particular there are further benefits to be secured from improving the working capital position of the recently acquired adhesive resins business. Overall we are targeting £150 to £200 million of cash savings relative to our previous plans by the end of 2023.

Meanwhile, in October 2022 we secured additional headroom when we reached agreement with our banking syndicates to widen debt covenants and significantly improved our financing structure by signing a five-year, £450 million facility with UK Export Finance. The UK Export Finance facility, 80% guaranteed by the government, is designed to promote business success, innovation and sustainability in the UK.

After the year end, the Group agreed a new \$480 million revolving credit facility which extends the duration of our financing and includes prudent levels of covenant headroom given the current challenging market conditions.

Solid performance in a challenging year

Although we reorganised into three new divisions in January 2023, we are reporting 2022 performance under the former divisional structure, which was in place up to the end of 2022. The increasing headwinds we faced particularly as the second half of the year went on are clearly reflected in these results, which also suffer by comparison to the exceptional 2021 performance. Nonetheless the solid performance of many of our operations supports my belief that

Synthomer is a fundamentally strong business with considerable value creation opportunities ahead. This is a tribute to the work of teams throughout the Group to meet our customers' needs in very challenging times.

Revenue for the continuing Group increased by 9.7% in constant currency, with the contribution of the acquired adhesive resins business and an 8.4% benefit from robust price/mix offsetting a 17.0% reduction in volume. EBITDA for the continuing Group in 2022 was £249.2 million (2021: £498.0 million). Functional Solutions EBITDA of £127.8 million (2021: £139.2 million) and Industrial Specialities EBITDA of £31.8 million (2021: £23.4 million, excluding the discontinued Laminates, Films and Coated Fabrics businesses) both reflected relatively robust performances in the first half followed by a progressively more challenging second half as the macroeconomic cycle turned and reduced end-user demand. In the fourth quarter, these headwinds also began to affect demand for Adhesive Technologies' products (EBITDA since 1 April 2022 acquisition: £39.5 million). The division also experienced a number of reliability and supply chain issues which we are in the process of addressing, as well as lower-than-expected capacity acquired. As a result we took a £133.7 million non-cash impairment charge to write-off substantially all of the adhesive resins acquisition goodwill. Performance Elastomers EBITDA was £49.1 million – a significant reduction from its unprecedented performance of £320.7 million in 2021, which was driven by pandemic-related medical glove demand. The magnitude of the equally unusual destocking cycle that followed is demonstrated by comparing the division's 2022 outturn with its pre-pandemic 2019 EBITDA of £96.3 million. Acrylate Monomers EBITDA of £21.7 million (2021: £35.3 million) continues to normalise from the very strong levels achieved in 2021 as a result of an extreme supply/demand imbalance in that year.

Setting out our medium-term targets

We described our medium-term targets for the business as part of the strategy refresh in October 2022. In line with the growth we anticipate in our markets, we expect mid-single-digit growth over the cycle on a constant currency basis. We aim to bring our EBITDA margin above 15%, driven by sustainable innovation and better product mix, and supported by streamlining and simplifying our manufacturing operations and supply chains. And over time we expect our business to deliver return on invested capital (ROIC) in the mid-teens, underpinned by our working capital and capital allocation discipline. While strengthening our balance sheet remains my top priority, we are also implementing the longer-term changes to our strategy and business which will deliver against these targets and sustainably create value for our shareholders and other stakeholders.

Lily Liu

Chief Financial Officer

28 March 2023

Financial review

Discontinued operations

On 28 February 2023, the Group completed the sale of its Laminates, Films and Coated Fabrics businesses to Surteco North America, Inc. following satisfaction of the conditions to the transaction announced on 13 December 2022. The final net cash proceeds received at completion amounted to \$262 million after transaction expenses and adjustments for working capital, debt and debt-like items, with a further \$5 million receivable in cash on the 13-month anniversary of completion. The net cash proceeds have been used to reduce the Group's debt. The Laminates, Films and Coated Fabrics businesses are reported as discontinued operations in these results.

Special Items – continuing operations

Full year ended 31 December	2022 £m	2021 £m
Amortisation of acquired intangibles	(44.8)	(30.1)
Impairment charge	(133.7)	–
Restructuring and site closure costs	(19.2)	(29.7)
Acquisition costs and related gains	(6.5)	(11.9)
Sale of business	(0.3)	(7.4)
Regulatory fine	21.5	(57.2)
Total impact on operating loss	(183.0)	(136.3)
Fair value gain on unhedged interest derivatives	25.1	6.2
Total impact on loss before taxation	(157.9)	(130.1)
Taxation Special Items	3.6	8.8
Taxation on Special Items	39.3	11.5
Total impact on loss for the year – continuing operations	(115.0)	(109.8)

The following items of income and expense have been reported as Special Items – continuing operations:

Amortisation of acquired intangibles increased in 2022, reflecting the amortisation on the customer lists, patents, trademarks and trade secrets arising on the acquisition of Eastman's adhesive resins business. The fair value of the intangible assets arising on the acquisition, amounting to £273.2 million, are being amortised over a period of 8-20 years.

A £133.7 million non-cash impairment charge was taken in the year, relating to the Adhesives Technologies division. This reflected reliability and supply chain issues, which we are working to resolve, and lower-than-expected capacity acquired, reducing the forecast earnings from the adhesive resins acquisition used for impairment testing.

Restructuring and site closure costs in 2022 comprise a £9.3 million charge in relation to the ongoing integration of the acquired adhesive resins business into the Group, a £3.2 million charge in relation to closure of one of the smaller sites in Malaysia; and a further £6.7 million in relation to further demolition and site rationalisation costs, as well as costs in relation to the strategy refresh and alignment of the business into its new divisions effective in 2023.

Restructuring and site closure costs in 2021 comprised £13.2 million of OMNOVA integration costs following its acquisition in 2020, an £11.6 million charge to demolish and rationalise assets at a small number of sites to bring them into line with our sustainability strategy, and a further £4.9 million to complete the rationalisation of the Group's European Performance Materials network.

Acquisition costs and related gains are for the acquisition of the adhesive resins business and comprise £11.9 million of costs, mainly professional adviser fees, offset by a £5.4 million gain on a foreign exchange derivative entered into in October 2021 to hedge the acquisition price. Acquisition costs in 2021 also related to the acquisition of adhesive resins.

In 2021 sale of business comprised a £7.1 million loss on the onerous contract for the disposal of Synthomer's European Tyre Cord business in 2020.

During 2018, the European Commission initiated an investigation into styrene monomer purchasing practices of a number of companies, including Synthomer, operating in the European Economic Area. The Company has fully cooperated with the Commission throughout the investigation. In 2021, based on the information available and

the resulting assessment of the expected outcome of the investigation, Synthomer made a provision of £57.2 million. In 2022, the Commission concluded its investigation, resulting in a fine of £38.5 million, to be paid in Q3 2023, resulting in a credit to the P&L via Special Items in 2022.

In July 2018 the Group entered into swap arrangements to fix euro interest rates on the full value of the then €440 million committed unsecured revolving credit

facility. The fair value movement of the unhedged interest rate derivatives relates to the movement in the mark-to-market of the swap in excess of the Group's borrowings in the year.

Taxation Special Items comprised a prior period adjustment in relation to a historical tax issue in Malaysia.

Taxation on Special Items is mainly deferred tax credits arising on the amortisation of acquired intangibles and restructuring costs.

£14.9 million of Special Items – discontinued operations (2021: £5.8 million) were also recognised, including £6.1 million (2021: £6.1 million) of amortisation of acquired intangibles, £0.3 million in restructuring and site closure costs, and £8.3 million related to the costs, primarily professional fees, incurred in conjunction with the sale of the Laminates, Films and Coated Fabrics businesses to Surteco.

Finance costs

Full year ended 31 December

	2022 £m	2021 £m
Net interest payable	43.2	26.9
Net interest expense on defined benefit obligation	1.2	2.0
Interest element of lease payments	1.4	1.5
Underlying finance costs	45.8	30.4
Fair value gain on unhedged interest derivatives	(25.1)	(6.2)
Total finance costs	20.7	24.2

Underlying finance costs increased to £45.8 million (2021: £30.4 million) and comprise interest on the Group's financing facilities, interest rate swaps, amortisation of associated debt costs and IAS 19 pension interest costs in respect of our defined benefit pension schemes.

The rise in the net interest payable mainly reflects the additional debt utilised to finance the adhesive resins acquisition, which completed in April 2022, as well as higher base rates.

The Group's borrowings under the committed unsecured €460 million revolving credit facility remained below the total of the related interest rate derivative contracts and as a result the unhedged portion of the interest rate derivatives resulted in a gain which was recognised in the income statement as a Special Item.

Taxation

The Group's effective tax rate is affected by the tax impact of Special Items. It is

therefore helpful to consider the Underlying and Special Items tax position separately:

- Underlying tax charge was £28.1 million (2021: £94.5 million), representing an effective tax rate on Underlying profit before tax for the year of 22.5% (2021: 22.5%), reflecting the geographical mix of profits.
- Taxation for Special Items was £42.7 million (2021: £20.6 million), or an effective tax rate for Special Items of 24.7% (2021: 15.1%). The increase was driven by deferred tax credits on the amortisation of acquired intangibles and on the impairment of the goodwill relating to the adhesive resins acquisition.

Non-controlling interest

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

Earnings per share

Earnings per share is calculated based on the average number of shares in issue during the year. The weighted average number of shares for 2022 increased to 467,311,000 (2021: 432,290,000).

Underlying earnings per share is 20.6 pence for the year, down from 75.2 pence in 2021, reflecting the lower earnings relative to the prior year and higher number of shares. The statutory earnings per share is (7.0) pence (2021: 48.3 pence).

Balance sheet

Net assets of the Group decreased by 0.2% to £1,031.0 million, mainly reflecting the £33.0 million loss for the year, dividend payments of £99.5 million offset by gain of £99.1 million on translation of foreign currency.

Provisions

As a result of the regulatory fine provision unwind and other movements, provisions have decreased to £54.0 million (2021: £103.2 million).

Financial review continued

The closing balance includes £15.0 million in relation to the rationalisation of sites around the Group, most notably in Marl and Villejust, £6.8 million in relation to the onerous contract arising on the disposal of the European Tyre Cord business, and £9.6 million to demolish assets at a small number of sites.

In the year, two new provisions were recognised on acquisition of the adhesive resins business from Eastman. £9.9 million was recognised in relation to environmental remediation work required

at the Jefferson and Middelburg sites, and a further £9.9 million was recognised for the demolition and disposal of unused equipment and vacant tanks at the Jefferson and Longview sites in order to bring them in line with our ESG strategy.

During 2022, the European Commission concluded its investigation into styrene monomer purchasing practices, and the final settlement amount of £38.5 million, to be paid in Q3 2023, was transferred to other payables.

Cash performance

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

Full year ended 31 December	2022 £m	2021 £m
Underlying operating profit (excluding joint ventures)	169.5	448.3
Movement in working capital	19.1	(82.8)
Depreciation of property, plant and equipment	86.0	64.2
Amortisation of other intangible assets	7.9	7.1
Share-based payments charge	0.7	2.1
Capital expenditure	(90.8)	(82.2)
Business cash flow	192.4	356.7
Net interest paid	(38.2)	(27.6)
Tax paid	(65.6)	(86.4)
Pension funding	(21.3)	(27.0)
Dividends received from joint ventures	1.9	1.9
Free Cash Flow	69.2	217.6
Cash impact of restructuring and site closure costs	(25.9)	(17.8)
Cash impact of acquisition costs	1.7	(6.6)
Proceeds on sale of business	0.3	1.7
Purchase of business	(759.6)	-
Share issue proceeds	-	203.1
Repayment of principal portion of lease liabilities	(10.1)	(9.7)
Dividends paid	(99.5)	(73.5)
Dividends paid to non-controlling interests	-	(0.5)
Foreign exchange and other movements	(86.8)	33.7
Movement in net debt	(910.7)	348.0
Closing net debt	1,024.9	114.2

At 31 December 2022, net debt was £1,024.9 million (2021: £114.2 million), principally reflecting the additional borrowings drawn for the £759.6 million acquisition of the adhesive resins business in April 2022.

Underlying operating profit reduced to £169.5 million reflecting the trading performance described above. The net working capital increase of £128.0 million in the first half of the year was followed in the second half by a release of £147.1 million. This was as a result of active inventory and account management, lower activity levels, moderating raw materials pricing and a factored receivables facility put in place in December 2022, described below. Over the full year, £19.1 million was released from working capital.

In order to manage the significant increase in working capital requirements over the last year and optimise cash generation, the Group put in place two-year, non-recourse factored receivables facilities in December 2022 for a maximum aggregate amount of €200 million. Factored receivables assigned under the facilities amounted to £82.7 million net at 31 December 2022. Under the facilities, all the risks and rewards of ownership are transferred to the assignees.

Depreciation and amortisation of other intangibles increased due to the Adhesive Technologies non-current assets acquired. Capital expenditure was £90.8 million (2021: £82.2 million), lower than the c.£150 million plans outlined at the start of the financial year, reflecting the Group's actions to optimise cash flow. The Group continues to invest principally in its Pathway Programme systems transformation project, recurring SHE and sustenance expenditure.

Interest paid increased to £38.2 million reflecting the adhesive resins acquisition debt. Tax paid decreased to £65.6 million reflecting lower operating profit, higher payments on account as a result of the high profitability of the nitrile business in 2021 and settlement of a historical tax case in H1 2022.

The cash impact of Special Items including restructuring and site closure costs and acquisition costs and related gains was an outflow of £24.2 million.

Dividends paid increased, reflecting the 2021 final dividend paid in the second half of 2022.

Our debt is denominated in euros and dollars. Both the euro and the dollar strengthened significantly relative to sterling during 2022, leading to a foreign exchange loss in net debt.

Retirement benefit plans

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

The Group's net retirement obligation decreased by £49.0 million to £73.4 million at 31 December 2022 (31 December 2021: £122.4 million) and reflects the market value of assets and the valuation of liabilities in accordance with IAS 19, including an asset of £5.9 million for the UK scheme. This reduction largely comprised £21.3 million of cash contributions and actuarial gains of £34.1 million. This actuarial gain arose due to the £201.2 million impact of changes in discount rates which was offset by £167.1 million reduction in the expected return on plan assets.

Currency

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

In 2022 the Group experienced no overall currency translation impact effect on EBITDA, with average FX rates against our three principal currencies of €1.17, \$1.24 and MYR 5.43 to the pound.

Given the global nature of our customer and supplier base, the impact of transactional foreign exchange can be very different from translational foreign exchange. We are able to partially

mitigate the transaction impact by matching supply and administrative cost currencies with sales currencies. To reduce volatility which might affect the Group's cash or income statement, the Group hedges net currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities.

Financing and liquidity

As at 31 December 2022, the Group had net debt of £1,024.9 million compared to net debt of £114.2 million at 31 December 2021. As at 31 December 2022 committed borrowing facilities comprised a \$260 million term loan, a \$300 million term loan, a €460 million revolving credit facility, five-year €520 million 3.875% senior loan notes and UK Export Finance (UKEF) facilities of €288 million and \$230 million. The Group's net debt: EBITDA for the purposes of the leverage ratio covenant increased from 0.3x at 31 December 2021 to 3.7x at 31 December 2022 due primarily to the acquisition of the adhesive resins business in 2022.

After year end, the Group agreed a new \$480 million revolving credit facility maturing 31 May 2025 and has repaid and cancelled the \$260 million and \$300 million term loans in part using the proceeds received from the sale of the Laminates, Films and Coated Fabrics businesses. The new revolving credit facility is subject to one leverage ratio covenant. For prudence in light of current market conditions, this has been set at 6x in June 2023, 5x in December 2023, 4.25x in June 2024 and 3.5x thereafter, and the UKEF covenant has been aligned to these levels. The Group expects net financing costs of approximately £65-70 million in 2023 as a result of the higher net debt and other changes to the Group's financing arrangements.

Post-balance sheet events

- New \$480 million revolving credit facility agreement signed 20 March 2023.
- Sale of Laminates, Films and Coated Fabrics to Surteco North America, Inc. completed 28 February 2023.

Divisional performance reviews

On 1 January 2023, Synthomer reorganised into three new, market-focused divisions, described on page 14. The following pages report the performance of the five divisions that were in place during the reporting year to 31 December 2022.

Functional Solutions

Functional Solutions achieved a robust commercial performance in 2022, although demand weakened and inflationary pressures increased over the course of the year. Under our new divisional structure, the majority of Functional Solutions moved to the new Coatings & Construction Solutions division, with the adhesive dispersions business moving to the new Adhesives Solutions division.

Safety

Functional Solutions achieved a recordable case rate of 0.44 in 2022. This was higher than target, and we have specific programmes in place for those sites which require additional support throughout 2023. Our zero harm initiative, which is designed to strengthen our Safety, Health and Environment (SHE) culture, was piloted at seven of our European sites throughout 2022. The process safety event rate was 0.28, in line with 2021. Delivering a strong SHE performance at all our sites will continue to be our top priority within our new divisional structure.

Volumes

Functional Solutions achieved overall volumes of 592.7ktes in 2022, a reduction of 10% from 2021. While overall volumes

were strong in the first half of the year, we saw some softening of demand and reduced volumes during the second half of the year as macroeconomic conditions started to deteriorate.

The reductions in coatings volumes were primarily due to softening demand in Europe and the USA, COVID-19 lockdowns in Asia and our strategic reduction in tolled volumes in the USA. The effects of COVID-19 in Asia also resulted in a slight reduction in adhesives volumes, offset by a strong performance in the USA.

Our Fibre Bonding business (previously Textiles), where volumes were flat year on year, experienced good growth in hygiene and in USA construction-facing applications. The Construction business was similarly strong in the USA, but volumes were down overall because of lower volumes in Europe.

The Energy Solutions business, which has a large exposure to the oil and gas industry, performed strongly throughout 2022 and delivered significant volume growth compared to 2021.

Revenues and EBITDA

Functional Solutions delivered a resilient commercial performance in 2022, with higher revenues, driven by increasing inflationary pressures and strong margin management. The division delivered

revenues of £1,001.3 million in 2022, an 11% increase on 2021. The division was able to pass on significant increases in raw materials prices in most markets and regions, despite unit material costs reaching record levels in some cases. Our focus on more differentiated products and robust pricing management contributed to a solid performance in most of our major businesses, particularly in the USA.

The Coatings business was most affected by the softening of demand during the second half of the year, with the other businesses not experiencing as significant an impact. The Energy Solutions business performed very strongly throughout the year. This helped the division deliver an EBITDA of £127.8 million, an 8% decrease compared to the very strong performance of 2021.

Sustainability highlights

Sustainability is a critical value driver for Functional Solutions, with 45% of our new products introduced in the last year having at least one defined sustainability benefit. We have division-wide programmes aimed at delivering energy efficiencies and, ultimately, decarbonisation. This includes delivering decarbonisation plans at site level.

Progress against FY 2022 priorities

- Continued to pivot towards speciality products, moving away from low-value-add tolling activities.
- 45% of new products launched had a net positive sustainability impact.
- Reduced complexity through the closure of the Quality Polymer site in Malaysia, and continued rationalisation of our product portfolio.
- Stepped up efforts in commercial excellence to become a more end-market focused organisation.
- Responded to market conditions by focusing on margin preservation and working capital control in the face of substantial raw material cost fluctuations and rapidly escalating energy costs.

Full year ended 31 December	2022 £m	2021 £m	Change %	Constant currency ¹ %
Safety (RCR)	0.44	0.37	18.9	
Revenue	1,001.3	900.3	11.2	8.5
Volumes (ktes)	592.7	655.9	(9.6)	
EBITDA	127.8	139.2	(8.2)	(9.4)
EBITDA % of revenue	12.8%	15.5%		
Operating profit (underlying performance)	101.1	111.1	(9.0)	(10.0)
Operating profit – statutory	69.8	69.8	–	

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

Industrial Specialities

Industrial Specialities delivered a strong performance in the face of inflationary pressures and weakening demand, growing EBITDA from the strong 2021 reporting period, and increasing revenues. Under our divisional restructure in January 2023, the majority of Industrial Specialities moved to our new Health & Protection and Performance Materials division. This includes our Laminates & Films and Coated Fabrics businesses, which have since been divested on 28 February 2023. The Speciality Additives and the Powder Coatings businesses moved to our Coatings & Construction Solutions division, and the Lithene business moved to Adhesives Solutions.

Safety

Industrial Specialities achieved a recordable case rate of 0.31 in 2022, demonstrating continued improvement in safety across the division. One site graduated from our SHE ‘supported site’ status in Q1 2022, meaning that the division had no remaining sites in the programme. Our chemicals sites continued to achieve top quartile performance by industry standards in 2022. Our process safety event rate was 0.16.

Volumes

Industrial Specialities achieved overall volumes of 65.9ktes in 2022, 13% below 2021 volumes, a result of lower demand in our Speciality Additives and Powder Coatings businesses.

Revenues and EBITDA

Despite the lower volumes, Industrial Specialities delivered a strong commercial performance in 2022, with higher revenues than the prior year driven by increasing inflationary pressures and the highly-specialised nature of our products, which supported our focus on pricing and overall margin management. This was particularly reflected in our Vinyl Polymers, Lithene and William Blythe businesses, which all delivered very strong growth compared to 2021. Overall, the division achieved continuing revenues of £233.9 million in 2022, 19% up on 2021, and continuing EBITDA of £31.8 million in 2022, well above the 2021 EBITDA of £23.4 million.

The Laminates, Films and Coated Fabrics businesses were divested on 28 February 2023. Laminates and Films experienced deteriorating macroeconomic conditions during the second half of 2022, which led to reduced demand. The Coated Fabrics business, however, performed robustly throughout 2022 as the economy of Thailand recovered from the impact of COVID-19 and margins benefited from falling resin prices and normalising freight costs.

Sustainability highlights

We continue to explore opportunities for business excellence, whether in the areas of sustainability, logistics or operational efficiency. For example, at our Sant Albano site (Italy), we have reduced water extraction by 30% by reconfiguring our borehole management process. During H1 2022, our Polybutadiene Lithene

business also successfully delivered a de-bottlenecking project at its Stallingborough plant (UK), which increased capacity.

Progress against FY 2022 priorities

- Further embedded SHE practices in our surfaces plants, and continued to drive improved performance through strengthening SHE processes and practices in the chemicals plants, evidenced by the improved safety performance of the division during the year.
- Delivered further production capacity through debottlenecking projects and operational efficiency, including the successful debottlenecking project at our Stallingborough site.
- Ensured a continuous supply of raw materials to sites despite supply chain challenges.
- Enhanced our customer services and logistics processes to ensure the challenging logistical environment was efficiently and effectively handled.

Continuing operations, Full year ended 31 December	2022 £m	2021 £m	Change %	Constant currency ¹ %
Safety (RCR) ²	0.31	0.40	(22.5)	
Revenue	233.9	197.2	18.6	18.7
Volumes (ktes)	65.9	75.7	(12.9)	
EBITDA	31.8	23.4	35.9	36.8
EBITDA % of revenue	13.6%	11.9%		
Operating profit (underlying performance)	25.5	15.8	61.4	62.0
Operating profit – statutory	22.7	7.8	191.0	

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

² Industrial Specialities and Acrylate Monomers are combined for operational reasons.

Divisional reviews continued

Adhesive Technologies

We created the Adhesive Technologies division on 1 April 2022, following the completion of Synthomer's acquisition of Eastman's adhesive resins business. It operated as a division until 31 December 2022, when it became the core of the new Adhesive Solutions division.

The integration proceeded to plan, with exit from almost all the Eastman transition service agreements (TSAs) and supported systems at the end of November 2022. Synergy delivery was also on target thanks to decisive early action and rapid organisational redesign, and trading in the first two quarters of ownership was in line with our expectations. However, in the fourth quarter volume and EBITDA deteriorated due to a number of macro- and company-specific factors, resulting in a non-cash impairment of the acquisition goodwill.

Safety

Safety performance overall was in line with recent years of operation under Eastman's ownership, with an improved recordable case rate of 0.32 (2021: 0.56) and a slightly reduced process safety event rate of 0.59; differences in calculation methods mean that these figures are for guidance, rather than a direct comparison.

Volumes

Adhesive Technologies delivered overall volumes of 138.5ktes in 2022. This is a solid performance, but below the historical run rate of the business,

a result of some asset reliability and supply chain issues which we are addressing, the impact of European gas prices and other feedstock cost dynamics, and weakening end-market demand in the last quarter, as well as lower-than-expected production capacity.

Revenues and EBITDA

Adhesive Technologies delivered revenues of £391.3 million and EBITDA of £39.5 million during the period following acquisition in April 2022. Although partially offset by delivery of the expected cost synergies, this performance was lower than projected, principally in the fourth quarter of the year. A £133.7 million non-cash impairment charge to write-off substantially all of the adhesive resins acquisition goodwill was taken as a result.

Sustainability highlights

In the year we launched our high heat APO, Aerafin 230, which allows carmakers to formulate hot melt laminating adhesives for automotive interior applications, replacing reactive PUR adhesives. Aerafin-based adhesives eliminate the use of isocyanate crosslinkers that have to be used with the PUR, a substance that is increasingly regulated.

Also in the area of automotive sustainability, we developed a new modified silane resin which helps a tyre-making customer improve wet and dry grip for tyres while reducing rolling resistance, improving fuel efficiency.

We also launched a new platform technology enabling better recyclability and reducing raw material volume in packaging.

Priorities and progress

The clear priority for the division and our people during the majority of 2022 was executing the integration. The timely exit from TSAs covering dozens of business processes across all functions in November 2022 was an important milestone, as was the integration of new people into Synthomer and building relationships with our customers and suppliers. A critical priority going forward is the stabilisation and optimisation of end-to-end supply chain processes in the new Synthomer system environment and the broadening of feedstock options which will help to increase production output in readiness for returning market demand.

9 months ended 31 December	2022 £m
Safety (RCR)	0.32
Revenue	391.3
Volumes (ktes)	138.5
EBITDA	39.5
EBITDA % of revenue	10.1%
Operating profit (underlying performance)	22.5
Operating profit – statutory	(146.8)

Performance Elastomers

Destocking of medical gloves and weakening demand in paper and carpet markets in 2022 meant that volumes and revenues for Performance Elastomers were substantially lower than the exceptional performance of 2021. The business focused on positioning itself for the return of long-term demand, with short-term actions concentrated on cost and margin improvement. Under our divisional reorganisation of January 2023, the majority of Performance Elastomers moved to the new Health & Protection and Performance Materials division, with consumer-focused foams moving to Coatings & Construction Solutions.

Safety

Performance Elastomers achieved a recordable case rate of 0.19 in 2022, ahead of the target of 0.21 and the division's rolling three-year case rate of 0.20. The process safety event rate was 0.05 in 2022, an excellent achievement.

There were some notable SHE milestones delivered in 2022, including zero accidents for the recently-commissioned NBR reactor in Pasir Gudang (Malaysia) with more than 750,000 hours worked, 100% completion of all Safety Improvement Plan actions across all sites in the division, a 60% reduction in the number of losses of containment of flammable substances, and maintaining an internal safety audit rate of double the targets. A fire at our Filago, Italy site in September 2022 was swiftly contained and caused no injuries; we have studied the incident and applied the lessons learned to other similar operations, in accordance with our SHE framework.

Volumes

Performance Elastomers achieved overall volumes of 645.3ktes in 2022, a 24% reduction on 2021.

The exceptional global demand for NBR gloves during the COVID-19 pandemic resulted in a record performance for Performance Elastomers last year. We reported at the interim stage that destocking of nitrile gloves meant that demand had softened substantially, resulting in lower NBR volumes, revenues and EBITDA compared to the exceptional performance of 2021. During the second half of 2022 this destocking continued, with production volumes further reduced. While underlying end-customer demand for medical gloves remains similar to pre-COVID levels and we see favourable growth trends in the medium term, the current destocking impact is not expected to abate before the end of 2023. Chinese glove manufacturers also raised output in 2022, putting additional strain on glove prices and plant utilisation of glove producers in Malaysia and elsewhere.

Volumes in our Paper, Carpet, Compounds and Foam business were also down, by 21%, against a strong comparative period.

Revenues and EBITDA

The division delivered revenues of £659.7 million in 2022, compared to £951.5 million in 2021. It achieved EBITDA of £49.1 million in 2022, down from the exceptional £320.7 million achieved in 2021.

As well as the impact of glove destocking on NBR demand described above, the Performance Materials business also saw

reduced demand from the middle of the year onwards following downstream destocking, although cost-saving initiatives helped to offset the revenue impact.

We believe that underlying demand for nitrile gloves will continue to grow with broader applications in catering, entertainment, security and health-related industries. The business is well-positioned to capture this long-term opportunity.

Sustainability highlights

A high proportion of our new products have sustainability benefits, and we are seeing good progress from our world-leading nitrile glove R&D centre in Malaysia. Industrial trials of our new SyNovus™ Plus product have continued, involving production runs on selected customer lines to demonstrate the product's potential energy and carbon savings for customers. Trial results demonstrate that with SyNovus™ Plus, glove-making customers can potentially reduce their operating temperature by 20°C, which is equivalent to 2kg of CO₂ emission per 1,000 pieces. The new product line also enables an accelerator-free and sulfur-free formulation, reducing skin sensitivity for users of the gloves and eliminating sulfur dioxide emissions when medical gloves are required to be incinerated.

Progress against FY 2022 priorities

- The Pasir Gudang 60ktes plant was commissioned on time in Q1 2022.
- Trials of SyNovus™ Plus have continued with multiple potential customers.
- Given the slowdown in the nitrile market, we have delayed investment in further capacity while continuing to develop expansion plans (including investment grant and tax support from national and local governments) to bring on additional capacity when appropriate, as well as process and product innovation initiatives.

Full year ended 31 December	2022 £m	2021 £m	Change %	Constant currency ¹ %
Safety (RCR)	0.19	0.11	72.7	
Revenue	659.7	951.5	(30.7)	(31.4)
Volumes (ktes)	645.3	844.2	(23.6)	
EBITDA	49.1	320.7	(84.7)	(84.2)
EBITDA % of revenue	7.4%	33.7%		
Operating profit (underlying performance)	19.5	294.9	(93.4)	(92.6)
Operating profit – statutory	17.6	286.9	(93.9)	

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

Acrylate Monomers

Our Acrylate Monomers division achieved record revenues and strong volumes in the face of significant headwinds including unprecedented energy cost inflation and a weak economic environment in the second half of 2022. While profitability decreased compared to the exceptional performance of 2021, it compares favourably to prior years. Under our divisional restructure, Acrylate Monomers moved to our new Health & Protection and Performance Materials division in January 2023. Acrylate Monomers continues to operate from a single site at Sokolov, Czech Republic.

Safety

Acrylate Monomers achieved a recordable case rate of 0.31 in 2022 compared to 0.40 in 2021, thanks to continued progress on our injury rate reduction plan.

Disappointingly, there were three process safety events recorded in 2022. This is a setback after the previous four years, which had seen steadily improving process safety, with no process safety events in 2021. We remain committed to our process safety improvement plan.

Volumes

Overall volumes were 50.8ktes in 2022, a slight reduction in volumes compared to 2021 due to a change in product mix and planned maintenance outages on our lines.

Revenues and EBITDA

Acrylate Monomers delivered a robust performance on revenues, slightly ahead of the previous record in 2021. It achieved revenues of £97.7 million in 2022, a 2.6% increase on 2021, reflecting our consistent focus on product portfolio. EBITDA of £21.7 million in 2022 compares to our 2021 EBITDA of £35.3 million, reflecting the process of normalisation of unit margins in 2022 from the exceptional levels in 2021, which were driven by a number of supply constraints affecting the market. Significant inflationary pressures related to the war in Ukraine, particularly energy prices, were also a factor in 2022, while additional supply from regions outside Europe reduced our ability to maintain the strong unit margins of the prior year.

Sustainability highlights

A key element of our transformation programme at Sokolov was the closure of the site's coal-fired power station in April 2022. This marked the end of direct coal use in Synthomer, reinforcing our strong commitment to reducing our carbon footprint. Sharply-escalating gas prices triggered by Russia's invasion of Ukraine meant we needed to make a short-term switch to importing steam from a local coal-powered station at times in 2022, but our long-term commitment remains to a permanent move away from coal.

Our investment at the site will also reduce our site water requirements and CO₂ emissions by approximately a quarter.

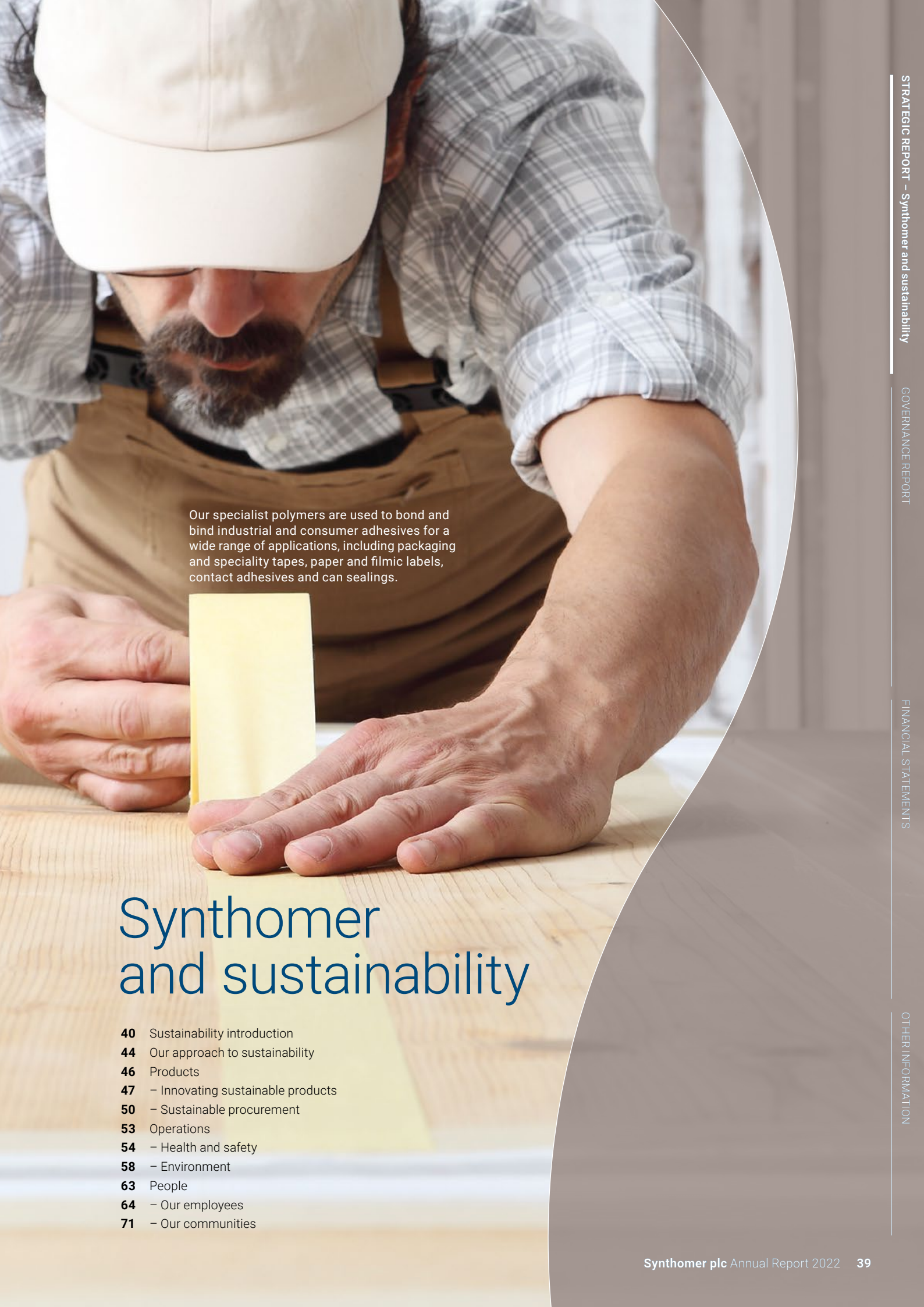
Progress against FY 2022 priorities

- Continued to strengthen SHE practices and processes to drive improved performance at the plant.
- Continued to review potential options for new products, including successful testing of more sustainable products produced at lab-scale with several customers.
- We are also exploring collaboration with potential partners on developing new bio-based products which would support our customers in achieving their net zero aspirations.

Full year ended 31 December	2022 £m	2021 £m	Change %	Constant currency ¹ %
Safety (RCR) ²	0.31	0.40	(22.5)	
Revenue	97.7	95.2	2.6	2.5
Volumes (ktes)	50.8	55.9	(9.1)	
EBITDA	21.7	35.3	(38.5)	(39.1)
EBITDA % of revenue	22.2%	37.1%		
Operating profit (underlying performance)	20.6	34.5	(40.3)	(40.9)
Operating profit – statutory	20.6	29.3	(29.7)	

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

² Industrial Specialities and Acrylate Monomers are combined for operational reasons.



Our specialist polymers are used to bond and bind industrial and consumer adhesives for a wide range of applications, including packaging and speciality tapes, paper and filmic labels, contact adhesives and can sealings.

Synthomer and sustainability

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Introduction

Encouraging progress in the face of a volatile business environment



“ The way we manage key sustainability priorities is maturing rapidly, with real momentum in areas such as diversity and inclusion, our commitment to sustainable innovation, and making strides on the path to net zero. ”

Marshall Moore

Chief Technology Officer and President, Americas

It has been a challenging, yet rewarding year for our sustainability agenda. The business environment has undoubtedly created performance challenges in some areas – but the way we address, monitor and report on key sustainability priorities is maturing rapidly, with real momentum in areas such as our diversity and inclusion programme, our commitment to sustainable innovation, and making strides on the path to net zero. We’ve also updated our Vision 2030 roadmap to be more precise and aspirational, yet practical, in our targets. (See [page 43](#) for more detailed information on those changes.)

This momentum is best seen in our work to develop science-based greenhouse gas emissions targets – a commitment we made when we first launched Vision 2030. As well as increasing our targets in Scopes 1, 2 and 3, we are now reporting on absolute emissions rather than intensity. Our emissions targets are now awaiting approval and validation by the Science Based Targets initiative.

We also set an internal carbon price of £85 per tonne of carbon dioxide equivalent. We now use that price to assess all major capital investment projects of more than £1 million. This will help guide our engineering teams and business leaders towards lower-carbon engineering solutions.

These are important milestones, but they also create new hurdles for us to overcome. For example, we will need to make significant advances in our manufacturing technology and work more closely with suppliers, customers and experts to get a clearer understanding of the indirect emissions data in our supply chain (our Scope 3 emissions, which we discuss on [page 48](#)) so that we can work to reduce them. But sustainability and innovation remain central enablers of Synthomer’s refreshed business strategy, so we are fully committed to finding solutions.

That commitment can also be seen in our ongoing work to disclose our climate-related risks and opportunities. This year, we expanded our scenario analysis to cover a broader range of geographies, products and physical risks in our Task Force on Climate-related Financial Disclosures (TCFD) report.

Growing momentum in diversity and inclusion

We have continued to make excellent progress in creating a more diverse and inclusive Synthomer. This year, the percentage of women in senior management roles rose to 25.4% – up from 20% in 2021, and from 9% just three years ago.

Meanwhile, we officially welcomed Lily Liu as our new Chief Financial Officer in July 2022, which means women continue to make up 33% of our Board. We are seeing change at the other end of the career spectrum, too, where 56% of our new graduates over the past four years are women.

We want to keep that momentum going, which is why we've set a new, more focused gender diversity target of 40% senior management by 2030. This will help us embed greater diversity at the highest levels of the Company. It is also why diversity, equity, inclusion and holistic employee development form one of the pillars of our refreshed strategy. Delivering that strategy requires a new kind of culture, driven by innovation, collaboration and shared responsibility.

Our employees are key to helping us deliver our diversity and inclusion ambitions and I'm delighted to see our network of employee resource groups growing. This year, we established THRIVE, our LGBTQ+ employee resource group, and EMPOWER, a group that celebrates cultural diversity. They join our women's network, ENGENDER.

It is also our employees who make our community programme so successful, and this year has seen a welcome return to local activities after two years of COVID-19 restrictions. At a Group level, our Synthomer Cares week returned for its second year, with more

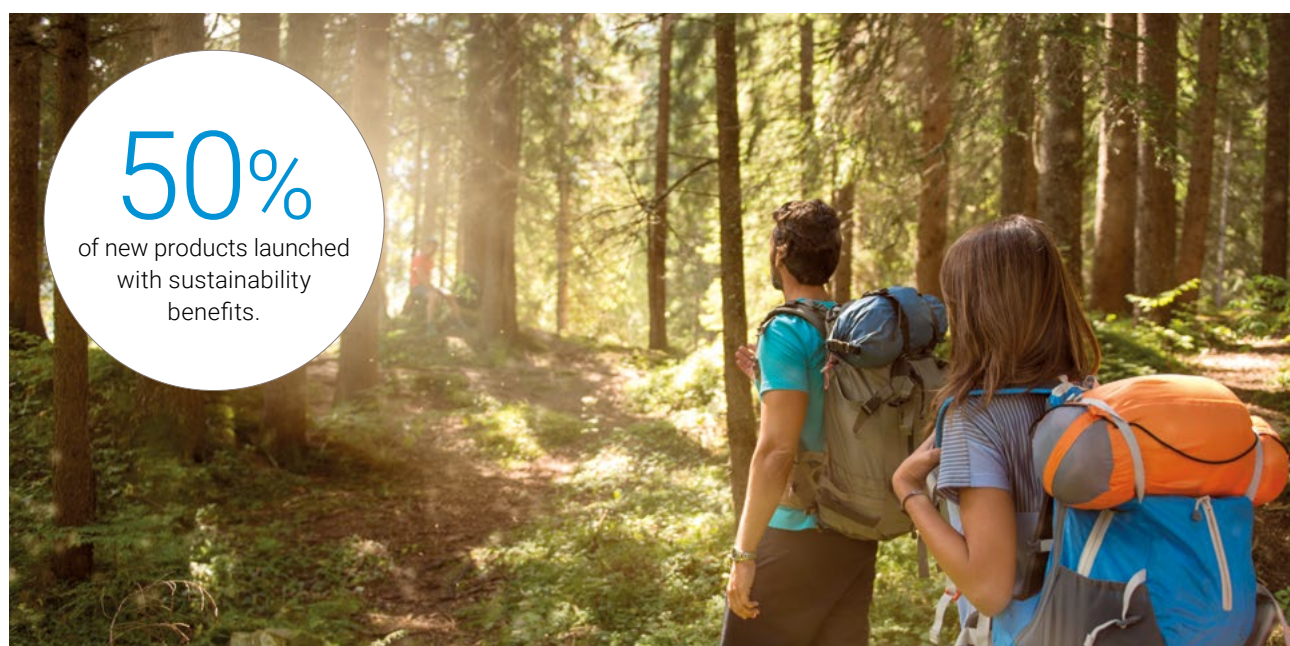
than 500 employees across 16 countries clocking up 29,000 kilometres in a global charity run.

Through our Synthomer Foundation in the USA and site-level community activities around the world, we contributed £1.25 million to causes that support underserved communities, education and public health, including a £100,000 donation to the Red Cross/Red Crescent Ukraine Crisis Appeal.

Sustainable products, driven by innovation

As Synthomer's Chief Technology Officer, I am especially pleased with our progress against our sustainable products target this year, reflecting our strategic commitment to sustainable innovation. This year, 50% of the products we launched have defined sustainability benefits – up from 43% in 2021. This is in spite of challenges we've faced running production trials for new products at our own and our customers' plants, caused by COVID-19 and supply chain disruption, which meant some customers were unable to test and validate our new products until later in the year. These delays affected our new SyNovus™ Plus nitrile glove line, although that validation work picked up speed in the second half of the year and we are now on track for full commercial adoption in 2023.

Our innovation team also made great strides in the investigation of new bio-based product chemistry platforms – and we are increasingly confident about their future commercial opportunities. We also see opportunities to learn from our new adhesives colleagues to drive sustainable innovation that could support a more circular economy.



50%

of new products launched with sustainability benefits.

Progress challenged by strong headwinds

Rising costs, fluctuating demand and changes in our product mix have affected performance in certain areas this year. For example, talent shortages at some sites affected production availability at our plants, while our new acquisitions have had an impact on our health and safety metrics. We are working with our newest sites to ensure that the management systems and safety culture they have in place meet Synthomer's standards.

Our absolute emissions have gone down, mainly as a result of lower production, and we have made good progress on reducing our Scope 1 emissions intensity, reflecting the fact that we moved away from coal to gas-fired power at our plant in Sokolov, Czech Republic. On waste, a significant number of one-time disposals affected our performance and as such we did not achieve our objective to reduce waste to landfill by 12%.

Some of our results have been affected by our work to develop more mature data collection and reporting mechanisms. For example, we have refined the way we measure water consumption. This has resulted in an increase in our reported water withdrawal per tonne that is around 15% higher than 2019 (excluding our newest adhesive resins sites). Given that we have developed more accurate water balance models, plus the large variation versus 2019, we decided to remove our short-term objective of maintaining water intensity at 2019 levels. Instead, we will focus on using our improved data to take more meaningful action in line with the framework provided by our new water policy.



Continuing to build a long-term renewable electricity plan

Our procurement teams have probably faced some of our strongest external headwinds this year – but they have done an outstanding job at continuing to source renewable electricity supplies in the face of a growing energy crisis and our changing business footprint.

Once again they helped us achieve our 2030 target to buy 80% of our electricity from renewable sources – this far exceeds our short-term 2022 objective of 50%. We also continued to make good progress in our plans to introduce more power purchase agreements (PPAs). This will help us secure renewable energy at more predictable prices over the longer term. For example, we completed a project to set out our PPA strategy for the coming years and started a Europe-wide PPA project.

Building on our successes to realise our Vision 2030 ambitions

There is no doubt that we still have plenty of work to do. As we continue to integrate our new sites and teams we will continue to ensure that safety, health and environment remain our first priority. And we will need to find new technologies and materials to help us lower our operational footprint.

Nevertheless, the work we've done since launching Vision 2030 two years ago is gaining real momentum, and the updates we've made this year reflect our increasing confidence in our sustainability agenda. It demonstrates that we have the products, people and desire to keep driving sustainability into everything we do. I look forward to working with my colleagues to make those ambitions a reality.

The UN's Sustainable Development Goals (SDGs) most relevant to our Vision 2030 roadmap



Our targets are underpinned by a series of short-term objectives and are aligned with the UN's SDGs that are most material to our business.

Vision 2030 roadmap – a snapshot of our progress in 2022

Our Vision 2030 roadmap includes targets for the areas where we can have the most material impact in this critical decade for the world. When we first launched the roadmap in 2020 we knew that some of those targets were deliberately stretching, while others were focused on immediate practical progress.

With more confidence and a growing track record, we have taken steps to update some of our targets to become more precise and aspirational, while remaining practical. This year we have:

- Made our Scope 1, 2 and 3 emissions targets more challenging and will now report on absolute emissions instead of intensity, meaning they are aligned with the Science-Based Targets initiative (SBTi).
- Revised our gender diversity target to build on our success over the past two years. We are now aiming for 40% senior management gender diversity by 2030.
- Refined our employee engagement target with the aim of achieving upper quartile engagement scores against external benchmarks.

Having expanded our adhesive business through our acquisition from Eastman, we have reset our 2019 baseline for our Scope 1,

2 and 3 Vision 2030 targets and used that Group-wide baseline to set our new science-based targets.

To help us make progress towards Vision 2030, we also defined a series of short-term 2022 objectives, which we have now renewed for 2025: we report on these in the relevant section. We have also set our new short-term objectives against a new 2022 baseline for energy, water and waste.

Unless otherwise noted, we report this year's progress against our Vision 2030 targets as a Group, including our adhesive resins acquisition. Later in this section we report our progress against our short-term objectives as legacy Synthomer (excluding our adhesive resins acquisition).



Products

For more information on our Vision 2030 progress in 2022, see our Products section on [pages 46 to 52](#)

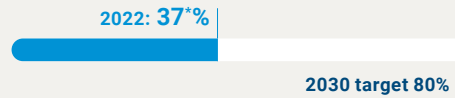
Sustainable products

At least 60% of new products with enhanced sustainability benefits



Sustainable procurement

80% procurement spend with a sustainability rating



*Excluding adhesive resins business acquired in April 2022

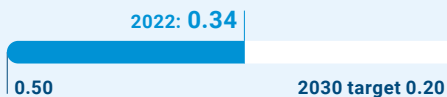


Operations

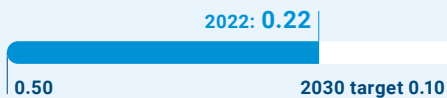
For more information on our Vision 2030 progress in 2022, see our Operations section on [pages 53 to 62](#)

Health and safety

Recordable injury case rate (RCR)
(per 100,000 hours for employees and contractors)

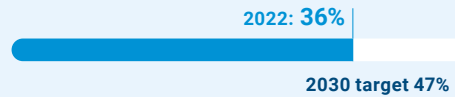


Process safety event rate (PSER)
(per 100,000 hours for employees and contractors)



Environment

Reduce Scope 1 and 2 absolute emissions by 47%



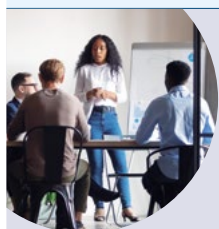
Reduce Scope 3 absolute emissions by 28%



Electricity from renewable sources plus improving energy efficiency in all our operations



Manage and minimise water consumption at all locations. Introduce water management plans in water-stressed areas and highest consumption sites

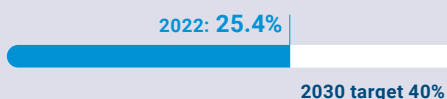


People

For more information on our Vision 2030 progress in 2022, see our People section on [pages 63 to 72](#)

Our employees

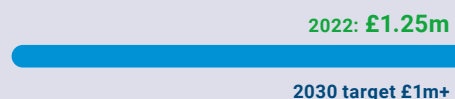
40% senior management gender diversity
(the percentage of women in senior management roles)



Achieve upper quartile engagement scores against external benchmarks

Our communities

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



Our approach to sustainability

Our approach to sustainability is informed by the issues that matter most to our stakeholders and our participation in industry associations. Independent assurance helps us benchmark our sustainability practices and performance, and highlight opportunities to improve.

Our materiality assessment

We carried out our most recent materiality assessment in 2021 and continue to use it to help us prioritise the topics that matter most to our stakeholders.

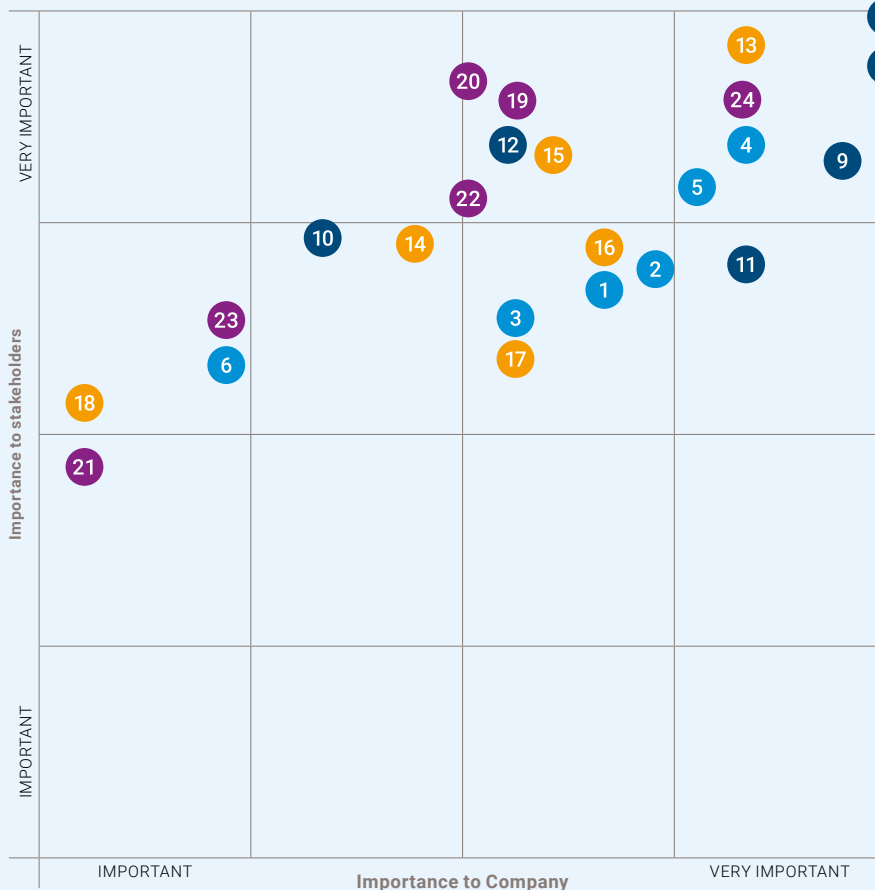
This year, we have particularly focused on the following areas:

- Health and safety, which remains our highest priority, particularly as we continue our work to integrate newly acquired sites.

- Ethics and compliance, to ensure that our expectations and standards are clear and consistently embedded across the enlarged Group and extended product portfolio.
- Energy management, which has increased in importance as a result of the global energy crisis.
- Reducing Scope 3 emissions remains an important topic and our procurement and innovation teams are working together to identify and evaluate lower-carbon and alternative raw materials.

- Our newly acquired adhesive resins business offers us greater opportunities to contribute to the circular economy. As a result, this topic has grown in importance this year.

We will carry out our next materiality assessment in 2023 to refresh our understanding of the issues that are uppermost in stakeholders' minds.



Products

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3	Manufacturing excellence	page 53
4	Product safety	page 49
5	Customer satisfaction and engagement	page 49
6	Circular economy	page 48

Operations

7	Occupational health and safety	pages 54 and 55
8	Process safety	pages 55 and 56
9	Energy management and reduction	pages 59 and 60
10	Water stewardship	page 61
11	Greenhouse gas emissions reduction	pages 58 to 60
12	Waste generation and minimisation	page 62

People

13	Ethics and integrity	pages 69 and 70
14	Communication and training	pages 66 and 69
15	Employee conditions	page 68
16	Diversity and inclusion	page 66
17	Talent development	page 69
18	Community engagement	pages 71 and 72

Strategy and governance

19	Sustainable growth	pages 34 to 38
20	Risk management	pages 74 to 83
21	Digitalisation	pages 51 and 69
22	Responsible and involved management	from page 92 to 145
23	Stakeholder involvement and engagement	page 90
24	Compliance	pages 92 to 145

Understanding our climate-related risks and opportunities

In 2022, we continued to deepen our understanding of our climate-related risks and opportunities in line with the Task Force on Climate-related Financial Disclosures (TCFD) through our ongoing scenario analysis work. This now covers our three key chemistries, three main regions, more than 50% of our products by volume and all the potential physical risks to which we may be exposed. See our TCFD report on [pages 84 to 89](#).

Having embedded climate-related issues into our principal risks in 2021, we are continuing to develop our approach to ensure our risk management framework addresses the relevant TCFD requirements. See our Risk report on [pages 73 to 83](#) for more information.

External benchmarking and accreditation

We obtain independent assurance of our sustainability practices and performance and benchmark ourselves against our peers so we can better understand our progress and opportunities for improvement. We do this through voluntary participation in several external programmes (such as CDP and Ecovadis) and by reviewing our ratings on several recognised indices such as ISS ESG and MSCI. This year MSCI upgraded us from an 'A' to a 'AA' rating, putting us in the top quartile of sustainability performance for the Specialty Chemicals sector. In 2021, we received an LSE Green Economy mark, which is awarded to companies that earn more than 50% of their revenue from products that contribute to environmental objectives.

<https://www.synthomer.com/sustainability/ratings-and-resources/>

Membership of industry associations

We work closely with the main sector groups in our industry, including the Chemical Industries Association (CIA) in the UK, CEFIC and the European Polymer Dispersion and Latex Association (EPDLA) in the EU, the American Chemistry Council (ACC) in the USA, and the Malaysian Rubber Glove Manufacturers Association (MARGMA) and Malaysian Rubber Products Manufacturers Association (MRPMA) in Malaysia. In many cases, this work includes taking a seat on the sustainability committees and actively participating in sustainability workshops. We have also joined the peer network Together for Sustainability.

Our approach to reporting and assurance

This Annual Report, together with associated downloads, meets the requirements of the Global Reporting Initiative (GRI). We have prepared them to comply with GRI's 'core' option, and the topics we cover are those we and our stakeholders have identified as the most material. The details of specific GRI disclosures can be found in the annex on [pages 216 to 218](#).

Products

Our success relies on ensuring that our products meet the expectations of our customers and deliver differentiated value to the markets they serve. Increasingly, that means designing them to provide more sustainable solutions. We are also committed to sourcing the raw materials we need to make those products from more sustainable sources and in ways that respect human rights.

This section is divided into two related parts, since procurement and innovation play complementary roles to ensure the sustainability of our products.

Innovating sustainable products – [page 47](#)

Sustainable procurement – [page 50](#)



Innovating sustainable products

For decades, Synthomer has been a leading supplier of water-based polymers that avoid the use of solvents and keep harmful volatile organic compounds (VOCs) out of the atmosphere. Now, with our new adhesive resins sites, we are integrating our solvent-free adhesive solutions business and positioning ourselves for growth.

Our highly creative innovation team is committed to adapting our existing product portfolio and designing new products with performance and sustainability benefits. It is why innovation and sustainability are at the heart of our refreshed strategy.


Our Vision 2030 target: sustainable products

At least 60% of new products with enhanced sustainability benefits



Our target demonstrates our aim to create an increasingly sustainable portfolio of chemical products for our customers. It also reflects the fact that designing, developing and commercialising new products takes time. Some of the products we sell today spent several years in research and development before they were ready for commercial launch.

Our short-term objective*

2022 Technology platform to develop products that contain a minimum of 20% raw materials that come from low-carbon sources. 

We have now renewed our objectives for 2025 as follows:

- At least 55% of new products with sustainability benefits by 2025.

More detailed information on our progress against our target and objectives can be found throughout this section.

* Excludes adhesive resins business acquired in April 2022

Our performance in 2022

This has been a good year for our innovation programme, with 50% of the products we introduced featuring one or more sustainability benefit. And we can see a strong set of product developments with defined sustainability benefits coming through our innovation pipeline.

We also achieved our short-term 2022 objective to advance by advancing the development of new product platforms with at least 20% bio-content. We will now move the technically feasible new proprietary polymer compositions that are based on renewable feedstocks into the next stage of screening, in an array of potential applications in our core markets.

This year's progress is particularly notable given the lingering impact of COVID-19 and supply chain disruptions on our ability to commercialise new products in 2021. While those challenges continued to affect us at the start of 2022, we saw increasing momentum in the second half of the year as more customers were able to test and validate our new products.

This was our first full year using our new product sustainability scorecard to help us prioritise innovation projects against specific criteria. The Chemical Industries Association shared our scorecard with its members as an example of good practice in assessing and tracking sustainability in operational issues.

We continued to embed sustainability into everything we do, via our sustainability delivery board. This group of representatives from across our divisions and functions work together in cross-functional workstreams to deliver our sustainability agenda and propose new targets, goals and recommendations to the Sustainability Steering Committee.

Using our innovation skills to address Scope 3 emissions

Tackling our Scope 3 emissions is one of our biggest sustainability challenges. There are several ways in which we can do that, such as actively working with suppliers who have lower emissions or are located closer to our plants, identifying raw materials that include recycled content, introducing new bio-based raw materials and designing new product chemistries. It is likely that the first two of these options will help us make an impact on Scope 3 emissions in the short term, while we continue our work to identify new raw materials and design new chemistries.

At the same time, we want to establish a platform from which we can accelerate the rate we switch to non-fossil fuel-based and more sustainable feedstocks.

To help us do that, we are in the final stages of certifying ourselves at a Group level under the International Sustainability and Carbon Certification for Biomass and Bioenergy's ISCC PLUS programme. This certification means we can use lower-carbon raw materials, such as bio-based or circular materials, and report using a 'mass balance' approach, reducing the need for capital investment.

Meanwhile, innovation teams within our businesses made significant progress developing and introducing new products offering sustainability benefits. As well as working with our central research team on bio-based polymers, we have introduced new products that eliminate ingredients of concern, provide an alternative to more hazardous materials, and improve circularity.

For example, our Adhesive Technologies division introduced Aerafin 230, a new

high-heat amorphous polyolefin for use in hot melt laminating adhesives within automotive interior applications (as described on [page 26](#)).

Our Functional Solutions division has made great progress replacing alkyphenol ethoxylate surfactants in our products for fibre bonding. These substances are restricted under European REACH regulation, although still allowed in other parts of the world. However, we are now proactively replacing them outside Europe.

As we continue to integrate our new adhesive resins sites, we will look for ways to share knowledge to support our refreshed strategy. For example, we are now evaluating options to use raw materials derived from waste plastic to support a more circular economy and reduce overall carbon emissions.

SyNovus™ Plus

SyNovus™ Plus provides the same high-performance barrier protection as conventional nitrile latex but with several new sustainability benefits. This means the product scores highly on our product sustainability scorecard.

We have eliminated the use of rubber accelerators, which can leave residues that cause allergic reactions. This means that gloves made with SyNovus™ Plus can be used by more professionals and consumers in our customers' markets.

And because SyNovus™ Plus requires less heat to cure, customers benefit from energy savings of more than 10%, making it a significantly more sustainable material than conventional latex. This was demonstrated through an independent lifecycle assessment conducted according to ISO 14040, 14044 and 14071.

Gloves made with SyNovus™ Plus can also be recycled into new rubber products. As well as saving thousands of tonnes of waste to landfill and low-efficiency incineration, it will help establish a truly circular economy for nitrile gloves.



“ We continued to make progress in our innovation programme this year, with 50% of the products we introduced featuring one or more sustainability benefits. ”

Marshall Moore

Chief Technology Officer and President, Americas

We also took important steps to develop our in-house lifecycle assessment (LCA) capabilities and improve the way we measure and monitor the environmental impact of our products.

For example, our LCA team has received training on industry standard software specifically designed to help calculate LCAs according to ISO 14040/14044. Since our customers and the market expect us to calculate and address our Scope 3 emissions, our immediate focus is on analysing product carbon footprint (PCF).

We are now able to provide customers with meaningful PCF calculations in our major product lines using both primary data from our sites and secondary data via databases.

This year, our procurement team also began engaging our most carbon-intensive suppliers so that we can work with them to increase the amount of primary data we have access to. This will help improve the accuracy of our Scope 3 measurements. See [page 51](#) for more information on this work, and [page 60](#) for our Scope 3 emissions data.

Meanwhile, we continued to develop our TCFD scenario analysis work, which now includes more than 50% of our products by volume. For more information, see our TCFD report on [pages 84 to 89](#).

Innovating more efficient plants

To drive energy efficiency, we are developing a process technology plan to help our sites decarbonise in the short, medium and long term. We are also actively working to maximise production efficiency while minimising our emissions and waste production.

As part of those decarbonisation plans we will look to implement good industry practices, as well as identifying ways to reuse and store heat generated by our production processes. We also want to develop new, more efficient process technologies and are looking for ways to replace natural gas with renewable fuel and steam. Ultimately, our decarbonisation plans will be designed to help us do more with less energy.

Energy efficiency is also a key consideration in all our capital investment proposals, and we are now using our new carbon price to assess capital projects of more than £1 million (see [page 58](#) in Operations for more detail on setting our carbon price).

Maintaining our strong focus on product safety

The majority of our products are not classified as hazardous, in accordance with the Globally Harmonised System of Classification and Labelling.

Nevertheless, a small proportion of what we sell contains hazardous ingredients. We provide customers with up-to-date, legally compliant safety data sheets for

all products in all the markets where we operate. In 2022, we had no reported incidents of non-compliance regarding our product safety information, labelling or marketing.

Less than 2% of our products contain substances of very high concern (SVHC) at a concentration higher than 0.1%. Wherever possible, we look for ways to avoid using them at all. Eliminating SVHCs is one of the criteria on our product innovation sustainability scorecard and we have accelerated our voluntary elimination of certain substances, such as alkylphenol ethoxylates surfactants, outside Europe. This year, we also established a working group to increase our focus in this area.

Our SVHCs statement can be found at https://www.synthomer.com/media/5evlcajt/synthomer_svhc-statement.pdf.

Continuing to track customer satisfaction

Our innovation and manufacturing technology teams and sales teams work closely with our customers to understand the challenges they face in their own manufacturing processes. This helps us keep improving the products we make for them.

We track customer complaints as a measure of our reputation and success in the market. Our global complaint rate this year was 4.6 per 1,000 deliveries (versus 4.1 in 2021)*. While our absolute number of complaints fell in 2022, the number of deliveries we made fell by a larger proportion. Crucially, 99.5% of all our shipments are made without any complaints.

Meanwhile, our ‘right-first-time’ rate this year was 98.0% (versus 97.4% in 2021). This represents the percentage of products that are made to their correct specification in the first instance.

We are continuously working to strengthen the effectiveness of our processes and identify and address the root causes of process quality issues.

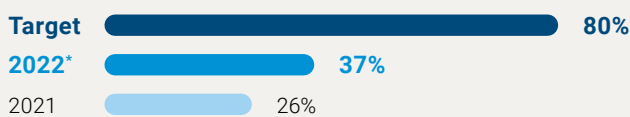
* Excludes Laminates, Films and Coated Fabrics

Sustainable procurement

We work in a complex, global supply chain, relying on our suppliers to deliver the raw materials, goods and services we need to operate successfully. For example, we buy raw materials, such as chemical monomers and additives, to make our products, transport services to deliver those materials and products, and energy and utilities, such as electrical power, gas and steam, as well as equipment to run our plants. We also rely on other corporate and site services, such as travel, IT, temporary labour and contractors, and waste management.




Our Vision 2030 target: sustainable procurement

80% procurement spend with a sustainability rating



Our target reflects our intention to understand the sustainability ratings of our suppliers using a standard assessment. We will need to do more work with more suppliers between now and 2030 to reach our sustainable procurement target. So this year we refreshed our approach with a new set of KPIs (available in our Sustainable Procurement policy) and timelines to help us drive and demonstrate continuous improvement.

Our short-term objectives*

- 2022** **Audit five key suppliers' sites** 
- Ensure that all our highest-risk suppliers agree to our Supplier Code of Conduct or equivalent standards** 
- 20% of procurement spend covered by a sustainability rating and improvement plan** 

We have now defined our objectives for 2025 as follows:

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

More detailed information on our progress against our target and objectives can be found throughout this section.

* Excludes the adhesive resins business acquired in April 2022

Our performance in 2022

Our specialist procurement teams work with thousands of suppliers around the world, and in 2022 we spent approximately £2 billion with third parties.

We are particularly pleased to see the percentage of total procurement spend with a sustainability rating rise to 37%, while managing unprecedented supply chain disruption, inflation and market volatility.

COVID-19 continued to disrupt our supply chain, particularly in China, where lockdowns remained a regular occurrence for much of the year. We have also faced rising costs, including in energy.

Meanwhile, our procurement teams have successfully navigated market uncertainty and fluctuating demand to ensure our plants have appropriate quantities of raw materials by proactively anticipating change, opportunities and issues.

Despite the challenges, we have continued to drive our sustainability agenda forward – working with our innovation team to identify and evaluate lower-carbon and alternative raw materials, and with energy suppliers to secure sources of renewable electricity. As a result, we purchased 80% of our electricity from renewable sources this year, once again achieving our 2030 target and far exceeding our short-term 2022 objective of 50%. For more information on our progress against this target and objective see [page 58](#) in our Operations section.

This was also our first full year using the EcoVadis sustainability ratings platform. This tool gives us a standardised way to assess our suppliers against their sustainability performance. This year, we assessed 104 suppliers through the platform. We use a risk-based approach to decide which suppliers we prioritise.

Sourcing renewable electricity

We buy our renewable electricity via a combination of renewable supply contracts, renewable energy attribute certificates (EACs), and on- and off-site power purchase agreements (PPAs).

As a traded commodity, the price and availability of EACs will change over time. While they remain important for our short- to medium-term plans, it means we do expect the percentage of renewable electricity we buy to fluctuate for a few years.

In the coming years, we will also increase the number of PPAs we have in place. As well as providing a route for us to maintain our 2030 renewable electricity target, these long-term contracts will protect us from energy price market volatility. They will also directly support investment in renewable generation assets and the decarbonisation of power grids.

Some of our sites already use PPAs, including onsite solar power in Asua, Spain, and our recently acquired Jefferson site in the USA. We are also looking for opportunities at a Group level. This year, our Group procurement team completed a project to set out our PPA strategy for the coming years and started a Europe-wide PPA project. The team will continue this work through 2023.

Working with suppliers to address Scope 3 emissions

Around 85% of our emissions come from our upstream supply chain, and we need to work with our suppliers to lower those emissions.

This year, we began mapping our Scope 3 emissions in more detail to identify our largest contributing suppliers. We are collaborating with these key suppliers to improve our understanding of their carbon footprint and begin identifying opportunities for new low-carbon options.

What is clear from these conversations is that many businesses face similar challenges in collecting and analysing Scope 3 data, particularly at a product or service level. It will take time before we have comprehensive data sets and standards in place in order to run our own analysis and choose the suppliers who can help us hit our Vision 2030 emissions targets.

Our Pathway business transformation programme will play an increasingly important role in helping us track and report on our own progress. New digital tools are reshaping the way we manage procurement, giving us more information and insight on everything from tonnages, logistics and stock levels through to future carbon performance.

But this is just a first step. We continue to look for ways to work with our suppliers, peers and other organisations to improve Scope 3 emissions reporting and develop a roadmap towards our 2030 target. For example, this year we worked with a European university to improve our knowledge about how we might do this as well as the tools that are available on the market.

We have also joined the peer network, Together for Sustainability. This is a members-driven procurement initiative that aims to raise sustainability standards, develop industry standards and share good practices across the whole chemical industry.

Organisations like this – and our participation in them – are important because no one company can solve these issues on its own. So we want to work in partnership to help raise standards across our industry. And we know it creates competitive advantage, since our customers are looking for suppliers who are as committed to sustainability as they are.

As more companies set themselves sustainability targets, we expect to see more demand – and competition – for suppliers and products that offer the best low-carbon solutions. Success will rely on our procurement teams being able to speak a common language with each other, our suppliers and customers. As part of our work with the university, we developed new workshops to help strengthen our procurement teams' understanding of key sustainability terminology. These began in December 2022 and continued into the first quarter of 2023, with around 100 procurement specialists taking part.

What we expect from our suppliers

We seek only to work with suppliers who act in accordance with our Supplier Code of Conduct or who have their own codes and policies with equivalent standards. Our suppliers must also make sure that their subsidiaries and subcontractors do the same.

This year, we proactively sent our Code out to our highest-risk, priority suppliers and asked them to sign it or demonstrate to us that they have equivalent standards in place. This process takes time as it often requires a comparison between our Code of Conduct and that of our suppliers. So while we have made good progress against our 2022 objective, we will continue this process during 2023 to cover the rest of our highest-risk suppliers. And we now expect any new supplier to follow our Code of Conduct as part of our standard onboarding process.

Read our full Supplier Code of Conduct online at: <https://www.synthomer.com/investor-relations/corporate-governance/code-of-conduct/>

We also expect suppliers to meet our expectations on sustainability issues, such as safety, environment and diversity and inclusion, as set out in our sustainable procurement policy.

Read our full **sustainable procurement policy** online at https://www.synthomer.com/media/kpwpodpt/sustainable_procurement_policy_and_strategy.pdf.

This year, we completed five supplier site audits, and communicated where compliance gaps were found. We are tracking their resulting remediation plans.

Reassessing raw material risks

While our risks have not changed substantially in our legacy businesses, we do face new raw materials risks as a result of our adhesive resins acquisition.

Many of the materials used to make adhesives are by-products of other manufacturing processes. That means

“ Our procurement teams did an outstanding job of helping to keep our sustainability agenda moving forward, despite market uncertainty and significant disruption in our supply chain. ”

Dr Stephen R Blackburn

Vice President Group Procurement

the availability of our raw materials depends on the state of the market for those primary products.

See our Risk report on [pages 73 to 83](#) for more detail on our material supply chain risks and how we manage them.

Addressing modern slavery in our supply chain

We respect and recognise human rights for all as described by the Universal Declaration of Human Rights and are committed to the UN Guiding Principles on Business and Human Rights.

Although we work in parts of the world and certain sectors at higher risk of human rights abuses, we do not tolerate those abuses, modern slavery or human trafficking anywhere in our business or supply chain. This is enshrined in our Modern Slavery statement. Read our statement online at <https://www.synthomer.com/media/2r1bghwe/modernslaverystatement2021.pdf>.

We expect our suppliers to comply with all domestic employment legislation. They should also follow the International Labour Organization (ILO) conventions and protocols and the United Nations' Universal Declaration of Human Rights.

This year, we set up a new human rights working group to manage this risk across our different functions, such as operations, procurement and legal. The Group is

designing a global awareness programme and ensuring the appropriate whistle-blowing channels and processes are in place to manage concerns.

We have also now added human rights as an additional lens to our procurement risk assessment process. This will help us identify suppliers who are more likely to be at risk of breaching our Code of Conduct.

We continued to deploy our new supplier onboarding platform, which is now active in all our regions. We plan to add our new adhesive resins sites to the platform within the next two years.

Committed to avoiding conflict minerals

Our conflict minerals policy commits us to avoiding the use of conflict minerals in all our activities. We also continually assess our use of 3TG minerals (gold, tin, tantalum and tungsten), which can be mined in parts of the world where armed conflict and human rights abuses are known to take place. Our policy also outlines our expectations of suppliers, which includes conducting their own due diligence to verify the origin of their materials and provide certification under recognised initiatives.

Read our full conflict minerals policy online at https://www.synthomer.com/media/c5pjppum/synthomer_conflict_minerals_policy_dec_2021.pdf.

Operations

Our refreshed strategy and structure are underpinned by our ongoing commitment to safety, health and environment (SHE). Our SHE value, which states 'we always have time to work safely', sits at the heart of our five values (see [page 11](#)). It means striving towards our ultimate goal of zero accidents and no adverse impact on human health. At the same time, we continue to look for ways to lower the environmental impact of our operations. Our Vision 2030 roadmap helps guide our SHE activities.

This section is divided into two parts:
Health and safety – [page 54](#)
Environment – [page 58](#)

Maintaining standards in our SHE Management System

Our SHE Management System (SHEMS) is our most important tool in helping us work towards our SHE goals. It includes 22 standards, and each standard has an accompanying mandatory requirement. The system also contains more than 200 guidance documents.

We expect sites to carry out an internal audit against these standards at least once every three years. Sites must audit themselves every year against areas that we consider to be of higher priority in terms of major accident prevention. In addition, sites must carry out annual internal compliance audits of our permits to work and management of change standards.

Our central SHE team audits all our manufacturing facilities every three to five years, depending on performance and residual hazard prioritisation.

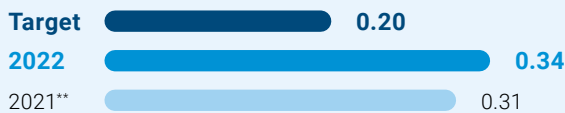


Health and safety

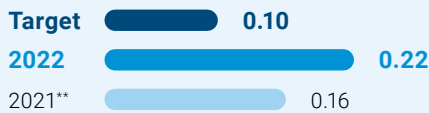
Everyone at Synthomer is accountable for their own safety and for the safety of those around them – regardless of seniority. As we welcome new colleagues and integrate our newly acquired sites, our SHE teams have a central role to play in creating an inclusive working environment, where everyone knows how to use our processes and systems and demonstrates the right behaviours.

Our Vision 2030 target: health and safety

Recordable injury case rate (RCR) target*



Process safety event rate (PSER) target*



Our targets reflect our ambition to be in the top quartile for health and safety. We are working to integrate our new businesses and ensure they meet our minimum SHE standards within a three-year timeframe.

* Per 100,000 hours for employees and contractors

Our short-term objectives**

2022 RCR of 0.30



PSER of 0.14



We set RCR and PSER objectives every year. For 2023, those objectives are:

- RCR of 0.29
- PSER of 0.19

More detailed information on our progress against our target and objectives can be found throughout this section.

** Excludes adhesive resins business acquired in April 2022

Health and safety – good progress in our overall journey

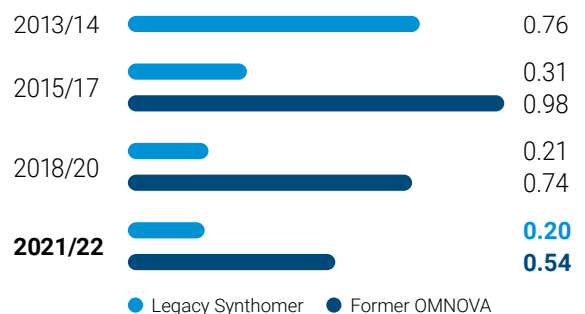
Like many companies in our sector, we take a longer-term view of our health and safety progress using lagging indicators, which ‘smooths out’ minor deviations in performance. It also allows us to focus on longer-term improvement trends, especially as we take on newly acquired businesses.

We have been tracking the occupational health and process safety performance of our legacy Synthomer sites for several years now, and recently added former OMNOVA sites into our overall picture. In both, we have seen significant overall improvement in our recordable injury case rates (RCR), where longer-term, reliable data exists for both businesses. In fact, 20 of our sites have worked injury free for more than three years or over 500,000 working hours.

Process safety event rates (PSER) data at former OMNOVA sites does not go back as far as RCR, due to a historically different reporting regime, meaning it will take a little longer for us to assess trends. Nevertheless, our legacy Synthomer sites continue to improve over a wider timeframe (PSER at 0.12 over last four years) against the ICCA standard definition set in 2015. Furthermore, 26 of our manufacturing facilities had zero PSERs in 2022.

We have always been clear that we aim to align our new sites with our standards over a three-year cycle and this is the current focus for our former OMNOVA and newly acquired adhesive resins sites.

RCR three-year average



A mixed picture in our 2022 performance

While we have made good progress in some areas, our overall health and safety performance this year – as measured by two key industry lagging indicators – has not been as strong as we would like. This was significantly affected by a reduced number of worked hours as a result of fluctuating demand, since our total number of events remained similar to 2021. It also reflects the ongoing integration of OMNOVA and our new adhesive resins business, both of which have historically lower health and safety performance than legacy Synthomer. And we have welcomed new employees at some sites.

The health and safety of our employees – alongside our impact on the environment – remains our highest priority. And we know we have more to do on safety in particular.

The headline numbers on their own do not show the full picture, however. The businesses and sites that have benefited from our SHE programme over many years continue to perform well. Safety at some of our legacy sites is world class.

This year we invested £21 million to continue integrating our health and safety standards across our business, including on improvement projects and SHE compliance issues in addition to £34 million in plant sustenance capital expenditure. We have also focused on key areas such as competency assurance and behavioural safety training.

See ‘Staying focused as we integrate’ on [page 56](#) for more information on some of the specific steps we have taken this year to drive up health and safety standards.

Our occupational safety performance in 2022

To ensure our employees and contractors understand our SHE principles and rules, we expect them to attend inductions and refresher sessions on our 10 SHE principles and Golden Rules.

In 2022, our RCR was 0.34, meaning we did not meet our annual objective. This was affected by performance at a small number of sites where we plan to implement our SHE transformation process in 2023. This short-term, targeted improvement plan helps sites focus on key safety priorities to bring performance back in line with our expectations.

The overall RCR rate also reflects the fact that we have experienced significant employee turnover at some sites this year. This has caused a spike in the number of low severity, preventable injuries, such as slips and trips. In all, 50% of those injuries happened to employees who have been with Synthomer for less than one year.

Nevertheless, our long-term health and safety trend is moving in the right direction. This can be seen at sites that have been part of Synthomer for more than three years, where our RCR rate in 2022 was 0.17, close to a record performance.

Our approach includes holding a Group-wide call for all operational leaders after any high-severity, actual or potential incident. During the call, leaders agree corrective action that all sites are then expected to implement.

Our RCR numbers include employees and contractors working at our sites, along with short-stay visitors like truck drivers. Our metrics remain broadly in line with the USA OSHA standard. However, for historical reasons linked to UK HSE reporting metrics we continue to report our RCR per 100,000 working hours.



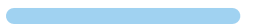
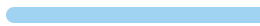


During the year, we reported no cases of disease caused by occupational factors and there were no accidents resulting in fatality or permanent disability.

Our process safety performance in 2022

Good process safety relies on effective layers of protection and controls to keep equipment working efficiently, and ensuring teams understand their role in helping to prevent unexpected releases, including of hazardous chemicals. We carry out routine inspections and maintenance to address issues before they become a problem, and site teams perform safety-critical steps to ensure they are compliant.

Our occupational health performance



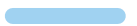


Recordable injury case rate – accidents per 100,000 hours of employees and contractors

Synthomer Group*		
2022		0.34
Legacy Synthomer**		
2022		0.34
2021		0.31
2020		0.36
2019		0.20
2018		0.23

We track and record our recordable injury case rate (RCR) for injuries that need more than first-aid treatment.

Our process safety performance

Process safety event – events per 100,000 hours of employees and contractors

Synthomer Group*		
2022		0.22
Legacy Synthomer**		
2022		0.18
2021		0.16
2020		0.10
2019		0.11
2018		0.14

We record, rate and track our PSEs using a four-tier scoring system. Tiers 1 and 2 (with tier 1 being more severe) meet the International Council of Chemical Associations' (ICCA) definition of a 'reportable PSE'.

* All our businesses including nine months of data from our new adhesives business. ** Excludes our new adhesives business.

This year, our process safety event rate (PSER) at legacy Synthomer sites was 0.18, which meant we did not achieve our 2022 objective. This was affected by poor performance at a small number of sites. PSER performance at our newly acquired adhesives sites was also higher than expected. In 2023, we will work with all affected sites to improve performance.

The majority of our PSERs this year have had limited impact and were managed locally at source, with no effect on people, environment or property. Two thirds were incident-free in 2022. We experienced one major incident at our Filago site in Italy, where a fire damaged plant and equipment. However, no one was injured.

We use a range of measures to ensure the ongoing integrity of our equipment. These include identifying critical process safety steps, such as monitoring and investigating reactor mischarges. We then confirm that sites are taking those steps through simple checklist engagement discussions to ensure compliance.

This year, we focused on near misses and weak signals, since they are important early warning signs that a bigger, preventable incident might occur if no action is taken. We review weak signals during our quarterly process safety network meetings. This allows us to share lessons learned across sites to help prevent near misses.

For example, this process identified common issues with the way we control gaskets, which had led to higher-than-average loss of containment issues and mischarges at certain sites. As a result, sites have taken steps to strengthen their control processes, such as introducing critical-joint checks. At one site, this work has roughly halved its losses.

We also carried out gap analysis via our major accident hazard project. In particular, we focused on losses of containment that lead to, or are caused by, potential fires, explosions or runaway reactions. Sites now have action plans in place to address gaps over the next 12 months.

A structured approach to investigating spills

Preventing and managing the loss of any material (hazardous or otherwise) is an important part of our SHE approach.

We monitor, report and investigate all spills, ranking any loss against the associated hazard of the material in question, along with quantity spilled, location and impact. We investigate the root causes, such as human factors and mechanical failure, and use the findings to draw up relevant action plans. Our process safety network routinely reviews these types of events during its meetings.

In 2022, we recorded 26 events in our top two tiers (covering reportable PSERs, high-scoring loss of containment and reportable environmental losses). The vast majority had little environmental impact other than localised effect and clean up.

Audit programme resumes post-pandemic

This year, our Group SHE team carried out independent audits at 10 of our sites in Europe and the USA. We record and track significant findings and report on them to the Executive Team and wider organisation on a quarterly basis. To date, 17 of the 21 'significant non-conformances' that the team found have

been addressed, with the remaining four on track for completion in 2023. While ongoing COVID-19 travel restrictions meant we could not conduct in-person audits at our sites in Asia, we did use local specialist contractors to audit our sites.

Maintaining our focus as we integrate

Integrating a new business is a complex, multi-layered process. As a result, we expect to see short-term fluctuations in our SHE performance. It is one of the reasons why we allow three years for new sites to meet our standards.

We are taking a series of tried-and-tested steps to address key issues as we integrate our acquired adhesive resins businesses.

A differentiated approach

We place new sites into 'supported status'. This means our health and safety subject matter experts provide the site team with additional support to help meet our minimum standards in areas such as process safety and asset integrity.

Sites 'graduate' out of supported status once they reach those standards. If any site – new or otherwise – drops below those minimum standards, it can be moved back into supported status. In some instances, we may also run a SHE transformation.





Tackling the basics to drive up standards

We have worked with our operational teams to instil key safety behaviours and address the significant number of preventable injuries among newer employees. For example, we actively encourage all our sites to use 60-second ‘stop and think’ checks to identify and manage hazards before work begins.

Our process safety network has worked with our Group SHE team to identify gaps and trends to provide targeted areas for improvement at specific sites. We also share lessons learnt and examples of good practice across the network. As a result, we have seen a reduction in our overall losses of containment and mischarges.

We keep a formal record of significant process safety events (PSEs) and lessons learnt – known as our ‘Black Book’ – which now includes PSEs that have occurred at our former OMNOVA sites and will be updated for the adhesive resins businesses in 2023. All sites are required to periodically review these PSEs and confirm that they have the correct measures and controls in place to minimise the chance of them occurring. We also review published analysis of significant process safety events from similar and relevant industries.

“ The long-term trend in our health and safety metrics remains positive, despite specific challenges in 2022, including fluctuating demand, talent shortages and ongoing business integration. ”

John Hamnett

Vice President Operations C&C,
Group Global SHE and Engineering Lead

This year, we piloted a new leadership culture programme, the Zero Harm project, at eight Functional Solutions sites to create an environment in which thinking about individual safety – and that of others – becomes a habit for every employee. It will help us move from a dependent, ‘compliance culture’ to a more commitment-based, interdependent one.

Sharing tools and processes to achieve our goals

As part of our focus on health and safety basics this year, we worked with most of our sites to share and develop a process known as ‘bowtie analysis’. This is a commonly used illustrative tool to help teams better understand the key

preventive barriers that need to be in place to stop an initiating cause leading to a specific unwanted event, such as a mischarge of raw materials leading to a runaway reaction. We are rolling out this bowtie analysis as part of our wider major accident hazard project.

We also held three regional SHE conferences for the first time since the start of the COVID-19 pandemic. Participants discussed key issues such as our management systems, leadership and behaviours, and reflected on SHE culture at individual sites. Our Group SHE policy is available online at <https://www.synthomer.com/media/yyle3ahe/safety-health-environment-group-policy-november-2021.pdf>.

Environment

Our water-based polymers and solvent-free adhesive solutions help keep volatile organic compounds and other harmful emissions out of the atmosphere. But to achieve our sustainability goals and reach net zero by 2050, we must make them in ways that minimise their effect on the planet. This means lowering our own emissions and reducing water consumption and waste.

Important milestones in a challenging year

We took some important steps to advance our environmental agenda this year. One was realising our commitment to set science-based greenhouse gas (GHG) emissions reduction targets. Our 2030 reduction target for Scopes 1 and 2 is now 47% (up from 40%) and our Scope 3 target is 28% (up from 10%), against the new Group 2019 baseline. These are absolute emission reduction targets instead of our previous intensity targets (emissions per tonne of sales production).

We have submitted our new targets for validation by the Science Based Targets initiative. Even though these targets are a significant challenge, external validation will give us confidence that our work to address net zero is now aligned with the 2015 Paris Agreement.

Setting a new internal carbon price of £85 per tonne of carbon dioxide equivalent was another significant milestone. We chose this price after a thorough market and peer review, as well as sensitivity analysis against some of our capital growth plans.

We use the carbon price as part of our assessment of any sustainability-related project as well as capital projects worth more than £1 million. For example, we used it to assess the payback case for installing solar panels at our site in Spain, improving the internal payback time of the project by around 35%. We will expand our use of the carbon price to lower-value projects over time.

Strong external factors have slowed progress in some of our plans. Fluctuating demand has seen some plants operating less efficiently. High employee turnover at some sites, plus integrating our new adhesive resins business, has meant concentrating on bringing new colleagues up to speed with our standards and expectations, and helping them to get the basics right.

Our Vision 2030 target: emissions and energy

Reduce Scope 1 and 2 absolute emissions by 47%



Reduce Scope 3 absolute emissions by 28%



80% of electricity from renewable sources



* Legacy Synthomer.

Our environmental targets are designed to help us reach net zero by 2050. We made good progress this year, exceeding our 2022 objective to reduce Scope 1 and 2 intensity by 20% (see 'Scope 1 and 2 emissions' on [page 59](#) for more information).

This year we have introduced science-based greenhouse gas (GHG) absolute emissions reduction targets. See 'Important milestones in a challenging year' for more detail on these new targets. Our renewable electricity target remains the same.

Our short-term objectives**

2022	Reduce Scope 1 and 2 intensity by 20%	✓
	At least 50% of total electricity consumption from renewable sources	✓
	Improve specific energy efficiency by 5%	✗
	Evaluate Scope 3 emissions from three suppliers of our four main raw materials	—
	Define medium- and long-term plan to reduce Scope 1 and 2 emissions	✓

We have now renewed our objectives for 2025 as follows:

- 30% absolute reduction of Scope 1 and 2 emissions (versus 2019).
- 5% energy reduction on intensity (versus 2022).
- Set a 2025 quantitative reduction target by end 2023 based on our updated water withdrawal and consumption baseline.
- 5% total waste reduction on intensity (versus 2022).

More detailed information on our progress against our targets and objectives can be found throughout this section.

** Legacy Synthomer

We have also gone through significant internal change: a reorganisation to create a more focused and specialised business, and changes in our product mix as a result of our adhesive resins acquisition. While our new adhesives technologies have the important environmental benefits of using less water and avoiding harmful solvents, they require significant amounts of energy to make.

Nevertheless, we have made good progress against our emissions and water targets this year, exceeding our short-term 2022 objective to reduce Scope 1 and 2 emissions by 20% and developing more accurate water balance models that will help us work towards a quantitative water objective for 2025.

Our energy use and carbon footprint

While our Group absolute reduction of 36% versus 2019 is partly due to lower production volume, the 2.5% improvement in Scope 1 emissions intensity (10% for legacy Synthomer in 2022 vs 2021) reflects the fact that we moved away from coal to gas-fired power at our plant in Sokolov, Czech Republic. We could have made further improvements had sharply escalating gas prices not meant we needed to make a short-term switch to importing steam from a local coal-powered station to manage costs. However, we remain committed to our long-term energy goals, including a permanent move away from coal.

“ I am delighted that we realised our commitment to set science-based greenhouse gas emissions targets this year. This is an important step in our Vision 2030 journey. ”

Guy Scudder

Sustainability Manager, Group Operations

We rely on energy to run our manufacturing plants, make our products and transport them around the world. However, around 85% of our total emissions come from our supply chain, particularly carbon associated with extracting and processing our main raw materials. We must address all these areas if we are to realise our net zero ambition.

Scope 1 and 2 emissions

Excluding our newly acquired adhesive resins sites, our Scope 1 and 2 emissions intensity rose by 4% in 2022, compared with 2021, although is still 31% better than 2019 – well ahead of our objective to reduce Scope 1 and 2 emissions intensity by 20%.

Absolute Scope 1 and 2 emissions were 14% lower than 2021, despite a slight increase in Scope 2 emissions.

We maintained a high level of renewable electricity coverage across the business, hitting our 2030 target for the second year running, and far exceeding our 2022 objective to source 50% of our power from renewables. Our newly acquired adhesive resins site in Jefferson, USA, has a contract with a solar farm that covers, on average, 25% of its overall power requirements.

See [page 51](#) in our Products section for more information on how our procurement team has helped Synthomer source renewable electricity this year.

This year, we identified our top 10 sites in terms of Scope 1 and 2 emissions and ran workshops with three of them to develop decarbonisation roadmaps.



Operations continued

These workshops highlighted a range of different energy conservation measures and potential projects that sites could deploy. For example, improving efficiency and ongoing decarbonisation of power over the short-to-medium term, and introducing alternative fuels and less energy intensive processes in the longer term.

The sites are now refining these roadmaps to develop more detailed deployment plans. We intend to roll out the process to our other top seven sites by the end of Q1 2024.

We have set ourselves an objective to reduce our Scope 1 and 2 absolute emissions by 30% by 2025 (versus 2019). To achieve this at normal production volumes, we expect to see the full benefit of ending our use of coal, as well as introducing new energy efficiency projects and the power purchase agreements (PPAs) that will be included in site decarbonisation plans.

Scope 3 emissions

In 2022 our total Scope 3 emissions were 18% lower than our new 2019 baseline. This was driven by the most material category for Synthomer, purchased goods and services, which has also decreased by 18% in 2022 as compared with 2019.

This consists of a 37% reduction in emissions from primary monomers, offset by a 35% increase in emissions from other procurement activities.

The 37% reduction in emissions from primary monomers is driven by a 33%

reduction in volume purchased. The additional difference is driven by changes in energy emissions within the LCA (Life Cycle Assessment).

Emissions from other procurement activities were calculated based on spend using the EEIO (Extended Environmental Input and Output) model and make up 35% of the total footprint. The significant increase in prices in 2022 compared to 2019 resulted in an increase of 35% in other procurement emissions.

Our full Scope 3 emissions report is available on: <https://www.synthomer.com/sustainability/ratings-and-resources/>. Given the complexity of this topic – the most material for us – we have developed a strategic approach to our suppliers and customers to help identify alternatives.

This year, we reached out to suppliers who provide our main monomers to request primary Scope 3 data. While we received a limited response, suppliers understand the need to define the carbon footprint of their products. This process has been helpful in starting a more in-depth conversation with them about product carbon footprint metrics.

For more information on our work to address our Scope 3 emissions this year, see our Products section on [pages 48 and 51](#).

Tackling energy efficiency as we grow

Our absolute energy consumption was 6.78 million GJ in 2022. Legacy

Synthomer accounted for 4.88 million GJ (14% lower than 2021). However, intensity rose by 4%, to 3.29 GJ/tonne.

We did not achieve our 2022 objective to improve energy efficiency by 5% (versus 2019). Our energy intensity in 2022 was 7% higher than 2019. One of the main reasons for this was lower production levels.

Addressing energy efficiency remains one of our biggest challenges, particularly as our energy intensity has risen 28% because of our newly acquired adhesive resins sites.

We continue to explore our options in this area. This year, we set up a network of innovation experts called the Advanced Process Innovation (API) team, which will form project teams to look at alternative energy options for energy-intensive operations that would be suitable for site trials.

In the meantime, we rolled out five high-level equipment benchmarking guides at the end of 2022, setting out simple principles and approaches to help teams assess the performance of key equipment, such as steam boilers. We expect sites to use these guides in 2023 to help focus on operational discipline to improve efficiency and to prioritise capital expenditure.

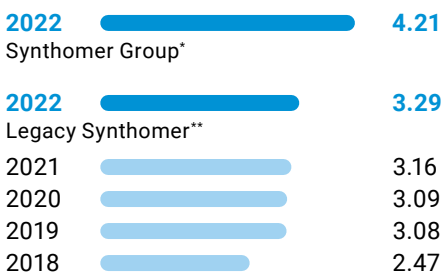
Our business divisions are also carrying out energy diagnostic work at key sites. This involves assessing the theoretical energy demand of our processes against actual use to identify areas for improvement. It will also help us look at benchmarking against sites with similar processes. As part of this work, we intend to review opportunities for better heat integration and have developed new guidance to help sites assess whether heat pumps are a viable alternative both technically and financially.

These initiatives and projects, alongside our site decarbonisation plans, are expected to deliver our renewed short-term objective to improve energy efficiency by 5% by 2025 versus 2022.

For more information on the work our innovation teams are doing to address energy efficiency, see [page 49](#) in our Products section.

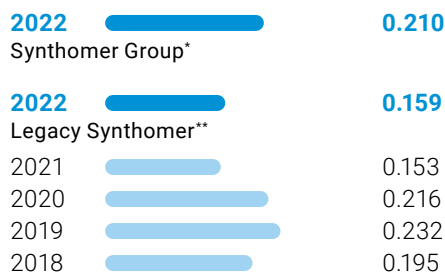
Total metered energy use

Gigajoules (GJ) per sales production tonne



Scope 1 and 2 emissions (hybrid approach)

Tonnes CO₂ equivalent released per sales production tonne (includes CO₂ from energy generation and use), and refrigerant losses



See annex on [pages 212 to 215](#) for our UK-specific energy use data.

Scope 1 and 2 – location-based and market-based – GHG emissions have been verified by a third party. See [page 215](#) for information on our reporting methodology.

* All our businesses, including a full year of data from our new adhesives business. ** Excludes our new adhesives business.

Water

We need water to make some of our polymers and to run manufacturing processes that require steam and cooling, and are committed to ensuring that we manage our water consumption carefully.

Our Vision 2030 target: water

Manage and minimise water consumption at all locations. Introduce water management plans in water-stressed areas and highest consumption sites.


We have set ourselves a qualitative water target to reflect the fact that we must first strengthen the way we measure, monitor and report on water consumption.

We continue to make progress in this area, and this year have included water from imported steam in our water withdrawal figures at all sites. We also include estimated rainwater where it leaves a site as effluent. In discharged water, we now collect data on all effluent discharges, condensate returns to third parties and 'once through' cooling water returns.

Given the refinements we have made to our measurement methodology and the large variation versus the original 2019 baseline, we have removed our short-term 2022 objective.

Our short-term objective

2022 Maintain water consumption at 2019 levels 

Carry out gap analysis of water and effluent monitoring abilities at key sites 

We have set a new objective for 2023 as follows:

- Using our refreshed water withdrawal and consumption baseline, set a 2025 quantitative target by end 2023

More detailed information on our progress against our target and objectives can be found throughout this section.

We took important steps this year to improve the way we collect and report our water data. We shared a high-level site water balance model with all sites to assess and confirm that they have identified, and are reporting against, all their water inputs and outputs. We also asked them to confirm the plans they have in place to address any gaps.

Meanwhile, we rolled out our new water policy across all sites, setting out our expectations in key areas such as management plans for sites in water-stressed areas. This gives us a consistent framework for effective, sustainable water management across the business. Our full water policy is available online at https://www.synthomer.com/media/m0y4y5/water_management.pdf.

We are now focusing on water stewardship and reduction pilot projects. For example, our Langelshheim site in Germany will work with a third party to assess its approach to water stewardship with a view to applying for certification against the Alliance for Water Stewardship standard. What we learn will inform our future plans for other sites. The site will also carry out basic engineering work to enable the assessment options to eliminate 'once through' cooling, a project with the potential to reduce Group water withdrawal by 5-10%.

This work will establish the foundations for our water reduction programme, and our first milestone will be setting a 2025 objective.

Our water performance in 2022



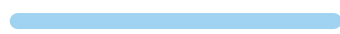
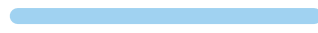
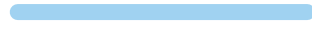

We saw a 15% increase in total water withdrawal and estimate a 14% increase in water consumption intensity at our legacy Synthomer sites in 2022. This increase reflects a correction in our method of determining consumption, as outlined in GRI definitions, as well as the impact of lower production; absolute water withdrawal for legacy Synthomer improved by 4% on our 2021 figures.

Water and steam leak reduction projects at several sites reduced by 2% absolute water withdrawal across the Group. For example, our Ribecourt, France and Sant Albano, Italy sites achieved double-digit improvements in their withdrawal intensity through such projects.

Some sites did increase overall production in 2022, but were able to partially offset the resulting increase in water consumption, for example through optimisation of site cooling systems. We will remain focused on minimising withdrawal through leak management and process optimisation, and, by association, non-product-related consumption.

Total water withdrawal

m³ per sales production tonne

2022		5.07
Synthomer Group*		
2022		5.03
Legacy Synthomer**		
2021		4.39
2020		4.13
2019		4.04
2018		3.90

* All our businesses, including a full year of data from our new adhesives business.

** Excludes our new adhesives business.

Waste

We have a responsibility to dispose of our waste carefully, and we look for ways to reduce it at source. We manage several different types of waste, such as filtered solids from reactor and tank cleaning and waste packaging. We also have one-off waste streams associated with construction and demolition. Some speciality sites manage specific waste streams that are not saleable and require treatment and disposal. Our new adhesives plants manage a relatively high level of hazardous waste that must be incinerated.

Our short-term objectives: waste

2022 12% reduction of waste to landfill per produced tonne



A number of one-off events in 2022 meant that we did not meet our objectives this year, as described below.

We have now renewed our objectives for 2025 as follows:

- 5% reduction in total waste per tonne versus 2022

This has been a challenging year for our waste metrics, with a spike in our figures related to a large number of periodic planned activities which help keep our plants running efficiently but which do not take place annually, and one-off events. This meant we did not meet our 2022 short-term objective for reducing waste to landfill intensity by 12%.

To help smooth our waste trend profile we will start tracking an average three-year waste profile – matching the typical turnaround frequency for some of these key activities.

We will also focus on understanding the sources and potential improvement opportunities at our new adhesive resins sites, since these have increased our reported hazardous waste by around 60% on intensity.

Our waste performance in 2022

Our Group total waste in 2022 was 65.1 kilotonnes and for legacy Synthomer was 42.6 kilotonnes, similar to 2021. In the latter, we saw a slight fall in absolute waste generation, comprising an 11% reduction in hazardous waste, but an overall increase of waste to landfill of 8.5%, largely due to the periodic waste disposals

mentioned above. On an intensity basis, the combination of reduced production and the periodic disposals skewed the figures significantly, with a 20% increase in waste generated to 28.7kg per tonne of product.

As a result, our waste to landfill intensity was also higher than 2021 and the 2019 baseline.

A one-off event that contributed to this swing included remediation work on historical ground contamination at our site in Saudi Arabia, where more than 500 tonnes of waste accounted for around 6% of the total sent to landfill.

Overall these events contributed an estimated 22% of the landfill total and 29% of the total waste reported this year, compared with 5% and 26% respectively in 2021.

We did see some successes in 2022, including at our Czech Republic site, where closing the coal-fired boiler has eliminated the associated coal ash waste stream. Sludge drying improvements have also reduced non-hazardous waste with a considerable intensity saving.

While we continue to look at ways to improve process efficiency to reduce waste to landfill, we are also continuing to assess ways we might reduce and treat our most hazardous waste streams. For example, we are considering technologies such as bioremediation.

Alongside work to reduce solid waste generated by our waste treatment plants, we continue to focus on product quality, right first time production and stock management to help drive underlying improvements.

We have set a 2025 objective to reduce total waste by 5%. We will also consider a three-year baseline between 2020-22 to account for the fluctuations described above.

Total waste¹

kg per sales production tonne

2022 40.4
Synthomer Group*

2022 28.7
Legacy Synthomer**

2021 23.9
2020 23.7
2019 28.8
2018 22.1

Waste disposal to landfill

kg per sales production tonne

2022 11.53
Synthomer Group*

2022 8.22
Legacy Synthomer**

2021 6.28
2020 5.96
2019 7.58
2018 5.08

¹ We have amended our figures for 2019, 2020 and 2021 as a result of a previously unreported waste stream.

* All businesses, including a full year of data from our new adhesives business. ** Excludes our new adhesives business.

People

Our employees are our greatest strength; successfully executing our new strategy will rely on their talent and dedication. While our strategy and structure may have evolved, our commitment to building a diverse, inclusive organisation based on our core values remains firm. And we are putting the tools and incentives in place to help our employees fully contribute to – and benefit from – Synthomer’s success. We also want our local communities to see us as a good neighbour, and we support a range of activities in key areas, such as education and environment.

This section is divided into two parts to reflect our commitment to both employees and the communities where we operate.

Our employees – [page 64](#)

Our communities – [page 71](#)

25.4%

gender diversity in senior management
+25% increase year on year



Our employees

This has been another challenging year for our employees, and they have shown great tenacity in the face of rising inflation, fluctuating demand and the reorganisation of our divisions. We know change can be unsettling and thank our teams around the world for their ongoing commitment.

Our employees at a glance

5,200

employees

8.5%

turnover

15.8%

new hires (excludes former Eastman employees)

65%

under collective bargaining agreements

A refreshed approach for a specialist, innovative business

Diversity, equity, inclusion and holistic employee development together form one of the pillars of Synthomer's refreshed strategy, and we have continued to evolve our employee agenda and culture this year to support our new strategic goals and help employees see Synthomer as a place to build a long-term career.

We want to continue building on our existing strengths, such as strong leadership and individual accountability, while creating a culture of innovation. This means helping employees adopt behaviours that support greater collaboration and shared responsibility in pursuit of excellence. To support this process, we have refreshed our four strategic employee priorities:

Promote holistic employee development

We see everyone as talented, with individual development paths. We focus on bringing out the best in our employees. We want to grow our talent pipeline through targeted employee development and selective external recruitment.

Strengthen leadership capability

We want to develop empowered, agile leaders who act as role models, coaching and developing their teams, and who are prepared to lead change to successfully drive our business strategy.

Embrace Synthomer excellence

We strive for excellence in everything we do. That includes processes that support our employee agenda and organisational structure to help the business drive value.

Establish an innovative workplace culture

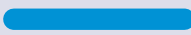
We aim to establish a culture of collaboration and engagement, guided by a shared purpose and underpinned by mutual trust and open feedback, and based on our core values. We want to build on our strengths and grow innovation skills to help Synthomer succeed.

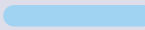
We have also introduced internal talent performance indicators, such as completion rates for performance and development conversations, and succession planning coverage ratios for critical roles, to help align our employee plan with these objectives, as well as track and measure our impact.

Our Vision 2030 target: gender diversity

40% senior management gender diversity

Target  40%

2022  25.4%

2021*  20%

* Legacy Synthomer

Creating a more diverse and inclusive company takes time; our original target to reach 50% gender diversity in new hires in leadership, management and professional roles was just a starting point.

Now we have set a new, more focused gender diversity target of 40% senior management by 2030. This will help us embed greater diversity at the highest levels of the Company.

Our short-term objective

2022 **25% female senior leaders**



Our 2025 objectives remain the same:

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

More detailed information on our progress against our target and objectives can be found throughout this section.

Diversity and inclusion at the heart of our strategy

We are seeing real momentum in our diversity and inclusion programme, with improving results, more ambitious Vision 2030 targets, and a growing number of employee resource groups.

As part of our campaign to keep that momentum going, we ran a series of virtual awareness sessions reaching out to more than 500 leaders, led by members of our global diversity and inclusion leadership team. The sessions covered key topics, such as our diversity and inclusion vision, priorities, governance structure and objectives, and provided an open forum for participants to share their own experiences and ask questions. It was also a chance for our leaders to share what they thought we are doing well and where we could do more to embed diversity and inclusion across Synthomer.

We also set up a network of diversity and inclusion ambassadors in Asia, with 16 ambassadors so far. Ambassadors act as trusted advisers, working with our regional diversity and inclusion teams to help share and reinforce our key messages. They also share local feedback with our regional and global diversity and inclusion leadership teams and attend train-the-trainer workshops so that they can help us continue to roll out our diversity and inclusion awareness sessions. During 2022, our ambassadors in Asia ran 21 awareness sessions for over 600 people. We will continue to roll out the ambassador network in the USA and Europe in 2023.

Our Board and Executive Committee members continue to support our diversity and inclusion programme. For example, they provide governance via our Diversity and Inclusion Steering Committee and attend events held by our employee resource groups.



“ Our ongoing efforts to create a more diverse and inclusive Synthomer, combined with an increased focus on equity, are paving the way for a successful future. ”

Ana Perroni Laloe

President, Coatings & Construction Solutions and Diversity Equity and Inclusion Executive Sponsor

Our diversity and inclusion performance in 2022

We saw good improvements in our diversity and inclusion performance this year, with women representing 21.4% of our workforce. The percentage of women in senior management roles increased to 25.4% – up from 20% in 2021, and from 9% just three years ago. This meant we achieved our 2022 short-term objective.

We officially welcomed Lily Liu as Chief Financial Officer in July 2022, which means women continue to make up 33% of our Board. This year, we exceeded the expectations laid out in the Parker Report on ethnic diversity, with two Board members from ethnically diverse backgrounds.

We are seeing a shift in our Executive Committee’s gender, ethnicity and age profile as well, with the appointment of Alice Heezen as our new Chief Human Resources Officer and Anant Prakash as our new Chief Counsel and Company Secretary.

We are also making excellent progress at the other end of the career spectrum, with women representing 56% of our new graduates over the past four years.

We continue to work towards our 2025 objective of 20% senior leaders from ethnically diverse backgrounds.

A growing network of employee resource groups

We have established two new employee resource groups – our LGBTQ+ group, THRIVE, and EMPOWER, our cultural diversity group.

THRIVE celebrated Pride month in June 2022 by raising awareness of the history of Pride and running a live ‘Taking Pride in Diversity’ event hosted at our London office and broadcast virtually across the Group. The event featured an interview with Leng Montgomery, an experienced diversity, equity and inclusion leader and former TEDx speaker, and explored the importance of allyship and supporting each other. In all, more than 100 people

participated in different Pride month activities across Synthomer.

EMPOWER was endorsed by our global Diversity and Inclusion leadership team at the end of 2022 and will formally be launched in 2023.

Meanwhile, our well-established women’s group, ENGENDER, continues to grow. As part of the Group’s activities this year, our Chief Financial Officer, Lily Liu, hosted a session on our financial results. As well as the business update, Lily shared her personal experiences in leadership.

In 2023, we will explore ways to better support people with disabilities.

New training to support inclusive recruitment

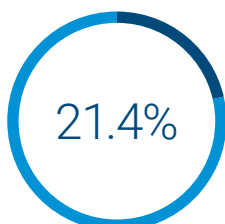
To keep building a more diverse Synthomer we have introduced inclusive recruitment e-training on issues like unconscious bias. The e-modules are available in English and Chinese, and we intend to add other languages in time. To date, 55% of invited hiring managers have already completed the training.

Beyond inclusive recruitment, we will also focus on inclusive leadership in 2023, with plans to develop a dedicated curriculum for our leaders, covering elements such as communication, building trust, collaboration, cultural competence and achieving transformation.

Gender diversity

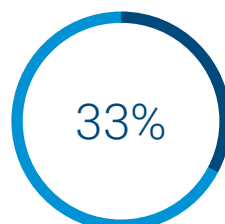
All employees

Female **1,114**
Male **4,092**
Not declared 1
Total 5,207



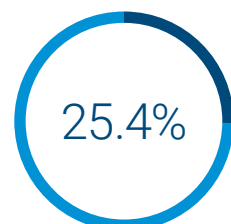
Board

Female **3**
Male **6**
Total 9



Senior management

Female **15**
Male **44**
Total 59



Our Vision 2030 target: employee engagement

Achieve upper quartile engagement scores against external benchmarks

Our original Vision 2030 engagement target was designed to measure employee response rates and to demonstrate that we have the tools in place to hear what employees think.

This year, we have focused on turning the feedback we heard in our 2021 Your Voice survey into meaningful action. We have also made our target more ambitious and will switch from measuring response rates to engagement scores and benchmark our progress against similar manufacturing organisations. And, in 2023, we will introduce internal performance indicators, such as the number of initiatives and action completion rates, to monitor progress in our action plans to address areas for improvement.

More detailed information on our progress this year can be found throughout this section.

Addressing feedback from our employees

What our employees think about Synthomer matters – their feedback shows us what is working well and where we can improve.

Our Your Voice survey is our global employee engagement tool. We ran our last survey in 2021, which was completed by 73% of employees. As well as strengths, such as our commitment to safety and understanding our Code of Conduct, the survey highlighted three key areas for improvement: communication, collaboration and wellbeing.

As a result of our 2021 survey, we identified more than 270 local or Group initiatives across the Company to address feedback from our employees. More than 70% of those initiatives are either now in progress or have been completed. Our Executive Committee and Board regularly review progress and confirm action is being taken when visiting sites, or hosting townhalls and focus groups.

Many of these initiatives are designed to strengthen collaboration across the business. For example, around 100 employees participated in four cross-functional team-building events at our Asian headquarters in Malaysia. We also held cross-functional ‘lunch and talk’ sessions at our European hub in Germany, and several sites around the world ran knowledge sharing initiatives during the year.

We have decided to wait until 2024 to run our next Your Voice survey. This will give us more time to integrate our new adhesive resins business. After that, the survey will return to its two-yearly schedule. In the meantime, we intend to launch a shorter annual ‘pulse’ survey in 2023. This dual approach will give us time to turn Your Voice results into meaningful action while checking our progress on an annual basis.

Strengthening our approach to employee communications

Good communication is an important part of employee engagement. It helps us demonstrate that we are acting on

what our employees tell us, as well as sharing key messages to help them feel more connected to the business. To help us take a more strategic approach to our employee communications programme, we carried out an internal communications review in 2022 and used what we learned to create an action plan, which was then discussed and agreed with the Executive Committee. As part of this, we recruited an internal communications manager in 2023.

Communication is an important leadership skill too, and this year we put measures in place to help our senior leaders take greater responsibility for sharing key strategic messages. For example, our CEO, Michael Willome, set up a formal Global Leadership Team (GLT), comprising the top 75 senior leaders. An important goal of the GLT is to promote greater collaboration between our businesses, functions and regions to share good practice and support our work to create a culture of innovation. This group has already played an essential role in helping to share our new strategy across Synthomer, with a series of engagement sessions with their teams.

Our HR team also worked with the GLT to help strengthen their communications skills and tell a compelling story about Synthomer’s new strategy and structure. We also developed a structured employee communication and engagement plan to provide regular, transparent updates on the changes we are making and to support employee wellbeing.

We also carried out targeted communications activities this year at a regional, functional and site level. This included townhalls, CEO videos and messages, newsletters, site visits and lunch and talk sessions.

Continuing to develop Board engagement with employees

In order to hear from employees directly across all regions, our Board uses a mix of in-person meetings and virtual technology. In 2022, we agreed terms of reference and held regular briefings at a Board level.

Our Non-Executive Directors Alexander Catto and Holly Van Deursen lead our Board engagement programme. In 2022, they hosted 14 virtual and in-person Employee Voice sessions across all our regions, involving more than 170 employees. Our Chair, Caroline Johnstone, joined Holly for meetings at three sites in South Carolina, USA. We also held virtual sessions with employees in Germany and France in 2022, plus virtual sessions in 2023 with our site in Italy and with former Eastman employees at our Netherlands site. Later in the year we intend to visit, and hold Board meetings, at our sites in Malaysia.

In addition, Board members met with employees during visits to our site at Harlow in the UK, as well as five USA sites (including one of the sites we

acquired from Eastman). They also visited our development centre and office in Ohio, USA, which we acquired with OMNOVA in 2020.

During these discussions we usually ask employees to share their views on a handful of topics. For example, in 2022, typical areas included what employees like best about working for Synthomer, and what changes they would like to see – with particular focus on topics highlighted in local employee surveys. We also continue to explore how well we live our values (particularly safety), while allowing plenty of time to hear what’s on people’s minds.

During the year, we heard many consistent and positive messages, including that safety is always our first priority and strongest value. Employees told us that they feel respected and have the opportunity to influence the way we work. We also heard a lot of enthusiasm for potential future growth, personal development and our ability to create further value for customers. Many employees told us that they find our focus on sustainability and being a good corporate citizen very motivating.

They also shared thoughts on areas for improvement – with a consistent message that we will need to make the most of our resources as we mature and grow. With that in mind, we will continue to focus on collaboration in line with our core value of Teamwork, as well as addressing other issues raised by employees such as mental health and wellbeing, communication, prioritisation and simplification, change management, and investment and maintenance plans.

This feedback is invaluable for our Board and management team who use what they hear to take action. For example, in 2022, our leadership team led a work simplification programme. We also assessed the value of a more proactive maintenance programme and reviewed the central service function provided to our European sites.

Continuing to support employee wellbeing

One of the clearest messages we have heard from employees over the past couple of years is that they would like us to do more to support their wellbeing.

“ Good communication is such an important part of employee engagement – it helps our employees feel more connected to the business. ”

Alice Heezen
Chief Human Resources Officer



In response, we will broaden our Employee Assistance Programme across more geographies to provide support to our employees who are facing personally challenging situations, including those from a health, financial, professional or work related perspective. This supplements, in a confidential way, the support the Company offers in situations that are particularly challenging for employees.

In October 2022, we ran an awareness campaign to mark World Mental Health Day, which included sharing useful materials, such as facts and figures around mental health issues and tips for staying vigilant and supporting each other. We will also establish a new wellbeing committee, which will run regular activities to promote and discuss wellbeing and resilience issues, such as psychological safety, management of priorities and resilience.

Supporting employees through cost-of-living challenges

The Board and Executive Team have been very mindful of financial pressures facing our colleagues across the business – high inflation has driven up the cost of food and energy in many regions where we operate. Our approach has been guided by balancing the financial pressures facing the business with those of our employees. We have worked with our people to develop equitable, bespoke and tailored approaches for each of the geographies we operate in. We made one-off payments to some groups of employees in 2022; elsewhere we paid local increases. Other initiatives to support employees in 2022 included one-off payments, food vouchers, and discounted and subsidised shopping. We are developing country-specific salary proposals for 2023 – for example, an average merit increase of 3.8% UK

management and average of 5% for those below management levels. We have also extensively tailored our employee benefits schemes in each geography to focus on what matters most to local people. The Board had regular oversight of the measures taken in 2022 and those we are taking in 2023.

Helping employees build their career at Synthomer

What was already a competitive recruitment market has become even more challenging in recent years as a result of the pandemic and talent shortages, particularly in the USA. If we are to continue attracting the very best people, it is more important than ever that we have the tools and policies to help people see Synthomer as a place to build their career.

As well as launching a new careers website, complete with employee testimonial videos, we rolled out new training to help strengthen our hiring managers' recruitment skills.

We also introduced a new performance management framework designed to encourage continuous performance conversations between employees and managers. The framework includes a dedicated development conversation, to help employees build on their existing strengths and identify gaps and opportunities to develop new skills. Meanwhile, employees and line managers can now use our digital HR tool to share, or request, specific feedback.

Driving professional training and development

Our functional excellence teams continued to make progress in setting out clear career pathways and expected skills levels this year. For example, Commercial Excellence designed a maturity framework to identify the capabilities we need to execute our strategy. As a result, the team has developed a new sales training initiative that will help our commercial teams strengthen the way they support customer needs and strive for commercial excellence.

Meanwhile, our latest cohort of 15 employees from Europe and the USA completed their Manufacturing Excellence Academy training. This programme includes around 20 modules on topics such as occupational safety, reliability and asset integrity, and project excellence. The seven-month programme also focuses on identifying ways in which participants can apply what they have learned back on-site. In addition, our Innovation Excellence team has developed a career development framework, which we will roll out in 2023. We are now carrying out a similar initiative in Procurement Excellence.

Our short-term objectives: ethics and compliance

We set ourselves a series of ethics and compliance objectives for 2022 to continue strengthening our processes and training in this important area.

2022	Deliver a plan to continuously improve our compliance framework	
	Enhance our risk assessment processes	
	Review our Code of Conduct for 2023 relaunch	
	Further enhance our compliance training	

We have set ourselves a series of ethics and compliance objectives for 2023, which can be found on [page 83](#) in our Risk report.

More detailed information on our progress against our 2022 objectives can be found throughout this section.

To support these initiatives, we have also continued implementing our new Global Learning Management System, which we are rolling out across our locations in stages. The system has been instrumental in delivering some of our major global training initiatives this year, including in compliance and ethics and our Pathway business transformation programme. Pathway is helping us implement our new ERP system and contains around 100 different learning modules, which have been completed by more than 900 people across Synthomer this year.

Ethics and compliance

We expect everyone who works with and for Synthomer to act with integrity and respect – as enshrined in our values. We have done a lot of work in recent years to improve compliance awareness across the Group and help employees do the right thing. That work includes a dedicated, Company-wide compliance portal, a regular compliance blog and global compliance roadshows.

This year we continued our ongoing review of our compliance framework. This involved detailed discussions between our Group Compliance Manager and members of our business divisions and functions to better understand their activities and related risks, as well as working closely with our Group Internal Audit team. A plan for short-, medium- and long-term improvements will be presented to our Audit Committee in May 2023.

We also carried out a detailed bribery and corruption risk assessment to track the current controls we have in place to manage risk and identify further areas of improvement in our existing compliance framework. We are addressing those areas by introducing revised controls in our higher-risk compliance activities.

As part of a complex global value chain, we prioritise and understand the level of bribery and corruption risk when working



with third parties. To address this, we have invested in a third-party due diligence system to centrally manage our global due diligence processes, including ‘in-life’ monitoring. This will help us to strengthen the way we assess each third party and ensure that appropriate and proportionate risk-based levels of due diligence are carried out periodically.

We expanded the scope of our Ethics Helpline so that any third party working with Synthomer can raise a concern. In addition, we invested in a new compliance branding initiative to raise awareness of the externally hosted helpline. We also ran our first compliance roadshow in 2022 in Asia, followed by events in EMEA and USA in early 2023.

We also began reviewing our Code of Conduct to prepare for a relaunch in 2023. To support our refreshed Code, we will introduce a new set of standalone policies setting out our expected controls and procedures.

In 2022, we successfully completed compliance integration of our newly acquired adhesive resins business.

See our Risk report on [pages 73 to 83](#) for more information on how we manage our risks.

Responding to the European Commission investigation into styrene monomer purchasing practices

Following its investigation into styrene monomer purchasing practices between 2012 and 2018, the European Commission (EC) issued Synthomer a €43.0 million fine. This is a matter we have taken very seriously and have fully cooperated with the EC.

At the request of our Board, our Legal and Compliance team carried out a detailed

review of our procurement function and purchasing activities to ensure continued compliance with applicable competition laws.

While we have had a compliance framework in place for many years, including a robust training programme that covered competition law compliance, we carried out further work following the Commission’s inspection. This has helped to further enhance our existing framework and the compliance culture within Synthomer.

For example, we appointed a dedicated Global Compliance Manager, improved our ‘Speak Up’ process with the expansion of our Ethics Helpline, enhanced our competition law compliance toolbox, which employees can access online, enhanced our training, and introduced ‘Legal Business Partnering’ for more bespoke engagements between our Legal and Compliance team and the business. This helps promote a better understanding of risk areas and individual training needs.

We have also refreshed our competition law e-learning training (alongside our other compliance training) over the past few years. We have rolled that training out alongside face-to-face workshops for relevant employees whose work is more affected by competition law issues.

In 2022, our Legal and Compliance team ran a workshop with our Executive Sustainability Steering Committee about compliance issues when working with competitors and peers on sustainability-focused initiatives. The team also launched a new face-to-face competition law workshop, which aims to use relevant scenarios to bring compliance to life, and addressing competition law risks involved

in both sales and purchasing activities. And it held specific sessions focusing on the outcome of the EC investigation with relevant employees across the business.

Our Board also requested a review of our compliance framework as it relates to competition law compliance. This was carried out by our Internal Audit team. The review noted strong governance and robust controls, subject to a few areas for further improvement.

New training to strengthen our compliance skills

We launched several ethics and compliance training initiatives this year, including new e-modules on data protection and our Code of Conduct.

Training on our Code is mandatory for all employees and is something we closely monitor.

To read our Code of Conduct in full, visit <https://www.synthomer.com/investor-relations/corporate-governance/code-of-conduct/>.

We also continued to run our anti-bribery and corruption, and anti-competition e-learning modules this year, with strong participation in both modules.

Raising awareness of modern slavery

We plan to launch our first Modern Slavery training by the end of 2023. We are also working to develop a Group-wide campaign highlighting modern slavery awareness in supply chains. This will be led by our Human Rights Working Group.

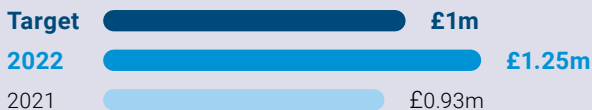
For more information on how we are addressing modern slavery issues in our supply chain, please see [page 52](#) in our Products section.

Our communities

We want the communities who live near our sites to thrive, and encourage our employees to get involved in local volunteering opportunities.

Our Vision 2030 target: our communities

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



Our Vision 2030 target reflects our desire to take a more strategic, long-term approach to community support. A significant proportion of our funding target will come via the Synthomer Foundation for community projects in the USA. This year, the Foundation contributed £1.11 million (up from £930,000 in 2021).



Community support bounces back

This has been a good year for our Synthomer Cares community and volunteering programme, with activities close to pre-COVID-19 levels. Our sites continued to support projects focused on education, environment and social support. For example:

Italy – provided funding to support scholarships for students studying chemistry at two local technical institutes.

Czech Republic – created a programme with local schools that includes a recruitment fair to promote chemistry as an attractive field of study and work, a young chemist competition and Project 'Chemistry Elixir' – a training centre for chemistry teachers.

Portugal – supported a back-to-school programme with 'Terra dos Sonhos' (which means dreamland). In all, 10 volunteers helped orphaned children on their first day of school, by providing school materials and personal support.

Malaysia – supported a range of sustainability and education initiatives, including a beach clean-up day, planting vegetable gardens at a charity home and donating computers and printers to a local school.

China – to support the health and safety of local communities in the face of high COVID-19 cases, employees volunteered to distribute food, antigen tests and medicine.

USA – activities this year included employees at our Jefferson site volunteering to plant flower beds in the local community, and employees in Cuyahoga helping out at the urban farm of the Boys & Girls Clubs of Northeast Ohio, Cleveland with weeding, rubbish collection and general chores. See 'Strong performance from the Synthomer Foundation' on page 72 for more examples of our community activities in the USA.

While we aim to prioritise projects that support certain issues, we saw a rise in general charitable giving this year. This is because many colleagues were keen to support people affected by the war in Ukraine. For example, our sites in the Czech Republic, Germany and Portugal collected financial donations and essential goods, such as clothes and hygiene products. Contributions were gathered by local municipalities and non-governmental organisations and then sent to Ukraine. At Group level, Synthomer also donated £100,000 to the Red Cross/Red Crescent Ukraine Crisis Appeal.

Strong performance from the Synthomer Foundation

This year was a particularly good one for the Synthomer Foundation, contributing £1.11 million to community activities. Of that, the Foundation's largest contribution went to Northeast Ohio United Way.

Other USA-based activities included Northeast Ohio employees buying 'candygrams' to send to co-workers, with proceeds going to United Way, and collecting and distributing gifts to families in need during the holiday season.

Employees at our Akron Technical Center also decorated a 'Chemis-tree' with periodic table elements, glitter test tubes and 3D-printed molecule ornaments. The tree was then donated to Akron Children's Hospital as part of its annual Christmas Tree Festival, during which community members bid on different trees to raise money for patient care programmes, education and research.

Consolidating our approach to community support

Our new global volunteering network, formed in 2021, has helped drive consistency into our community programme this year.

Corporate and social responsibility (CSR) representatives from each site propose and present initiatives to their regional coordinator on a regular basis. Those regional representatives then meet with our central team on a quarterly basis to discuss project proposals and share volunteering ideas. They also track high-level metrics, such as the number of volunteers and hours volunteered. The network is actively supported by an executive sponsor and HR network.

We want to encourage more employees to get involved in community activities and have now made our matched-funding programme available to everyone. Previously this opportunity was only open to UK employees.

We also continued to develop a 'working with the community' component to our talent development and graduate programmes in all our key regions.

Next year, we want to support more environmental community projects. We have set our new cohort of six graduates a volunteering challenge to raise awareness among site colleagues about the growing importance of water and biodiversity. This will also give us pilot studies that we can eventually replicate and adapt for other sites.

Participation rises in Synthomer Cares week

In May 2022, we ran our second annual Synthomer Cares week. Employees around the world helped raise funds, support local communities and connect with one another through a range of activities. Our biggest event was our global charity run, involving more than 500 employees – 10% of our workforce – across 16 countries. Together, they clocked up 29,000 kilometres, raising more than £12,000 for eight not-for-profit organisations across three regions.

Our Sokolov site, in the Czech Republic, held a '155 Line Day' event for primary schools, helping more than 200 children learn more about the work done by the Karlovy Vary Region Rescue Service. The event included a first-aid simulation and an opportunity for children to hear about the sort of rescue work the team carries out. Children could see an ambulance vehicle provided by the Karlovy Vary Region Rescue Service and a fire truck exhibited and provided by the Karlovy Vary Fire Rescue Service.

In Marl, Germany, our employees took part in an environmental clean-up event held around our offices. As a result, coffee-to-go cups, bottles, cans, food packaging, camping equipment, clothing and disposable masks were all collected and disposed of properly.



Our extensive portfolio of high-solids styrene-butadiene rubber lattices has been developed to provide high-end insole performance within a range of flexibility and comfort parameters.

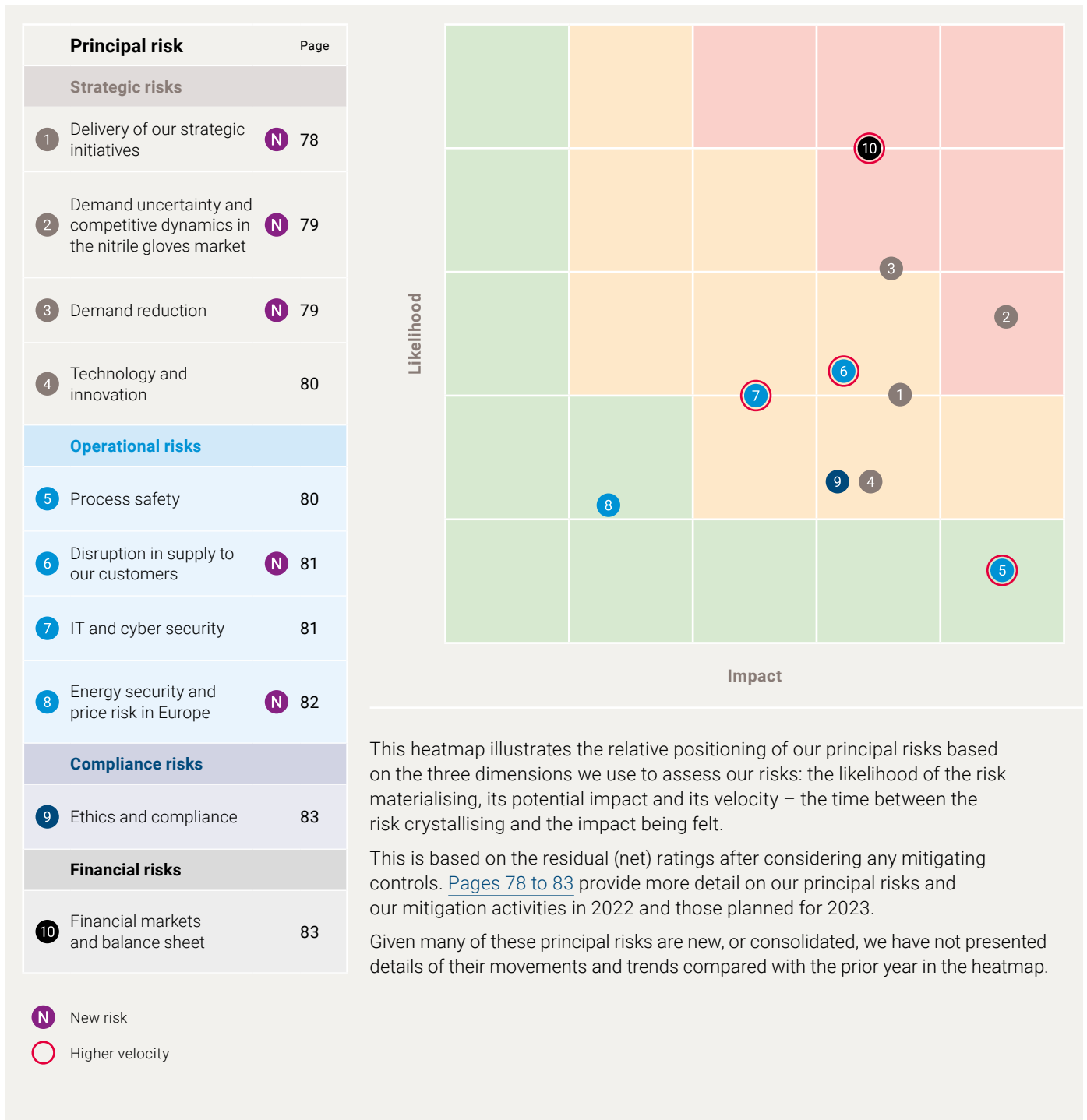
Risk and other disclosures

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- 90 Viability statement
- 90 Non-financial and s.172 disclosures

Managing risk

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

The expansion of Synthomer to include our new adhesive resins business, and our refreshed strategic focus and divisional structure, has meant evolution across the business – including in the way we approach risk. While the principles underpinning our approach remain the same, we have made progress on our risk governance, we have comprehensively refreshed our principal risks – which we discuss in more detail in this report – and we have continued to adapt our risk management framework to ensure our business is protected while we pursue our strategic objectives.



How we manage risk

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

Risk governance and oversight

Our Board

The Board is responsible overall for ensuring that risk is effectively managed across the Group and for creating the framework for our risk management to operate effectively. The Board continues to set our risk culture and the risk appetite it is prepared to accept to achieve the Group's objectives. It also continues to set our wider risk tolerance, within which it gives the Executive Team authority to manage the business.

Risk appetite statements for our principal risks are embedded in our risk management framework and, following our recent principal risk review, we will update them as part of our standard governance processes to make sure they reflect strategic changes.

Audit Committee

On the Board's behalf, the Audit Committee reviews and assesses the effectiveness of the Group's risk management and internal control processes and monitors our risk exposure.

In 2022, the Audit Committee continued its programme of risk deep dives. This gave management the opportunity to explain directly to the Committee the assessed risks, the associated controls in place and any other mitigating actions they had planned. The Committee carries out regular deep dive risk reviews for each of the Group's divisions, as well as specialist functional risk reviews into plant control systems, strategic sourcing, insurance and pensions. The Committee also reviewed summaries of the work done by the Internal Audit team, which operates a risk-based audit plan.

Together, our risk management system, the Audit Committee's deep dives and our associated assurance work are designed to make sure risk is managed within our risk appetite, rather than to eliminate risk completely.

Executive Team

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

Executive Risk Committee

Our new Executive Risk Committee (ERC), introduced in 2022 and chaired by the Chief Financial Officer, is responsible for:

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

Division and function risk owners

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

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

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

Three lines of defence

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

Line 1

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

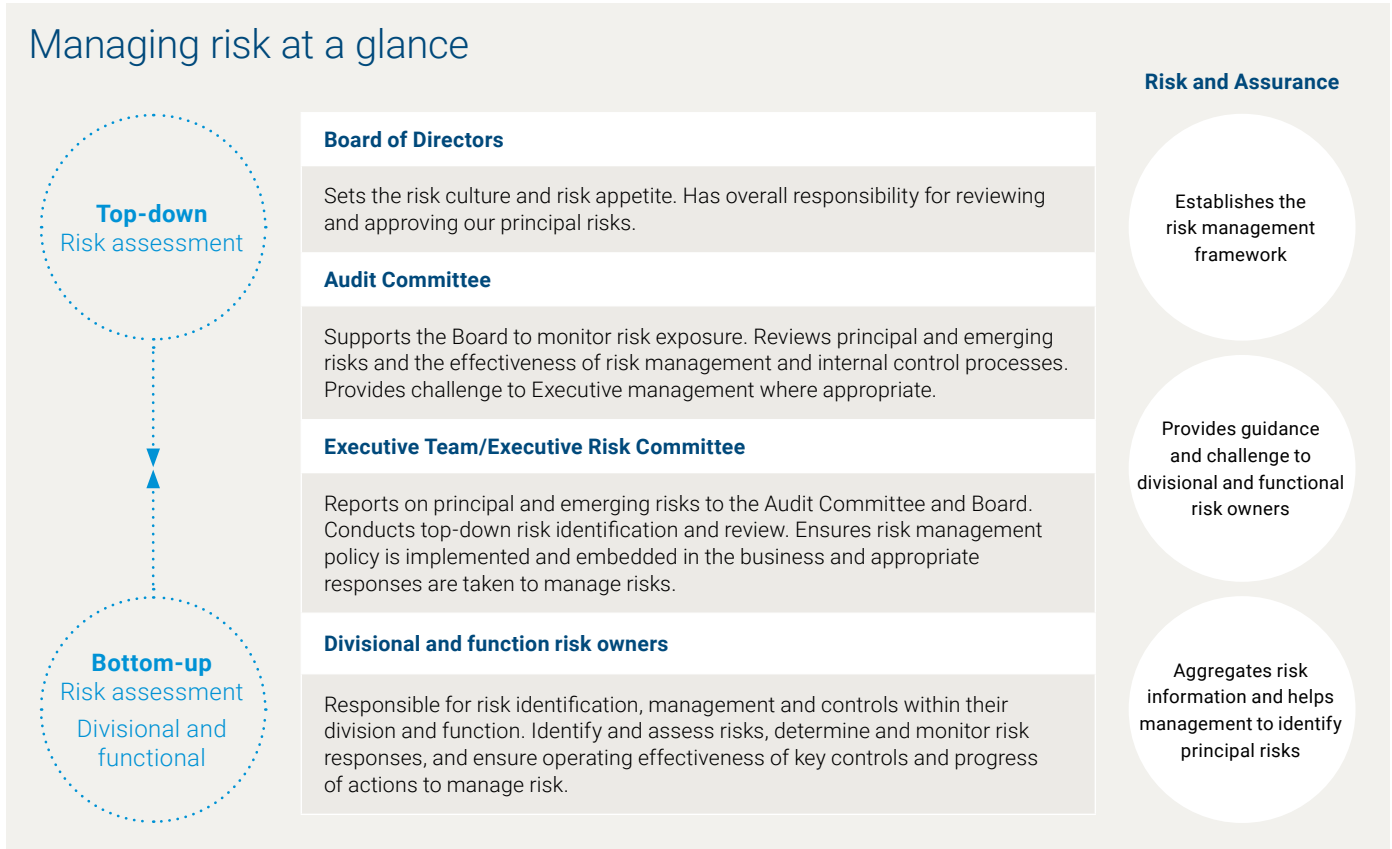
Line 2

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

Line 3

Our Internal Audit team provides our third line of defence. It provides independent assurance on internal controls and risk management processes. Our statutory auditors provide external assurance on the financial statements, while an external specialist provides assurance around ISO standards.

Managing risk at a glance



Assessing our principal risks

Risks affect us in many ways. Across our business, we identify the likelihood, potential impact and velocity of risks through our formal twice-yearly risk assessment submissions by divisions and Group functions, which have regard to the challenges and also risk mitigation opportunities provided by the relatively short customer order-to-fulfilment cycle in most of our businesses. Management is also empowered and encouraged to manage and react to risks as part of normal day-to-day decision making. We use the Group’s risk methodology to assess the risks involved in significant projects, including change programmes and the integration of businesses we have acquired. These reviews, together with our three lines of defence, enable us to establish effective controls to manage our risks.

In 2022, as part of our integrated risk management framework, the ERC conducted a robust assessment of our principal risks and uncertainties.

Although this review process is routinely embedded in our governance processes, it was particularly relevant in 2022 given our refreshed strategy, changes in market conditions, and the macroeconomic and geopolitical environment.

Our key risks

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

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

In its review, the ERC concluded that these key risk categories remain relevant – and we outline these in the next table.

In parallel, the ERC comprehensively refreshed our principal risks to make sure they were aligned to our new strategy and the business environment, and to remain agile in how we manage risk. These changes are also outlined in the next table.

The principal risks and uncertainties on [pages 78 to 83](#) provide more detail about these 10 revised principal risks. Our Board and management feel these risks pose the greatest threats to our business. They fall into categories that relate closely to our strategic objectives and business model. The risks listed are not in any priority order, nor are all the risks we face listed.

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

Emerging risks

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

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

Climate change

We have assessed climate change as an emerging risk because it continues to evolve – so it remains integral to our risk management processes. Having thoroughly reviewed climate change risks and opportunities with input from scenario analysis, and in line with our

approach last year, we believe climate change risk is best managed within our principal risks rather than separately, as a standalone principal risk.

So, as part of our risk review, we have integrated climate-related risks into our principal risks, including physical risks – primarily the potential impact of droughts, flooding, rises in sea level and extreme temperatures on business operations – and transitional risks – primarily the potential impacts of carbon taxes, market changes and environmental policy changes. In doing so, we recognise the heightened ability of climate change to affect our:

- Delivery of our strategic initiatives
- Technology and innovation

- Disruption in supply to our customers
- Energy security and price risk in Europe
- Ethics and compliance.

Throughout 2023 we will keep developing our approach to climate change risk reporting, to make sure our risk management framework continues to address all the relevant requirements of the Task Force on Climate-related Financial Disclosures (TCFD). If we fail to effectively respond to this risk, we may compromise our reputation and strategy for growth, which is why we are closely monitoring it and will continue to evaluate whether it should be considered a principal risk in the future.

Principal risk and category		N New risk
Strategic risks		
Delivery of our strategic initiatives	N	A new principal risk that reflects our refreshed strategy. It replaces three previous principal risks: People and talent retention, Mergers and acquisitions, and Change programmes.
Demand uncertainty and competitive dynamics in nitrile gloves market	N	A new principal risk that reflects the destocking in the NBR (and nitrile glove) market following the pandemic.
Demand reduction	N	A new principal risk that focuses on demand reduction as a result of the challenging market conditions of the past year. This risk replaces the previous principal risk of Volatility and competition.
Technology and innovation		A minor refresh of our previous principal risk of Innovation and intellectual property, reflecting the critical role technology plays in our ability to innovate.
Operational risks		
Process safety		This refocuses the previous Safety, Health and Environment principal risk to reflect the heightened importance of process safety, given the inherently hazardous chemical manufacturing industry we operate in.
Disruption in supply to our customers	N	A new principal risk consolidating the two previous principal risks of Loss or failure of a Synthomer site and Security of supply of raw materials, goods and services. It reflects our focus on operational and commercial excellence.
IT and cyber security		A minor amendment to the previous principal risk of IT security, to reflect the critical importance of cyber risk. This principal risk now also includes elements of the previous Change programmes risk, because we recognise that IT is a key enabler.
Energy security and price risk in Europe	N	A new principal risk to reflect the effect recent geopolitical events have had on energy supply and pricing in Europe.
Compliance risks		
Ethics and compliance		This principal risk remains the same as last year.
Financial risks		
Financial markets and balance sheet		A refresh of the principal risk previously called Financial risks. It reflects the increased financial market volatility given macroeconomic and geopolitical uncertainties.

Principal risks and uncertainties

These pages show the most significant risks to our business. There are other, lower-level risks that can affect the Group’s performance: these are also actively managed through our risk management framework.

Strategic risks

Delivery of our strategic initiatives

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

Link to strategy



Description

After two large acquisitions in 2020 and 2022, we have developed a new strategy to reshape the Group and become a speciality solutions platform for the coatings and construction, adhesives, and health and protection market segments.

Going into 2023, we continue to face significant macroeconomic uncertainties, unprecedented energy price costs and fluctuations, and a stretched balance sheet. If we do not manage these factors effectively, they may pose a risk to delivering our strategic initiatives.

In this context, our employees are our greatest asset in delivering our strategy successfully. Our expanded size, new strategy and new divisional structure will mean change for many parts of the organisation.

If we are unable to attract, retain and develop the people and talent we need, we may face difficulties delivering and executing our strategy and transforming the business. This is particularly relevant given that talent markets are becoming increasingly challenging.




2022 response




- We have started to implement this strategy, including the divestment of our Laminates, Films and Coated Fabrics businesses to Surteco North America Inc.
- In October 2022 we announced a new divisional organisation structure to support this strategy and reduce complexity, while staying focused on our end markets and geographies.
- We have set clear priorities in line with our strategic initiatives, including differentiated steering in how we allocate capital and talent.
- We have continued to evolve our people agenda and culture this year to support our new strategic goals and to help employees see Synthomer as a place to build a long-term career.
- To support this, we have:
 - Established the Global Leadership Team (GLT), a diverse group of leaders representing all market segments, business units, functions and regions, which provides clear direction on strategic initiatives, focus and prioritisation
 - Strengthened our internal communications to employees and undertaken employee engagement activities to respond to results of the 2021 Your Voice employee engagement survey
 - Progressed our DE&I agenda through leadership engagement sessions, new Employee Resource Groups, e-modules on inclusive recruiting, and the start of a D&I Ambassador Network.

2023 plans

- We will continue to assess our strategic position in terms of divesting our non-core businesses to rationalise our portfolio, reduce complexity and increase our focus on our end-market orientation.
- In line with our differentiated steering pillar, we will continue to review and allocate capital and talent to support our strategic priorities.
- We will continue to strengthen our internal communications function to help us take a more strategic approach to employee communications.
- We will continue to develop and implement training programmes to make sure all employees have the necessary tools and support available to them. These programmes include:
 - Resilience and wellbeing awareness
 - Inclusive leadership
 - Agenda and resource planning
 - Priority management and simplification.
- We will strengthen our focus on leadership capabilities and continue to develop empowered, agile leaders who act as role models, coaching and developing their teams, and who are prepared to lead change to successfully drive our business strategy.
- We will continue to equip our leaders with effective tools and techniques to maximise our change-management capability and to provide continuity as we deliver our strategic initiatives.
- We will continue to check our progress around employee engagement across the Group by launching a shorter annual ‘pulse’ survey in 2023.

Link to strategy (see page 12)

-  Organic growth in attractive end markets
-  Rigorous and consistent portfolio management to build focused, leading positions
-  Operational and commercial excellence in how we run our business

-  Differentiated steering in how we allocate capital and talent
-  Diversity, equity and inclusion, and holistic people development
-  Critical enabler

Strategic risks continued

Demand uncertainty and competitive dynamics in the nitrile gloves market

Risk owners: Rob Tupker, President, Health & Protection, Performance Materials and Asia

Link to strategy



Description

Demand for nitrile gloves depends on many factors. Although underlying demand for gloves remains robust and is growing, short- and medium-term factors can have a material effect on demand for NBR.

Some of the main risk factors that contribute to uncertainty include substantial glove destocking following overstocking during the pandemic; more gloves being manufactured outside Southeast Asia, notably in China; and government incentive programmes, particularly in the USA, for localised PPE production, including gloves.

2022 response

- We delayed our NBR capacity expansion investments in Malaysia in the short term, given the current market weakness, post-pandemic.
- We delivered short- and medium-term cost-effectiveness programmes, which included headcount adjustments in operations and engineering.
- We collaborated with customers to forecast and manage short-term demand, given end-market supply chain dynamics in key geographies.

2023 plans

- We will continue to:
 - Collaborate with customers to make the nitrile glove supply chain in Southeast Asia more competitive, with a key role for local innovation at our Asia Innovation Centre in Malaysia
 - Work with customers, distributors and end-market users to increase demand visibility across the nitriles value chain
 - Pursue a share of demand growth with a specific focus on underserved customers.
- We will strategically evaluate global glove and NBR competitive dynamics, and the consequences for our NBR manufacturing footprint, in line with our medium-term outlook.

Demand reduction

Risk owners: Divisional presidents

Link to strategy



Description

The performance of the markets we operate in is fundamental to our growth. We have seen challenging conditions, including high inflation, over the past year as a result of global geopolitical and macroeconomic events. This has led to weaker overall demand in our end markets, especially in segments for durable end-use products.

This may be exacerbated by increased competition, with capacity expanding in China and Asia. This could see a reduction in demand in our end markets, decreased margins and/or loss of customers.

2022 response

- We reviewed our commercial approach to address inflationary costs and energy increases as far as competitive dynamics allowed.
- We delayed our NBR capacity expansion investments in Malaysia.
- In Adhesive Solutions, we deployed our first process response to reduce gas usage. We did this in the form of re-piping, to burn co-products as fuel on one unit. We also stayed competitive, despite adverse gas costs.
- We announced a programme to deliver £150–£200 million in cash savings by the end of 2023. The programme consists of suspending the dividend, reducing working capital and capital expenditure, and making cost savings.

2023 plans


- We will continue to put more cost-improvement initiatives in place in our operations, including product/plant footprint assessments and energy improvements.
- We will deliver innovation programmes focused on process and product improvements, leading to cost benefits that will be realised by both the Group and our customers.
- We will pursue a share-of-demand growth strategy with a specific focus on underserved customers.

Principal risks and uncertainties continued

Strategic risks continued

Technology and innovation

Risk owner: Marshall Moore, Chief Technology Officer and President, Americas

Link to strategy 

Description

Innovation is a critical enabler for our growth strategy. In addition to differentiated performance, our customers and end users are looking for improvements in our sustainability – like a low-carbon footprint and circularity.

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

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

2022 response

- This was the first full year of our enhanced innovation management processes, including a rigorous yet agile project management structure, and a new Group-wide process to manage our innovation portfolio. These improved processes increase our likelihood of success, and so mitigate the overall risk of failing to innovate.
- To find opportunities for innovation, our Group-wide ideation platform has also been expanded. It encourages our people to submit clearly defined opportunities and to communicate these across our businesses.
- The Sustainability Benefit Assessment Scorecard implemented in 2021 was enhanced in 2022 to place an increased and more balanced emphasis on downstream sustainability benefits. This means we will deliver value from sustainability to customers and end users.
- We continued to implement a new trade secret policy. We also integrated the IP portfolio covering the adhesives products we acquired in 2022.
- We have developed and delivered multimedia training programmes to make sure all employees involved in innovation are fully aware and compliant with their responsibilities for IP production.
- We made significant progress in our newly formed Technology Platforms group on developing new chemistries for the long term – technologies that offer differentiated performance and enhanced sustainability. This pipeline bolsters the market-driven innovation programmes under way in our business divisions.

2023 plans

- We will embed more improvement opportunities as we integrate innovation management systems with financial reporting, forecasting and customer relationship management systems. This will help to streamline how we commercialise products and let us have sight of that process automatically. In turn, this should increase our rate of success and speed to market.
- Through our Innovation Excellence framework, we have increased our focus on skills development, on implementing advanced experimental design and modelling and on artificial intelligence methods. We will continue to expand on this in 2023.
- We intend to contribute to our plan to transition to a net zero economy by researching non-fossil raw materials and developing more resource-efficient industrial processes.

Operational risks

Process safety

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

Link to strategy 

Description

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

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

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

2022 response

- Our management programmes reduced flammable material loss of containment (LOC) – a key lagging indicator – by 40% year on year.
- We have delivered a 33% reduction in our key leading process safety KPI, which measures potential near-miss events, since its introduction in 2021.
- We updated and reissued our 'Black Book' – our corporate memory or lessons learnt – in 2022, so it now includes legacy OMNOVA incidents.
- We completed 98% of our highest priority SHE improvement actions (red flag) in 2022.
- We now have a specialist process safety resource in our US region to support sites.

2023 plans

- We will continue driving our existing management programmes at all our sites.
- We will extend our process hazard analysis studies to cover hot-oil utility facilities, following the fire in Filago (see [page 57](#)).
- We will continue to develop our Black Book to include any historic process safety events in the adhesive resins businesses we acquired.
- We will extend our process safety networks to include the adhesive resins sites.

Operational risks continued

Disruption in supply to our customers

Risk owners: Divisional presidents

Link to strategy



Description

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

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

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

2022 response

- We implemented our holistic procurement risk assessment, addressing a broad range of risks, including ESG risks.
- We responded to the challenges presented by the high volatility and supply chain disruption triggered by the war in Ukraine with no material impact on security of supply. We:
 - Used our proactive risk assessment to secure alternative sources and create a diverse supply base
 - Are increasingly focused on sourcing raw materials locally or regionally to reduce risk
 - Agreed medium-term targets for our supplier audits and delivered against these in 2022.
- Each division has robust programmes in place around plant reliability improvements and safety, health and environment (SHE) risk, as well as associated SHE and sustenance capital expenditure requirements to drive reliability and minimise disruption in our supply to customers.

2023 plans

- We will continue to address the risks associated with single-sourced raw materials.
- We will continue to evaluate and ensure each division has appropriate engineering resources to help sites manage their capital expenditure and asset integrity and reliability programmes.
- Key in 2023 will be fully incorporating the acquired adhesive resins sites into our operational and commercial excellence initiatives. Our Manufacturing Excellence programme, as part of these initiatives, will be launched across these new sites to track productivity and efficiency improvements, and drive improved plant reliability and continuity in our supply to customers.

IT and cyber security

Risk owner: Lily Liu, Chief Financial Officer

Link to strategy



Description

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

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

2022 response

- We continued to enhance our security defences with more security investment and through our work to implement the Group Cyber Security Plan. Our activities included:
 - More enhancements to privileged account management
 - A training programme to increase awareness of the upgraded Group Acceptable Use Policy
 - Risk reviews and reporting against IT security key risk indicators
 - Planning to simulate and test crisis response plans
 - Rolling out our Domain-based Message Authentication, Reporting and Conformance (DMARC) anti-fraud email tool to authenticate email traffic.
- Our data-centre hosting activities are ISO 27001 certified and subject to comprehensive continuity requirements, including regular backups, which are stored in a separate location.
- We continued to implement our Pathway business transformation programme. This included upgrades to our latest global template ERP systems – using effective governance, extensive system testing and business readiness tools – with no significant business disruption.

2023 plans

- We will continue to enhance our security defences through our work implementing the Group Cyber Security Plan. Our planned activities include:
 - Ongoing investigation of new potential security issues and risks
 - Additional simulation and testing of crisis response plan scenarios
 - Independent security risk audits
 - Continuing to roll out our DMARC anti-fraud email tool to authenticate email traffic
 - Evaluating our data-centre redundancy strategy.
- We will also continue to use effective governance, as well as engagement, system and business readiness tools, at key stages of the Pathway deployment lifecycle.

Operational risks continued

Energy security and price risk in Europe

Risk owner: Stephen Blackburn, Vice President, Group Procurement

Link to strategy



Description

The war in Ukraine led to sanctions on Russian energy exports and a reduced gas pipeline supply to Europe in 2022. While volumes can be compensated for through liquid natural gas imports, this is subject to global pricing, and depends on the availability of infrastructure, levels of gas storage and demand, which is primarily driven by weather conditions.

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

2022 response

- We avoided the worst of the volatility and price peaks seen in the European market in 2022 because of our long-term electric power and gas procurement strategy, which is focused on forward budget cost protection. We also completed a full review of this strategy, given the unprecedented market rises, and refined it by business area to consider the energy intensity of sites and products.
- We established new supplier agreements where we had seen supplier financial instability or market disruption.
- We have reduced our gas demand through the use of alternative fuels either directly or working with our site utility service suppliers where possible, and continue to look at opportunities.
- We improved our transparency and understanding of energy as part of our full production cost analysis.
- We completed an opportunity assessment for power purchase agreements (PPA) in Europe and progressed a PPA opportunity in the USA.

2023 plans

- We will continue to monitor the financial stability of suppliers, to identify potential exposure and take appropriate action.
- We will increase monitoring and transparency of the resilience, measures and plans for our site utility service providers.
- As the European market outlook stabilises, we aim to increase our supply contract horizon to return to our long-term strategy to deliver price and cost stability.
- We will progress PPA projects for Europe and the USA, to provide long-term renewable electric power supply for most of our demand at stable pricing, which will also enable us to minimise the impact of potential carbon taxes.
- We will undertake business scenario planning for potentially long-term high energy prices in Europe.
- We will continue to reduce demand through site-focused energy-efficiency and decarbonisation investments – for example, flexibility in fuel sources and local direct PPA projects in solar and micro-wind, to reduce cost and business CO₂ emissions.

Compliance risks

Ethics and compliance

Risk owner: Anant Prakash, Chief Counsel and Company Secretary

Link to strategy



Description

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

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

2022 response

- We continued to enhance our ethics and compliance by:
 - Completing a comprehensive anti-bribery and compliance risk assessment to identify risks within the Group
 - Reviewing existing third-party risk management processes and investing in an external platform to optimally manage the risk associated with the third-party lifecycle
 - Rolling out our new e-learning Code of Conduct training to all employees globally, and our e-learning data protection training to relevant employees
 - Increasing awareness of our externally hosted reporting helpline, where individuals and external third parties can raise concerns
 - Investing in our new compliance brand campaign (Syntegrity), with periodic blogs and a roadshow to highlight compliance risks and to engage the business.
- We created new sustainability and innovation roles within our new organisational structure to support our Vision 2030 sustainability programme.
- We continued to report against TCFD and developed science-based emissions-reduction targets.

2023 plans

- We will design and implement controls across the Group to manage the risks identified in the anti-bribery risk assessment.
- We will implement random spot checks on key compliance areas including:
 - Recording gifts and hospitality
 - Declaring conflicts of interest
 - Completing background checks.
- We will introduce compliance approval requirements for higher-risk activities.
- We will integrate the new due diligence process for onboarding and managing third parties, following a successful soft launch of our external risk platform.
- We will review and relaunch our Code of Conduct, supported by standalone compliance policies and guidance, where relevant.
- We will continue to deliver our compliance roadshow globally, to raise awareness.
- We will develop a global, synchronised training matrix, launch a new modern slavery e-learning module and deliver our competition law workshops.
- We aim to validate our new science-based emissions-reduction targets and continue to monitor and comply with emerging regulatory requirements related to climate change, such as limits on emissions.

Financial risks

Financial markets and balance sheet

Risk owner: Lily Liu, Chief Financial Officer

Link to strategy



Description

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

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

2022 response

- We successfully disposed of our Laminates, Films and Coated Fabrics businesses to Surteco North America Inc., with the proceeds being used to pay down debt.
- We secured a five-year, £450 million UK Export Finance (UKEF) package with a competitive interest rate.
- We maintained strong relationships with our core banking group.
- We closely monitored market conditions.
- We announced a programme to deliver £150-£200 million in cash savings by the end of 2023. The programme consists of suspending the dividend, reducing working capital and capital expenditure, and making cost savings.

2023 plans

- In March 2023 we signed a new, \$480 million revolving credit facility and will continue to monitor market conditions closely to keep our other financing arrangements under review.
- We will continue our portfolio management approach and look at opportunities to optimise the value of our assets, including the non-core portfolio.
- We will continue to optimise cash performance to support the return to our target 1–2x leverage.

TCFD report

The urgency of tackling climate change grows every year, and 2022 was no exception. Climate change and its associated environmental impacts pose risks for all of us, but, as a speciality chemicals business, it also brings opportunities for Synthomer. One of our key benchmarks for new products is their sustainability benefits, and we are seeing growing demand among our customers for more sustainable, climate-friendly products.

In summary

Good progress in developing our understanding of climate risk and opportunity

The work we have done this year in continuing to deepen our understanding of the risks and opportunities presented by climate change, in line with the Task Force on Climate-related Financial Disclosures (TCFD), has played an important part in our strategic development. Alongside our Group-wide Vision 2030 plan, sustainability is now one of the three critical enablers of our new strategy, while climate-related issues have been embedded into our principal risks. We have also integrated sustainability into our innovation process so that our focus is firmly on developing the products that support a pathway to decarbonising our entire value chain.

Our 'deep dive' scenario analysis work this year expanded our understanding of the potential risks and opportunities presented by three climate scenarios under three time horizons to a representative sample of our business. The work has now covered all three of our key chemistries (acrylic emulsions, synthetic elastomer emulsions and hydrocarbon resins); our three main regions (Europe, Asia, USA); more than 50% of our products by volume; and the most significant potential physical risks

of climate change to which we may be exposed. Given the extent of this work, we therefore have a high degree of confidence that generalising these results will give us a reasonable understanding of the impacts of climate change on the business as a whole, and we can therefore proceed with confidence with our transition planning.

This year's analysis confirmed what we learnt from last year's, namely that in the short term (to 2025), around three quarters of the financial impact of the risks from climate change for our business will come from transitioning to a low-carbon, circular economy (mainly higher costs), with around a quarter coming from physical risks (more extreme weather events affecting our or our suppliers' operations) under a 1.5°C temperature rise scenario. Under this scenario, we also see the greatest potential for growth in demand from our customers and their consumers, for those of our products that offer lower-carbon or circularity benefits. Looking beyond 2025, our scenario analyses confirm that transitioning to a low-carbon economy would remain our most significant financial risk; by 2030 and 2050 the split between transition and physical risks will become higher (approximately 90:10 vs approximately 75:25 in 2025).

Looking at physical risks, 2022 has shown that more extreme weather events such as floods, droughts and high temperatures are increasing in frequency. In the medium term, these could have a negative impact on our operations and our suppliers, while in the longer term, rising sea levels could threaten our sites in coastal areas, such as Pasir Gudang, Malaysia. Overall, the physical risks of climate change are only likely to worsen; in this context, we expect governments to accelerate the introduction of policies to mitigate climate change, including tightening regulation and taxing emissions.

This is why our transition planning focuses on reducing our own emissions through our site decarbonisation plans (which concentrate on energy efficiency improvements, electrification and renewable energy), and the emissions produced in our supply chain; and it is why we have set more ambitious targets for those emissions, aligned with the Paris Agreement. And, to support our carbon reduction projects, this year we introduced an internal carbon price of £85 per tonne of carbon dioxide equivalent in the financial projections for every potential capital investment above £1 million.

Clearly, understanding and managing the risks and opportunities of climate change is an ongoing process, which must adapt as the impacts of climate change are felt and the regulatory and policy landscape evolves. In the coming year, we will develop a more detailed transition plan, linked to our updated scenario analysis, including identifying new metrics and tools to calculate the carbon footprint

of our products. This will involve working with key suppliers to maximise our reduction in Scope 3 emissions, and looking at alternative, lower-carbon feedstocks. With better metrics, we will also be in a position to analyse more fully the financial impact of climate change on our business, track progress against targets, and support our customers in doing the same.

Increasing our alignment with TCFD

Overall this year, we have continued to enhance our reporting in line with the 11 recommendations of TCFD. As summarised in the table below and described in the rest of this section, we have now provided comprehensive detail on six of the recommendations compared with four in 2021, and have enhanced our disclosures regarding climate scenarios and our processes for identifying and assessing risk.

TCFD recommendation	Consistency
Governance see page 86	
a) Describe the Board's oversight of climate-related risks and opportunities.	Full
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Full
Strategy see page 86 to 88	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Full
b) Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning.	Partial – we have completed our analysis of risks and opportunities under the 1.5°C and 2°C scenarios, but have further work to do to determine the full impact on our strategy and financial planning
c) Describe the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Partial – we have completed our analysis of risks and opportunities under the 1.5°C and 2°C scenarios, but have further work to do to determine the full impact on our strategy and financial planning
Risk management see page 89	
a) Describe the Company's processes for identifying and assessing climate-related risks.	Full
b) Describe the Company's processes for managing climate-related risks.	Full
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management.	Full
Metrics and targets see page 89	
a) Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management processes.	Partial – we are developing further climate-related metrics to determine progress against risks and opportunities
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3, greenhouse gas (GHG) emissions, and the related risks.	Partial – we are working to enhance our Scope 3 reporting
11 Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets.	Partial – we have sustainability targets that include some that are climate-related, but have yet to determine targets for our risks and opportunities

Governance

Climate change is the responsibility of our Board given its importance to the business, with our CEO taking responsibility for delivery on the Board's behalf. Climate change and related environmental, social and governance (ESG) issues are regular Board agenda items, and are considerations in all key decisions made by the Board. For example, in considering the recent acquisition of our new adhesive resins business, the Board looked not only at its alignment with our overall strategy but also at whether the acquisition would affect our existing climate commitments.

In terms of day-to-day management, last year we created an Executive Sustainability Steering Committee, chaired by the CEO, and attended by the full Executive Committee and the Group Sustainability Director. It meets quarterly and has two roles:

- To ensure that our plans for climate change are aligned across Synthomer, and are properly resourced and coordinated
- To ensure that our climate-related metrics and targets are managed effectively.

Each of our Vision 2030 roadmap sustainability goals is sponsored by a member of the Executive Committee who is responsible for ensuring we have the right plans in place to deliver within the timeframe. See [page 43](#) for the Vision 2030 roadmap.

This year, we strengthened our governance of climate-related issues. We began reporting climate-related KPIs (assured by Internal Audit) quarterly to the Board. At the Executive level, our Chief Technology Officer combines

Sustainability is one of the three critical enablers of our strategy.

responsibility for innovation with responsibility for sustainability, and is leading our work to embed sustainability more fully into our innovation process. This dual responsibility for the linked areas of innovation and sustainability has also been extended throughout the organisation, with a single senior appointee responsible for both in each of our new divisions. To support innovation across the business, we have recruited a sustainability analyst at Group level to develop metrics for embedding sustainability into our innovation process.

We are also increasing understanding of climate-related issues across the business by offering at least biannual training on sustainability-related topics, in particular for our R&D teams and those who work directly with suppliers and customers. Our sustainability teams are expanding their expertise by taking various academic courses, and taking part in conferences.

For more on governance, see our Governance report, [pages 91 to 152](#).

Including climate-related targets in remuneration

We continue to link progress on climate-related targets to the overall remuneration of Executive Committee members, with 10% of executives' annual Performance Share Plan award based on reducing Scope 1 and Scope 2 carbon emissions.

Strategy

As climate change and the world's efforts to transition to a low-carbon economy have intensified, demand for more sustainable products has increased markedly. The insights we have gained from our work to identify the risks and opportunities from climate change, in line with the recommendations of TCFD, also helped inform the work we did to refresh our strategy this year, which now highlights sustainability as one of three critical enablers. As noted elsewhere, sustainability is also a key consideration in all our innovation processes, given the increasing focus by our customers and end users of our products on mitigating the impacts of climate change.

For more on our business strategy, see [pages 12 and 13](#).

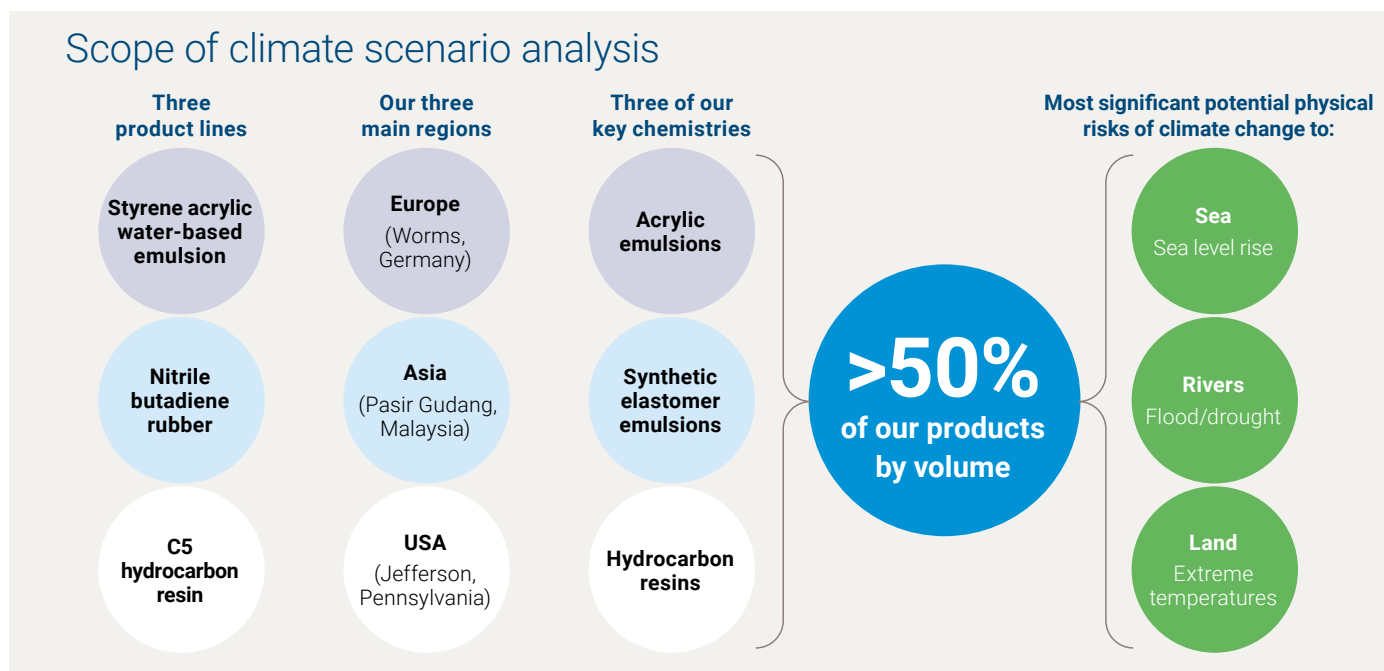
Scenario analysis methodology

In 2021, we retained a specialist external adviser to conduct our first climate scenario analysis and determine risks and opportunities for Synthomer, in line with the recommendations of TCFD. Our teams worked with the adviser to carry out an analysis of the effects of three different climate scenarios – average global temperature rises of 1.5°C, 2°C and 3°C above pre-industrial levels – over short- (to 2025), medium- (to 2035) and long-term (to 2050) horizons.

Each scenario identified both physical and transition risks and opportunities, although the combination and potential impact varied by scenario. In determining the materiality of the risks and opportunities identified, we looked at a combination of likelihood and impact – the likelihood of the risk or opportunity occurring and the nature and magnitude of its impact on the business.

In 2021, we conducted a 'deep dive' analysis of the impact of these three temperature pathways on one product line: styrene acrylic water-based emulsion, a Functional Solutions product made in our plant in Worms, Germany. We chose this product line as a starting point since it included a significant number of variables, meaning

Scope of climate scenario analysis



that, for a single product line, it was as representative as possible of a broader range of products. In 2022, we extended this work to cover two additional product lines, nitrile butadiene rubber produced at our Pasir Gudang facility in Malaysia, and hydrocarbon resin C5 series, produced at our plant in Jefferson, Pennsylvania, USA.

Together these three product lines give us sufficient coverage for a general understanding of the identified climate risks and opportunities facing the Group as a whole. Taken together, the product lines cover all three of our key chemistries (acrylic emulsions, synthetic elastomer emulsions and hydrocarbon resins), our three main regions (USA, Europe, Asia), more than 50% of our products, and the most significant potential physical risks of climate change to sea, rivers and land. The comprehensiveness of this coverage completes our assessment of climate-related risks, and we will now focus on strengthening our plans to manage the risks and opportunities we have identified, and their effect on our financial position and strategy.

Summary of potential risks

The analysis we carried out this year confirmed what we learnt in our 2021 analysis, namely that our products and sites are primarily exposed to the following risks:

- Physical risks including more frequent extreme weather events such as floods, droughts, a rise in the sea level and high temperatures. These could affect our plants' ability to operate efficiently, and could increase costs from our supply chain.

- Transition risks: these include potential carbon taxes, and market and environmental policy changes.

Both types of risk were present in all temperature pathways and under all timeframes, but their relative severity and impact, and our resilience to them, would vary between timeframes.

Summary of potential opportunities

Our analysis this year again confirmed, in general terms, the opportunities we determined last year under all climate scenarios, which were:

- **Growth in demand for products and services** that will service a low-carbon or circular economy in various markets and regions.
- **Cost savings and market growth** through the early adoption of low-carbon technologies, for example using renewable energy or switching to renewable raw materials, although this depends on the speed at which such technologies or materials become cost-effective and widely available.
- **Competitive advantage from our network of sites across the world:** since we can service customers from a variety of plants, our network makes us a more reliable supplier, meaning we are more resilient to physical operational risks.

Risks and opportunities by climate scenario, and how we are responding

In summary, the findings of the 2022 analysis reinforced the conclusion of 2021, which was that in both the 1.5°C and 2°C scenarios, the biggest risks come from the carbon price expected to be applied to drive the transition to a low-carbon, circular economy. However, our strategy to decarbonise our operations will mitigate at least a portion of that risk, and could ultimately present opportunities for our more cost-competitive products versus those who are less prepared, and must therefore pay a higher carbon price. The transition to a low-carbon economy also offers a much greater opportunity, in terms of growing market share and increasing revenue from our development of more sustainable products as a point of differentiation from some of our competitors.

Under a 3°C scenario, while the opportunities remain, albeit at a lower level, the physical risks are much more severe. Different plants are exposed to different types and degrees of risk depending on their location, but overall, our studies show that the primary impacts will come from drought, flooding, a rise in the sea level, and high temperatures. Managing these will require investment to increase the resilience of our sites.

Scenario 1 – 1.5°C: highest transition risk, but greatest opportunity

This scenario, which corresponds to the RCP1.9/SSPI scenario published by the Intergovernmental Panel on Climate Change (IPCC), assumes that prompt policy action, including globally coordinated carbon pricing, reduces emissions sufficiently to keep global warming to below 1.5°C. Doing so would minimise the physical impacts of climate change, but at the cost of relatively high taxation on carbon emissions. Under this scenario, then, in the short term, around 25% of the risk impact would come from physical risks, but around 75% from transition risks – hence the importance of our work to decarbonise our operations.

While the transition risks are highest for us under this scenario, so too are our opportunities. This is because the scenario envisages the cost of high-carbon feedstocks rising in response to increasing carbon prices, making low-carbon, sustainable feedstocks far more cost competitive over time (assuming there is no change in customers' preference for products with lower emissions). For example, our study at our Jefferson, Pennsylvania site in the USA looked at the potential for using a lower-carbon resin as a circular feedstock, while the study at Pasir Gudang, Malaysia looked at the potential for developing more sustainable nitrile butadiene rubber. Currently, the low-carbon alternative feedstocks are three times the price of the feedstock in use in both plants, but under Scenario 1, our alternative Jefferson product could become commercially viable by 2038, and our Pasir Gudang product by 2041.

In both cases, we are seeing increasing interest from key customers in the development of low-carbon solutions that would reduce their Scope 3 GHG emissions footprint.

Scenario 2 – 2°C: lower transition risk, but greater volatility

This scenario, which corresponds to the IPCC's RCP2.6/SSP2 scenario, assumes that there is little in the way of the coordinated global action on carbon emissions and carbon pricing that would be necessary to achieve a 1.5°C future.

While transition risk in the form of carbon pricing would therefore be far less likely, we could face different operating costs in different markets, for example, higher carbon costs in Europe and some USA states, and lower costs elsewhere. This scenario assumes that the lack of coordination would increase market volatility and result in erratic changes in costs in the supply chain. All of our operational sites would be more vulnerable to the physical risks of climate change under this scenario, while more sustainable products are likely to be less competitive because the price of carbon could remain too low and distort regional supply chains. Nonetheless, our global network of manufacturing sites mitigates the risk of a lack of global coordination by enabling us to optimise production in the right location for regional markets.

Scenario 3 – 3+°C: highest physical risk; fewer competitive opportunities

This scenario, which corresponds to the IPCC's RCP8.5/SSP3 scenario, envisages a failure of international cooperation on climate change, leading to countries seeking competitive advantage by avoiding the globally coordinated carbon pricing necessary to reduce emissions across the board. While transition costs would be very low, the physical impacts of a 3+°C rise would be much more costly, while more sustainable products are likely to be even less competitive than under the 2°C scenario.

Due to the greater physical risks, our river-based sites could flood regularly; some sites could be affected by extreme temperatures and drought; and our coastal locations in Asia and USA could be affected by storm surges. It could therefore be more difficult to find alternatives given that a significant number of sites are likely to be affected simultaneously. Overall, markets could become severely unstable given the likelihood of social and economic upheaval resulting from widespread, severe weather events, with a corresponding impact on our customers, our supply chain and our costs. However, our longer-term investment plans include upgrading our physical defences at our sites to help mitigate the physical risks they are exposed to, while our network of

Responding to climate change – our five priorities

Through our analysis work, we have identified five primary responses to reduce the risks and take advantage of the opportunities related to climate change, whichever climate scenario ultimately plays out. These are, in order of priority, to:

Work with selected suppliers to encourage them to improve energy efficiency and reduce their own emissions, thus maximising reductions in our own Scope 3 emissions, and finding suppliers who can provide lower-carbon feedstocks from bio or circular sources.

Reduce our Scope 1 emissions by decarbonising our operations through, for example, installing heat pumps and solar power, and using hydrogen where possible.

Reduce our Scope 2 emissions from our electricity and heat suppliers, by entering into or expanding power purchase agreements linked to clean-energy generation.

Innovate to decarbonise our products, answering demand from our customers for more sustainable alternatives.

Enhance our physical resilience to climate-related risks, for example by building flood defences.

sites, even in this more extreme physical risk scenario, should give us some measure of resilience in terms of minimising disruption to our customers.

Next steps

Having completed the scenario analysis for three sites, and identified the five key priorities for us as a business to respond to climate change, we are now looking at how to put these into practice across Synthomer. A key step will be developing detailed decarbonisation plans for all our plants: this is already under way at those plants where we can realise the greatest benefits. We will adapt this analysis for our other sites, taking into account their differing physical risk exposures and inputs, as the basis for developing their decarbonisation plans.

We are also working through how we link the outputs from our scenario analysis to our financial reporting and business planning.

Risk management

By expanding our scenario analysis this year, we have also been able to build a more comprehensive picture of the climate risks we face as a business. Our principal risks that include the impact of climate change are:

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

Given the pervasive nature of climate risk, we have decided to integrate it into our wider risk management framework. It will therefore be managed down to the business line level and assessed and reported as part of our regular risk reporting. We have added a rise in the sea level to our key risks for coastal sites, since this could have a material impact; and drought and flooding for key Synthomer and supply chain sites. We have also added extreme temperatures to our risk framework; while we expect these to have less of an impact, there may be adaptation costs depending on the extent of the temperature increase.

For more on risk management see our Risk report on [pages 75 to 77](#).

Metrics and targets

The metrics we use to assess climate-related targets are:

- The proportion of new products we make that have sustainability benefits (see [page 47](#))
- The proportion of raw material procurement spend covered by a sustainability rating and improvement plan (see [page 50](#))
- Energy consumption and usage of renewable energy (see [page 59](#))
- GHG emissions, including Scopes 1 and 2 (see [page 59](#)); for Scope 3 emissions, (see [page 60](#))
- Water usage (see [page 61](#)).

In October, we updated our Vision 2030 targets following the acquisition of our new adhesive resins business. We remain committed to reach net-zero emissions by 2050, but we have increased our intermediate targets to:

- Reduce Scopes 1 and 2 emissions by 47% in absolute terms by 2030 compared with 2019, up from the previous target of a 40% reduction in emissions intensity
- Reduce Scope 3 emissions by 28% in absolute terms by 2030, against our 2019 baseline, replacing our previous 10% intensity target.

We continue to target:

- At least 60% of new products with enhanced sustainability benefits (see [page 47](#))
- 80% procurement spend with suppliers with a sustainability rating (see [page 50](#))
- 80% of electricity from renewable sources, plus improving energy efficiency in all our operations (see [page 58](#))
- Managing and minimising water consumption, with water management plans in water-stressed areas and at the sites where we use most water (see [page 89](#)).

It is important to stress that our previous emissions targets were intensity-based, measured by unit of production. Our new absolute targets commit us to reducing emissions regardless of the future growth of the Company. In March 2023, we updated our Scope 1, 2 and 3 climate targets and await their validation from the Science Based Targets initiative (SBTi) as being aligned with the goals of the Paris Agreement. Specifically, the Scope 1 and 2 targets are aligned with a temperature rise of no more than 1.5°C, and the Scope 3 target with well below 2°C.

In 2022, we introduced a shadow carbon price, set at £85 per tonne of carbon dioxide equivalent. Every capital investment decision above £1 million will incorporate that carbon price in its financial projections. This will ensure that our engineers always consider how they can optimise the energy and climate impacts of their proposed projects.

For more on our sustainability metrics and targets, including performance, see the Sustainability section on [pages 40 to 72](#).

Next steps

We are currently developing tools to enable us to calculate the potential carbon footprints of our products, using primary data from our sites and secondary data for raw materials. To increase the accuracy of our calculations, the next step will be to use primary data from our suppliers. To that end, over the next three to five years, we will be building a system to track, monitor and assess the GHG emissions associated with our feedstocks, thereby improving the reliability of our Scope 3 emissions calculations as well as enhancing the ability of our customers to do the same. We are also looking at how to develop and carry out lifecycle assessments for our products.

Viability statement

In accordance with the requirements of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to December 2027, being the period covered by the Group's approved strategic plan. This plan is updated annually, in a process led by the Executive Committee with input from the respective businesses and functions. It includes analysis of product and profit performance, cash flow, investment programmes and returns to shareholders. The plan is presented to the Board each year as a part of its annual strategic review.

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

In making their assessment, the Directors have considered the diverse activities and product offering of the Group in terms of geographies, chemistry and end markets. The Directors have also considered the Group's current financial position, including the recently refinanced and future

committed financing facilities, which have been assumed to be refinanced at maturity as required.

A sensitivity analysis has been undertaken, focusing on the impact of the principal risks (detailed above on [pages 74 to 83](#)) over the five year period, and the availability and likely effectiveness of mitigating actions. The risks have been assessed for their potential impact on the Group's business model, future trading and funding structure. The sensitivity analysis has considered a number of severe but plausible scenarios, linked to the risks considered to have the most significant financial impact. In all cases, the impact was considered on both liquidity and the borrowing covenant.

The scenarios included:

- Trading downturns as a result of increased competition or lack of demand;
- Delayed re-stocking and economic recovery in end markets;
- Failure to successfully commercialise new products and benefit from innovation;
- Price inflation for the Group's key raw materials; and
- Significant foreign exchange rate appreciation against sterling.

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

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

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

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

Non-financial information statement

The table below summarises where key elements of our governance reporting (including non-financial matters as required by the Non-Financial Reporting Directive) can be found, some of which are integrated into other sections of our Annual Report.


Reporting requirement	Relevant policies and standards that govern our approach	Where to read more in this report
Environmental matters	Code of Conduct Group SHE Policy Sustainable Procurement Policy and Strategy Task Force on Climate-related Financial Disclosures (TCFD)	Managing risk pages 74 to 83 Health and safety pages 54 to 57 Sustainable procurement page 50 TCFD report pages 84 to 89
Employees	Our values Code of Conduct Group SHE Policy	Our values page 11 Gender pay gap page 125 Section 172 pages 90 and 105 to 107 Health and safety pages 54 to 57
Social matters	Responsible Care Principles Synthomer Cares	Group SHE policy page 57 Our communities page 71
Respect for human rights	Code of Conduct Modern Slavery Act Statement Conflict Minerals Policy Statement Sustainable Procurement Policy and Strategy	People page 70 Sustainable procurement page 52
Anti-corruption and anti-bribery	Code of Conduct Ethics Helpline Core values	Ethics and compliance pages 69 Our business model page 11
Our business model	How it links to strategy and delivers value to stakeholders	Our business model page 11
Principal risks and uncertainties	Risk assessment	Managing risk pages 74 to 83
Non-financial KPIs	Relevant key performance indicators	Key performance indicators page 23

Section 172(1) statement and stakeholder engagement

We value our engagement with all our stakeholders, including our key stakeholders: customers, employees, communities, suppliers, shareholders, and governments and authorities. Our section 172(1) statement is on [pages 105 to 107](#). It describes how the Directors have had regard to stakeholders' interests and other matters when discharging Directors' duties set out in section 172 of the Companies Act 2006. It includes examples of how stakeholders' interests were considered during principal decisions taken during the year.

The Strategic report was approved by order of the Board.

Anant Prakash
Company Secretary
28 March 2023



Gloves manufactured from Synthomer's speciality NBR latex ensure a combination of high tensile strength, good elongation and relaxation, meeting demand for medical, examination, clean room, food handling, medical drug handling and chemical laboratory applications.

Governance report

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Our Board of Directors



Caroline A Johnstone

Chair
Nationality: British



Position and date of appointment

Chair of the Board, and of the Nomination and the Disclosure Committees. Caroline joined the Board in March 2015 and was appointed Chair in December 2020, having previously been chair of the Audit Committee and a member of the Nomination and the Remuneration Committees.

Key appointments

Caroline is a Non-Executive Director and Chair of the employee engagement committee of Spirax-Sarco Engineering plc, and a Non-Executive Director and Chair of the audit committee of Shepherd Building Group Limited, a private company that owns Portakabin Limited. She has an honorary role on the board of the University of Manchester.

Skills and experience

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



Michael Willome

Chief Executive Officer
Nationality: Swiss



Position and date of appointment

Chief Executive Officer since November 2021; member of the Disclosure Committee.

Key appointments

Michael is a Non-Executive Director of Glaston Oyj (Nasdaq Helsinki) and sits on subsidiary boards of the Indutrade Group.

Skills and experience

Michael is an established public market CEO with a track record of driving performance through strong operational management and strategic actions, including M&A. He was previously CEO of Conzzeta AG (now Bystronic AG) in Zurich, a global industrial company listed on the SIX Swiss exchange. Before Conzzeta, Michael spent 18 years with Clariant, leading its global industrial and consumer specialities division from 2010 to 2015. This followed 13 years in leadership roles in Asia-Pacific, based in Hong Kong, and in Canada and Turkey.



Lily Liu

Chief Financial Officer
Nationality: British, Australian



Position and date of appointment

Chief Financial Officer since July 2022; member of the Disclosure Committee.

Key appointments

Lily is a Non-Executive Director and member of the audit committee of DCC plc, a FTSE 100 listed international sales, marketing and support services business.

Skills and experience

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



The Hon. Alexander G Catto

Non-Executive Director
Nationality: British

N

Position and date of appointment

Non-Executive Director since 1981; member of the Nomination Committee; designated Non-Executive Director to lead workforce engagement.

Key appointments

Alexander is Managing Director of CairnSea Investments Limited, a private investment company. He also manages the family's grant-giving charity and other interests.

Skills and experience

Before CairnSea was established, Alexander was a director of Morgan Grenfell & Co and then Lazard Brothers & Co.



Brendan WD Connolly

Senior Independent Director
Nationality: British

A R N D

Position and date of appointment

Independent Non-Executive Director since January 2014; Chair of the Remuneration Committee; member of the Audit, the Disclosure and the Nomination Committees; Senior Independent Director since April 2015.

Key appointments

Brendan is a Non-Executive Director of Victrex PLC, Pepco Group NV, Applus and one private-equity-backed company.

Skills and experience

Brendan has more than 30 years' experience in the oil and gas industry. Until June 2013, he was a senior executive at Intertek Group plc and had previously been chief executive officer of Moody International, which was acquired by Intertek in 2011. Before Moody, Brendan was Managing Director of Atos Origin UK and spent more than 25 years with Schlumberger in senior international roles on three continents. He has previous experience as chair of the remuneration committee of a UK-listed company.



Roberto Gualdoni

Independent Non-Executive Director
Nationality: German, Italian

A R N

Position and date of appointment

Independent Non-Executive Director since July 2021; member of the Audit, the Remuneration and the Nomination Committees.

Key appointments

Roberto is Chair of CABB Group (Germany) and a member of the boards of Aerogel Corporation (USA) and Clariant (Switzerland).

Skills and experience

Roberto has more than 35 years' chemical sector experience in both commodity and speciality segments, mostly at BASF, where he held senior operational roles covering international sales, marketing and procurement and served on a number of joint-venture boards. His final role at BASF was as president of its styrenics business, which was carved out as part of the Styrolution joint venture, and which Roberto led as chief executive for three years until 2014. Roberto has previous board-level experience in Saudi Arabia, Finland and Belgium.

Board committee key

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

Other Board members in 2022

Stephen G Bennett stood down from the Board and as Chief Financial Officer in July 2022.

Cynthia S Dubin resigned from the Board and as Chair of the Audit Committee in November 2022.

Our Board of Directors continued



Dato' Lee Hau Hian

Non-Executive Director
Nationality: Malaysian



Position and date of appointment

Non-Executive Director since 2002; first joined the Board in 1993 and stood down in 2000 to become an Alternate Director; member of the Nomination Committee.

Key appointments

Hau Hian is the Managing Director of Batu Kawan Bhd, a listed Malaysian investment holding company, and a Non-Executive Director of Kuala Lumpur Kepong Bhd.

Batu Kawan Bhd is the largest shareholder, with a 47% stake, of Kuala Lumpur Kepong Bhd, which is Synthomer's largest shareholder.

Skills and experience

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



Ian Tyler

Independent Non-Executive Director
Nationality: British



Position and date of appointment

Non-Executive Director since June 2022; Chair of the Audit Committee; member of the Nomination and the Remuneration Committees.

Key appointments

Ian is a Non-Executive Director of Anglo American plc, and a Non-Executive Director and Chair of Affinity Water Limited. Previously, he served on the boards of BAE Systems, Vistry Group (formerly Bovis Homes Group), Cairn Energy, Mediclinic International, VT Group, Cable & Wireless and Amey plc.

Skills and experience

Ian has extensive board experience as a former chief executive and as a non-executive for several international industrial organisations. He serves as chair of the remuneration committee at Anglo American plc, where he is also the Senior Independent Director. Ian's senior executive career was at Balfour Beatty plc, a global infrastructure business, which he joined as finance director in 1996 and where he served as chief executive from 2005 to 2013.



Holly A Van Deursen

Independent Non-Executive Director
Nationality: American



Position and date of appointment

Independent Non-Executive Director since September 2018; member of the Audit, the Nomination and the Remuneration Committees.

Key appointments

Holly is a Non-Executive Director of Kimball Electronics Inc, where she chairs the talent, culture and compensation committee. She serves as a Non-Executive Director of Albermarle Corporation, where she is a member of the executive compensation and the capital investment committees.

Skills and experience

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

Board Committee key

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Disclosure Committee
- Committee Chair



Anant Prakash

Chief Counsel and
Company Secretary
Nationality: British

Position and date of appointment

Chief Counsel and Company Secretary
since December 2022.

Key appointments

Anant is a Non-Executive Council
Member at City, University of London.

Other executive responsibilities

Member of the Executive Sustainability
Steering Committee and the Executive
Risk Committee.

Skills and experience

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

Individual Directors' skills



We asked each of our nine Directors to rate themselves 1–3 on each skill. We have divided each total by three to present an approximate total number of Directors with those skills.

Our two non-independent Board members

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

Dato' Lee Hau Hian is the Board's representative for our largest shareholder, Kuala Lumpur Kepong Bhd (26.87%), which provided financial support for our recent acquisitions, through share placing and a rights issue. His extensive leadership experience in chemical manufacturing and experience of organisational transformations and acquisitions means he offers the Board and Executive Committee invaluable insights when making business decisions. He also offers an important perspective on the Malaysian and Southeast Asian business landscape.

The Hon. Alexander G Catto is a member of Synthomer's founding family. Today, the Catto family owns a 5% shareholding. We believe Alexander provides deep knowledge of Synthomer's history and a unique long-term shareholder perspective. His background in investment banking and time on other boards also give him extensive business, finance, investor engagement and governance experience.

Our Executive Committee

Biographies for **Michael Willome**, **Lily Liu** and **Anant Prakash** can be found on pages 92 and 95.



Alice Heezen

Chief Human Resources Officer
Nationality: Dutch

Position and date of appointment

Chief Human Resources Officer since June 2022.

Other Executive responsibilities

Member of the Diversity and Inclusion Steering Committee and a member of the Executive Sustainability Steering Committee.

Skills and experience

Alice was previously senior vice president, chief human resources officer at Trinseo and a member of its executive leadership team. Before that she served as head of human resources for ADAMA Agricultural Solutions Europe. Alice has held senior HR leadership roles at Fiberweb Plc, a speciality global industrial and construction materials business listed in London, oil and gas company BG Group, global consumer packaging company REXAM Plc and EnerTel/Energis N.V., an independent data traffic and telecom services provider. She began her career at Andersen Consulting as a change management consultant. Alice holds a Master of Arts in social and organisational psychology from the University of Leiden.



Jan Chalmovsky

President, Strategy and M&A
Nationality: German

Position and date of appointment

President, Strategy and M&A since September 2022.

Other Executive responsibilities

Member of the Executive Sustainability Steering Committee.

Skills and experience

Jan has more than 15 years' experience in strategy and mergers and acquisitions, most recently as head of strategy and M&A at Conzzeta AG (now Bystronic AG) in Zurich, a global industrial company listed on the SIX Swiss exchange. Before that he spent nine years at McKinsey & Company, including as an associate partner, focusing on strategy, corporate transformations and corporate finance and serving clients in chemicals, medicine and industrial technology globally. He began his career at Lehman Brothers in London in M&A. Jan holds an MBA from INSEAD, an MSc in management from London School of Economics and a BA from the University of St Gallen.



Marshall Moore

Chief Technology Officer and President, Americas
Nationality: American

Position and date of appointment

Chief Technology Officer and President, Americas since April 2020.

Other Executive responsibilities

Chair of the Synthomer Foundation Board of Trustees and a member of the Executive Committee Sustainability Steering Group.

Skills and experience

Marshall was previously chief technology officer and senior vice president of operations with OMNOVA Solutions. He has 35 years' experience in polymers and speciality chemicals, working with Borden Chemicals, GE Plastics and Chemtura before joining OMNOVA in 2015. He has held leadership positions in technology and innovation, quality assurance and process excellence, operations, government affairs and advocacy, marketing and information technology. He holds a degree in chemistry and is a certified Six Sigma Black Belt.

Other Executive Committee members in 2022

Richard Atkinson retired as Chief Counsel and Company Secretary and was replaced by Anant Prakash in December 2022.

Stephen Bennett stood down as Chief Financial Officer and was replaced by Lily Liu in July 2022.

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

Neil Whitley retired as President, Performance Elastomers and Asia in December 2022.

Philip Wrigley left as President, Operations and SHE in April 2022.



Ana Perroni Laloe

President, Coatings & Construction Solutions and EMEA
Nationality: Brazilian

Position and date of appointment

President, Coatings & Construction Solutions and EMEA since January 2023. President, Functional Solutions and Europe since October 2022.

Other Executive responsibilities

Ana co-founded and leads our ENGENDER women's network. Executive sponsor of the Diversity and Inclusion Steering Committee and a member of the Executive Sustainability Steering Committee.

Skills and experience

Ana has more than 17 years' global sales and marketing experience, with a strong track record of successfully commercialising solutions for end-markets. She started her career at Ciba Specialty Chemicals in Brazil, followed by international assignments in the UK and Switzerland. Elected president of RadTech South America for two consecutive terms, Ana is one of the pioneers of introducing UV curing technology in the region. Ana holds a BSc in chemical engineering from Escola de Engenharia Mauá (IMT) in São Paulo.



Toby Heppenstall

President, Adhesive Solutions
Nationality: British

Position and date of appointment

President, Adhesive Solutions since January 2023. President, Adhesive Technologies April 2022-January 2023.

Other Executive responsibilities

Delivering the transitional service agreement exit and synergy plan for our acquisition of Eastman's Adhesive Resins business. Member of the Executive Committee Sustainability Steering Group, with the brief for renewable power.

Skills and experience

Toby has 24 years' experience in commercial management roles at ICI, Ineos, Axcentive and Mitsubishi Chemicals. He joined Synthomer in 2016 and was responsible for a portfolio of speciality chemical businesses. Through these roles, he has created a strong track record of improving profits and top-line growth. Toby holds a master's degree in chemistry from the University of Leeds and an MBA from the University of Bath.



Rob Tupker

President, Health & Protection, Performance Materials and Asia
Nationality: Dutch

Position and date of appointment

President, Health & Protection and Performance Materials and Asia since January 2023.

Other Executive responsibilities

Executive sponsor of the Diversity and Inclusion Leadership Committee, and a member of the Executive Committee Sustainability Steering Group and the steering committee for our Pathway programme.

Skills and experience

Rob was previously with Honeywell where he held a variety of senior leadership positions in its performance materials and home and building technologies divisions. Before that he worked with Süd-Chemie (now Clariant) and Unilever/ICI's (now Givaudan's) flavour and fragrance division. Rob worked and lived for seven years in Asia-Pacific, five years in the USA and 20 years across Europe. He has a degree in chemical engineering from Eindhoven Technical University, an MSc from MIT and an MBA from INSEAD.

Introduction from the Chair



“ We’ve been mindful of balancing the need for short-term action to address immediate headwinds with positioning the business to deliver long-term sustainable value. ”

Good governance is never more important than during turbulent times. Against this year’s backdrop of significant external headwinds for Synthomer and an internal programme of strategic evolution and restructure, the Board has been focused on overseeing, supporting and – where necessary – challenging the direction of the business.

Resilient governance in challenging times

I can report that our governance arrangements have stood the test of this challenging year. Throughout, we have been mindful of balancing the need for short-term action to address immediate headwinds while positioning the business to deliver sustainable value in the long term.

Providing detailed oversight of short-term actions and developing long-term strategy

As we describe on [page 101](#), we provided critical oversight of the business as it took action to address short-term balance sheet challenges, while also overseeing and scrutinising important long-term

decisions. These include the integration of our new adhesive resins business and the development of a refreshed strategy, which includes Synthomer’s decision to reorganise into three market-focused divisions, as described on [page 14](#).

Ensuring skills and experience to deliver the strategy and address current challenges

We also continued our work on succession planning, welcoming several new faces to the Executive Team – as described on [pages 116 and 117](#). I’m confident that our Executive and Board position us well to deliver on Synthomer’s strategy and purpose.

Retaining responsibility for ESG, including sustainability

Sustainability is at the heart of our refreshed strategy. This is a Board priority. Throughout the year, we considered environmental, social and governance (ESG) issues as a matter reserved to the Board. We continued to engage with shareholders, employees and other stakeholders. On ESG, we continued to oversee Synthomer’s progress towards net zero and other

critical ESG objectives, and ensure that the business maintains momentum as it builds a more diverse, inclusive workplace (see [pages 65 and 66](#)).

Greater engagement with employees and shareholders

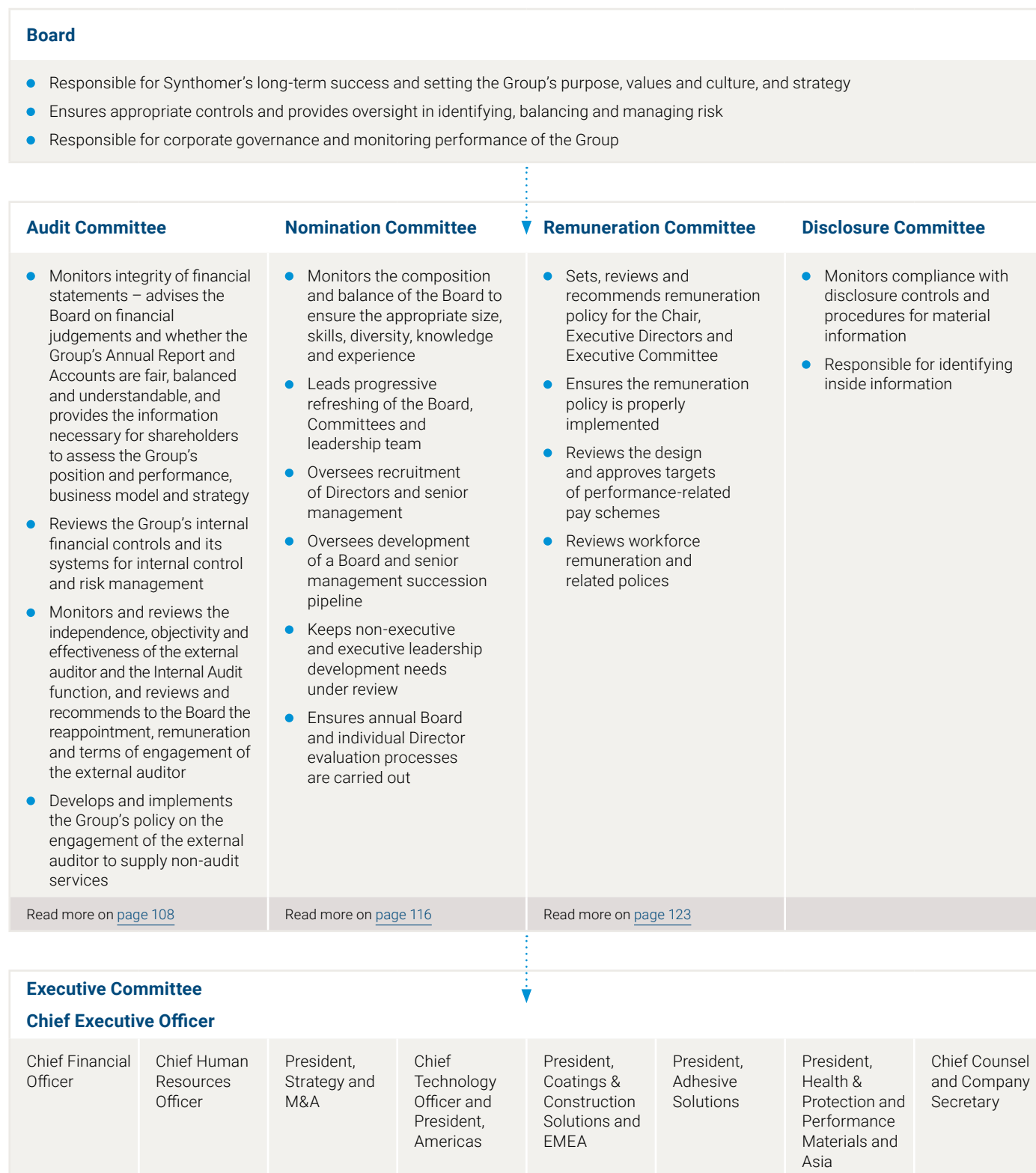
One of the positive elements of this past year has been the chance to meet and engage with employees and shareholders in ways that had to be halted at the peak of the COVID-19 pandemic. For myself and many Board members, this has meant more detailed discussions with employees, especially those in the USA who have joined the Group relatively recently (see [page 67 and 68](#)). I have also had rewarding conversations with stakeholders, including at our shareholder meetings. I thank them for their continued support, and welcome them to our Governance report.

Caroline Johnstone
Chair

28 March 2023

Our governance structure

The governance structure is designed to ensure that the Board's focus is on strategy, monitoring performance and ensuring appropriate risk appetite, risk management and controls.



At the start of 2022, Synthomer formed an Executive Sustainability Steering Committee. This Committee is chaired by the CEO and, since January 2022, meets quarterly. It is attended by the full Executive Committee. Each of our Vision 2030 sustainability goals is owned and sponsored by an executive member who is responsible for ensuring we have the right plans in place to deliver within the timeframe. At the end of 2022, the Company also formed an Executive Risk Committee, which we discuss in more detail on [page 75](#).

See [page 39](#) for more information on our approach to sustainability.

See [page 120](#), Compliance with the Code, for more information on the division of responsibilities.

Our governance structure continued

Board and Committee meeting attendance

The table below outlines all Board and Committee meeting attendance. When a Director is unable to attend, their views are sought in advance and incorporated into discussions.

Non-Executive Directors must disclose to the Board other significant commitments before their appointment. Any proposed new significant commitments require Board approval before they are accepted.

	Board	Nomination	Audit	Remuneration	Disclosure
Total number of scheduled meetings	12	6	6	6	7
Members	Attended	Attended	Attended	Attended	Attended
Caroline Johnstone	12	6			7
Michael Willome	12				7
Lily Liu – joined Synthomer in July 2022	7 (7)				4 (4)
Brendan Connolly	11	6	5	6	7
Lee Hau Hian	12	6			
Alexander Catto	12	6			
Holly Van Deursen	12	6	6	6	
Cynthia Dubin – resigned in November 2022	8 (8)	4 (6)	6 (6)	5 (5)	
Roberto Gualdoni	12	6	4	6	
Ian Tyler – joined Synthomer in June 2022	6 (8)	3 (3)		4 (4)	

For Directors who only served for part of the year, the numbers in brackets indicate how many meetings they were eligible to attend.

The Board's year

The Board was closely involved as Synthomer navigated a year of change and challenge.

We held 12 Board meetings during 2022, eight of which were scheduled, and four of which were held at short notice to discuss specific matters, including the disposal of our Laminates, Films and Coated Fabrics businesses, announced in December 2022.

The end of COVID-19 restrictions in many parts of the world meant we were able to resume in-person Board meetings, make site visits and hold our first open AGM since 2019.

Welcoming new faces to our Executive Team and Board

Following an extensive recruitment process last year for our CEO and CFO, this year saw our CEO Michael Willome put his new Executive Team in place, with the Board's support.

The Board is pleased to report that, together, these appointments have created a positive shift in our Executive Team's gender, ethnicity and age profile. See [page 66](#) in our Sustainability report for more information on the progress we've made in our diversity and inclusion agenda this year.

At Board level, we appointed Ian Tyler as our new Non-Executive Director in June. We describe changes to the Executive Team and Board, and our recruitment and induction processes, in the Nomination Committee report from [page 116](#).

Applying scrutiny and rigour through difficult times

The business has faced challenging headwinds this year and at times has had to make difficult decisions. The Board has been closely involved throughout, ensuring that we consider the expectations of stakeholders and the long-term sustainability of the business.

As Synthomer reported in our 2022 interim statement, demand for our nitrile butadiene latex (NBR) – which was exceptionally high in 2021 – has not yet returned to pre-pandemic levels, as severe destocking continues. The Board therefore considered and approved the decision to pause investment in new nitrile capacity until demand returns to growth. At the same time, macro-economic conditions contributed to a slowdown in demand in many of our other businesses. These headwinds came at a time when Synthomer was integrating our new adhesive resins business, creating pressure on our balance sheet.

The Group responded by focusing on deleveraging and cash generation, and by taking operational actions to address capital expenditure, working capital and costs. In October, the Board approved the decision to suspend dividend payments until the end of 2023, and oversaw the agreement with our banking syndicates to widen the debt covenant, giving Synthomer increased headroom, as described in the Financial review on [pages 28 to 33](#).

We know these decisions affect all our stakeholders, and they were not taken lightly. The Board consulted widely before each decision and drew on a wholesale review of options and information to help guide the business on a path we believe will lead us back to sustainable growth. For more detail on how we considered stakeholders, see [page 107](#).

To make sure our costs and capital expenditure reduction projects were balanced, the Board provided specific challenge to management around issues such as health and safety and maintaining the reliability of our plants.

Overseeing Synthomer's refreshed strategy

The Board was closely involved in the development of Synthomer's refreshed strategy, with its focus on attractive end markets, innovation and sustainability, and we held detailed discussions with the Executive Team throughout. We have also carefully considered and approved Synthomer's new divisional structure, which was developed during 2022 to align with the strategy and focus on the Group's most important addressable markets, creating three new divisions: Coatings & Construction Solutions, Adhesive Solutions, and Health & Protection and Performance Materials. This structure was launched in January 2023.

As part of the process of developing the strategy, individual Board members met with McKinsey – appointed to facilitate the process – to share their feedback on the proposed scope of the work and strategic considerations. McKinsey then facilitated a workshop with the Board and Executive Team in April and management provided progress updates at subsequent Board meetings. The Board held a special strategic workshop and signed off the refreshed strategy in June 2022, ahead of its launch to stakeholders at Synthomer's Capital Markets Day in October 2022. During the process, the Board asked the team to ensure that both a speciality and a base focus were considered, and we challenged the assumptions used in evaluating the various business units and in identifying core and non-core businesses. There was meaningful debate around capital allocation between core and non-core businesses, to ensure best value.

We are confident that this strategic approach is the right one – it reduces the complexity of the business to allow Synthomer to focus on what it does best, in areas where we see real opportunities to create value for our stakeholders. The end-market focus is already proving important in prioritising investment. The strategy is described on [pages 12 to 15](#).

Divesting Laminates, Films and Coated Fabrics

Synthomer's refreshed strategy recognises the importance of portfolio management to increase the speciality weighting of our portfolio and focus on higher-value, higher-growth markets, and identifies core and non-core businesses within the Group. This allows for disposal of non-core businesses when the opportunity supports our strategy.

The Board oversaw and approved the sale of the Laminates, Films and Coated Fabrics businesses, announced in December, and received regular reports on the disposal process over some six months. This was a very full and extensive sale process, which delivered a positive financial return despite the challenging economic environment. We considered the sale's potential impacts on all our stakeholders. The disposal is an early step in our strategy and also allowed us to reduce debt and focus resources, which we considered was in the best interests of our shareholders and the remaining employees. We also concluded that the owner will be a better home for the development of the disposed businesses and therefore in the interests of those employees and other stakeholders. The Board debated a number of offers, their various attributes and risks, and approved and accepted the preferred offer. The resolution to approve the sale was passed unconditionally at Synthomer's General Meeting on 11 January 2023.

Approving new sustainability targets

Sustainability is a critical enabler of our refreshed strategy, a recognition of its importance to Synthomer as a value driver, as well as of our commitment to being a responsible business. Sustainability and ESG matters are considered at most regular Board meetings and are reserved matters for the Board.

The Board played an active role in 2021 in developing Synthomer's Vision 2030 programme, and this year we continued to review Synthomer's ESG targets and challenge the Executive Team to ensure they remain as stretching as possible. In 2022, this included more ambitious commitments to science-based targets as part of our pathway to net zero, with a focus on absolute targets, as well as more detailed climate-change scenario analyses. We also challenged the team to set goals around our employee engagement, and move beyond a simple measure of response rates to employee surveys.

We agreed the next steps in our TCFD reporting – continuing to work with Deloitte on climate-change reporting – and approved an internal carbon price of £85 per tonne of carbon dioxide equivalent. The Company chose this price after a thorough market and peer review, as well as a sensitivity analysis against some of our capital growth plans.

For more information see Synthomer and sustainability, [pages 40 to 72](#).

Maintaining a wide view of internal and external trends

We began monitoring the effects of the war in Ukraine at its outset in February 2022. Since then, we have focused particularly on European energy supply security and costs – and this has been a standing item on the Board’s agenda since April 2022. Our focus continues to be on security of supply and hedging where appropriate.

Receiving reports on cyber security is now a regular part of the Board’s agenda, with reviews twice a year. Although there were no breaches in the year, Synthomer runs a cyber security programme to help lower the impact and likelihood of potential cyber risks. This work will continue in 2023, with plans to further develop and test our major security incident response plan. Early in 2023, we additionally retained an expert third party to assist in the event of any cyber attack.

We also reviewed the Company’s main advisers and agreed with management’s recommendations for appointing new joint brokers and a new debt adviser.

We received reports on the Business Excellence project initiated in early 2022, which focuses on commercial and operations. The Board challenged the project scope, targets and resources and also contributed experience of similar projects in other businesses.

Integrating our new adhesives business

In April 2022, Synthomer completed the acquisition of Eastman’s Adhesive Resins business to form our new Adhesive Technologies division, restructured as of January 2023 to become Adhesive Solutions. Since then, the Board has continued to monitor its integration into the Group, its performance and its delivery of synergy benefits. We received regular

“ This year we continued to review Synthomer’s ESG targets and challenge the Executive Team to ensure they remain as stretching as possible. ”

reports at each Board meeting on progress from the management team and also monitored our exit from transitional service agreements. The Board has particularly challenged the resources required to deliver a complex operational and supply chain integration against a challenging economic backdrop.

Board engagement: strengthening connections

Our Chair met with major shareholders and reported to the Board on this engagement work in April. Shareholders reflected on the deteriorating economic conditions and the unprecedented downturn in the nitriles market. They were interested to understand the refreshed strategy, and we were satisfied with the response to our Capital Markets Day, which indicated strong support for the strategy and the progress made by our CEO in the year. Nevertheless, we are in no doubt that they expect us to focus on reducing debt and strengthening our balance sheet.

Meanwhile, Non-Executive Directors Alexander Catto and Holly Van Deursen hosted face-to-face and virtual Employee Voice sessions across all our regions. This process ensures that the Board hears directly from our employees. This year, topics included mental health and wellbeing, communication, change management, and investment and maintenance plans.

With COVID-19 restrictions eased, the Board was able to meet the workforce in person again. This included visiting our Harlow site and several of our USA sites. For more detail, see People on [pages 67 and 68](#).

We also received two reports in the year on follow-up actions from the Your Voice 2021 employee survey. Each region is working to define and implement actions related to their people, with the top areas identified for improvement being communication, collaboration and wellbeing.

EC styrene investigation

In November, the European Commission published its decision following its investigation into Styrene Monomer purchasing practices between 2012 and 2018. Synthomer first disclosed this investigation to the market in June 2018. The decision resulted in a fine of €43.6 million (£38.5 million), modestly below the £40.1 million adjusted provision that Synthomer announced at its interim results in August 2022.

The Board has reflected seriously on this decision. Synthomer is built on its reputation, and the Board is focused on doing business in the right way at all times. In 2018, the Board instigated a root and branch review of procurement across all of Synthomer’s purchasing activities and instructed a bottom-up review of all aspects of our compliance culture, including training and support for staff. In 2022, we revisited this work and reflected again on our compliance culture with the refreshed Executive Team. After much work and reflection, we are satisfied that we have further strengthened Synthomer’s compliance culture, which very clearly prohibits any engagement in anti-competitive practices.

The Board's year continued

Risk management and internal control

The Board of Directors has ultimate responsibility for the Group's systems of risk management and internal control and for reviewing their effectiveness. It also sets appropriate policies to ensure that the Code requirements are met.

The Group's internal controls over the financial reporting and consolidation processes are designed under the supervision of the Chief Financial Officer. Their aim is to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes in accordance with IFRS.

The Group risk management framework is set out on [pages 74 to 83](#). Risks associated with safety, health and the environment are, by the nature of the Group's business, always of the utmost concern – the Sustainability report on [pages 40 to 62](#) reviews the Group's 2022 SHE performance.

The Board confirms that a robust assessment of the emerging and principal risks facing the Group has been carried out and that it has monitored and reviewed the effectiveness of the Group's risk management and internal control systems in 2022.

Alongside this work we have continued to support Synthomer's evolving approach to risk and the continuing development of our risk management framework.

The enhanced risk review process adopted through the year reflects work at both the Board and the Audit Committee, where we have encouraged the team to consider velocity – the speed of a risk affecting the business. And, while this added a level of complexity, the business managers' feedback is that it has improved the quality and depth of discussions and helped ownership of risk across the business.

The new Executive Risk Committee is also an important development (see [page 75](#)), ensuring a top-down as well as bottom-up assessment of risk.

We ran a series of deep dive Board sessions this year with the Executive Directors and senior managers to explore operational performance in the divisions – for instance, in the NBR market, we considered demand, customers, plant utilisation rates, and outlook and forecasting.

This mirrored specific risk deep dive sessions at the Audit Committee. Deep dives have become an important part of the Board's agenda in the past couple of years, because they help the Board delve into specific areas of strategic importance, such as progress on innovation.

Ongoing commitment to Board training and development

Each year, our Remuneration Committee asks an external specialist to provide updates on market practice, remuneration trends and corporate governance developments at its August meeting. In 2022, Deloitte shared a detailed update on current and future areas of reporting interest for stakeholders, such as the current cost-of-living crisis, sustainability metrics in incentive plans and ethnicity reporting.

PwC also presented to the Board on the latest issues from the UK's Department for Business, Energy and Industrial Strategy (BEIS) consultation on Restoring Public Trust in Audit and Corporate Governance. EY also provided an annual Board training workshop, including corporate governance, in February 2023.

PwC provided a synopsis of its technical programmes in November 2022, and this fed into a discussion at the Board of priorities for 2023.

Stakeholder engagement (s.172 compliance)

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

Our approach to Section 172

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

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

This process includes the Board and its Committees considering the interests of our employees. We primarily engage with employees through Alexander Catto, our designated Non-Executive Director for workforce engagement. In 2022 Alexander was supported by Holly Van Deursen, and by other Board members, when hosting employee meetings during site visits in the USA. More information about how we engage with employees can be found in the People section of our Sustainability report on [pages 67 and 68](#).

Board members make themselves available to investors. In 2022, our Chair Caroline Johnstone ran an engagement programme with our major institutional investors and reported to the Board on the feedback she received. Brendan Connolly consulted directly with more than 10 of our largest shareholders and several proxy agencies about our new remuneration policy, which he describes in more detail on [page 123](#).

Throughout the year, the Board received reports from management about their engagement with customers, including glove manufacturers and with utility suppliers and site hosts at chemical parks. These reports were even more important this year, given the issues around NBR demand and concerns around energy security of supply.

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

Stakeholder engagement in 2022

There were no changes to the Board's identified key stakeholders, as listed in the table on [page 107](#). In carrying out its duties, the Board continued to ensure it understands, and considers, the issues that matter most to these stakeholder groups, particularly when making material decisions.

By early 2022, the pandemic no longer had an impact on the Board's engagement with stakeholders, and we resumed site visits and physical meetings with employees. Having completed our biannual materiality assessment in 2021, when we appraise what sustainability issues matter most to our stakeholders, we will engage on this again in 2023. For more details, see [page 44](#) of the Strategic report.

Meanwhile, after two years of closed meetings, we were pleased to return to holding an open Annual General Meeting

in April 2022. We kept in place the option for shareholders to submit questions in advance of the meeting, however, which we introduced during the pandemic. We also have regular correspondence with shareholders, responding to suggestions and queries.

Principal decisions in 2022

This was another busy year for the Board, and one in which a number of difficult decisions had to be taken – see The Board's year on [page 101](#). Below we set out three examples of principal decisions the Board took in 2022 and how it considered Section 172 matters in the process.

Approving a refreshed strategy

Cu E Su Sh

In 2022 the Board approved a refreshed strategy, with a focus on attractive end markets, innovation and sustainability. It was presented to investors, employees and other stakeholders in October.

How the Board made its decision

In The Board's year, we describe the strategic review undertaken during 2022, the rigorous process followed over an extended period and the Board's close oversight and involvement. As the Board reflected on the potential strategic options, it considered all stakeholder groups – for example, the impact on employees in non-core businesses of pursuing a focus on either base or speciality chemicals and on the value potential for shareholders.

The Board considered that strategic alignment to end markets would enable the Group to better serve its customers and to focus its innovation and capital allocation – and so deliver greater business value for shareholders.

Stakeholder engagement (s.172 compliance) continued

We also reflected on the potential disruption of a business reorganisation. We concluded that this was a necessary step to align everyone in the business with the new strategy and that it would provide greater opportunities for employee development.

Selling our Laminates, Films and Coated Fabrics businesses



In December 2022, the Board approved this disposal and, in January 2023, we put the proposed sale to a vote at a General Meeting. It received 99.98% approval. We appreciated the support from investors, including Kuala Lumpur Kepong Bhd.

How the Board made its decision

As part of the strategic review of the Group, management undertook an extensive analysis of our portfolio of 23 businesses. This involved detailed market analyses – with challenge from an external strategic adviser – as well as an assessment of the Group's market position and current and future potential, alongside likely capital requirements.

Management proposed that a number of businesses did not naturally fit with the refreshed strategy and that those would have better prospects and opportunity to develop under different ownership. The Laminates, Films and Coated Fabrics businesses were identified as non-core businesses.

Alongside developing the refreshed strategy, management undertook a very detailed period of marketing of the businesses, supported by external corporate finance advisers. A number of parties expressed interest and a period of limited access and due diligence was undertaken, following which a number of parties confirmed offers for the businesses.

The Board considered the forecasts for the businesses and took external advice on the value of the offers received. We concluded that the potential proceeds would be a significant step in the Group's plan to reduce borrowings and leverage,

that the offers represented good value for the businesses and that they were also an important step in delivering the refreshed strategy for the Group.

The Board therefore considered that it was in the best interests of investors, employees and other stakeholders that we progress delivering our strategy and our leverage goal. The Board also reflected on the impact on employees, customers and suppliers in the businesses being disposed, concluding that the opportunities for investment and development would be greater under different ownership.

We were also mindful of the additional work that the transaction would place on existing employees providing transition services to the new buyer – but were confident that management would monitor the level of resource throughout the transaction and adjust as required.

Refinancing, covenant waiver and reset, and dividend suspension



In September 2022, management reported to the Board the expected prolonged downturn in the Performance Elastomers business, as well as the headwinds across the European business that were reducing demand. It also reported that the Group's leverage would increase as demand fell in a number of markets.

The Board asked management to update business forecasts, secure additional banking facilities and renegotiate the banking leverage covenants. We also asked management to update its plan to reduce leverage over the medium term to the Group's stated aim of 1–2 times EBITDA. The circumstances and plans developed are described in The Board's year on [page 101](#), the CFO's report on [page 29](#) and the Chair's introduction to the Strategic report on [page 5](#).

The plan put forward to the Board for approval included:

- A programme of working capital, capital expenditure and cost reduction
- Sale of non-core businesses (in line with the refreshed strategy) if appropriate value could be delivered
- Negotiating a covenant reset from its banking group
- Pursuing additional facilities
- Waiving any dividend payment to shareholders until the end of 2023.

In January 2023, the Board reviewed and considered updated business forecasts and budgets. It agreed that management should refinance to ensure that the business had medium-term facilities and leverage covenants, with appropriate headroom to enable the business to operate through a period of challenging economic headwinds. The refinancing was completed in March 2023 – see [page 201](#) for more detail.

How the Board made its decision

These were difficult decisions for the Board, balancing the interests of shareholders and other stakeholders. Our guiding principle was in protecting value in the business and providing headroom, while integrating and supporting the Adhesive Solutions business.

The Board recognised that investors would be very disappointed by any dividend waiver. However, having considered forecasts and options in detail, the Board concluded that the proposals were in the best interests of stakeholders overall and would best protect and deliver value in the medium term.

Stakeholder groups	How the Board engaged in 2022	
<p>Cu Customers</p> <p>We work with more than 6,000 customers worldwide, providing the products they need to address technical and sustainability challenges in their own manufacturing processes.</p>	<ul style="list-style-type: none"> The Executive Committee attended all scheduled Board meetings, and divisional presidents provided additional customer-related intelligence and feedback. The Board discussed the exceptional shortfall in demand from our nitrile glove customers, and the implications for managing supply and pricing, and decided to postpone the next phase of our nitrile capacity expansion. The Board approved a refreshed strategy that focuses on getting closer to our customers and on growing in attractive end markets. 	<ul style="list-style-type: none"> Given that all areas of our business have seen weakened demand, the Board kept up to date with operational issues, including plant capacity, shift planning and headcount reduction to match production to demand and reduce costs. The Board received reports on the Business Excellence project initiated in early 2022, which focuses on commercial and operational excellence.
<p>E Employees</p> <p>Our success relies on the talent of our employees. We want them to feel part of a culture that values diversity and inclusion, fairness and transparency.</p>	<ul style="list-style-type: none"> The Board restarted physical meetings for the Employee Voice on the Board programme, holding an extensive series of in-person sessions at sites in the USA as part of the visit there in June. 	<ul style="list-style-type: none"> The Board received and considered two reports on follow-up actions from the results of the Your Voice 2021 employee survey.
<p>Co Communities</p> <p>We want the communities who live near our sites to see us as a good neighbour.</p>	<ul style="list-style-type: none"> The Board now receives regular reports about the progress of Vision 2030 and our community targets. 	
<p>Su Suppliers</p> <p>Our suppliers deliver the raw materials and services we need to make our products. We look for ways to work in partnership with suppliers to create a more sustainable supply chain.</p>	<ul style="list-style-type: none"> The Board received reports on management's work to ensure the Group's supply chain complied with the new sanction regime put in place as a result of Russia's war in Ukraine. 	<ul style="list-style-type: none"> European energy security and cost was a key topic for the Board throughout 2022. Management kept the Board informed on how it was engaging with utility suppliers and site hosts as it worked to reduce operational risks.
<p>Sh Shareholders</p> <p>As a public company listed on the London Stock Exchange and part of the FTSE 250 Index, we have a responsibility to deliver value for our shareholders.</p>	<ul style="list-style-type: none"> The CEO and CFO provide the Board with updates from their meetings with investors, and our Vice President of Investor Relations shares investor relations developments at every Board meeting. Our Chair ran an engagement programme with major shareholders and reported to the Board on her findings in April. The Chair of the Remuneration Committee initiated a consultation process with the Group's top 20 shareholders – holding direct consultations with 10 – at the end of 2022 on the proposed new Directors' remuneration policy. 	<ul style="list-style-type: none"> Before each meeting, the Board receives analysts' forecasts and consensus for financial performance, and a summary of the externally prepared shareholder analysis report. This summary shows our top 20 shareholders and their movements, alongside top buyers and sellers. Analysts' reports and notes are shared with the Board as they are issued.
<p>G Governments and authorities</p> <p>As a member of the chemical industry and scientific community, it is important we engage on issues such as policy, compliance and collaboration.</p>	<ul style="list-style-type: none"> We cooperated fully with the European Commission's investigation into styrene purchasing practices. Through the Company's broker, the Board engaged with the FCA about preparing the Class 1 circular for the sale of our Laminates, Films and Coated Fabrics businesses for shareholder approval. 	<ul style="list-style-type: none"> The Board received reports on the changing regulatory landscape, including the BEIS consultation, TCFD reporting and corporate governance. The Board receives a report twice a year on legal compliance with operational laws and regulations at our sites.

Audit Committee report: introduction from the Chair



This has been a dynamic year in which the Audit Committee adapted its work programme to manage shifting challenges and priorities. While the Committee supported the Board in addressing the significant headwinds facing the business, it also made real progress in strengthening Synthomer's risk management and internal audit processes. My predecessor, Cynthia Dubin, did a great job guiding that progress over the past two years. It means I have inherited a strong audit agenda – one that I look forward to building on with the help of my fellow Committee members.

Navigating a challenging year

Like other businesses, Synthomer has navigated difficult economic conditions in the past year, but it also faced a very particular challenge in the Performance Elastomers division. After two extraordinary years of high performance – largely driven by COVID-19 demand for gloves made with our nitrile butadiene latex (NBR) – destocking has led to significantly reduced NBR production volumes and delayed a return to pre-pandemic NBR growth. This, coupled with the acquisition of our new adhesive resins business and weakened European demand, meant we increased

our leverage. As a result, the Committee put more emphasis on internal control and deep dive reviews to protect the integrity of the balance sheet. We also supported the Board's detailed analysis of Synthomer's position and portfolio.

See The Board's year on [pages 101-103](#) for more information on this process.

Continuing to strengthen our risk framework

Despite these challenges, the Committee made good progress this year upgrading our risk management framework, which now embeds a clear set of risk appetite statements for our principal risks. Following a recent review of our principal risks, and as part of our standard governance processes, the Board will regularly review and update those statements to ensure they reflect recent strategic changes.

While all our divisions have incorporated velocity into their risk analysis over the past year – alongside probability and impact – our Industrial Solutions division was the first to include it in its risk 'deep dive' session with the Committee.

Velocity is an increasingly important factor in risk analysis, helping a company to understand the time it takes between a risk emerging and its impact being felt.

The more a business understands that velocity, the more it can ensure it has the right controls and mitigation plans in place. For example, the speed at which demand fell in our Performance Elastomers business was unprecedented, and we will reflect on this when developing our market information, controls and mitigation plans in the coming year and beyond. The Committee felt that our site business recovery plans – tested at the time of the Filago fire in 2022, and found to be robust – could inform these market response plans.

Towards the end of 2022, Synthomer established a new Executive Risk Committee (ERC). Its purpose is to oversee principal and emerging risks and carry out deep dives on any mitigating action that might be needed. The Audit Committee had encouraged the CEO to consider such a committee, so is pleased to already have a more focused top-down and outward-looking risk review – one that also complements the bottom-up risk review undertaken at divisional level. The Committee will work closely with the ERC to provide assurance to the Board on risk management.

See our Risk report on [pages 74-83](#) for more detailed information on how we manage our risks.

“ We continue to operate under challenging market conditions – but are confident that Synthomer’s refreshed strategy and divisional structure position us well. ”

Welcoming our new CFO

In July 2022, Lily Liu joined Synthomer as our new CFO, succeeding Stephen Bennett, who retired from the Company after seven years’ service. I would like to thank Stephen for his contribution to the business. Each of the Committee members spent time with Lily during her induction, and I am very pleased that Lily has immersed herself quickly into the business, leading the Finance function during a particularly challenging time.

Providing support and challenge for Synthomer

This year has been about balancing immediate priorities with long-term goals. We continue to operate under very challenging market conditions – but we are confident that demand will return to our end markets, and that Synthomer’s refreshed strategy and divisional structure will position us well. Helping the business navigate those challenges while supporting the Executive Team’s work to execute our refreshed strategy will be central to the Committee’s work over the next year. Our key priorities in 2023 include:

- Supporting the Board as the business navigates a period of financial pressure and focuses on deleveraging
- Financial reporting and internal controls around integrating our new adhesives business.

I look forward to working with my new Committee colleagues to provide the support and challenge necessary to drive the growth I am confident that Synthomer is capable of achieving.

Ian Tyler
Chair

28 March 2023

Deepening the Committee’s understanding of key issues

Audit Committee members carried out divisional deep dive risk reviews, as well as specialist functional risk reviews into plant control systems, strategic sourcing, insurance and pensions. On pensions generally, careful stewardship by our pension trustees meant that our exposure to the UK gilt crisis in September 2022 was minimal.

The Committee also reviewed summaries of the work done by the Internal Audit team, which operates a risk-based audit plan.

Keeping up to date

The Committee received several briefings from PwC on key governance issues, including on the UK’s Department for Business, Energy and Industrial Strategy (BEIS) consultation on Restoring Public Trust in Audit and Corporate Governance. This is crucial in helping members ask the right questions and stay ahead of disclosure requirements.

Committee members also received and discussed Financial Reporting Council (FRC) thematic reviews on governance issues such as sustainability and earnings per share.

Continuing to review environmental reporting

Sustainability remains a key issue for the Committee, and we continue to develop and refine our environmental reporting methodology. On behalf of the Committee,

our Group Internal Audit and Risk Director conducted an internal review of the way we have designed the controls and processes we use to ensure the reliability and accuracy of our environmental performance data. As a result, she awarded our methodology a ‘substantial’ level of assurance.

This year too, the FRC noted how we explained climate change as a principal risk in our last Risk report – page 71 of our 2021 Annual Report. It shared our explanation as good practice in its July thematic review of TCFD disclosures and climate in the financial statements. This is recognition for Synthomer and a sign that our environmental reporting is growing in strength.

Responding to the BEIS consultation

The Committee reflected on the BEIS consultation and likely timeframe for recommendations and implementation. Executive management has previously initiated a number of projects – in line with the likely outcomes of the consultation, and each with a project lead/owner – to leverage the experience of internal control environments we gained from the 2020 acquisition of OMNOVA, a US Sarbanes-Oxley-compliant company.

As the Company waits for more certainty on the timelines for the major proposals, in 2023, we will continue to develop our plans for addressing the key elements of the consultation Response Statement, using in-house and external resources.

Audit Committee report continued

Audit Committee role

We assist the Board to oversee our financial systems and reporting, and the adequacy and effectiveness of our internal controls and risk management. We also lead the oversight of both external and internal audit. Our full terms of reference, reviewed and updated during the year, are available at www.synthomer.com.

Committee members

The Committee comprised four members during the year. After our final meeting of 2022, then Chair, Cynthia Dubin, resigned and Non-Executive Director Ian Tyler was appointed to replace her.

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

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

The skills and experience of Committee members are set out on [page 95](#).

Committee meetings and operation

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

senior Group finance team members, the Group Internal Audit and Risk Director and PwC, led by audit partner David Beer.

The Committee meets regularly with PwC and with the Group Internal Audit and Risk Director without management present.

The Chair also liaises with Brendan Connolly, the Senior Independent Non-Executive Director and Chair of the Remuneration Committee, to discuss matters such as setting Executive Director compensation targets.

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

Correspondence with the FRC

In July 2022 the FRC advised that it had selected Synthomer to be included in its thematic review of TCFD and climate disclosures in the Annual Report and Accounts for the year ended 31 December 2021. Synthomer's explanation of including climate change within existing principal risks was given as an example of best practice.

Subsequently, in November 2022, the FRC asked the Company to explain the level of external assurance provided around emissions verification, to provide more specific detail on TCFD-related governance activities, and to outline any impact of climate-related risks on intangible assets and goodwill. The Committee considered these recommendations and made amendments for this Annual Report.

The FRC's letter provides no assurance that the Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Activities during the year

To address our core remit in 2022, we:

Integrity of corporate and financial reporting, significant judgements and estimates

- Reviewed and approved the Group's annual and interim financial statements, including preliminary results announcement
- Reviewed and approved significant accounting policies, estimates and judgements and reported alternative performance measures
- Reviewed and challenged the assumptions and sensitivities in the scenarios modelled to support the preparation of the accounts on a going concern basis and in assessing the longer-term viability of the Group
- Reviewed the FRC guidance for 2022 covering interim reporting, annual accounts and corporate governance reporting, along with a summary of the management's approach to implementation
- Assessed the processes for assuring the Board that the 2022 Annual Report and Accounts, when taken together, is fair, balanced and understandable
- Regularly reviewed the Group's material litigation and concluded, in the March 2023 Committee meeting, that the provisions are appropriate
- Reviewed the UK payment practices report, discussed the underlying data and challenged management on certain aspects of the report

External audit

- Approved the external audit plan for 2022, discussed the experience and expertise of the key members of the engagement team, and approved the audit fee
- Carried out a review of the auditor's reports, including PwC's views on significant accounting judgements, estimates and the internal control environment
- Reviewed compliance with the FRC's Ethical Standard for auditors and the restrictions on auditors in providing non-audit services. Approved the provision of certain permissible non-audit services by PwC (see [page 115](#))
- Considered and confirmed PwC's independence (see [page 115](#)). Monitored PwC's work as reporting accountants, providing assurance on historic and pro forma financial information for the disposal of the Laminates, Films and Coated Fabrics businesses, and their subsequent year-end audit, to ensure there was no impact on its independence
- Reviewed and assessed the performance of PwC and our lead audit partner
- Reviewed the log of accounting firm work to assist with independence requirements and considerations in the event of a future audit tender
- Considered the need to put the external audit out to tender. After discussion and challenge, we recommended PwC's reappointment

Internal audit, risk management and internal controls

- Reviewed risk processes across the business to identify and mitigate risks
- Oversaw the roll-out across the Group of changes to our risk management framework, in particular adding the speed at which the risk might occur to probability and impact
- Continued our programme of deep dive reviews on the risk management of our global businesses and functions. Alongside our reviews of Performance Elastomers and Functional Solutions, we also considered the Group's Industrial Automation and Control Systems (IACS), global procurement, commercial insurance and pensions with senior members of the management team
- Reviewed and approved the Group's Internal Audit Charter
- Reviewed the results of the World Economic Forum (WEF) Global Risk Report 2022, to help identify any gaps in the Group's risk reviews
- Received updates at each meeting on ongoing and completed internal audits and actions arising
- Reviewed and approved the 2023 internal audit plan and ensured there is sufficient resource to deliver it

Governance

- Reviewed the corporate governance reporting and whether, as part of the Annual Report, it was fair, balanced and understandable
- Oversaw the creation of the Executive Risk Committee, to assist the Audit Committee to oversee the effectiveness of Synthomer's risk management arrangements
- Received and reviewed FRC thematic reviews on earnings per share and deferred tax assets
- Met with Group Internal Audit and Risk Director and the external auditor without management on several occasions.

Audit Committee report continued

Going concern and viability statements

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

- The disposal of the Group's Laminates, Films and Coated Fabrics businesses
- The reduction in Performance Elastomers' 2022 profitability, given destocking in the nitrile gloves market
- Recessionary pressures in Europe affecting a number of divisions.

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

- Reviewing the Group's sources of funding and, in particular, testing the leverage covenant in our financing arrangements and assessing available headroom, in light of the refinancing described on [page 201](#)
- Reviewing the short-, medium- and long-term cash flow forecasts in various severe but plausible scenarios, as well as reverse stress-testing forecasts
- Assessing the Group's current and forecast activities and factors likely to affect its future performance and financial position.

The Committee discussed the going concern and viability statements at the February and March 2023 Committee meetings and recommended that the Board provide the statements on [pages 151 and 90](#), respectively.

Fair, balanced and understandable

The work undertaken by management – and reviewed by the Committee – to support the Board's statement on our Annual Report being 'fair, balanced and understandable' includes:

- Establishing a working group of appropriately qualified people at Group level to oversee the drafting of the Annual Report and Accounts. This group met regularly to ensure that disclosures were appropriate for all stakeholders and that drafting was progressing well
- Engaging a corporate communications and reporting adviser to assist in drafting, editing and proofreading the Annual Report
- Ensuring that the FRC's October 2022 guidance, along with other relevant guidance, was considered
- The CEO and CFO confirming that, in their opinion, the Annual Report was fair, balanced and understandable
- Requesting that certain key contributors, for example, Presidents and Finance Directors of our global divisions, sign a declaration confirming the accuracy of their information
- Arranging for our remuneration consultants to review the Directors' remuneration report
- The Vice President, Group Finance completing an audit trail for material data underpinning non-financial information in the Annual Report
- Circulating drafts of the Annual Report to PwC, the Audit Committee and the Board for review
- Discussing material disclosures at our February 2022 Committee meeting.

The Committee discussed the fair, balanced and understandable statement at our February and March Committee meetings and, in light of the above, recommended that the Board provide the statement on [page 152](#).

Significant areas of judgement and estimate

Going concern was identified as a significant area of judgement, in the light of profits for 2022 being lower than expected. The Committee's response and conclusion were outlined on [page 112](#). In addition, the areas in this table were identified.

Significant areas of judgement and estimate	The Committee's review, challenge and conclusion
<p>Impairment of goodwill and intangible assets</p> <p>Potential indicators of a higher risk of impairment are that Synthomer's market capitalisation is below the net asset value of the Group, and a lower-than-expected trading performance.</p>	<p>Management presented a summary of the impairment of goodwill and intangible assets for the cash generating units of the Group, represented by the five reportable segments. The Committee reviewed the key assumptions, including discount and growth rates and potential sensitivities, and concluded that there was no impairment for four of the five segments.</p> <p>For the Adhesive Technologies segment, management presented a paper that indicated an impairment of goodwill of £133.7 million, caused by reliability and supply chain issues, demand weakness in key adhesives markets and lower-than-expected delivered capacity. The Committee challenged the key assumptions supporting the impairment, including growth rates and delivered capacity, and made more enquiries with the external auditor, PwC. The Committee concluded that the impairment was appropriate.</p>
<p>Fair value accounting for adhesive resins acquisition</p> <p>The accounting for the acquisition of Eastman's Adhesive Resins business is shown in note 30 to the accounts. The assets and liabilities of the business have been included at fair value, with the balance of consideration shown as goodwill. The assumptions involved in valuing the assets require significant judgement.</p> <p>KPMG LLP was engaged to advise on the fair value of the property, plant and equipment, intangible assets and inventory. The deferred tax assets and liabilities were assessed by our in-house tax team.</p>	<p>Management presented a summary of the acquired assets and liabilities, and the valuation methodologies used for each category. PwC, as external auditors, reviewed the work undertaken by KPMG LLP and our tax team. The Committee reviewed the methodologies, along with their conclusions, and discussed them with the external auditor. We challenged the valuation of customer relationships and other intangibles and the appropriateness of the periods of amortisation.</p>
<p>Other areas of judgement</p> <p>Alternative performance measures – Special Items</p> <p>The Group discloses Special Items separately, to provide a clearer indication of underlying performance. Special Items are either irregular – so including them in the assessment of a segment's performance would distort trends – or are technical adjustments that ensure the Group's financial statements comply with IFRS but do not reflect the year's operating performance, or both.</p> <p>An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that excluding the amortisation charge on acquired intangibles from Underlying performance avoids the potential double-counting of such costs, so we exclude it as a Special Item from Underlying performance.</p> <p>For more detail, see note 4 to the Consolidated financial statements on page 171.</p>	<p>The Committee regularly challenges management on what are considered Special Items. It reviews in detail every item that is excluded or separated from reported Underlying profit and considers guidance from the FRC and the external auditors.</p> <p>The Committee is satisfied that it is helpful to a reader of the financial statements to report Underlying profit, together with IFRS profit, without Special Items – and that all Special Items reported met with the Group's definition of such items.</p>

Audit Committee report continued

Risk management and internal control environment

Each year, the Board is required to conduct a review of the effectiveness of the Group’s systems of risk management and internal control. The Board’s statement relating to this review is on [page 103](#). At its February 2023 meeting, the Committee reviewed management’s assessment of the key elements of these systems and confirmed their overall effectiveness.

Our conclusion drew on the following:

- The internal audit programme completed during 2022 and progress in implementing its resulting actions
- Our programme of risk reviews and discussions with senior managers and other staff across the Group throughout the year
- Ongoing management assurance – via Committee papers, Board and Committee presentations and discussions – to review the Group’s key financial controls to ensure they support our continued growth
- The key controls questionnaire, which is completed and signed by each Group operating unit each quarter

- Representations to the CFO from the divisions’ financial and commercial management that the financial information reported to the Group has been prepared according to our accounting policies and that all relevant information has been provided to prepare the Group’s Annual Report and Accounts. These representations are made twice a year in line with our external reporting timetable.

Internal audit and risk management function

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

This year our Group Internal Audit and Risk Director and her team refreshed and expanded the methodology Synthomer

uses to select sites for audit. The methodology now includes more quantitative operational metrics that are key to the effective management of our sites. This helps us better prioritise audit activity using a risk-based approach that now considers a wide range of strategic, financial, operational and compliance criteria.

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

External audit and assessment of audit quality

We reappointed PwC as our external auditor in 2016, following a full re-tender process. The firm has been the Group’s auditor since 2012.

The Committee discussed the 2022 audit process at its November 2022 and February and March 2023 meetings, at which the topics in the next table, relevant to the external audit process, were discussed.

November 2022

Outcome/action taken by the Committee

PwC’s audit risk assessment (pages 154 to 160)

PwC undertook a detailed risk assessment, setting out its view of the significance of key risks and the potential risk of material misstatement. As in the prior year, the Committee agreed with PwC that climate change, while not an area of significant risk, should be considered in the overall context of their audit opinion.

Materiality level for the audit (page 157)

PwC proposed an audit materiality level of £11.7 million, based on 5% of the average Underlying profit before tax for the past three years. This is consistent with the approach adopted for the 2021 audit. After discussing this with PwC and management, the Committee agreed it remained an appropriate methodology for 2022.

PwC’s audit plan

We reviewed the audit coverage and agreed scope ([page 154 to 160](#)) in detail and agreed they were appropriate. The Committee noted and approved the continued high level of coverage.

PwC’s resources

We reviewed and discussed PwC’s resources with the firm, particularly the experience and tenure of its audit partners in our key overseas territories.

Audit fee and terms of engagement

The Committee reviewed PwC’s fee proposal in light of the risks identified and proposed scope, and approved the proposed fee of £2.4 million, compared to £1.7 million in 2021.

February and March 2023	Outcome/action taken by the Committee
Confirmation of PwC's audit plan	PwC confirmed no material changes to the agreed plan.
Audit findings, significant issues and other accounting judgements (pages 154 to 156)	These were discussed with PwC and management – the work of the Committee is described earlier in this report.
Management representation letter	The Committee reviewed and approved this.
PwC's independence, objectivity and quality control procedures	The Committee evaluated and confirmed PwC's independence, objectivity and quality control procedures.

During the year, the Committee Chair was in regular discussion with PwC's lead audit partner to discuss the progress of the audit. The Committee met PwC without management being present after the February 2023 Committee meeting. No significant issues were raised. The Committee evaluated the performance and effectiveness of the external auditor in the following ways:

Audit quality – how we reviewed PwC's performance

External evidence	The Committee reviewed the FRC's 2021-22 Audit Quality Inspection Report covering its conclusions from a review of a selection of PwC audits. This demonstrated continuous improvement to audit quality and culture year on year. David Beer, our audit partner, shared details of actions taken by PwC in response to this report.
Management evidence	At our request, management sought feedback from people across the business who were involved in working on the year-end financial statements with PwC teams. The feedback was positive for all questions asked, and indicated that PwC had performed its audit well, with highest ratings for planning and quality of reporting.
Audit Committee evidence	David Beer attended all Committee meetings during the year. In assessing the quality of the audit, the Committee noted the high level of coverage provided by audit procedures over revenue and underlying operating profit (see page 154). It also noted the challenges to management's assumptions around judgemental items, such as goodwill impairment, pension liabilities and fair value accounting (see pages 155-156), including the use of independent valuation specialists where appropriate.

Auditor independence and objectivity, and auditor-provided non-audit services

The Committee has a clear policy on the provision of non-audit services by the external auditor and has defined the very limited non-audit services they can provide.

Services can only be provided if approved by the Committee, and they are subject to a cap of 70% of the average of audit fees for the preceding three years. The Committee must pre-approve all engagements for non-audit services with an external audit

firm to make sure that as many firms as possible would be independent in an audit tender. Details of audit and non-audit fees paid to the auditor in 2022 are set out in note 7, [page 175](#).

PwC produced a report setting out how it assessed itself as independent. This included certain Reporting Accountant activities undertaken as part of the announced disposal of the Laminates, Films and Coated Fabrics businesses. PwC confirmed that it remained independent in respect of the 2022 audit.

The Committee concluded that PwC's independence and objectivity were not compromised by providing these services and that, because of its knowledge of the Group and its financial statements, it was in Synthomer's interests to engage PwC. Having considered the steps taken by PwC to preserve its independence and the approach to non-audit services described above, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

Nomination Committee report: introduction from the Chair



In 2022, the Nomination Committee focused on the leadership and oversight Synthomer needs to deliver its refreshed strategy – now, and in the future. This has included overseeing succession and development of the Executive Team, which Michael Willome built in 2022.

An Executive Team to deliver our strategy

We welcomed Lily Liu as our new CFO in July, as announced in 2021 – and we described the process of her recruitment in last year’s annual report.

Following that extensive recruitment process – for our CEO and CFO – this year saw Michael put his new Executive Team in place, with the Committee and Board’s support. Over the year, Synthomer appointed:

- Ana Perroni Laloe as President, Industrial Specialties (now President, Coatings & Construction Solutions)
- Toby Heppenstall as President, Adhesive Solutions
- Alice Heezen as Chief Human Resources Officer (CHRO)
- Jan Chalmovsky as President, Strategy and M&A.

We also welcomed our new Chief Counsel and Company Secretary, Anant Prakash, in December. He succeeds Richard Atkinson, who retired at the end of February 2023 following a handover period with Anant.

Our new divisional structure, announced in October 2022, saw the appointment of new divisional presidents. The Committee was closely involved with these appointments, and in planning appropriate inductions.

Details of the full Executive Team can be found on [pages 96 and 97](#).

The Committee held regular meetings with Michael as he considered the composition, skills and experience needed to support and implement the refreshed strategy. Committee and Board members listened to and challenged Michael on the overall composition of his team, and met with candidates to provide perspective and guidance.

Alongside the Executive Team, the Company created a Global Leadership Team (GLT) of around 75 leaders, which held an inaugural meeting in October. We believe this new team will help ensure wider ownership, accountability and alignment for the Company’s development plans, and align with the Committee’s focus on diversity, inclusion and succession planning – which I discuss in more detail on [page 118](#). At Michael’s invitation, I spoke to the GLT and had the opportunity to meet many of the attendees to reinforce the Board’s support for the refreshed strategy and to

set out our goals, priorities and challenges. I reflected on the energy, drive and focus in this team, coming together for the first time after the pandemic and following two significant acquisitions.

Board composition and changes

At Board level, Brendan Connolly came to the end of his tenure in January 2023, announcing his retirement as Non-Executive Director, Senior Independent Director and Remuneration Committee Chair from May 2023. In November, Cynthia Dubin resigned as Non-Executive Director and Chair of the Audit Committee.

Ian Tyler, who joined the Board as a Non-Executive Director in June 2022 with deep non-executive experience and following a distinguished executive career, has succeeded Cynthia as Chair of the Audit Committee. Ian will also become Senior Independent Director

when Brendan retires, and I set out the process we followed for this important appointment below. Holly Van Deursen, who has been a Non-Executive Director and member of the Remuneration Committee since September 2018, will succeed Brendan as Chair of the Remuneration Committee. Holly has experience as a chair of large organisations and of remuneration and compensation committees, so is well placed to succeed Brendan.

I would like to thank Brendan and Cynthia for their valuable service. We describe the process of replacing them below.

Welcoming and inducting new Board and Executive Team members

Our induction programme is an essential part of a new Director's first months at Synthomer, ensuring they receive the information and support they need to take on their new role quickly and confidently.

The Committee oversaw an induction for Lily that included:

- A four-week handover from her predecessor as CFO, covering key activities
- Meetings with the Executive Committee for in-depth briefings on their businesses and functions
- Meetings with external advisers and our top institutional shareholders to hear their views on Synthomer.

Ian Tyler's induction included:

- Extensive briefings on Synthomer's markets and products
- Meetings with each member of senior management and the external auditors
- A programme of site visits.

The process for appointing Ian Tyler in 2022

Setting role requirements	To prepare for Brendan Connolly's retirement from the Board at the 2023 Annual General Meeting, following the end of his nine-year tenure, the Nomination Committee, the Board and our Company Secretary worked with MWM Consulting to develop a clear role and person specification for our new Non-Executive Director. Committee members debated this specification – and one of the things we agreed was to focus on candidates with previous experience as committee chairs of UK plcs.
Identifying candidates	MWM Consulting developed several long and short lists of potential Non-Executive Director candidates. In doing so, they considered the broadest definition of diversity.
Process	MWM Consulting considered a pool of 500 profiles, held exploratory discussions with 52 potential candidates, interviewed and assessed 10 candidates, and then the Chair met with four candidates. The most suitable candidates were then presented to the other members of the Board. Having reviewed the process and evaluated the candidates, the Nomination Committee unanimously agreed to recommend Ian Tyler.
Recruitment	Ian Tyler joined the Board in June 2022 and is now Chair of the Audit Committee and a member of the Remuneration and the Nomination Committees.

The process for appointing our new Senior Independent Director

Setting role requirements	Alongside our Non-Executive Director recruitment, the Committee started planning early in 2022 for succession to the Senior Independent Director role, given Brendan steps down in May 2023. Egon Zehnder was appointed to assist the Committee to identify potential internal candidates and benchmark them to the external market. Egon Zehnder helped us to develop a template of experience, attributes and skills required in our next Senior Independent Director.
Identifying candidates	We considered a number of existing Board members and discussed the merits of these candidates alongside potential external recruits with Egon Zehnder. We were conscious of both the short- and long-term challenges and aspirations of the business.
Process	The Chair met with each member of the Committee, and with the CEO and CFO, to discuss the experience, attributes and skills required, the potential internal candidates and the option of recruiting externally. We concluded that we had a number of Board candidates with prior chair and senior independent director experience, who were well qualified for the role.
Appointment	The Committee met, without internal candidates present, and, after debate and consideration, unanimously agreed to recommend the appointment of Ian Tyler. His appointment takes effect from the 2023 AGM.

Nomination Committee report continued

Supporting Synthomer’s strategic focus on diversity and inclusion

Diversity and inclusion is one of the five pillars of Synthomer’s refreshed strategy, a clear acknowledgement that reflecting the society in which we operate is both the right thing to do and good for business.

The Committee was pleased to see more improvements in diversity and inclusion this year. The percentage of women in senior management roles increased to 25.4% – up from 20% in 2021. This is clear progress towards our new target, set this year as part of our Vision 2030 programme, of achieving 40% senior management gender diversity by 2030.

On our Executive Committee, recent appointments have seen a significant shift in gender, ethnicity and profile. On our Board, 33% of positions are held by women, and two members are from ethnically diverse backgrounds, in line with the Hampton-Alexander and Parker reviews respectively. The newer FTSE Women Leaders Review sets a target of 40% female board representation by 2025. The Financial Conduct Authority’s new Listing Rule, which will apply to listed companies for financial accounting periods starting from 1 April 2022, also sets a 40% target; this will be a focus of our Non-Executive Director recruitment in 2023. We already comply with the

Listing Rule’s target that at least one senior board position should be held by a woman (we have a female Chair and female CFO), and at least one board member should be from an ethnic minority background (our Board has a very rich international diversity, with more than 50% non-British members).

The Board continues to support our diversity and inclusion programme through our Diversity and Inclusion Steering Committee, and supports our employee resource groups. Diversity is always considered in Nomination Committee discussions around succession planning and, as a Committee, we have consistently challenged the Executive Committee – where Michael has shown dynamic leadership on the issue. Our succession planning processes have developed significantly in recent years and our new CHRO has plans for more development in 2023. See [page 66](#) in the Strategic report for more information on Synthomer’s diversity and inclusion performance.

Developing our succession plans and reviewing our skillsets

Now that the Executive Team is complete and delivering on Synthomer’s strategy, the Committee’s role is refocusing on making sure we have a strong pipeline of talent for the future – and contingencies

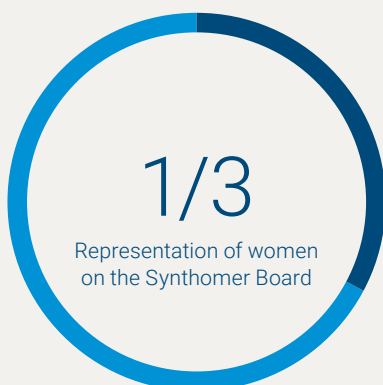
in place to deal with unexpected change. That means thinking in the long term about the skills, experience and mindset needed for the future, as well as having emergency succession plans in place for key roles. For example, the Committee discussed and agreed emergency succession plans for our CEO and CFO positions this year. We have a clear plan in place to regularly review succession planning and development processes at and below the Executive Team level.

In November 2022, we updated our Board skills matrix against UK corporate governance best practice, with support from Egon Zehnder. We also updated our own, more detailed assessment across a range of operational and strategic skills. This provided a sound basis for a discussion about the critical skills the Board needs to remain competitive in the future, and to consider skills we might look for in our search for a new Non-Executive Director in 2023. This is also when we will look to achieve a complement of 10 Board members and maintain a majority of independent Board members, after Brendan steps down in May 2023. We are focusing our search on board candidates with a breadth of experience, ideally in innovation-to-commercialisation processes.

Board diversity and tenure at a glance

Gender

Female 3 Male 6

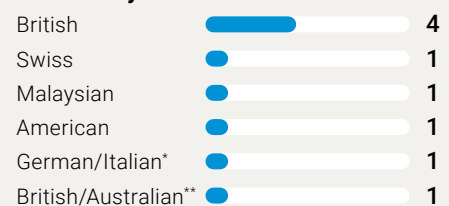


“ We have overseen change in our Executive Team this year, as our CEO put his leadership team in place. Diversity, equity and inclusion have been important in bringing together a team to deliver our strategy and drive value. ”

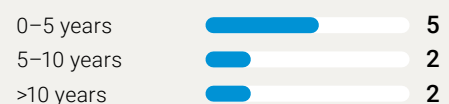
Ethnicity



Nationality



Board tenure



*Roberto Gualdoni holds dual German and Italian citizenship **Lily Liu holds dual British and Australian citizenship

Performance reviews

As Chair, I conducted annual performance reviews with each Board member this year, reviewing their contribution and agreeing specific areas for each to contribute in the coming year. I also undertook 360-degree feedback and discussed this with Michael, which was helpful for him in reflecting on his first year in role. We agreed clear objectives for the coming year. Brendan, in his role as Senior Independent Director, also completed a review of my performance as Chair.

Board evaluation

We continued our process of Board evaluations in 2022, as well as acting on our evaluation from 2021 (see table below). We will commission an externally led Board evaluation in 2023, in line with best practice to have an externally led process every three years.

Our 2022 Board evaluation was undertaken late in 2022 when Board and Executive Team members completed a survey (coordinated for us by Egon Zehnder). We used largely the same questions as in 2021 to allow us to check progress and highlight areas for more work.

In general, Board members concluded that the Board processes had been robust through the various challenges of 2022, and had provided rigorous governance of the strategic review and financing decisions. The Board believes that the transparency and open discussions between the Executive Team and the Board is a strength.

After acquiring Eastman's Adhesive Resins business, we asked Ian Tyler to undertake a review of board processes. The Board then held a working session to reflect on the general findings.

Other actions arising from the 2022 Board evaluation included:

- Continuing to improve competitor and industry intelligence
- Focusing on our continuous lessons-learnt culture
- Undertaking a horizon-scanning risk workshop in 2023.

Our Committee priorities for 2023

In 2023, the Committee will focus on:

- Ensuring that the business has embedded succession planning and developed processes to extend diversity, equity and inclusion
- Recruiting a new Board member, as noted earlier
- Continuing oversight of the Executive Team development, individually and as a team
- Addressing the actions from the 2022 Board evaluation, as listed above.

A year of progress

This has been a challenging year for the business as a whole, but I am confident that the work we've done as a Committee will support the delivery of Synthomer's strategy, which in turn will drive our success in the future. There is more to do, but this is now a more diverse, inclusive business, which is continually evolving the skillsets we need. Our culture, too, is increasingly open and transparent – allowing us to have the rigorous conversations that will underpin our growth as an end-market-focused speciality chemicals company.

Board and Executive departures

As we welcome new members to the Board and Executive Team, we thank those leaving for their contributions to the business and wish them well. I want to finish with two notable departures.

- Brendan Connolly comes to the end of his tenure on the Board and steps down as Remuneration Committee Chair and Senior Independent Director in May. Brendan's experience, challenge and expertise have been invaluable to the Board, and delivered in a calm, pragmatic and supportive way. I appreciated his support and counsel as I took on the Chair role. It is to his credit that we have had a smooth handover to Holly in the past few months.
- As noted earlier, Richard Atkinson retired from his role as Chief Counsel and Company Secretary on 1 December 2022 and left the Company at the end of February 2023, after a comprehensive handover with his successor Anant Prakash. Richard has been with the business for 25 years and has advised and supported a number of Chairs, CEOs, Board members and Executive teams. He has made a huge contribution to the business and its development, and is the epitome of the Synthomer culture: dedicated, caring and hard-working, with a focus on the Company's purpose and supporting his colleagues and our stakeholders. He will be missed.

Caroline Johnstone

Chair of the Nomination Committee

28 March 2023

Major actions from our 2021 Board evaluation

Topic	Suggestion for improvement	Action
Lessons learnt	Ensure Board maintains culture of learning lessons	The Company Secretary led a follow-up review as the European Commission styrene investigation concluded. This updated work, undertaken in 2018 and 2019, and we reflected on the culture and values of the business with the new Executive Team.
Strategy	Clarify Board and Executive Team roles in developing strategy	We developed a plan for the strategy review, with input from the Board at each stage of the process and several key Board/Executive workshops to debate options and recommendations.
Employee engagement	Reinstate site visits and extend programme of employee engagement	This was a year of increased activity, as set out in People on pages 67 and 68 .

Compliance with the Code

For the year ended 31 December 2022, we applied the principles and complied with the provisions of the 2018 UK Corporate Governance Code (Code). The Code is available in full on the FRC's website at www.frc.org.uk.

1 Board leadership and Company purpose

A Board's role

The Board is responsible for providing overall leadership for the Group. It sets the Company's purpose, values and standards, approves the overall strategy and long-term objectives, and approves strategic aims and goals. It is responsible for the Company's long-term success, and for how opportunities and risks are assessed in relation to this.

The Board has established the corporate governance framework under which the Company operates – this guides the Board to ensure it focuses on strategy and monitoring the performance of the Group, as well as risk and control matters.

There is a formal schedule of matters reserved for the Board, which is reviewed annually to ensure an appropriate delegation of duties to the CEO is maintained. An annual Board planner is prepared at the start of each year to ensure important and relevant topics are discussed at Board meetings throughout the year. This year we added the discussion of ESG issues as a matter reserved to the Board.

For more details, see The Board's year from [page 101](#).

B Purpose and culture

The Board adopted the Company's statement of its purpose in 2020 and worked with management during 2021 to develop and launch our Vision 2030 roadmap, which will underpin the delivery of our purpose over the coming decade.

In 2022, as part of our Vision 2030 work, we committed to science-based targets, increasing our greenhouse gas reduction targets in Scopes 1, 2 and 3 and reporting on absolute emissions rather than intensity. Similarly stretching is our new target of 40% gender diversity across our entire senior leadership team by 2030.

We have now embedded our five core values into how we work, a process the Board has monitored and assessed. Synthomer's values and purpose are central to the Company's refreshed strategy, developed over 2022 with significant Board engagement, and launched in October 2022. Diversity, equity, inclusion and holistic people development form one of the strategy's five pillars. Sustainability is a critical enabler of the strategy.

C Resources and controls

The Board considers and monitors strategic projects and priorities at each meeting and, as part of that process, members receive and consider reports about developments and progress against plans and resourcing. Financial and operational performance against budget and KPIs is also reported at each Board meeting.

The Board has designated Synthomer's CEO responsible for developing and preparing the Group strategy, business plan and annual budget for recommendation to the Board. The CEO is also responsible for all aspects of day-to-day operational control and for executing Group strategy.

The CEO is also chair of the Executive Committee, which meets once a month. This committee includes the CFO, the Chief Counsel and Company Secretary, and operational and functional Group presidents. The CEO and CFO share monthly management reports with all the Directors, which contain business, financial, health, safety and environmental, and human resources reviews.

D Stakeholder engagement

The Board fully considers shareholders' and wider stakeholders' views when making strategic decisions. More information can be found on [pages 105 to 107](#).

E Workforce engagement

Alexander Catto, Non-Executive Director, is the Board's designated employee voice. In this role, he is supported by Holly Van Deursen, one of our other Non-Executive Directors. This year they hosted face-to-face and virtual Employee Voice sessions across all our regions; topics included mental health and wellbeing, communication, change management, and investment and maintenance plans. Other workforce engagement is undertaken directly by the Board, such as through our Engender women's network. With COVID-19 restrictions eased, the Board was able to meet the workforce in person. This included visiting our former OMNOVA USA headquarters for the first time since the pandemic began.

2 Division of responsibilities	
F Role of the Chair	We document the role of the Chair on page 122 .
G Composition of the Board	<p>The composition of the Board is set out in the section Our Board of Directors on pages 92 to 94. Half the Board, excluding the Chair, comprises independent Non-Executive Directors, with that independence being assessed annually. This ensures no one person or group of interests can dominate Board decision making or debates.</p> <p>We document the roles of the Board, Board Committees, Chair and CEO on page 122. We have a clear division of responsibilities between the Board and Executive leadership, with a list of matters reserved for the Board.</p>
H Role of the Non-Executive Directors	<p>The main responsibilities of our Non-Executive Directors are to provide constructive challenge and scrutiny, to hold management and individual Executive Directors to account against agreed performance objectives, and to oversee employee engagement.</p> <p>In addition, our Senior Independent Director acts as a sounding board to the Chair, is an alternative contact for the other Directors and shareholders, leads an annual meeting process to evaluate and provide feedback on the Chair's performance, and provides constructive challenge, strategic guidance and specialist advice.</p> <p>When a candidate is appointed, we assess whether they have sufficient time to be a Non-Executive Director. Any proposed significant external appointment needs the Board's agreement.</p>
I Role of the Company Secretary	Our Company Secretary's main remit is to advise the Board on all governance matters and on important legal and regulatory issues. This ensures the Board has the necessary policies, processes, information, time and resources to function effectively and efficiently.
3 Composition, succession and evaluation	
J Appointments to the Board and succession planning	<p>Our Nomination Committee is responsible for assessing the composition of the Board, for making recommendations for new appointments and for succession planning. In making recommendations for appointments to the Board, the Committee considers the balance of skills, experience and knowledge needed to enhance the Board and support the Company to execute its strategy.</p> <p>For more details, see our Nomination Committee report on page 116.</p>
K Skills, experience and knowledge of the Board	<p>The Nomination Committee ensures the Board has an appropriate mix of skills, experience and knowledge, with due regard for the benefits of all types of diversity.</p> <p>In November 2022, we updated our Board skills matrix, with support from Egon Zehnder. This built on the independent skills review we conducted in 2020 and 2021, which identified critical skills the Board needs to remain competitive in the future, including marketing, digitisation and sustainability.</p>
L Board evaluation	<p>Our last external Board evaluation, facilitated by Egon Zehnder, was undertaken during 2020. We conducted an internal review in 2022, supported by Egon Zehnder. See page 119 for details of our decisions and actions.</p> <p>An externally facilitated Board evaluation will be carried out in 2023.</p>
4 Audit, risk and internal control	
M Internal and external audit	<p>The Audit Committee is responsible for reviewing the relationship and independence of the Group's external auditor, PwC, and for overseeing the independence and effectiveness of internal audit.</p> <p>In 2022 the Committee considered PwC's reporting accountant activities as part of the announced disposal of the Laminates, Films and Coated Fabrics businesses. For more detail, see page 115.</p>
N Fair, balanced and understandable	<p>The Board considers that this 2022 Annual Report is fair, balanced and understandable and that it provides information necessary for shareholders to assess the Company's performance, business model and strategy.</p> <p>We enabled this through a dedicated working group overseeing its drafting, by ensuring FRC guidance was observed, by requiring key contributors to confirm the accuracy of their information, and by circulating drafts to PwC, Committee chairs and the Board for review.</p>
O Risk management and internal control framework	<p>The Board sets the Company's risk appetite and annually reviews the effectiveness of the Company's risk management and internal control systems.</p> <p>In 2022, as part of our integrated risk management framework, the Committee supported the new Executive Risk Committee's robust assessment of principal risks and uncertainties.</p> <p>A description of the principal risks facing the Company is set out on pages 78 to 83.</p>

Compliance with the Code continued

5 Remuneration	
P Remuneration policies and practices	Synthomer aims to reward employees fairly. Our remuneration policy is designed to promote the long-term success of the Company while aligning the interests of the Directors and shareholders. A new policy will be put forward for shareholder approval at our 2023 Annual General Meeting. The proposed new remuneration policy can be found on pages 128-134 .
Q Executive remuneration	The Remuneration Committee is responsible for setting the remuneration for all Executive Directors and the Executive Committee. No Director is involved in deciding their own remuneration arrangements or outcomes.
R Remuneration outcomes and independent judgement	Details of the work of the Remuneration Committee are set out in the Directors' remuneration report on pages 123-149 .

Division of responsibilities and Board balance

The composition of the Board, including the names, responsibilities and other details of each of the Board Directors, is set out on [pages 92-94](#).

The Board believes the current balance of Executive and Independent Non-Executive Directors remains appropriate, given the size and nature of the business, and ensures that the Board's decision making is not dominated by any single individual or small group.

In addition, the combination of the experience, diverse backgrounds, length of service and calibre of the Non-Executive Directors further enhances this balance and our ability to deliver the Group's strategy, while mitigating against the risk of group think.

The responsibilities and roles of Board members are clearly defined and set out here.

Position	Responsibilities include
Chair	<ul style="list-style-type: none"> Leading an effective Board Shaping and promoting a culture of openness and debate Setting the Board programme and agenda and ensuring the Board receives timely, accurate and clear information Facilitating effective contribution from all Board members and constructive relationships with Executive Directors Coordinating annual performance review of and feedback to Board members Holding meetings with Non-Executive Directors without Executive Directors present Ensuring effective communication with shareholders and other stakeholders
Chief Executive Officer	<ul style="list-style-type: none"> Developing and implementing Group strategy to create long-term value, reflecting the needs of other stakeholders Day-to-day operational leadership, performance and management of the Group, in line with the agreed strategy Chairing the Executive Committee Overseeing corporate relationships with investors and other stakeholders Setting the tone on Group culture and values
Senior Independent Director	<ul style="list-style-type: none"> Being a sounding board to the Chair and, if necessary, to other Directors Being available to investors and other stakeholders, when required, to listen to views Leading an at least annual process to evaluate and provide feedback on the Chair's performance and leading the process for the Chair's succession
Non-Executive Directors	<ul style="list-style-type: none"> Providing constructive challenge, independent perspective, strategic guidance and other specialist advice Scrutinising and holding to account performance of management and individual Executive Directors against agreed performance objectives Monitoring the implementation of the Group's strategy, providing oversight of its risk and control environment, and ensuring the integrity of its financial reporting Ensuring recruitment and succession planning is appropriate for delivery of the strategy Employee engagement and ensuring the needs of stakeholders generally are appropriately considered
Chief Counsel and Company Secretary	<ul style="list-style-type: none"> Advising and updating the Board on all governance and compliance matters Supporting and advising on induction, training and evaluation of the Board and its Committees Ensuring the Board has the necessary policies, processes, information, time and resources to function effectively and efficiently Advising the Board on important legal and regulatory matters Maintaining records of all matters discussed and approved at Board and Committee meetings

Directors' remuneration report: introduction from the Chair



It has been a year of transition for Synthomer, with an updated strategy, organisational change and new measures to navigate a difficult financial and macroeconomic landscape. For the Remuneration Committee, our most important task has been updating our remuneration policy to adapt to three main focus areas: repairing the balance sheet by reducing debt, implementing the new strategy and growing the share price.

Updates to our remuneration policy

Following a thorough review of our current policy, the Committee remains satisfied that our overall framework – an annual bonus and performance share plan (PSP) – remains the right approach for Synthomer.

Nevertheless, with the arrival of the new Executive Directors against a backdrop of challenging market conditions, rising inflation and the focus on rebuilding our balance sheet, the Committee considered it important to motivate and reward share price growth.

So, we have agreed to introduce an additional annual award of 50% of base salary under our PSP. This additional PSP award will be based wholly on more challenging relative total shareholder return (TSR) targets. The award will only start to vest for achieving upper quartile

performance, with maximum vesting only achieved at upper decile. This is to make sure the Executive Directors are aligned with our shareholders' expectations and experience, and that they are focused on delivering the new strategy to build the share price. This additional award will also be subject to the Committee's normal discretionary assessment, malus and clawback, and a two-year holding period – which ensures that all long-term pay covers a period of five years.

As a result of this additional award, the aggregate PSP opportunity of the two awards is now 250% of base salary for our CEO and 200% for our CFO. The Committee considers that the overall reward opportunity for the Executive Directors is fair given the complexity and geographical reach of our organisation – which means the size and scope of our Executive Director roles are greater than for other companies of a similar financial size. We verified this with two market studies, which confirm that this is well within expectations for the chemical industry.

To accommodate the proposed increased maximum under the PSP, we will also be putting an amended version of the Plan rules to shareholders for approval at the 2023 Annual General Meeting. The only change to these rules will be to increase headroom for the Executive Directors' awards.

We have provided more flexibility under the policy in relation to performance measures under the PSP, so that at least 70% of the primary award under the PSP is based on financial measures and the remaining 30% on sustainability and/or strategic measures (currently at least 80% is based on financial measures and 20% on ESG and/or strategic measures). This change is to align with the current bonus wording and potentially allows for other ESG measures if required in the future. However, at this time, we do not intend to change from our current approach of 80% of the primary PSP being based on financial performance and 20% on strategic/ESG performance measures, with the additional award being based fully on TSR performance, as outlined above.

As part of the policy review, we have also formalised the deferral of one-third of the annual bonus into a restricted share plan, (which, for Executive Directors joining after the date that the policy comes into effect, would be forfeited for bad leavers).

During our policy consultation process we spoke with, or responded to, a number of our largest shareholders and several proxy agencies, from which we received valuable and clear feedback on the proposals. As a result of feedback received, we removed our initial proposal to include flexibility within the policy to increase the bonus by

Directors' remuneration report: introduction from the Chair continued

25% of salary, and also linked the additional 50% of salary under the PSP to very challenging relative TSR targets.

Some common themes emerged from the feedback: restraining salary increases for our Executive Directors below inflation and no higher than workforce levels, explaining what we have done to help our employees navigate these tough times and explaining what we are doing to manage against windfall gains. Respondents also wanted assurance that we would signal any non-compliance with best practice and explain our rationale for our decisions where appropriate.

We encountered a divergence of views on sustainability goals, with advice ranging from not including any goals within incentives at all to ensuring that those we do set are quantitative and challenging. Following this mixed feedback, the Committee felt that continuing with the Company's current approach to sustainability goals remained appropriate – that is, including a quantifiable CO₂ reduction measure in the primary PSP award. We were also challenged on our decision not to increase the shareholding requirements beyond 220% and 200% respectively for the CEO and CFO. While this is something the Committee discussed, we determined it a premature change given that the Executive Directors had just joined Synthomer. It is, however, something that the Committee will review during the next policy period.

The Committee has responded to the challenges of the changing organisation by ensuring we were well advised by our consultants and took account of input from shareholders, proxy agencies and institutional shareholder bodies. This helped ensure we were well informed and could take decisions in a fast, decisive manner with the appropriate challenge, so that different views could be shared before reaching consensus.

2022 incentive outcomes

The CEO and CFO achieved 10% of maximum bonus outcomes in 2022. The profit before tax (PBT) and safety, health and environment (SHE) metrics were not met despite the SHE outcome being very close (+0.04) to the original targets. The 10% was awarded for personal and

strategic targets relating to the strategy review, integration of Eastman's Adhesive Resins business and capital investment for the CEO; and, for the CFO, liquidity, gearing and cash management. The Committee felt these were fully achieved, as described on [pages 140-141](#). As part of the terms of the CFO's appointment, it was agreed that any 2022 bonus payment would not be time pro-rated.

The Committee considered the final outcome in the context of performance in the year and if discretion should be applied. The Committee looked at performance in the round, while also noting the need to ensure our newly appointed Directors are appropriately incentivised to deliver the Group's ambitious objectives, including the refreshed strategic plan.

Given the strong start in their role and the challenging environment the Directors are operating in, along with the excellent progress made in important strategic objectives including cash management and implementing synergies, it was felt the formulaic outcome was appropriate. Therefore, no discretion was applied.

The former CFO, SG Bennett, was awarded a 10% bonus for achieving his objectives during the year, which was pro-rated to 4 November 2022, the date he ceased employment with the Company. This was in line with the terms agreed with him regarding his 2022 remuneration. We also treated him as a "good leaver" for the purpose of his remaining share awards. These awards will vest at the normal time and will be pro-rated to 4 November 2022.

The wider workforce received similar outcomes under the Group-wide bonus plans, with some local SHE bonus targets being met. The Committee determined that no discretion would be applied.

For the PSP, our performance measures, relative TSR and earnings per share (EPS) growth, we gave no payout, given the fall in Synthomer's share price and financial performance. The cost efficiencies as a result of cost synergies with the OMNOVA acquisition were met in full (30% of the award) as the final outcomes exceeded the maximum target

set. The maximum target for the 10% of the award based on reducing our CO₂ emissions by 15% was exceeded, so 40% (30% and 10%) of the maximum vested.

Given both our current Executive Directors were appointed more recently, neither was eligible for vesting under the 2020 award. The Committee determined that SG Bennett would be treated as a good leaver for the purpose of his unvested awards under the PSP (see [pages 142 and 145](#) for more detail). The Committee was pleased at the progress made against the targets for synergies delivered from the OMNOVA acquisition and the overall outcome of \$42.4 million represented a very strong result, especially in the context of a difficult external economic period. The Company also performed very well against challenging carbon targets, an important step towards our Vision 2030 and net zero by 2050 goals. Because of this performance, the Committee felt the final outcome to be fair and no discretion was applied.

Additionally, because the share price is currently lower than that of the 2020 grant, the Committee considered that there was no windfall gain.

For more information on our work to reduce our CO₂ emissions, see our Sustainability section on [pages 39-72](#).

In terms of the European Commission's investigation into styrene monomer purchasing practices, the Remuneration Committee agreed not to reflect the impact of the fine on the remuneration for the former Directors. Given the fine relates to historic practices, it was also decided that this will not affect our current CEO and CFO's remuneration packages. For more information on the investigation, see The Board's year on [page 103](#).

Performance measures for variable executive pay in 2023

Annual bonus

For 2023, we are adding a new cash-based measure, which, together with PBT, will represent 80% of bonus weightings. This reflects the fact that lowering debt is a top financial priority.

With this new focus, our measures will be split as follows:

- Underlying profit before tax – 60%
- Group cash – 20%
- SHE targets – 10%
- Strategic personal targets – 10%.

PSP

For the primary PSP award, we have introduced a measure linked to reduction in leverage aligned to this critical business priority for the next three years. So, performance measures for the primary PSP award are:

- 20% – relative TSR (median to upper quartile target range)
- 30% – EPS growth
- 30% – leverage
- 20% – strategic, which will be split 50:50 between a Vitality Index target and sustainability measures (a 30% CO₂ reduction target).

As noted above, the additional PSP award of 50% of base salary will be based solely on relative TSR (upper quartile to upper decile target range).

This year we returned to our standard EPS performance metric as planned, having rebased it for one year for awards granted in 2022. This temporary step helped remove the impact of record margins in our nitrile latex business caused by the COVID-19 pandemic.

Given the recent fall in share price, the Committee considered the share price ahead of the 2023 PSP grants and the potential for windfall gains. The CEO and CFO were both recruited during late 2021 and 2022, and the Committee believes it is critical to ensure that they are appropriately incentivised to deliver the Group's ambitious objectives – including the refreshed strategic plan, strengthening the balance sheet and growing the share price – especially in the context of challenging market conditions. That's why the Committee has determined that it is not appropriate to reduce their award at this stage. However, the Committee will carefully review the value of award at vesting and

would look to scale back at that point if it considered that management had benefited from a windfall gain.

Executive salary rises in line with our workforce

When setting salaries this year, the Committee considered the financial pressures facing both the business and our employees. As a result, it agreed on a salary increase of 3.8% for the Executive Directors – in line with the average merit increase awarded in the UK at management levels, and below the average merit increase awarded in the UK below management levels. Other initiatives to support employees in 2022 included one-off payments, food vouchers, and discounted and subsidised shopping. Meanwhile, our Non- Executive Directors, including our Chair, will not receive a salary rise in 2023.

Since acquiring the adhesive resins business, we have ensured that bonus and salary structures are aligned with our remuneration frameworks and processes. In line with common practice for other levels, we also conducted a benchmarking review for senior management salaries during the year.

A rise in our gender pay gap

Our 2021 gender pay gap report showed both our mean and median gender pay gaps increased, due, in part, to a rise in the number of women employed at the two lowest-paid levels of the business. While the number of women at the two highest-paid levels grew, it was not enough to alter the gap. Representation of women at mid-senior levels of the business remained the same as the previous year.

Our 2022 report shows our mean gender pay gap again increased, due, in part, to another rise in the number of women employed at the lowest-paid level of the business, while the median gender pay gap decreased because upper and middle quartile pay improved from the previous year. Representation of women at senior levels of the business increased from the previous year and will continue to improve these metrics.

Read our full gender pay gap reports at www.synthomer.com/investor-relations/corporate-governance/group-policies/

Staying up to date with stakeholder issues

Once again, our remuneration adviser provided training for Committee members, including a detailed update on current and future areas of reporting interest for stakeholders. These areas included the current cost-of-living crisis, sustainability metrics in incentive plans and ethnicity reporting. We also held a session to discuss new guidance from investors, the Investment Association and proxy agencies.

Stepping down as Committee Chair and Senior Independent Director

The remuneration landscape has changed enormously during my nine years with Synthomer. So, too, has this company. Throughout, my colleagues and I have always strived to follow the best available remuneration practices and I am particularly proud of the fact that we have always complied with our timelines.

It has been a pleasure to work with my fellow Committee members in the past nine years, and I thank them for their dedication. Holly Van Deursen will succeed me at the next Annual General Meeting. Holly has been a member of the Committee for the past four years, so is well acquainted with the direction, processes and discussions we have been having over the years. She serves on several boards and has plenty of experience as a remuneration committee chair elsewhere. I wish her well.

I also thank all our stakeholders and shareholders for their time, input and guidance, and ask for their continuing support for our new remuneration policy, including the revised PSP award, at our upcoming Annual General Meeting.

Brendan Connolly

Chair of the Remuneration Committee

28 March 2023

Remuneration at a glance

This section highlights the performance and remuneration outcomes for the year ended 31 December 2022. More detail is provided in the Annual Report on Remuneration from page 138.

Policy for Executive Directors

The table on this page summarises the policy approved by our shareholders at the Annual General Meeting on 29 April 2020. This is valid until a new policy is approved at the 2023 Annual General Meeting. We outline our proposed new remuneration policy for Executive Directors – including the key elements of reward and the performance measures to be used – on [pages 128-137](#).

In setting Executive Director remuneration, the Committee takes account of pay and conditions throughout the Group to ensure that arrangements are appropriate in the context of internal pay ratios.

● Base salary

Generally reviewed each year. Salary increases of 3.8% were awarded with effect from 1 January 2023, in line with the average merit increase awarded in the UK at management levels, and below the average merit increase awarded in the UK below management levels. Executive Director salaries are:

CEO £674,700

CFO £456,720

● Benefits

Includes private health insurance, life insurance, car allowance and costs related to business moves (relocation) or international assignments. The CEO will also receive a housing allowance for a four-year period.

● Pension

Cash allowance of 7% of base salary for the CEO and CFO, which is aligned with that of the UK workforce.

● Annual bonus

Maximum up to 150% of base salary. At least 70% assessed against Underlying profit before tax (80% in 2022), with up to 30% assessed against strategic and operational measures (20% in 2022). Awards in relation to financial performance of:

0%
of maximum
for threshold

50%
of maximum for
target performance

100%
of maximum for
out-performance.

A proportion of the bonus earned is deferred for two years. For current Executive Directors this is one-third of any bonus.

● Performance share plan (PSP)

Shares awarded may not exceed 200% of salary.

Vesting based on performance of three years, with at least 80% based on financial measures and up to 20% on performance measures linked to delivering the business strategy. No single measure will constitute more than 50% of an annual award. There is a two-year post-vesting holding period requirement.

Maximum of 25% for each element will vest for threshold performance.

● Shareholding requirements

CEO 220% and CFO 200% of base salary.

Requirements to be built up over five years.

Remuneration type

- Base salary
- Benefits
- Pension
- Annual bonus
- Performance share plan (PSP)
- Shareholding requirements

2022 performance

● Annual bonus

Actual performance against the three elements of the annual bonus are set out below.

	Weighting	Threshold	Target	Maximum	Actual
Underlying PBT	80%		Target £201.6m		£121.4m
		Threshold £181.4m		Maximum £221.8m	
SHE (recordable injuries)	5%		0.30 or less		0.34
SHE (process safety)	5%		0.14 or less		0.18
Individual strategic and operational goals	10%				10%
Total outcome	100%				10%

● Performance share plan (PSP) – 2020 award

Actual performance against the four elements of the PSP are set out below.

	Weighting	Threshold	Target	Actual
Relative TSR	30%		Upper quartile	13th percentile
		Median quartile		
EPS growth	30%		33.8p	20.6p
		29.0p		
OMNOVA acquisition synergies	30%		\$29.6m	\$42.2m
		\$25.0m		
Carbon reduction	10%	See page 142		10%
Total outcome	100%			40%

Our key principles for Executive Directors' remuneration

At Synthomer, our key principles for Executive Directors' remuneration are that it:

- Should be clear and simple with maximum award levels being clearly defined
- Is sufficient to attract and retain Executive Directors of the ability and expertise necessary to achieve the strategic goals of the Company

- Incentivises Executive Directors by rewarding performance and driving the right behaviours while ensuring appropriate safeguards are in place to mitigate risk
- Aligns Executive Director reward with the experience of shareholders.

In setting Executive Directors' remuneration, the Committee takes account of pay and conditions throughout the Group to ensure that the arrangements are appropriate in the context of internal pay ratios. The Committee also considers corporate

governance requirements and best practice in terms of remuneration structures and the process of setting executive remuneration.

The Committee reviews performance targets regularly to ensure that they do not encourage or motivate inappropriate risk-taking. When assessing performance, the Committee will also, when necessary, consider any environmental, social and governance (ESG) events and the Audit Committee's reviews of the effectiveness of internal controls and risk management.

Proposed new remuneration policy

Summary of proposed new policy

In the next table we outline our proposed new remuneration policy for Executive Directors – including the key elements of reward and the performance measures to be used – which will be put to shareholders at the 2023 AGM.

Element	Summary of proposed arrangements under the 2023 policy	Changes from previous policy	Rationale for change
● Salary	The Committee generally reviews salary levels once a year. It considers factors such as performance, responsibilities, pay elsewhere in the Group and the Company's complexity.	No change. Salary increases will normally be in line with the increases awarded to other employees in the UK.	n/a
● Pension and benefits	Pension for the CEO and CFO is 7% of salary, aligned with that of the UK workforce. Benefits include private health insurance, life insurance and car allowance, but we may introduce other benefits if we think it is appropriate to do so.	No change. Pensions for the CEO and CFO are aligned with the wider workforce and the benefits provision will stay the same.	n/a
● Annual bonus	Overall maximum opportunity of 150%. One-third of the bonus earned is deferred for two years. At least 70% of awards are subject to financial measures and 30% of awards to strategic and operational measures, including personal objectives.	No change. Deferral and approach to performance measures will stay the same. We have, however, formalised the deferral of one-third of the annual bonus into a restricted share plan.	n/a
● Performance share plan (PSP)	Maximum opportunity of 250% and 200% of salary for the CEO and CFO respectively. Additional 50% of salary is based 100% on relative TSR against the FTSE 250 (ex. investment trusts and financial services companies). Three-year performance period and two-year holding period. At least 70% of the PSP is based on financial measures and 30% on ESG and/or strategic measures.	Maximum opportunity increased by 50% of salary for the CEO and CFO. No change to performance period or holding period. For the primary award, change from at least 80% being based on financial measures and 20% on delivering the business strategy, to a 70:30 split of financial and ESG and/or strategic measures. The additional award of 50% of salary will have threshold vesting beginning at upper quartile performance and maximum vesting at upper decile.	Ensures focus on strategy delivery and building the share price.
● Shareholding guidelines	The CEO and the CFO will be expected to build interests in shares of at least 220% and 200% of salary respectively within five years of appointment.	No change.	n/a
● Post-employment shareholding guideline	100% of in-employment guideline to be held for the first year after employment, and then 50% for the second year.	No change to post-employment shareholding guideline.	n/a

Alignment with the UK Corporate Governance Code

When determining our new Directors' remuneration policy, the Committee reviewed our alignment with the provisions of the 2018 UK Corporate Governance Code. The table below details how the Committee addressed the principles set out in the Code in respect of the Directors' remuneration policy.

Clarity	<ul style="list-style-type: none"> • The Committee welcomes open and frequent dialogue with shareholders and other stakeholders on our approach to remuneration. As part of the review of policy during 2022 and 2023, shareholders and proxy agencies were consulted to understand their views on proposed changes. • The remuneration policy for our Executive Directors has been designed in line with the remuneration philosophy and principles that underpin remuneration across the Group (see page 127 for our remuneration principles). The details of our approach to executive remuneration is transparent for all employees. The Committee Chair consulted with employees on Executive Director remuneration at the end of 2021.
Simplicity	<ul style="list-style-type: none"> • Our remuneration arrangements throughout the Group are simple in nature and well understood by both participants and shareholders. Although quantum and participation will vary, the policies and practices applying to Executive Directors are the same as for the wider workforce in most instances. • The objective of each element of our policy is explained and the amount paid in respect of each element of pay is clearly set out.
Risk	<ul style="list-style-type: none"> • Our approach aims to promote sound and effective risk management while supporting our long-term success. The Committee considers that the structures of incentive arrangements do not encourage inappropriate risk-taking. • The partial deferral of a portion of the annual bonus payment, the PSP holding period and our shareholding requirement (including the post-cessation shareholding requirement) provide a clear link to the ongoing performance of the business and the experience of our shareholders. • Malus and clawback provisions apply to both the annual bonus plan and PSP.
Predictability	<ul style="list-style-type: none"> • Our policy contains details of threshold, target and maximum opportunity levels under our annual bonus plan and PSP, with actual outcomes depending on performance achieved against predetermined measures and target ranges.
Proportionality	<ul style="list-style-type: none"> • The annual bonus plan rewards achievement of our annual operating and SHE targets and the PSP rewards achievement of long-term financial and shareholder value creation targets and ESG goals. The Committee's ability to apply discretion to reduce formulaic outcomes under both plans ensures appropriate outcomes in the context of underlying Company and individual performance.
Alignment to culture	<ul style="list-style-type: none"> • The design of our annual bonus plan and PSP ensures they drive behaviour consistent with our purpose, values and culture and do not pay out or can be claimed back in the event of inconsistent behaviour.

Proposed new remuneration policy continued

Setting out our proposed new policy

Here we set out our proposed new Directors' remuneration policy (Policy).

The new Policy, which is intended to replace the policy approved by shareholders at the 2020 AGM, is subject to a binding vote by shareholders at the AGM on 16 May 2023. If approved, it will come into effect from that date. The Chair of the Remuneration Committee gives the background to and explains the key changes from the current policy in his introduction on [pages 123 to 124](#).

To accommodate the proposed increased maximum under the PSP, we will also be putting an amended version of the Plan rules to shareholders for approval at the 2023 Annual General Meeting. The only change to these rules will be to increase headroom for the Executive Directors' awards.

In determining the new Policy, the Committee followed a robust process, which included discussions about the content of the Policy at Remuneration Committee meetings during the year.

The Committee considered the input from management and our independent advisers, as well as considering best practice and guidance from major shareholders, proxy agencies and institutional investor representative bodies. We have consulted extensively with our major shareholders on our proposed policy and we have adjusted it based on their feedback, as outlined in the Chair's introduction. While we did not consult specifically with employees on this new policy for executive remuneration, we considered general feedback provided through our designated employee Non-Executive Director.

The Policy includes two changes from the previous policy approved by shareholders at the 2020 Annual General Meeting:

- Under this policy, the annual PSP awards will be increased by an additional award of 50% of base salary. The CEO's award will be increased from 200% to 250% of salary. The CFO's award will be increased from 150% to 200% of salary. The additional award will be

based wholly on challenging relative TSR targets, with threshold vesting of 25% beginning at upper quartile performance, with maximum vesting at upper decile performance

- The wording around performance measures relating to the PSP will be amended so that it includes the flexibility that at least 70% of the primary PSP award will be based on financial measures and 30% on ESG and/or strategic measures (currently at least 80% is based on financial measures and 20% on ESG and/or strategic measures). This change is to align with the flexibility currently provided in relation to the annual bonus and potentially allow for other ESG measures if required in the future. At this time, we do not intend to change from our current approach of 80% of the primary PSP being based on financial performance and 20% on strategic/ESG performance measures.

Our proposed new policy in detail

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
● Base salary	Supports the recruitment and retention of Executive Directors. Reflects the individual's skills, experience, performance and role within the Company.	The Committee generally reviews salary levels each year. When reviewing salary levels, the Committee considers: <ul style="list-style-type: none"> ● The individual's skills, experience and performance ● The size and scope of the individual's responsibilities ● Pay and conditions elsewhere in the Group ● Pay at companies of similar size ● The complexity and international scope of the Group. 	There is no overall maximum for salary opportunity or increases. Salary increases will normally be in line with the increases awarded to other employees within the Group. Larger increases may be made under certain circumstances, including, but not limited to: <ul style="list-style-type: none"> ● An increase in the scope and/or responsibility of the individual's role ● The development of the individual within the role ● Alignment to market levels ● Corporate events such as a significant acquisition or Group restructuring that affects the scope of the role ● Other exceptional circumstances. For 2023, Executive Director salaries are: <ul style="list-style-type: none"> ● M Willome: £674,700, an increase of 3.8% on his 2022 salary of £650,000 ● L Liu: £456,720, an increase of 3.8% on her 2022 salary of £440,000. 	None, although individual and Company performance are considered when looking at salary increases.

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
● Benefits	Provided to support the retention and recruitment of Executive Directors.	<p>Benefits to Executive Directors may include private health insurance, life insurance and a fully expensed car or car allowance. From time to time, the Committee has the discretion to review the benefits provided. The Committee may remove benefits that Executive Directors receive or introduce other benefits if it considers it is appropriate to do so. Any other benefits will normally be proportionate with the current benefits provided, and will be set considering the benefits provided to other employees in the Group.</p> <p>Where Executive Directors are required to relocate or complete an international assignment, the Committee may offer additional benefits – either on a one-off or ongoing basis – or vary benefits according to local practice.</p> <p>Executive Directors may participate in any all-employee share schemes or other benefit arrangements on the same basis as other employees.</p>	There is no overall maximum for benefits, because the cost of insurance benefits may vary from year to year depending on individual circumstances, and the level of any relocation benefits, allowances and expenses will depend on the specific circumstances.	None.
● Pension	Provide a competitive level of retirement benefits to support the retention and recruitment of Executive Directors.	<p>Executive Directors are eligible to participate in the Group personal pension plan.</p> <p>Executive Directors may receive payments as a cash allowance, which they may use either in conjunction with that plan and/or to enable them to make their own arrangements.</p>	A maximum percentage of base salary aligned to the pension contribution rate available for the majority of the workforce (currently 7% of base salary).	None.
● Annual bonus	Incentivises the delivery of financial, strategic and operational objectives selected to support our business strategy within the year.	<p>The Committee will determine performance targets each year and assess performance against these targets following the end of the performance period.</p> <p>The Committee may, at its discretion, adjust annual bonus payments, if it considers that the outcome is not appropriate or does not reflect the underlying financial or non-financial performance of the participant or the Group in the relevant period – or, that such a payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When deciding this, the Committee may consider other factors it feels are relevant.</p> <p>The Committee may reduce or defer the level of payment of an award to reflect exceptional business circumstances, if there are circumstances giving rise to material reputational damage to the Group, if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.</p> <p>A proportion of any bonus earned is deferred for two years. For current Executive Directors this is:</p> <ul style="list-style-type: none"> ● M Willome: one-third of any bonus ● L Liu: one-third of any bonus. <p>The Committee may claw back awards up to three years after payment if the Group's accounts have been materially misstated, there has been an error in the calculation of any performance conditions that results in overpayment, if there are circumstances giving rise to material reputational damage to the Group, if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.</p>	<p>The maximum opportunity is up to 150% of salary.</p> <p>Opportunities for current Executive Directors are:</p> <ul style="list-style-type: none"> ● M Willome: 150% of salary ● L Liu: 150% of salary. 	<p>A minimum of 70% of awards are subject to financial measures, such as Underlying profit before tax and other relevant financial metrics.</p> <p>A maximum of 30% of awards are subject to strategic and operational measures, including personal objectives.</p> <p>For 2023 awards, performance measures will be 60% Underlying profit before tax, 20% Group cash flow, 10% SHE objectives, and 10% personal strategic and operational objectives.</p> <p>The award for threshold performance is normally 20% of maximum.</p> <p>The award for target performance for the financial measures is normally 50% of maximum.</p> <p>Normally for strategic, personal and SHE targets, the threshold and maximum are the same.</p>

Proposed new remuneration policy continued

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<ul style="list-style-type: none"> ● Performance share plan 	<p>Incentivises Executive Directors to deliver sustained performance and sustainable returns for shareholders over the longer term.</p>	<p>The vesting of awards is conditional on the Group’s performance against long-term targets over a performance period of at least three years.</p> <p>The Committee may, at its discretion, adjust the level of vesting of an award, if it considers that the outcome is not appropriate or does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period – or, that such a payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When deciding this, the Committee may consider other factors it feels are relevant.</p> <p>The Committee may reduce or defer the level of vesting of an award where an event has occurred, such as a material SHE incident or which otherwise gives rise to material reputational damage to the Group or if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.</p> <p>The Committee may claw back awards up to three years after vesting if the Group’s accounts have been materially misstated, there has been an error in the calculation of any performance conditions that results in overpayment, if there are circumstances giving rise to material reputational damage to the Group, or if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.</p> <p>Vested awards are subject to a holding period post-vesting of an additional two years.</p>	<p>Under the plan rules that will be put to shareholders, the value of shares awarded to an individual in respect of any one year may not normally exceed 250% of salary.</p> <p>For 2023, annual awards to current Executive Directors are:</p> <ul style="list-style-type: none"> ● M Willome: 250% of salary, comprising a primary award of 200% of salary and a secondary award of 50% of salary ● L Liu: 200% of salary, comprising a primary award of 150% of salary and a secondary award of 50% of salary. 	<ul style="list-style-type: none"> ● For the primary PSP award, at least 70% based on financial measures. This may include TSR, EPS, Return on Invested Capital (ROIC) or any other measure the Committee considers appropriate. Any change to the financial measures used would normally be subject to prior shareholder consultation. ● Up to 30% based on strategic and sustainability performance measures. ● Usually, no single measure will constitute more than 50% of an annual award. ● The additional PSP of 50% of base salary will be entirely based on relative TSR, with threshold vesting beginning at upper quartile performance and maximum vesting at upper decile. <p>For 2023 awards, the performance measures for the primary award will be 30% EPS, 30% reduction in leverage, 20% relative TSR and 20% ESG and/or strategic measures.</p> <p>A maximum of 25% of each element will vest for threshold performance.</p>
<ul style="list-style-type: none"> ● Shareholding guidelines during and post-employment 	<p>The Company operates shareholding guidelines for Executive Directors to strengthen the alignment between their interests and those of our shareholders. The CEO and CFO will be expected to build interests in shares of at least 220% and 200% of salary respectively within five years of appointment.</p> <p>Executive Directors who step down from their role will normally be expected to maintain their minimum shareholding (or actual shareholding, if lower) for the first 12 months after leaving the Board, and 50% of their minimum shareholding (or actual shareholding, if lower) for the next 12 months. The Committee has the discretion to waive this guideline if it is not considered appropriate in the specific circumstances.</p>			

Provisions to withhold or recover sums paid under incentives are detailed in the table above. No other elements of remuneration are subject to recovery provisions.

The 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 Policy set out in the previous table where the terms of the payment were agreed (i) before the Policy came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' remuneration policy in force at the time they were agreed or were otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

The Committee may make minor adjustments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Awards granted under the PSP may:

- a** Be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect
- b** Have any performance conditions applicable to them amended or substituted by the Committee if an event occurs that causes the Committee to determine that an amended or substituted performance condition would be fair, reasonable and not be materially less difficult to satisfy
- c** Incorporate the right to receive an amount equal to the value of dividends that would have been paid on the shares under an award that vests up to the time of vesting – or, where the award is subject to a holding period,

release. This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis

- d** Be settled in cash at the Committee's discretion. For Executive Directors, this provision will only be used in exceptional circumstances, such as where for regulatory reasons it is not possible to settle awards in shares
- e** Be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may materially affect the Company's share price.

Deferred bonus shares may be structured as conditional share awards, nil-cost options, the delivery of shares subject to sale restrictions or in such other form that the Committee determines has the same economic effect. In each case, the parameters of the PSP will apply where applicable, save that shares subject to sales restrictions will receive dividends rather than dividend equivalents.

Performance measures and targets

Annual bonus

The annual bonus performance measures are chosen to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific strategic and operational goals. The balance allows the Committee to effectively reward performance against key elements of our strategy.

The Committee sets the bonus targets each year to ensure that Executive Directors are appropriately focused on the key objectives for the next 12 months. Targets are set by reference to the Company's business plan.

Performance Share Plan

The performance measures under the PSP are set to align with the long-term strategy of the Company and long-term value creation for shareholders. Measures for 2023 awards include:

- EPS growth – reflecting the financial performance of the Company. The Committee sets targets to be appropriately stretching, with regard to a number of internal and external reference

points generally using previous years' EPS as a base for growth

- Reduction in leverage, which addresses a current primary concern for shareholders
- Relative TSR (total shareholder return) – reflecting the Company's ultimate delivery of value to shareholders. The Committee considers that this promotes alignment between the interests of Executive Directors and the shareholder experience. Relative TSR will be in two bands: threshold to maximum payouts being median to upper quartile for the primary award, and upper quartile to upper decile for the additional PSP granted in 2023
- ESG and/or strategic measures directly incentivising management to deliver the Company's key ESG and strategic priorities.

The Committee considers that this performance framework represents an appropriate and balanced basis on which to measure the performance of the Company.

Difference in policy for Executive Directors and other employees

The remuneration policy for our Executive Directors is designed according to the same principles that underpin remuneration for the wider employee population, and this was taken into account when designing the proposed policy. The wider employee group also participates in performance-based incentives. Throughout the Group, base salary and benefits levels are set according to the prevailing market conditions. Differences between Executive Director pay policy and other employee pay reflect the seniority of the individuals, the prevailing market conditions and the corporate governance practices for Executive Director remuneration. The key difference in policy is that, for Executive Directors, a greater proportion of total remuneration is based on incentives.

Proposed new remuneration policy continued

Non-Executive Directors' fees

Non-Executive Directors' fees

The Board reviews Non-Executive Director fees each year. When reviewing fee levels, the Board may consider the scope and time commitment of the role, the skills and experience of the individual, and fee levels at other companies. Non-Executive Directors do not participate in determining their own fees.

Non-Executive Directors are paid differential fee levels based on their membership of Board Committees, chairing of Board Committees or role as Senior Independent Director and the time commitment required from them. Additional fees may be paid to reflect additional Board or Committee responsibilities or time commitment as appropriate.

Expenses incurred in performing Non-Executive Director duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the expenses.

Non-Executive Directors do not participate in incentive arrangements or receive pension or benefits. Non-significant additional benefits may be introduced if considered appropriate.

Chair's fees

The Committee reviews Chair fees annually. When reviewing fee levels, they may consider the scope and time commitment of the role, the skills and experience of the individual and the fee levels at other companies. The Chair does not participate in determining the fee level.

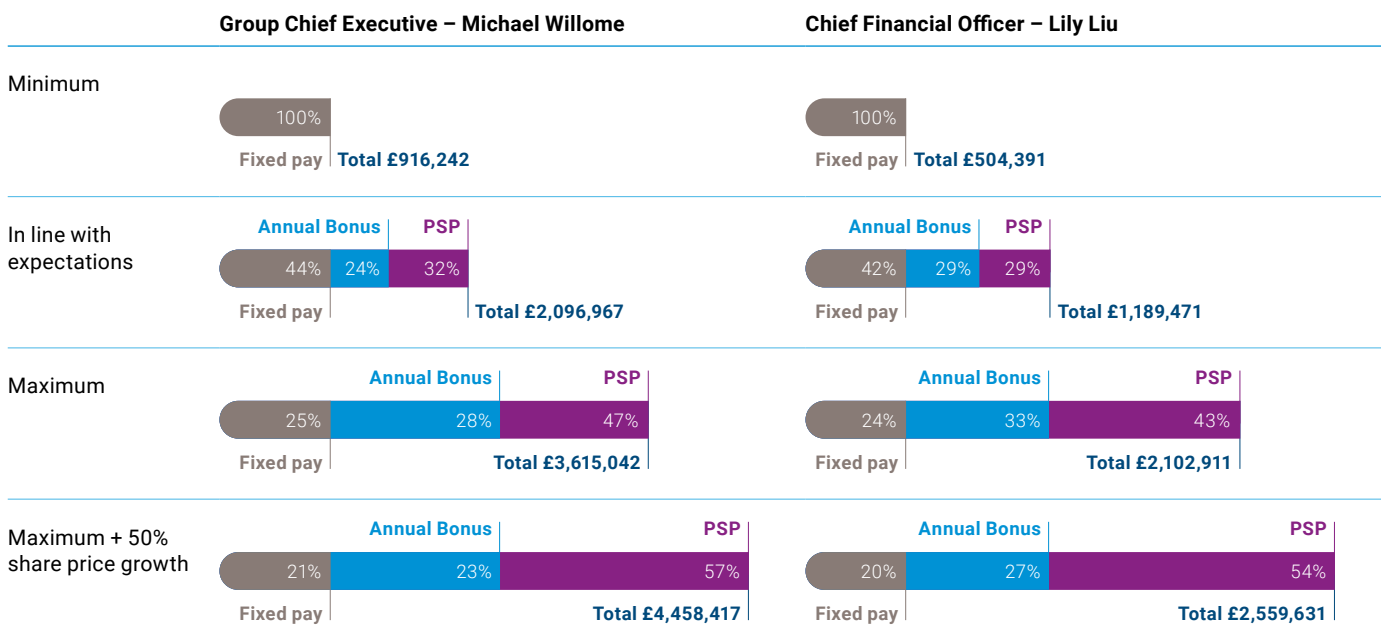
Expenses incurred in performing duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the expenses.

The Chair does not participate in incentive arrangements or receive pension or benefits. Non-significant additional benefits may be introduced if considered appropriate.

Total fees to Non-Executive Directors, including the Chair, operate within the cap defined in the Articles of Association, which is currently £750,000 per annum.

How we would apply the Policy

The following charts illustrate the different elements of the Executive Directors' remuneration under three different performance scenarios: minimum, in line with expectations, maximum. The assumptions used are provided below the charts. The illustrations are based on annual bonus awards for 2023 and PSP awards to be made in 2023.



Component	Minimum	In line with expectations	Maximum	Maximum + 50% share price growth
Fixed				
● Base salary 2023			M Willome: £674,700 L Liu: £456,720	
● Pension 2023 ¹			M Willome: £47,229 L Liu: £31,970	
● Benefits 2022 ²			M Willome: £194,313 L Liu: £15,701	
Variable				
● Annual bonus	0% of maximum	50% of maximum	M Willome: 150% of salary L Liu: 150% of salary	Same as maximum
● PSP³	0% vesting	40% vesting ⁴ 38% vesting ⁴	M Willome: 250% of salary ⁵ L Liu: 200% of salary ⁵	Maximum plus 50% share price growth

Note:

- Value of cash supplement for 2023.
- Taxable value for annual benefits provided in 2022.
- The value for the PSP is based on the face value of annual awards under the Policy and base salaries for 2023. The calculation excludes share price growth or dividends during the performance period other than where stated.
- Being 50% of the primary award and 0% of the additional award.
- Comprising a primary award of 200% of salary and a secondary award of 50% of salary for the CEO, and 150% and 50% for the CFO.

Recruitment policy

Executive Directors

The Committee considers the following principles when agreeing the components of a remuneration package for a new Executive Director:

- Base salary will be set considering the principles set out in the table above and may be set at a higher or lower level than the previous incumbent. Pension arrangements for any external recruit as an Executive Director will be as set out in the same table. Other benefits will be provided in line with the policy for existing Executive Directors
- The Committee may, on appointing an Executive Director, need to 'buy out' remuneration arrangements forfeited on leaving a previous employer. Any buyout will consider the terms of the arrangements – for example, form of award, performance conditions and timeframe – being forfeited in the previous package. The form of any award would be determined at the

time and the Committee may, if necessary, make use of LR 9.4.2 of the Listing Rules (for the purpose of buyout awards only). The overriding principle will be that any replacement buyout awards will, in the Committee's opinion, be no more valuable than the entitlement that has been forfeited

- Annual bonus opportunity will be no more than the maximum set out in the policy table. The Committee may determine that for the first year of appointment the annual bonus award will be subject to such conditions as it may determine
- PSP opportunity will be no more than the plan rules maximum set out in the policy table
- The maximum variable pay opportunity on recruitment (excluding buyouts) is 400% of salary, consistent with the maximums in the policy table above.

Other

For interim positions, a cash supplement may be paid rather than salary – for example, a Non-Executive Director taking on an executive function on a short-term basis.

Where an executive is appointed from within the Company, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions, and that they would be appointed on a new service contract. Similarly, if an Executive Director is appointed following the acquisition or merger with another company, legacy terms and conditions would be honoured.

Non-Executive Directors and Chairs

When appointing a new Non-Executive Director or Chair, remuneration arrangements will be in line with the principles detailed in the relevant table above.

Proposed new remuneration policy continued

Service contracts

The current contracts in place for Executive Directors are:

Director	Date of contract
M Willome	22 June 2021
L Liu	25 November 2021

There is no unexpired term because the Executive Directors' contracts are on a rolling basis. Save in circumstances justifying summary termination, the notice period for each of the above contracts is one year. Service contracts for new Executive Directors will be limited to 12 months' notice. The Company may, at the Committee's discretion, make a payment in lieu of notice equal to the salary, pension contributions and contractual benefits that would have been paid during the notice period. This payment may be made at the Committee's discretion as a lump sum or monthly instalments, and may be subject to mitigation if the Director finds an alternative position during the notice period.

The Executive Directors are also entitled to 25 working days' holiday, plus public holidays each calendar year.

All Non-Executive Directors are appointed in writing. Letters of appointment do not include entitlement to participate in the Company's share incentive plans or any other of its employee benefits, and do not currently have a notice period. The Company may add a notice period of no more than three months. The Non-Executive Directors are subject to annual re-election. There is no right to compensation for loss of office if they are not re-elected or if the Company terminates the appointment because the Non-Executive Director has accepted a position with another company without prior Board approval and that the Board reasonably considers likely to give rise to a material conflict.

Directors' service contracts and letters of appointment are available for inspection at the Company's registered office during normal business hours and will be available at the Annual General Meeting.

Policy on payment for loss of office

The Committee considers a number of factors when determining leaving arrangements for an Executive Director.

- Where either party gives notice of the termination of an Executive Director's employment, the Committee may make a payment in lieu of notice for the outstanding period. Other than this provision, the obligation to pay accrued but untaken holiday and, as outlined in the table below regarding bonus and the PSP, service contracts make no provision for pre-defined compensation on termination.
- The 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 obligations, or by way of

Plan	'Good leaver' categories	Treatment for 'good leavers'	Treatment for 'other leavers'
<ul style="list-style-type: none"> • Performance Share Plan 	<ul style="list-style-type: none"> • Death • Injury, ill health or disability • Transfer of employing company or business outside the Group • Retirement with agreement of the Committee • Redundancy • Any other reason as determined by the Committee 	<ul style="list-style-type: none"> • Awards will vest subject to achieving performance conditions and – unless the Committee determines otherwise – will be time pro-rated to reflect the proportion of the vesting period that has passed at the time of leaving. • The vesting date for such awards will normally be the original vesting date, although the Committee may determine that awards can vest when employment ceases, subject to the assessment of any performance condition. Where unvested awards are subject to an additional holding period, the Committee will determine the extent to which the holding period applies following cessation. • Awards in the form of options that vest early due to cessation of employment may be exercisable until the earlier of (i) 12 months from the date of vesting, and (ii) the normal expiry of the exercise period. Following this date, unexercised awards will lapse. • If the participant ceases employment after the normal vesting date, options may be exercisable until the earlier of 12 months from the date of cessation, or the normal expiry of the exercise period. Following this date, unexercised awards will lapse. 	<ul style="list-style-type: none"> • Unvested awards lapse in full.

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 the Director's office or employment. Any such payment may include, but is not limited to, paying any fees for outplacement assistance and/or the Director's legal or professional advice fees in connection with their cession of office or employment.

- The Committee may award an annual bonus for leavers by considering the circumstances of departure. Any bonus would normally be subject to performance and time pro-rating and would not be made in circumstances of poor performance. Any such bonus would be in such proportions of cash and shares and subject to such deferral arrangements as the Committee considers appropriate in the circumstances.
- On ceasing employment, the Executive Director will retain any deferred bonus shares and the deferred period will normally continue to the original release date. For Executive Directors who are appointed to the Board after the date that the policy comes into effect, any deferred shares would be forfeited for 'bad leavers'. 'Good leavers' (as defined under the PSP as outlined in the previous table) would be entitled to retain their deferred shares, which would vest on the normal date, unless the Committee determines otherwise.

- The treatment of outstanding PSP awards is governed by the Performance Share Plan rules, under which Executive Directors may currently hold awards in the form of share options or conditional rights to receive shares. If an individual leaves holding vested PSP awards that are still subject to a holding period, the underlying shares will either be released at the end of the original holding period, or at an earlier date determined by the Committee.

Where an award is made for the purpose of recruitment – for example, a buyout award – then the leaver provisions would be determined at the time of award, having regard to the circumstances of the recruitment, the terms of awards being bought out and the principles for leavers in the current policy.

In the event of a change of control of the Company, unvested PSP awards will normally vest early and deferred bonus shares will normally be released. The extent to which unvested PSP awards vest will be subject to achieving the performance conditions (as determined by the Committee) at the time of the change of control and, unless the Committee determines otherwise, will be time pro-rated to reflect the proportion of the vesting period that has elapsed at that time. In the event of an internal reorganisation, the Committee may determine that awards are automatically surrendered for a new award that the Committee determines is equivalent to the surrendered award (including as to any performance condition), except that it shall be over shares in the acquiring company or some other company.

In the event of a demerger, special dividend or other similar event that, in the Committee's opinion, would materially affect the market price of shares, the Committee may allow PSP awards to vest or deferred bonus shares to release on the same basis as for a change of control.

Annual report on remuneration

Single figure of remuneration for Executive Directors (audited)

	Year	Base salary £	Benefits £	Other £	Pension £	Total fixed remuneration £	Annual bonus £	Long-term incentives ^{1,2} £	Total variable remuneration £	Total £
Executive Directors										
M Willome ³	2022	650,000	194,313	–	45,500	889,813	97,500	–	97,500	987,313
	2021	108,333	31,692	100,000	7,583	247,608	–	–	–	247,608
L Liu ⁴	2022	220,000	7,861	–	15,400	243,261	66,000	–	66,000	309,261
	2021	–	–	–	–	–	–	–	–	–
SG Bennett ⁵	2022	194,697	6,675	–	28,479	229,851	29,204	106,443	135,647	365,498
	2021	378,052	13,349	–	75,610	467,011	538,724	236,084	774,808	1,241,819

Notes:

- For 2022 the values relate to awards granted under the PSP in 2020, which vest on 28 March and 6 May 2023. More information about the level of vesting is provided in this report. Given these awards have not yet vested, they have been valued based on the average share price for the period 1 October 2022 to 31 December 2022 of 124.3p, along with accrued dividends from the date of grant of 41.6p per share. There was no share price appreciation that affected the value of the awards and so the Remuneration Committee did not exercise discretion in respect of the share price changes. M Willome and L Liu joined the Board in 2021 and 2022 respectively and did not participate in the 2020 LTIP.
- 2019 PSP awards vested on 11 March 2022. For the 2021 single figure, these awards were valued based on the average share price for the period 1 October 2021 to 31 December 2021 of 466.3p. These awards have been revalued based on the share price on the date of vesting of 275.8p. The value disclosed in the 2021 single figure for SG Bennett was £381,851. The share price used to value the awards on the date of grant of 11 March 2019 was 377.0p. The share price used to value the PSP for single figure purposes of 275.8p represents a decrease of 101.2p per share. The Remuneration Committee did not exercise discretion in respect of the share price changes.
- M Willome joined Synthomer as CEO on 1 November 2021. In 2021 he received a one-off payment of £100,000 in compensation for the loss of pension-related pay from his previous employer, which is included in the Other column. This is no greater than the amount he would have received had he served out his full notice period. M Willome also received £52,500 for services prior to his appointment as a Director.
- L Liu joined as CFO on 1 July 2022. As part of the terms of her recruitment, it was agreed (i) any 2022 bonus payment would not be time pro-rated and (ii) she would be compensated in the future for an LTIP award that lapsed when she left her former employer Essentra. The extent of that compensation, which will be settled in cash, will depend on the extent to which the lapsed award would have vested and will be determined at the end of the performance period in 2024.
- SG Bennett stepped down as a Director on 1 July 2022. His remuneration disclosed here has been pro-rated to reflect this period.

Additional information for single figure remuneration (audited)

Benefits

	Relocation expenses £	Car expenses/benefit £	Others £	Total £
M Willome ¹	180,703	13,200	410	194,313
L Liu	–	7,500	361	7,861
SG Bennett	–	6,250	425	6,675

Note:

- Since M Willome has moved from Switzerland to the UK, he will receive a monthly relocation allowance for a period of four years. This allowance is £7,800 per month for the first two years then £5,000 per month for the following two years, and will be grossed up for tax.

Annual bonus

2022 award

For 2022 the Company operated a cash bonus plan for the Executive Directors related to the achievement of Underlying profit before tax targets, SHE targets, and individual strategic and operational goals.

The achievement of the Underlying profit before tax target represented up to 80% of the maximum bonus opportunity achievable of 150% of annual basic salary for M Willome, L Liu and SG Bennett.

The SHE targets were given a 10% weighting of the maximum achievable, with the balance of 10% relating to individual strategic and operational goals.

Bonus for the year ended 31 December 2022

Executive Directors	Maximum bonus as a % of salary	Total bonus as a % of maximum	Total bonus £
M Willome	150%	10%	97,500
L Liu	150%	10%	66,000
SG Bennett	150%	10%	29,204

For M Willome and L Liu, one-third of the bonus has been deferred into shares for two years. The bonus for SG Bennett has been paid in cash according to his leaving arrangements.

2022 saw performance that was substantially behind financial targets; however, there was meaningful progress and achievement against individual strategic and operational goals. The SHE targets were narrowly missed.

This 2022 bonus outcome of 10% of maximum is reflected across the wider organisation, with some local SHE bonus targets being met.

More information about the three elements of the bonus follows:

1. Underlying profit before tax (80%)

The Underlying profit before tax targets set and their achievement are set out below:

	Threshold	Target	Maximum	Achieved ²
Level of award (% of element)	0%	50%	100%	0%
Underlying profit before tax ¹	£181.4m	£201.6m	£221.8m	£121.4m

Notes:

1 Targets are set by reference to the Board-approved internal budget for the Group and measured on a constant currency basis.

2 For the purposes of calculating achieved Underlying profit before tax, adjustments were made for currency.

2. SHE (10%)

Targets with an aggregate weighting of 10% related to improvements in recordable injury and process safety.

	Recordable injury (measured as injury rate)	Process safety (measured as process safety event rate)
Target	0.30 or less	0.14 or less
Level of award	0% for a rate greater than 0.30 5% for a rate less than 0.30	0% for a rate greater than 0.14 5% for a rate less than 0.14
Rate achieved	0.34	0.18
Award outcome	0%	0%

More details about the definition and measurement of the recordable injury rate and the process safety event rate are given on [pages 54 and 55](#).

3. Individual strategic and operational goals (10%)

The Remuneration Committee considered individual goals and achievements against them with an aggregate weighting of 10%, including:

	Chief Executive Officer	Chief Financial Officer
Target	<ol style="list-style-type: none"> Undertake a full review of Synthomer, its underlying businesses, markets, people, assets and investors and deliver a strategic review for discussion with the Board Ensure a smooth integration of adhesive resins business, delivering synergies to plan Progress the planned nitriles investment projects 	<ol style="list-style-type: none"> Become familiar with the businesses and the finance team resources around the Group and consider immediate resource gaps to support the business Undertake a review of Group liquidity and covenant headroom, in light of deteriorating economic conditions, and ensure appropriate funding is in place to support the Group's refreshed strategy Ensure appropriate cash management processes are in place to support delivering a reduction in leverage
Level of award	Up to 10%	Up to 10%

	Chief Executive Officer	Chief Financial Officer
Performance against targets	<p>1 Undertake a full review of Synthomer, its underlying businesses, markets, people, assets and investors and deliver a strategic review for discussion with the Board</p> <p>The CEO engaged his Executive Team as well as a wider group of managers in a detailed and inclusive business and strategic review, which ran from January to July 2022 supported by external advisers. He engaged the Board throughout the process in developing the scope and approach, in considering options and in challenging the recommendations as they emerged. This involved two dedicated Board and Executive Team workshops to debate and finally approve the strategy.</p> <p>Despite economic headwinds and challenges in the Group, he ensured that the refreshed strategy was launched to all stakeholders – with a Capital Markets Day, a GLT event and a full communication process with employees across the business. The feedback has been very positive: that it is a clear and compelling vision and strategy – with customers, innovation, sustainability, and inclusion and diversity at its heart – for delivering value in the medium term.</p> <p>2 Ensure a smooth integration of the adhesive resins business, delivering synergies to plan</p> <p>Clear plans were in place for the first months of owning the adhesive resins business, including operational priorities and synergy capture, which are both in line with the business case, and stakeholder communications. As headwinds developed in the last quarter of 2022, the CEO took action to strengthen resources, including procurement and operational excellence expertise. This will be a key objective in 2023.</p> <p>3 Progress the planned nitriles investment projects</p> <p>Early in 2022 the CEO started to re-evaluate the speed of and focus on these projects. As the strategic thinking progressed – and recognising the subdued outlook, with no significant recovery expected in 2022 or into 2023 – he recommended to the Board that such projects be postponed and realigned his objectives to focus on portfolio review.</p> <p>In May 2022 the CEO also launched a working capital and capital expenditure review across the business. This was accelerated and extended in September 2022, as the extent of the downturn in the Performance Elastomers business and the likelihood of recessionary pressures developed. The business has committed to generate £150 million in cash by end of 2023 from these measures.</p>	<p>1 Become familiar with the businesses and the finance team resources around the Group and consider immediate resource gaps to support the business</p> <p>The CFO undertook a four-week business introduction with other business leaders, members of her team and the former CFO. Having assessed the environment, she appointed an interim head of Treasury and made some team changes to better align with emerging priorities. She spent time with her deputy agreeing priorities and actions.</p> <p>2 Undertake a review of Group liquidity and covenant headroom, in light of deteriorating economic conditions, and ensure appropriate funding is in place to support the Group's refreshed strategy</p> <p>The CFO assessed the level of liquidity and covenant headroom required in the changing economic environment. After discussion with the Board, she explored various options, including the funding subsequently agreed with UKEF, as well as debt receivables funding. She was clear and focused on developing relationships with the key providers of finance and presenting them with the necessary information. She was flexible in adapting the process and in having clear requirements of her team to deliver to the timescales required.</p> <p>3 Ensure appropriate cash management processes are in place to support delivering a reduction in leverage</p> <p>The CFO focused on building and accelerating the processes already started to manage cash, reduce working capital and capital expenditure, and review costs. She added a level of toughness and bite to the discussions across the business and started to drive improved processes across the business, which will continue into 2023.</p>
Award outcome	10%	10%

The Committee considered the final outcome in the context of performance in the year and if discretion should be applied. The Committee looked at performance in the round, while also noting the need to ensure our newly appointed Directors are appropriately incentivised to deliver the Group's ambitious objectives, including the new strategic plan.

Given the strong start in their role and the challenging environment the Directors are operating in, along with the excellent progress made in important strategic objectives including cash management and implementing synergies, it was felt the formulaic outcome was appropriate. Therefore, no discretion was applied.

Additional information for single figure remuneration (audited)

Long-term incentives – PSP

The awards made on 12 March 2020 for CG MacLean and SG Bennett under the PSP were subject to a relative total shareholder return (TSR) performance condition, an absolute Underlying earnings per share performance condition and a strategic measures condition, as follows:

Relative TSR condition (30% weighting)	EPS condition ¹ (30% weighting)	Synergies delivered from the OMNOVA acquisition (30% weighting)		Performance achieved
Company-relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over the three-year period ended 31 December 2022	EPS for the 2022 financial year	Synergy delivery run rate by 31 December 2022	Percentage of award that will vest	
Upper quartile	33.8p or more	\$29.6m or more	30%	EPS of 20.6p gives nil vesting of the award.
Between median and upper quartile	Between 29.0p and 33.8p	Between \$25.0m and \$29.6m	On a straight-line basis between 7.5% and 30%	TSR performance at the 13th percentile gives nil vesting of the award.
Median	29.0p	\$25.0m	7.5%	
Below median	Less than 29.0p	Less than \$25.0m	0%	Synergy delivery of \$42.4m, which exceeded maximum performance, resulting in 30% vesting of the award.

Note:

1 The targets were adjusted to take account of the additional OMNOVA earnings from 1 April 2020.

Another 10% of the award was subject to a strategic measure relating to a 10% reduction of carbon dioxide equivalent emissions over the performance period, excluding additional emissions from the acquired OMNOVA business.

Carbon dioxide equivalent reduction	Percentage of this part of an award that vests	Percentage achieved
Less than 10%	0%	31% achieved, which exceeded maximum performance, resulting in vesting of 10% of award.
Between 10% and 15%	On a straight-line basis between 25% and 100%	
15% or more	100%	

In aggregate, 40.0% of the 2020 award vested, and the Committee did not exercise any discretion with the level of vesting.

Given both our current Executive Directors were appointed more recently, neither was eligible for vesting under the 2020 award. The Committee was pleased at the progress made against the targets for synergies delivered from the OMNOVA acquisition, and the overall outcome of \$42.4 million represented a very strong result, especially in the context of a difficult external economic period. The Company also performed very well against challenging carbon targets, an important step towards our Vision 2030 and net zero by 2050 goals. Because of this performance, the Committee felt the final outcome to be fair and no discretion was applied.

Additionally, because the share price is currently lower than that of the 2020 grant, the Committee considered that there was no windfall gain.

The 2020 awards will vest for CG MacLean and SG Bennett in March 2023 and May 2023 as follows:

		No. of shares in original award	No. of shares that lapse ^{1,2}	No. of shares that vest	Estimated value of shares that vest ³
CG MacLean	March	321,524	244,006	77,518	128,632
	May	49,780	38,778	11,002	18,256
SG Bennett	March	163,500	105,686	57,814	95,936
	May	18,985	12,653	6,332	10,507

Notes:

1 CG MacLean left Synthomer on 13 January 2022 and was treated as a good leaver, triggering a time-apportioned lapse of 150,005 shares.

2 SG Bennett left Synthomer on 4 November 2022 and was treated as a good leaver, triggering a time-apportioned lapse of 22,120 shares.

3 Given these awards have not yet vested, they have been valued based on the average share price for the period 1 October 2022 to 31 December 2022 of 124.3p, along with accrued dividends from the date of grant of 41.6p per share.

Overall, the Committee considers that the remuneration policy has operated as it intended during 2022 and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

Annual report on remuneration continued

Pension entitlements (audited)

Both current Executive Directors receive a cash allowance in lieu of pension contributions of 7% of base salary in line with the pension provision for the wider workforce.

Single figure of remuneration for Non-Executive Directors (audited)

Non- Executive Directors		Base fee	Committee membership fee	Committee Chair fee	Total
CA Johnstone	2022	235,000	–	–	235,000
	2021	189,500	–	–	189,500
The Hon. AG Catto	2022	44,805	–	–	44,805
	2021	43,500	–	–	43,500
BWD Connolly ¹	2022	54,805	15,000	5,000	74,805
	2021	48,500	15,000	5,000	68,500
CS Dubin ²	2022	41,072	13,750	4,583	59,405
	2021	43,500	15,000	5,000	63,500
RC Gualdoni ³	2022	44,805	15,000	–	59,805
	2021	20,815	7,177	–	27,992
Dato' Lee Hau Hian	2022	44,805	–	–	44,805
	2021	43,500	–	–	43,500
HA Van Deursen	2022	44,805	15,000	–	59,805
	2021	43,500	15,000	–	58,500
I Tyler ⁴	2022	23,747	7,950	–	31,697
	2021	–	–	–	–

Notes:

1 Base fee includes an amount of £5,000 per annum for role as Senior Independent Director in 2021, and £10,000 in 2022.

2 Resigned on 29 November 2022.

3 Appointed to the Board on 8 July 2021.

4 Appointed to the Board on 21 June 2022.

Directors' shareholding and share interests (audited)

Directors	Interests in Company shares 31 December 2022	Vested unexercised performance-related options 31 December 2022	Total unfettered interests in shares and vested options 31 December 2022	Unvested performance-related options 31 December 2022 ¹	Share options exercised during 2022	Share ownership requirements (% of salary) ²	Interest in shares at 31 December 2022 (% of salary)
M Willome	100,000	–	100,000	694,629	–	220	22
L Liu	12,000	–	12,000	339,611	–	200	4
SG Bennett ³	280,800	–	280,800	291,672	76,503	n/a	n/a
CA Johnstone	47,931	–	–	–	–	–	–
The Hon. AG Catto	1,699,239 3,710,347*	–	–	–	–	–	–
BWD Connolly	19,579	–	–	–	–	–	–
RC Gualdoni	66,853	–	–	–	–	–	–
Dato' Lee Hau Hian	467,453	–	–	–	–	–	–
HA Van Deursen	20,000	–	–	–	–	–	–
I Tyler	–	–	–	–	–	–	–
CS Dubin ⁴	–	–	–	–	–	–	–

Notes:

* Non-beneficial interest.

1 Unvested performance-related options comprise the awards made under the PSP in 2020, 2021 and 2022. Details of the performance conditions attached to the 2020 awards are set out on page 141, and to 2021 and 2022 awards below.

2 Until this requirement is met, no sales of shares that vest under long-term incentive plans are permitted other than to satisfy tax liabilities that arise on the exercise of share awards under such plans. The Committee considers that unfettered unexercised vested nil-cost awards are economically equivalent to shares and, as such, that they should count (on a net-of-tax basis) towards compliance with the share ownership guidelines.

3 The figures for SG Bennett reflect his shareholding and time pro-rated share interests on 1 July 2022, the date that he stepped down as a Director.

4 The figure for CS Dubin reflects her shareholding on 29 November 2022, the date that she resigned as a Director.

There have been no changes in the interests of the Directors in shares between 31 December 2022 and at such time as this report was signed on 28 March 2023.

2021 award (audited)

The awards made on 11 March 2021 to CG MacLean and SG Bennett, and on 8 November 2021 to M Willome, were as follows:

	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
M Willome ¹	PSP – nil-cost options	200% of salary	198,295	£1,011,106	25%	31/12/2023
CG MacLean ²	PSP – nil-cost options	200% of salary	261,039	£1,189,476	25%	31/12/2023
SG Bennett ³	PSP – nil-cost options	150% of salary	124,446	£567,063	25%	31/12/2023

Notes:

1 M Willome's award was time apportioned from his starting date of 1 November 2021.

2 CG MacLean left Synthomer on 13 January 2022 and was treated as a good leaver, triggering a time-apportioned lapse of 190,539 shares and leaving a balance of 70,500 shares.

3 SG Bennett left Synthomer on 4 November 2022 and was treated as a good leaver, triggering a time-apportioned lapse of 55,865 shares and leaving a balance of 68,581 shares.

The face value of the awards for CG MacLean and SG Bennett was calculated using a share price of 455.67p per share. The face value of the award for M Willome was calculated using a share price of 509.9p per share. In all cases the face value was calculated using the average share price over the five dealing days prior to the date of grant.

The 2021 awards under the PSP are subject to the following performance conditions:

Relative TSR condition (40% weighting)	EPS condition (40% weighting)	
Company-relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over the three-year period ending 31 December 2023	EPS for the 2023 financial year	Percentage of award that will vest
Upper quartile	38.5p or more	40%
Between median and upper quartile	Between 33.0p and 38.5p	On a straight-line basis between 10% and 40%
Median	33.0p	10%
Below median	Less than 33.0p	0%

Another 20% of the award is subject to strategic measures comprising a 15% reduction of carbon dioxide equivalent emissions compared to the 2019 baseline, and greater than 15% of 2023 sales volume coming from new products launched in the five years to December 2023.

2022 awards (audited)

The awards made on 10 March 2022 to M Willome and SG Bennett were as follows:

	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
M Willome	PSP – nil-cost options	200% of salary	496,334	£1,300,000	25%	31/12/2024
SG Bennett ¹	PSP – nil-cost options	150% of salary	223,0031	£584,089	25%	31/12/2024

Note:

1 SG Bennett left Synthomer on 4 November 2022 and was treated as a good leaver, triggering a time-apportioned lapse of 174,374 shares and leaving a balance of 48,629 shares.

The face value of the awards was calculated using a share price of 261.92p per share, the average share price on the five dealing days prior to the date of grant.

The award made on 9 August 2022 to L Liu was as follows:

	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
L Liu	PSP – nil-cost options	150%	339,611	£660,000	25%	31/12/2024

The face value of the awards was calculated using a share price of 194.34p per share, the average share price on the five dealing days prior to the date of grant. As part of the terms of L Liu's appointment, it was agreed that her 2022 PSP award would not be time pro-rated.

Annual report on remuneration continued

The 2022 awards under the PSP are subject to the following performance conditions:

Relative TSR condition (30% weighting)	EPS condition (30% weighting)		Synergies delivered from the Eastman Adhesive Resins acquisition (20% weighting)	
	EPS for the 2024 financial year	Percentage of award that will vest	Synergy delivery run rate by 31 December 2024	Percentage of award that will vest
Company-relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over the three-year period ending 31 December 2024				
Upper quartile	54.4p or more	30%	\$23.2m or more	20%
Between median and upper quartile	Between 46.7p and 54.4p	On a straight-line basis between 7.5% and 30%	Between \$20m and \$23.2m	On a straight-line basis between 5% and 20%
Median	46.7p	7.5%	\$20m	5%
Below median	Less than 46.7p	0%	Less than \$20m	0%

Another 20% of the award is subject to strategic measures comprising a 30% reduction of carbon dioxide equivalent emissions compared to the 2019 baseline, and greater than 15% of 2024 sales volume coming from new products launched in the five years to December 2024.

Operation of the Executive Director remuneration policy for 2023

The current policy has been in force since 29 April 2020. Subject to approval of the new policy by shareholders at the AGM on 16 May 2023, the specific remuneration arrangements for 2023 are described below.

● Base salary	<p>A salary increase was awarded with effect from 1 January 2023 of 3.8% for the CEO and CFO in line with the average merit increase awarded in the UK at management levels, and below the average merit increase awarded in the UK below management levels.</p> <p>2023 salaries are:</p> <ul style="list-style-type: none"> ● M Willome: £674,700 ● L Liu: £456,720.
● Pension and benefits	<p>Pension contributions for Executive Directors are aligned with that of the UK workforce. Executive Directors receive a cash allowance in lieu of pension contributions, car allowance and private health insurance. Since M Willome has moved from Switzerland to the UK, the Company also agreed a monthly relocation allowance for a four-year period. This allowance is £7,800 per month for the first two years then £5,000 per month for the following two years, and will be grossed up for tax.</p> <p>2023 cash allowances in lieu of pension contributions are:</p> <ul style="list-style-type: none"> ● M Willome: 7% of salary ● L Liu: 7% of salary.
● Annual bonus	<p>For 2023, performance under the annual bonus will be measured on the following basis:</p> <ul style="list-style-type: none"> ● 60% subject to performance against Underlying profit before tax targets ● 20% Group cash flow ● 10% subject to performance measures against key SHE targets ● 10% subject to performance against individual strategic and operational goals ● Targets and objectives for 2023 are, by their financial and commercial nature, considered by the Board to be unsuitable for disclosure in advance. However, the Committee will provide information on targets and objectives retrospectively. <p>2023 maximum award opportunity:</p> <ul style="list-style-type: none"> ● M Willome: 150% of salary ● L Liu: 150% of salary.
● Performance share plan	<p>For primary awards to be made in 2023, performance will be measured as follows:</p> <ul style="list-style-type: none"> ● 20% based on relative TSR performance versus FTSE 250 (excluding investment trusts and financial services companies): <ul style="list-style-type: none"> – 25% of this element will vest for median performance – 100% will vest for upper-quartile performance – Vesting on a straight-line basis between these points ● 30% based on Underlying EPS growth: <ul style="list-style-type: none"> – 25% of this element will vest for EPS growth of 4.5% per annum – 100% vesting for EPS growth of 10% per annum – Vesting on a straight-line basis between these points – This target range was set following consideration of the long-term strategy and the outlook for the markets in which we operate ● 30% based on a reduction in leverage, which by its financial nature is considered by the Board to be unsuitable for disclosure in advance. However, the Committee will provide information on the target retrospectively. ● 20% based on strategic targets, of which half will be a sustainability measure linked to a reduction in carbon dioxide emissions of up to 30% from the 2019 baseline, and half linked to greater than 14% of 2025 sales volume coming from new and protected products launched or sold in the five years to December 2025.

● Performance share plan continued	<p>For the secondary additional awards, the sole performance measure will be TSR performance versus FTSE 250 (excluding investment trusts and financial services companies):</p> <ul style="list-style-type: none"> ● 25% of this element will vest for upper quartile performance ● 100% will vest for upper decile performance ● Vesting on a straight-line basis between these points. <p>2023 maximum award opportunity:</p> <ul style="list-style-type: none"> ● M Willome: 250% of salary (200% primary award and 50% secondary additional award) ● L Liu: 200% of salary (150% primary award and 50% secondary additional award). <p>Given the recent fall in share price, the Committee has considered the 2023 PSP grants and the potential for windfall gains. The CEO and CFO started in late 2021 and mid-2022 respectively, and the Committee believes it is critical to ensure that they are appropriately incentivised in the context of challenging market conditions.</p> <p>The Committee has determined therefore that it is not appropriate to reduce their award at this stage, but will review at vesting.</p>
● Shareholding guidelines during employment	The CEO and CFO are expected to build interests in shares of at least 220% and 200% of salary respectively.
● Chair and Non-Executive Directors	The fees to be paid in 2023 to the Chair and the Non-Executive Directors will be unchanged from those paid in 2022.

Leaving arrangements for former CFO

While SG Bennett stepped down as CFO at the start of July 2022, he remained employed until 4 November 2022, supporting with the transition of the new CFO. He was treated as a good leaver, meaning he was entitled to a pro-rated annual bonus for 2022 until he ceased employment. The bonus payment will be paid entirely in cash on the normal bonus payment date, and will be subject to the Remuneration Committee's right under the Rules to apply malus and clawback provisions. He will not be eligible to receive any bonus in respect of the financial year ending 31 December 2023. The total bonus paid for the period to 30 June 2022 was £29,204, and from 1 July to 4 November, when he stepped down as Director but remained employed by the Company, was £9,735.

The Remuneration Committee determined that SG Bennett would be treated as a 'good leaver' for the purpose of his unvested awards under the PSP. In line with the approved policy, the awards will be reduced on a time-apportioned basis, which will be calculated to 4 November 2022. Awards will be subject to the relevant performance conditions, which will be measured at the normal time.

Award date	Number of shares	Pro-rated maximum number of shares that could vest	Vesting date
2020	163,500	144,536	28 March 2023
2020	18,985	15,829	28 March 2023
2021	124,446	68,581	11 March 2024
2022	223,003	62,726	26 March 2024

Any dividend equivalents accrued in respect of these awards would be paid in cash following vesting and will be pro-rated in line with the level of vesting of the relevant PSP award. Any shares acquired on the exercise of the awards will be subject to the Remuneration Committee's right under the PSP to apply clawback provisions.

Details of the vesting of the award made to SG Bennett in 2020, together with all other remuneration paid to him in 2022, are contained in this report.

The Synthomer post-employment shareholding guidelines, which came into effect in April 2021, have not been applied because SG Bennett joined the Company before they were introduced. He is, however, contractually bound to hold Synthomer's shares post-employment as follows:

Shares	Earliest date shares can be sold
14,843 shares from vesting of 2018 PSP award in March 2021	12 March 2023
20,327 shares deferred from 2020 bonus paid in March 2021	6 May 2023
40,546 shares from vesting of 2019 PSP award in March 2022	11 March 2024
31,809 shares deferred from 2021 bonus paid in March 2022	26 March 2024

Payments to past directors (audited)

CG MacLean, who stepped down as CEO at the start of November 2021, was entitled to the vesting of the PSP award made to him in 2020 as detailed in this report. He did not receive any other remuneration in 2022. Aside from the arrangements for the former CFO, no other payments were made in the year.

Annual report on remuneration continued

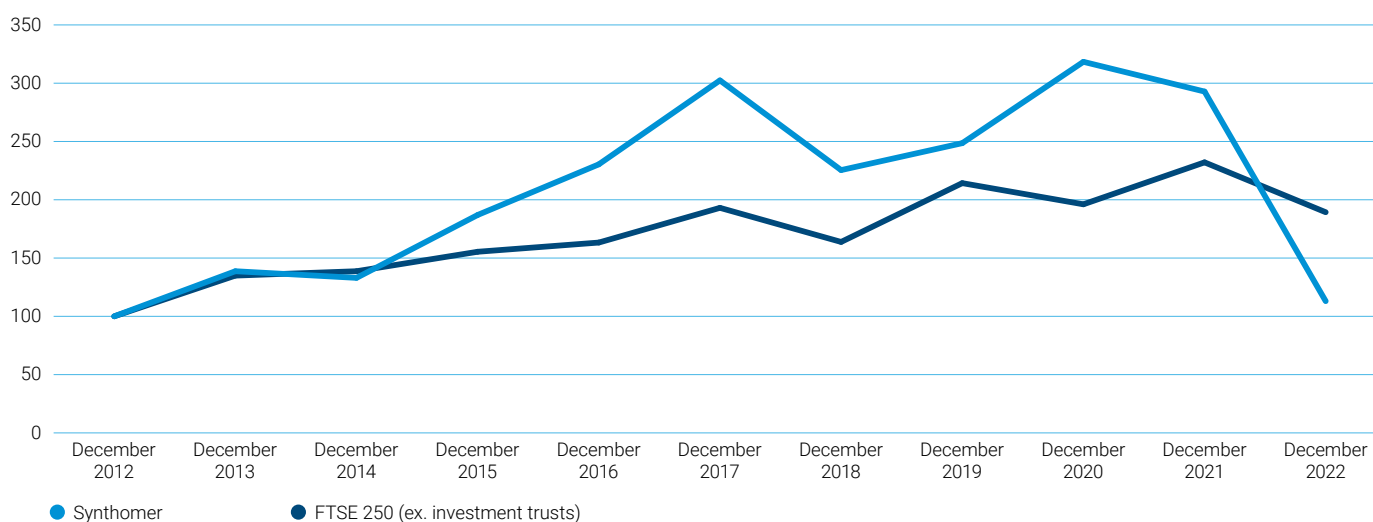
Payments for loss of office (audited)

Aside from the arrangements for the former CFO, no payments for loss of office were made during the year.

Performance graph and table

The graph and table below allow comparison of the TSR of the Company and the CEO remuneration outcomes over the past 10 years.

TSR chart



The chart above compares the TSR performance of the Company with that of the FTSE 250 (excluding investment trusts). This is considered to be the most appropriate index against which to make a comparison and was chosen because it represents a broad equity market index of which the Company is a constituent.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CEO	AM Whitfield	AM Whitfield	CG MacLean	CG MacLean	CG MacLean	CG MacLean	CG MacLean	CG MacLean	CG MacLean/ M Willome	M Willome
CEO total single figure remuneration (£'000)	923	967	1,246	1,218	2,516	1,807	890	1,805	2,279	987
Bonus (% of maximum awarded)	0.0	57.3	69.7	100.0	100.0	76.5	20.0	100.0	95.0	10
PSP (% of maximum vesting)	50.0	0.0	n/a	n/a	96.3	86.2	10.0	31.8	64.0	n/a

The CEO total single figure of remuneration includes salary, benefits and pension contributions paid in the year, together with bonuses and long-term incentive awards that vested based on performance in the year.

The 2021 single figure comprises the figure for CG MacLean, which covers the period to 31 October 2021, and the figure for M Willome, which covers the period from 1 November to 31 December 2021.

CEO-to-all-employee pay ratio

The following table provides pay ratio data in respect of the CEO's total remuneration compared to the 25th, median and 75th percentile employee.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	24:1	21:1	16:1
2021	Option B	54:1	44:1	31:1
2020	Option B	37:1	28:1	22:1
2019	Option B	28:1	23:1	16:1

The employees used for the purposes of compiling the table above were identified on a full-time equivalent basis at the pay period during which 5 April 2022 fell. Option B, which involves identifying the employees at the 25th, 50th and 75th percentile from our gender pay gap report, was chosen as the calculation methodology. Under this methodology, the employees were identified based on the full-time equivalent basis at the pay period during which 5 April fell. The selected employees' pay and benefits for the calendar year were then calculated using each element of employee remuneration consistent with the CEO and no element of pay has been omitted. Employees for the purpose of the gender pay gap are employees of Synthomer (UK) Limited (463 relevant employees as at the snapshot date of 5 April 2022).

Option B is considered to be the simplest and most accurate way of identifying the relevant employees. Using this methodology, we were able to identify specific employees to make the required comparisons.

The ratio has decreased for 2022, chiefly due to the fall in variable remuneration outcomes for the CEO.

The definition of pay used included:

- Annual salary
- Car allowances
- All other cash allowances
- All bonuses and incentive scheme payments for services delivered in the year
- Private medical insurance value.

The following table provides salary and total remuneration information in respect of the employees at each quartile:

Financial year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2022	Salary	37,670	43,791	60,243
	Total remuneration	40,400	46,029	63,683

Our CEO pay is made up of a higher proportion of incentive pay than that of the majority of our employees. This is likely to introduce more variability in the CEO total compensation.

The Board has confirmed that the ratios are consistent with the Company's wider policies on employee pay, reward and progression.

Percentage change in remuneration of the Directors and employees

The table below sets out the increase in salary, benefits and annual bonus of the Directors compared with a selected group of employees. The parent company, Synthomer plc, does not have any direct employees so a comparator group of employees of the Group's main UK trading subsidiary has been used, comprising 463 employees. The Directors consider that this employee population is the most relevant for comparison purposes, considering geographical location and remuneration structure.

	2022			2021			2020		
	Salary and fee % increase	Benefits % increase/ (decrease)	Annual bonus % increase	Salary and fee % increase	Benefits % increase/ (decrease)	Annual bonus % increase	Salary and fee % increase	Benefits % increase/ (decrease)	Annual bonus % increase
M Willome ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
L Liu ²	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SG Bennett ³	n/a	n/a	n/a	2.5	(1.3)	1.1	1.3	(24.1)	560.7
CA Johnstone	24.0	n/a	n/a	2.5	n/a	n/a	n/a	n/a	n/a
The Hon. AG Catto	3.0	n/a	n/a	5.6	n/a	n/a	0.9	n/a	n/a
BDW Connolly	9.2	n/a	n/a	5.4	n/a	n/a	1.1	n/a	n/a
CS Dubin ³	n/a	n/a	n/a	3.1	n/a	n/a	n/a	n/a	n/a
RC Gualdoni ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dato' Lee Hau Hian	3.0	n/a	n/a	2.8	n/a	n/a	1.6	n/a	n/a
HA Van Deursen	2.2	n/a	n/a	3.6	n/a	n/a	1.3	n/a	n/a
I Tyler ²	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average change for employees	2.1	19.6	(73.2)	2.6	3.2	36.5	1.4	n/a	n/a

Notes:

1 M Willome and RC Gualdoni were appointed to the Board in 2021.

2 L Liu and I Tyler were appointed to the Board in 2022.

3 SG Bennett and CS Dubin left the Board in 2022.

Relative importance of spend on pay

The table below shows the relative importance of the Group's all-employee remuneration expense compared with returns to shareholders by way of dividends.

	2022 £m	2021 £m	% change
Dividends paid	99.5	73.5	35.37
Total employee remuneration	266.4	243.7	9.31

Dividends are the dividends paid in the year. The 2022 interim payment was cancelled. Total employment remuneration is the consolidated salary and bonus cost for all Group employees.

Annual report on remuneration continued

External appointments

Executive Directors are permitted to accept external appointments with the prior approval of the Board, provided that there is no adverse impact on their role and duties to the Company. Any fees arising from such appointments may be retained by the Executive Directors where the appointment is unrelated to the Group's business.

M Willome has been a non-executive director of Glaston Oyj (Nasdaq Helsinki) since May 2020 and received a Board membership fee of EUR40,000 in 2022. M Willome has sat on European subsidiary boards of Indutrade AB since 2013 and received a board membership fee of CHF45,000 in 2022.

L Liu has been a non-executive director of DCC plc since 2021 and received a board membership fee of EUR84,330 in 2022.

Remuneration Committee

Remuneration Committee membership since 1 January 2022:

Brendan Connolly (Chair)

Roberto Gualdoni

Holly A Van Deursen

I Tyler (since 21 June 2022)

CS Dubin (to 29 November 2022)

Attendance at Committee meetings is set out on [page 100](#).

Key duties of the Committee

During 2022 the Committee was responsible for determining, in agreement with the Board, the Company's policy on executive remuneration and the specific remuneration for the Chair and each of the Executive Directors, including pension rights, within the terms of the agreed policy. The Committee was also responsible for the specific remuneration of the Executive Committee and for reviewing remuneration elsewhere in the Group, including reviewing workforce remuneration and related policies to ensure that incentives and reward are aligned with culture.

Advisers

The CEO, Company Secretary and CHRO are invited to attend Committee meetings to contribute to the Committee in its deliberations. However, no individual is involved in discussions, or is part of any decisions, relating to their own remuneration.

The Committee received independent advice from Deloitte LLP (Deloitte), which it appointed as its independent remuneration adviser in April 2013, following a tender process.

During the year, Deloitte provided advice on governance and market trends and other remuneration matters that materially assisted the Committee. The fees paid to Deloitte in respect of this work were charged on a time and expenses basis and totalled £39,300 for advice in 2022. The Committee is comfortable that the Deloitte engagement team that provides remuneration advice to the Committee does not have connections with the Company or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. Deloitte also provided tax services to part of the Group and advice about implementing TCFD to the Board in the year. The Committee was satisfied that this did not compromise the independence of the advice received.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct. Deloitte was appointed directly by the Committee, and the Committee is satisfied that the advice received was objective and independent.

Statement of voting at the Annual General Meeting

The table below sets out the results of the votes on the Directors' remuneration at the 2022 Annual General Meeting (Annual Report on Remuneration) and the 2020 Annual General Meeting (Directors' Remuneration Policy).

	Votes for		Votes against		Votes withheld
	Number	% of vote	Number	% of vote	Number
2022 Annual Report on Remuneration	392,874,580	97.39	10,540,812	2.61	21,401
2020 Directors' Remuneration Policy	332,152,827	91.98	28,090,122	8.02	28,501

By order of the Board

A Prakash

Company Secretary

28 March 2023

Directors' report

The Directors submit their Annual Report and the audited consolidated financial statements for the year ended 31 December 2022. None of the matters required to be disclosed by Listing Rule 9.8.4R applies to the Company, except for the following:

- The amount of capitalised interest – see note 2 to the financial statements
- Details of long-term incentive programmes – see Directors' remuneration report on [pages 123 to 148](#).
- Shareholder waiver of dividends – see note 33 to the Financial statements.

The Directors' report is covered on [pages 149 to 151](#) as well as in the following sections of the Annual Report:

Item	Location in Annual Report
Statement of Directors' responsibilities	Page 152
Financial risk management	Financial statements – note 22
Present Board membership	Pages 92 to 94
Governance report	Pages 91 to 152
Strategic report (including principal activities)	Inside front cover to page 90
Management of risk and viability statement	Pages 73 to 90
Employee engagement	Pages 63-70
Directors' remuneration report	Pages 123 to 148
Share capital	Financial statements – note 27
Greenhouse gas emissions	Pages 58 to 60
Sustainability report	Pages 39 to 72

Results and dividends

The loss attributable to shareholders was £32.5 million. As announced on 12 October 2022 the Directors have resolved to suspend dividend payments until the end of 2023. Accordingly, no interim dividend was paid. The total dividend paid for the year was £99.5 million. The Directors are not recommending a final ordinary dividend.

Acquisitions and disposals

On 1 April 2022 the Company completed the acquisition of Eastman's Adhesive Resins business. On 13 December 2022 the Company agreed to sell its Laminates, Films and Coated Fabrics businesses and completed the sale on 28 February 2023.

Directors

All the Directors will seek election or retire and seek re-election at the forthcoming AGM, except Brendan Connolly.

None of the Directors seeking re-election has a service contract except Michael Willome and Lily Liu, who both have service contracts that contain a 12-month notice period.

Director indemnity provisions

Under the Company's Articles of Association, the Directors of the Company have the benefit of a qualifying third-party indemnity provision. This means the Company indemnifies them against certain liabilities, as permitted by Sections 232 and 234 of the Companies Act 2006, and against costs incurred by them in relation to any liability for which they are indemnified. The Company has purchased and maintains insurance against Directors' and officers' liabilities in relation to the Company.

UK pension funds

The trustees have reviewed the independent investment management of the assets of the Company's UK pension schemes and assured themselves of the security and controls in place. In particular, it is the trustees' policy not to invest in Synthomer plc shares nor lend money to the Company.

Share capital and control

During 2022 no shares were issued or repurchased. A total of 351,725 shares were purchased on the open market on behalf of the shareholders who elected to participate in the dividend reinvestment plan.

The Company's Articles of Association set out the rights and obligations attached to the Company's ordinary shares, being the only class of issued share capital, alongside the powers of the Company's Directors. Copies can be obtained from Companies House or downloaded from the Company's website (www.synthomer.com). There are no restrictions on the voting rights attached to the Company's ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company that carry special rights with regard to the control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Unless expressly specified to the contrary in the Company's Articles of Association, those Articles of Association may be amended by special resolution of the Company's shareholders.

Other than in relation to its borrowings, which become repayable on a takeover unless certain conditions are satisfied, the Company is not party to any significant agreements that would come into effect, alter or terminate on a change of control prompted by a takeover bid. The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover.

All the Company's share programmes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Major shareholdings

Other than the shareholdings disclosed as Directors' interests in the Directors' remuneration report as at 28 March 2023, the Company had been notified under Section 5 of the Disclosure and Transparency Rules of the following significant holdings of voting rights in its ordinary shares:

	Ordinary shares (number)	Percentage of ordinary shares in issue	Nature of holding
Kuala Lumpur Kepong Berhad Group	125,589,510	26.87	Direct interest
Greater Manchester Pension Fund	23,410,509	5.01	Direct interest

Employment policies and employee involvement

The Group gives every consideration to job applications from disabled people. Employees who become disabled are given every opportunity to continue working for Synthomer under normal terms and conditions with appropriate training, career development and promotion wherever possible. The Group seeks to achieve equal opportunities in employment through recruitment and training policies.

The Group encourages employee involvement in its affairs. The Company regularly engages with employees to make them aware of the financial and economic factors affecting Group performance. Performance-related bonus programmes operate throughout the Group. Alexander Catto is the designated Non-Executive Director responsible for gathering the views of the workforce. More information on the Board's workforce engagement methods can be found on [pages 63 to 72](#). The Group's approach to diversity and inclusion is explained on [pages 65 to 66](#).

Authority to purchase own shares

The Company has a general authority to make market purchases of not more than 46,733,604 of the Company's ordinary shares, in accordance with the terms of the special resolution passed at the 2022 Annual General Meeting. This expires at the conclusion of the 2023 Annual General Meeting. A resolution will be tabled at the 2023 Annual General Meeting to renew this authority for an amount representing approximately 10% of the Company's issued share capital as at 28 March 2023.

Subsidiaries

All the Group's subsidiaries, joint ventures and related undertakings are listed on [pages 209 to 210](#).

Statement as to disclosure of information to auditors

Each Director of the Company confirms that, to the best of their knowledge, the Company's auditors are aware of all relevant audit information. Each Director also confirms that he or she has taken all necessary steps as a Director to make themselves aware of any relevant audit information and to establish that the information has been shared with the Company's auditors. For these purposes, relevant audit information means information needed by the Company's auditors in connection with preparing its report on [pages 154 to 160](#). This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Going concern

The Directors have acknowledged the latest guidance on going concern and in reaching their conclusions have considered factors that include:

- The new \$480-million revolving credit facility, which was put in place in March 2023 and matures on 31 May 2025
- The UK Export Finance facilities of €288 million and \$230 million, which were put in place in October 2022 and mature in October 2027
- The five-year €520-million 3.875% senior loan notes, which are due in June 2025.

After making enquiries and considering reasonably possible changes in trading performance, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and the Company.

Political donations

No political donations were made in the year (2021: nil).

Cautionary statement

The purpose of this report is to provide information to the members of the Company. It contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty, since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the Company is under no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast.

Independent auditors

A resolution to appoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the next Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the offices of the Company at 45 Pall Mall, London SW1Y 5JG on 16 May 2023 at 11.00 am.

By order of the Board

Anant Prakash

Company Secretary

28 March 2023

Statement of Directors' responsibilities

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 UK Generally Accepted Accounting Practice (UK Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable UK-adopted IFRSs have been followed for the Group financial statements, and whether UK 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 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 (www.synthomer.com). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, and
- The Company financial statements, which have been prepared in accordance with UK accounting standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company, and

- The Directors' 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.


By order of the Board

M Willome

Chief Executive Officer

L Liu

Chief Financial Officer



Our Lipolan™ TERRA brand helps reduce the carbon footprint typically associated with making latex foam, often used in mattresses, through process efficiencies, reduced cleaning, and lower transport costs.

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Independent auditors' report

to the members of Synthomer plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Synthomer plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 2022 (the "Annual Report"), which comprise: the Consolidated balance sheet and the Company statement of financial position as at 31 December 2022; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, the Consolidated cash flow statement and the Reconciliation of net cash flow from operating activities to movement in net debt for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7 to the consolidated financial statements, we have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- Audit procedures provide coverage of 79% of revenue and 75% of underlying operating profit.
- Audit scope covers eight countries, performing procedures over 13 components.
- Financially significant components in the USA and Germany.

Key audit matters

- Impairment of goodwill and intangible assets (group)
- Valuation of defined benefit pension liabilities and level 3 assets (group)
- Presentation of Special Items (group)
- Fair value accounting associated with the Adhesive Technologies acquisition (group)
- Recoverability of investment in, and amounts owed by, group undertakings (parent)

Materiality

- Overall group materiality: £11,743,000 (2021: £11,605,000) based on approximately 5% of three year weighted average of underlying profit before taxation (2021: three year weighted average of underlying profit before taxation).
- Overall company materiality: £10,568,000 (2021: £10,444,500) based on 1% of total assets capped at 90% of Group materiality.
- Performance materiality: £8,807,000 (2021: £8,703,000) (group) and £7,926,000 (2021: £7,830,000) (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 goodwill and intangible assets and fair value accounting associated with the Adhesive Technologies acquisition are new key audit matters this year. Uncertain tax provisions, which was a key audit matter last year, is no longer included because of no significant changes to the methodologies or tax provisions in the year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

Impairment of goodwill and intangible assets (group)

As set out in note 14, the group had goodwill of £480.8m (2021: £487.0m) at 31 December 2022, after an impairment of (£133.7m) (2021: £nil). As set out in note 15, the group had acquired intangible assets of £523.6m (2021: £297.6m) at 31 December 2022. As set out in Note 16, the group had other intangible assets of £60.9m (2021: £46.4m) at 31 December 2022. These are significant in the context of the overall balance sheet of the group. We consider this to be a key audit matter because the estimates underlying the recoverability of goodwill and intangible assets are subject to high estimation uncertainty, particularly in a year where an impairment has been identified. As fair value less cost to sell result in a lower amount, we focused our audit effort on the “value-in-use” calculations supporting the valuation of goodwill and other intangible assets. Management’s assessment of the “value in use” of the group’s cash generating units involves judgements about the future results of the businesses, particularly assumptions around growth rates and the discount rates applied to future cash flow forecasts, where there is a higher degree of sensitivity.

How our audit addressed the key audit matter

Procedures performed included:

- Understanding business processes and controls related to the assessment of the carrying value of goodwill and other intangible assets for impairment.
- Assessing the reasonableness of the impairment model and understanding management’s process and judgements utilised for developing estimates and assumptions. This included testing of the underlying “value-in-use” calculations.
- Performing a retrospective review of the prior period estimates by comparing this to actual results in the current period.
- Engaging our internal valuation specialists to assess the reasonableness of the weighted average cost of capital and growth rate assumptions used by management.
- Assessing corroborating or contradictory evidence relating to significant assumptions in the cash flow projections.
- Performing sensitivity analyses based on reasonably possible outcomes.
- Checking the mathematical accuracy of the calculations.
- Assessing management’s calculation of fair value less cost to sell using forecast cash flows and the market multiple used by Synthomer in their original valuation, noting that this was lower than the calculated value in use.
- Assessing management’s impairment assessment on assets other than goodwill, because of the goodwill impairment recognised, to determine whether any of these assets should be impaired as well.
- Assessing the impact of climate change included in management’s cashflow forecast.
- Reviewing the disclosures in the financial statements in respect of the carrying value of goodwill and other intangible assets. Based on the procedures performed, we noted no material issues from our work other than the impairment recognised.

Valuation of defined benefit pension liabilities and level 3 assets (group)

As set out in note 26, the group had £73.4m (2021: £122.4m) net liabilities as at 31 December 2022 in relation to defined benefit pension schemes. These primarily represent the Yule Catto group retirement benefits scheme in the UK with a net asset position of £5.9m (2021: net liabilities of £4.6m), the OMNOVA Solutions Consolidated Pension Plan in the US with net liabilities of £10.6m (2021: net liabilities of £27.7m) and an unfunded scheme in Germany with net liabilities of £57.7m (2021: net liabilities of 74.7m). The group uses third party actuaries to calculate pension liabilities. The valuation of these liabilities is based on a number of assumptions and the calculation is highly sensitive to small changes in the assumptions. For instance, changes in inflation, mortality tables and discount rate can have a significant impact on the valuation of the liability recorded. The UK pension scheme ended up in a net asset position for the first time, the recognition of such assets is judgemental. The pension asset also contains level 3 and other complex assets (complex PIVs where assets are not traded on Recognised Investment Exchanges (RIE)) totalling £39m as at 31 December 2022 (31 December 2021: £266m), which are complex in nature to value and therefore we deem there to be a risk with respect to the valuation of these assets.

In order to assess the identified risks we:

- We reviewed external actuarial reports of the UK and German schemes which set out the calculations and assumptions underpinning the year end pension scheme liabilities valuation and our US component team reviewed an external actuarial report for the US scheme.
- We (and PwC US) held discussions with the external actuaries and were satisfied that the scope of their work was such that we could use this work to provide evidence for the purpose of our audit.
- We assessed the competency and objectivity of the external actuaries to perform the year end calculations by considering their technical expertise and independence from the group.
- We used our own specialist actuarial team to evaluate the key assumptions used in each of the three schemes by comparing these assumptions to our expectations for similar schemes as at the year end.
- We reviewed section 14.8 of “Constitutional rules” of the UK pension scheme and concluded that the net asset of the UK scheme could be recognised.
- With respect to the level 3 and other more complex assets, we tested values through a combination of the following procedures: reviewed audited accounts of pooled investment vehicles; reviewed internal control reports of the service provider responsible for the valuation of the fund, including obtaining bridging letters where the control report does not cover the current financial period of Synthomer plc; obtained fund transactions close to the year end (where available), and obtained third party confirmation from the investment managers.
- We also considered the appropriateness of the disclosures within the financial statements. We noted no material issues from the above procedures.

Independent auditors' report continued

to the members of Synthomer plc

Key audit matter

Presentation of Special Items (group)

The group presents two measures of performance in the income statement; statutory and underlying, the latter after adjusting for certain items of income or expenses, as management believes these measures provide additional useful information on the underlying trends, performance and position of the group. The determination of which items of income or expense are classified as Special items is subject to judgement and therefore users of the financial statements could be misled if amounts are not classified or calculated appropriately. Description of the amounts presented as Special items are included in note 4 to the financial statements.

How our audit addressed the key audit matter

We considered the appropriateness of amounts classified as Special items. To do this we considered:

- The group's accounting policy on special items and Pronouncements by the Financial Reporting Council on this matter.
- We assessed the income and expenses classified as special items against the group's accounting policies.
- We challenged management on the appropriateness of the classification of such Special items, being mindful that classification should be even-handed between gains and losses, the basis of the classification should be clearly disclosed and a clear reconciliation to statutory measures provided and applied consistently one year to the next.
- We challenged management on the quantum of the Special items, and the estimates underpinning them. Having considered the nature and quantum of these items, overall we are satisfied that the presentation of special items in the financial statements for the year ended 31 December 2022 is materially appropriate.

Fair value accounting associated with the Adhesive Technologies acquisition (group)

As set out in note 30, the group completed the acquisition of Eastman's Adhesive Resins business on 1 April 2022 for a total consideration of £779.1m. Management engaged experts to perform a purchase price allocation ("PPA") exercise in relation to intangibles, plant and equipment and inventory. The allocation of the purchase price to the acquired assets and liabilities is considered to be a key audit matter as the identification of the acquired assets and liabilities, and their subsequent valuation, recognition and measurement, is based to a large extent on estimates and assumptions involving a high degree of judgement.

Our procedures included the following:

- Assessing the business processes and controls related to the purchase price allocation.
- Reviewing the purchase agreement with a focus on unusual terms and conditions and more complex forms of consideration.
- Comparing the identified assets and liabilities with other sources of information, such as Board presentations, that might suggest omitted items.
- Obtaining the report prepared by management's expert used to value certain of the acquired assets and utilising our own specialists to assess the valuation techniques, assumptions and source data, used to determine these fair values.
- Evaluating the allocation of the purchase price to the relative fair values of the assets and liabilities acquired.
- Considering the appropriateness of the disclosures within the financial statements. Based on the procedures performed, we noted no material issues from our work.

Recoverability of investment in, and amounts owed by, group undertakings (parent)

As disclosed in notes 3 and 6 of the parent company's financial statements, the company held an investment in subsidiaries of £733.4m (2021: £537.6m) and amounts owed by group undertakings of £1,987.3m (2021: £1,275.0m) at 31 December 2022. The assessment of the recoverability of these assets required the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for a formal impairment assessment and in assessing whether the carrying value of each investment and amounts owed by group undertakings are recoverable. As changes to these judgements and estimates could have a material impact on the company's financial statements, we consider this to be a key audit matter.

Our procedures included the following:

- Assessing the recoverable value by reference to the net assets of the underlying subsidiaries and amounts owed by group undertakings with reference to the director's intentions for the settlement of group-wide intercompany balances.
- Assessing the impact of climate change included in management's cashflow forecast.
- Verifying that the recoverable values of the investment was consistent with the recoverable value of the CGUs tested for goodwill impairment purposes, leveraging the audit work undertaken as part of the group audit. Based on the procedures performed, we noted no material issues from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As set out in note 5 'Segmental analysis', the group reports its results as five segments: 'Performance Elastomers', 'Functional Solutions', 'Industrial Specialities', 'Adhesive Technologies' and 'Acrylate Monomers'. The group's financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and operating companies, across 24 countries. Two countries, being the USA and Germany, account for a significant portion of the group's results. We accordingly focused our work on two of the reporting units in these countries, which were subject to audits of their complete financial information. In addition, to increase our coverage of the group's revenue and underlying profit before tax we performed full scope audit procedures at an additional eleven reporting units located in the UK, Italy, Germany, Malaysia, the Czech Republic, Austria and France. These components accounted for 79% of the group's revenue, 75% of the group's underlying operating profit.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group's financial statements as a whole. During the audit, senior members of the group team held a number of meetings with the audit teams from key reporting units in the UK, Germany, Malaysia and the USA, and reviewed the work performed by these teams over those areas of higher audit risk. The group audit partner also visited Malaysia as part of the audit planning process.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management has adopted to assess the extent of the potential impact of climate risk on the group's financial statements and support the disclosures made within the TCFD report. In addition to enquiries with management, we

also read the governance processes in place to assess climate risk. We challenged the completeness of management's climate risk assessment by reading the group's website / communications for details of climate related impacts. Management have made commitments to achieve net zero carbon emissions by 2050, and with Vision 2030 they are working on their pathway towards this. Management considers the impact of climate risk does not give rise to a potential material financial statement impact. Using our knowledge of the business we evaluated management's risk assessment and its estimates as set out in note 2 of the financial statements and resulting disclosures where significant. We considered impairment of non-current assets, specially impairment of goodwill and intangible assets, as the area to potentially be materially impacted by climate risk and consequently we focused our audit work in this area. To respond to the audit risks identified in this area we tailored our audit approach to address these, in particular, we challenged management on how the impact of climate commitments made by the group would impact the assumptions within the discounted cash flows prepared by management that are used in the group's impairment analysis. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit. Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2022.

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	£11,743,000 (2021: £11,605,000)	£10,568,000 (2021: £10,444,500)
How we determined it	approximately 5% of three year weighted average of underlying profit before taxation (2021: three year weighted average of underlying profit before taxation)	1% of total assets capped at 90% of Group materiality
Rationale for benchmark applied	We believe that underlying profit before taxation, being profit before tax adjusted for special items, is a key metric for investors and is used by the Board in measuring the Group's financial performance.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted benchmark. The value is capped for the purpose of the Group audit with reference to Group materiality.

Independent auditors' report continued

to the members of Synthomer plc

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1,300,000 to £8,000,000. 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% (2021: 75%) of overall materiality, amounting to £8,807,000 (2021: £8,703,000) for the group financial statements and £7,926,000 (2021: £7,830,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £587,000 (group audit) (2021: £380,000) and £528,000 (company audit) (2021: £522,000) 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 members' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed the directors model supporting their going concern assumption. We discussed with management the assumptions applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business. We tested the model's mathematical accuracy and considered the reasonableness of the revenue and cost assumptions made and the available headroom throughout a period of at least twelve months from the date of approval of the financial statements.
- We reviewed management's sensitivity scenarios including their severe but plausible downside. We considered potential mitigating actions available to the group that are achievable and within management's control. We then assessed the availability of liquid resources under the different scenarios and the associated covenant tests applicable; and
- We also assessed additional downside sensitivities and considered the impact on covenants and liquidity headroom.

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 members' 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 members' 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 members' statement in the financial statements about whether the members considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the members 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 members are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the 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 members' 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 Governance report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The members' 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 members' 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 members' 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 members' 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 members' 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 members' 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 members' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;

- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the members' 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 members for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the members 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 members 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 members 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 members either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental, health and safety and competition regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, UK tax legislation and equivalent local laws and regulations applicable to material

Independent auditors' report continued

to the members of Synthomer plc

component teams. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of goodwill, going concern and viability and the valuation of defined benefit scheme liabilities. Where we considered appropriate, we held discussions with the Group's legal advisors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations (for example credit to revenue with a debit entry to an unexpected account) or journals posted by senior management.

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 members' remuneration specified by law are not made; or
- the company financial statements and the part of the Annual report on remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 12 July 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 December 2012 to 31 December 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Beer (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
28 March 2023

Consolidated income statement

for the year ended 31 December 2022

	Note	2022			2021		
		Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Continuing operations							
Revenue	5	2,383.9	–	2,383.9	2,144.2	–	2,144.2
Company and subsidiaries operating profit before Special Items		160.8	–	160.8	430.2	–	430.2
Amortisation of acquired intangibles	4	–	(44.8)	(44.8)	–	(30.1)	(30.1)
Restructuring and site closure costs	4	–	(19.2)	(19.2)	–	(29.7)	(29.7)
Acquisition costs and related gains	4	–	(6.5)	(6.5)	–	(11.9)	(11.9)
Sale of business	4	–	(0.3)	(0.3)	–	(7.4)	(7.4)
Regulatory Fine	4	–	21.5	21.5	–	(57.2)	(57.2)
Impairment charge	4	–	(133.7)	(133.7)	–	–	–
Company and subsidiaries operating profit		160.8	(183.0)	(22.2)	430.2	(136.3)	293.9
Share of joint ventures		1.7	–	1.7	2.6	–	2.6
Operating profit/(loss)	6	162.5	(183.0)	(20.5)	432.8	(136.3)	296.5
Interest payable	9	(44.8)	–	(44.8)	(27.9)	–	(27.9)
Interest receivable	9	1.6	–	1.6	1.0	–	1.0
Fair value gain on unhedged interest derivatives	4	–	25.1	25.1	–	6.2	6.2
Net interest expense on defined benefit obligations	9	(1.2)	–	(1.2)	(2.0)	–	(2.0)
Interest element of lease payments	9	(1.4)	–	(1.4)	(1.5)	–	(1.5)
Finance costs		(45.8)	25.1	(20.7)	(30.4)	6.2	(24.2)
Profit/(loss) before taxation		116.7	(157.9)	(41.2)	402.4	(130.1)	272.3
Taxation	10	(27.6)	42.9	15.3	(93.6)	20.3	(73.3)
Profit/(loss) for the year from continuing operations		89.1	(115.0)	(25.9)	308.8	(109.8)	199.0
Profit/(loss) for the year from discontinuing operations attributable to equity holders of the parent	31	7.8	(14.9)	(7.1)	16.8	(5.8)	11.0
Profit/(loss) for the year		96.9	(129.9)	(33.0)	325.6	(115.6)	210.0
Profit attributable to non-controlling interests		0.5	(1.0)	(0.5)	0.4	0.9	1.3
Profit/(loss) attributable to equity holders of the parent		96.4	(128.9)	(32.5)	325.2	(116.5)	208.7
		96.9	(129.9)	(33.0)	325.6	(115.6)	210.0
Earnings per share							
– Basic from continuing operations	13	19.0p	(24.4)p	(5.4)p	71.3p	(25.6)p	45.7p
– Diluted from continuing operations	13	18.9p	(24.3)p	(5.4)p	71.1p	(25.5)p	45.6p
– Basic	13	20.6p	(27.6)p	(7.0)p	75.2p	(26.9)p	48.3p
– Diluted	13	20.6p	(27.6)p	(7.0)p	74.9p	(26.8)p	48.1p

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	2022			2021		
		Equity holders of the parent £m	Non-controlling interests £m	Total £m	Equity holders of the parent £m	Non-controlling interests £m	Total £m
(Loss)/profit for the year		(32.5)	(0.5)	(33.0)	208.7	1.3	210.0
Actuarial gains	26	34.1	–	34.1	66.8	–	66.8
Tax relating to components of other comprehensive income	10	(11.6)	–	(11.6)	(11.8)	–	(11.8)
Total items that will not be reclassified to profit or loss		22.5	–	22.5	55.0	–	55.0
Exchange differences on translation of foreign operations		95.9	0.8	96.7	2.8	(0.2)	2.6
Exchange differences recycled on sale of business		–	–	–	0.3	–	0.3
Fair value gain on hedged interest derivatives		9.7	–	9.7	3.4	–	3.4
Gains on net investment hedges taken to equity		2.4	–	2.4	3.3	–	3.3
Total items that may be reclassified subsequently to profit or loss		108.0	0.8	108.8	9.8	(0.2)	9.6
Other comprehensive income/(expense) for the year		130.5	0.8	131.3	64.8	(0.2)	64.6
Total comprehensive income for the year		98.0	0.3	98.3	273.5	1.1	274.6

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging & translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total Equity £m
At 1 January 2022		46.7	620.0	0.9	(32.1)	383.8	1,019.3	13.7	1,033.0
Loss for the year		–	–	–	–	(32.5)	(32.5)	(0.5)	(33.0)
Other comprehensive income for the year		–	–	–	108.0	22.5	130.5	0.8	131.3
Total comprehensive income for the year		–	–	–	108.0	(10.0)	98.0	0.3	98.3
Dividends	12	–	–	–	–	(99.5)	(99.5)	–	(99.5)
Share-based payments		–	–	–	–	(0.8)	(0.8)	–	(0.8)
At 31 December 2022		46.7	620.0	0.9	75.9	273.5	1,017.0	14.0	1,031.0

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging & translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total Equity £m
At 1 January 2021		42.5	421.1	0.9	(41.9)	192.4	615.0	13.1	628.1
Profit for the year		–	–	–	–	208.7	208.7	1.3	210.0
Other comprehensive income for the year		–	–	–	9.8	55.0	64.8	(0.2)	64.6
Total comprehensive income for the year		–	–	–	9.8	263.7	273.5	1.1	274.6
Dividends	12	–	–	–	–	(73.5)	(73.5)	(0.5)	(74.0)
Issue of shares	27	4.2	198.9	–	–	–	203.1	–	203.1
Share-based payments		–	–	–	–	1.2	1.2	–	1.2
At 31 December 2021		46.7	620.0	0.9	(32.1)	383.8	1,019.3	13.7	1,033.0

Consolidated balance sheet

as at 31 December 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	14	480.8	487.0
Acquired intangible assets	15	523.6	297.6
Other intangible assets	16	60.9	46.4
Property, plant and equipment	17	753.6	508.3
Deferred tax assets	11	50.3	29.2
Defined benefit asset	26	5.9	–
Investment in joint ventures	18	8.1	7.4
Total non-current assets		1,883.2	1,375.9
Current assets			
Inventories	19	407.9	253.7
Trade and other receivables	20	271.6	312.8
Current tax assets	10	34.3	–
Cash and cash equivalents	21	227.7	505.3
Derivative financial instruments	22	26.7	3.2
Assets classified as held for sale	31	196.2	–
Total current assets		1,164.4	1,075.0
Total assets		3,047.6	2,450.9
Current liabilities			
Borrowings	21	(18.5)	–
Trade and other payables	24	(460.8)	(414.2)
Lease liabilities	23	(10.6)	(8.8)
Current tax liabilities	10	(33.6)	(45.2)
Provisions for other liabilities and charges	25	(13.7)	(85.2)
Derivative financial instruments	22	–	(10.1)
Liabilities classified as held for sale	31	(45.5)	–
Total current liabilities		(582.7)	(563.5)
Non-current liabilities			
Borrowings	21	(1,234.1)	(619.5)
Trade and other payables	24	(0.4)	(2.3)
Lease liabilities	23	(34.9)	(34.7)
Deferred tax liabilities	11	(44.9)	(57.5)
Retirement benefit obligations	26	(79.3)	(122.4)
Provisions for other liabilities and charges	25	(40.3)	(18.0)
Total non-current liabilities		(1,433.9)	(854.4)
Total liabilities		(2,016.6)	(1,417.9)
Net assets		1,031.0	1,033.0
Equity			
Share capital	27	46.7	46.7
Share premium	27	620.0	620.0
Capital redemption reserve		0.9	0.9
Hedging and translation reserve	27	75.9	(32.1)
Retained earnings	27	273.5	383.8
Equity attributable to equity holders of the parent		1,017.0	1,019.3
Non-controlling interests		14.0	13.7
Total equity		1,031.0	1,033.0

The financial statements on [pages 161 to 202](#) were approved by the Board of Directors and authorised for issue on 28 March 2023. They are signed on its behalf by:

M Willome
Director

L Liu
Director

Consolidated cash flow statement

for the year ended 31 December 2022

	Note	2022		2021	
		£m	£m	£m	£m
Operating					
Cash generated from operations	28		237.7		387.5
– Interest received		1.6		1.0	
– Interest paid		(38.4)		(27.1)	
– Interest element of lease payments		(1.4)		(1.5)	
Net interest paid			(38.2)		(27.6)
– UK corporation tax paid		–		–	
– Overseas corporate tax paid		(65.6)		(86.4)	
Total tax paid			(65.6)		(86.4)
Net cash inflow from operating activities			133.9		273.5
Investing					
Dividends received from joint ventures	18		1.9		1.9
Purchase of property, plant and equipment and other intangible assets	16, 17		(90.8)		(82.2)
Purchase of business	30		(759.6)		–
Proceeds from sale of business			0.3		1.7
Net cash outflow from investing activities			(848.2)		(78.6)
Financing					
Dividends paid	12		(99.5)		(73.5)
Dividends paid to non-controlling interests			–		(0.5)
Proceeds on issue of shares	27		–		203.1
Settlement of equity-settled share-based payments			(1.5)		(0.9)
Repayment of principal portion of lease liabilities			(10.1)		(9.7)
Repayment of borrowings			(207.6)		–
Proceeds of borrowings			733.2		–
Net cash inflow from financing activities			414.5		118.5
(Decrease)/increase in cash, cash equivalents and bank overdrafts during the year			(299.8)		313.4
Cash and cash equivalents and bank overdrafts at 1 January	21		505.3		191.3
Foreign exchange	21		3.7		0.6
Cash and cash equivalents and bank overdrafts at 31 December	21		209.2		505.3

See note 31 for further details of cash flows from discontinued operations.

Reconciliation of net cash flow from operating activities to movement in net debt

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Net cash inflow from operating activities		133.9	273.5
Add back: dividends received from joint ventures	18	1.9	1.9
Less: net capital expenditure		(90.8)	(82.2)
Less: purchase of businesses		(759.6)	–
Add back: proceeds from sale of business		0.3	1.7
		(714.3)	194.9
Ordinary dividends paid	12	(99.5)	(73.5)
Issue of shares	27	–	203.1
Dividends paid to non-controlling interests		–	(0.5)
Settlement of equity-settled share-based payments		(1.5)	(0.9)
Repayment for principal portion of lease liabilities		(10.1)	(9.7)
Foreign exchange and other movements	21	(85.3)	34.6
(Increase)/decrease in net debt		(910.7)	348.0

Notes to the consolidated financial statements

31 December 2022

1 General information

Synthomer plc (the 'Company') is a public limited company incorporated in the United Kingdom and registered in England under the Companies Act. The address of the registered office is given on [page 221](#). The Company is listed on the London Stock Exchange.

The principal activities of the Company and its subsidiaries (the 'Group') and the nature of the Group's operations are set out in the Strategic report.

The consolidated financial statements are prepared in pounds sterling, the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 2.

New and amended standards adopted by the Group

There are no standards or interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The financial statements have been prepared on a going concern basis and under the historical cost basis, except for the revaluation of financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The principal accounting policies adopted are set out below.

Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty, particularly over the level of demand for the Group's products. The Group's forecasts and projections take account of reasonably possible changes in trading performance, and a severe but plausible downside scenario has been prepared, linked to our principal risks. Various mitigating actions have also been identified so that, should such a scenario crystallise, the Group could take action quickly to significantly reduce costs and cash outflows, as demonstrated during the course of the COVID-19 pandemic in 2020.

The severe but plausible downside scenario, offset by mitigation actions as required, does not threaten the Group's ability to operate within the level of its current facilities. Having assessed the principal risks and the other matters discussed in connection with the viability statement see [page 90](#), the Directors therefore considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the Group's borrowings is given in note 21.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled

by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins from the date the Company obtains control and ceases from the date the Company loses control. Where necessary on obtaining control, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Subsequent to the date on which the Company obtains control, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during a measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

A measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

If a business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured

2 Significant accounting policies continued

to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Goodwill

Goodwill is measured as the excess of the consideration transferred over the Group's interest in acquisition-date identifiable assets acquired less liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units are defined as our reportable segments: Performance Elastomers, Functional Solutions, Industrial Specialities, Acrylate Monomers and Adhesive Technologies.

Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Joint ventures

Joint ventures are accounted for using the equity method of accounting. Under the equity method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Revenue

General

Synthomer manufactures and sells mainly water-based polymers across a diverse range of end use applications. Our products are predominantly sold in liquid form, in bulk containers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer when performance obligations are satisfied. Revenue is recognised at the point in time when control of the product is transferred from Synthomer to the customer.

The customer is deemed to obtain control of the resultant asset in line with the Incoterms under which it is sold. The significant majority of Synthomer's products are sold under Carriage Paid To (CPT) and Carriage and Insurance Paid (CIP) International Commercial Terms. Under these terms, control of the product is transferred when the goods reach

their destination. At this point the risks of obsolescence and loss have been transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the product. A receivable is recognised at this point in time as consideration is unconditional and only the passage of time is required before payment is due.

Rebates

Synthomer may grant customers rebates if the goods purchased by the customer exceed a contractually defined threshold within the specified period. Rebates are usually deducted from the amounts payable by the customer. Depending on the terms of the underlying contract, Synthomer uses either the expected value or the most likely amount to estimate the variable consideration for expected future rebates. Historical, current and forecast information is considered when calculating rebates.

The majority of rebate programmes are aligned with the Group's financial year end, providing certainty around how much should be recognised in the financial statements.

Other

The Group does not have any contracts where the period between the transfer of promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group applies the practical expedient in IFRS 15 and does not adjust any of the transaction prices for the time value of money.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under 'hedge accounting'); and
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's non-sterling operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities.

Operating profit and loss

Operating profit and loss represents profit and loss from continuing activities before financing costs and taxation.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The lease term is determined from the commencement date of the contract and covers the non-cancellable term. If considered reasonably certain, extension or termination options are included in the lease term.

At the commencement date, a lease liability is recognised, measured at the present value of the future lease payments and discounted using the Group's incremental borrowing rate. Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

At the commencement date, a right of use asset is recognised, measured at an amount equal to the lease liability plus any lease payments made before the commencement date and any initial direct costs, less any lease incentive payments. An estimate of costs to be incurred in restoring an asset, in accordance with the terms of the lease, is also included in the right of use asset at initial recognition. Subsequently, right of use assets are measured in accordance with the accounting policy for property, plant and equipment and are depreciated over the shorter period of lease term and the useful life of the underlying asset. Any adjustments to the corresponding lease liability are reflected in the corresponding right of use asset.

Short-term leases and low value leases are not recognised as lease liabilities and right of use assets, but are recognised as an expense straight-line over the lease term.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss. Cost comprises original purchase price and the costs attributable to bringing the asset to its working condition for its intended use, including, where appropriate, capitalised finance costs.

Freehold land is not depreciated.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	• 50 years
Leasehold land and buildings	• the lesser of 50 years and the period of the lease
Plant and equipment	• between 3 and 20 years

2 Significant accounting policies continued

Assets in the course of construction are carried at cost, less any recognised impairment loss. Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of those assets. Depreciation of these assets commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Acquired intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date, which is regarded as their cost. Where necessary the fair value of assets at acquisition and their estimated useful lives are based on independent valuation reports.

Acquired intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over estimated useful lives, on the following bases:

Customer relationships	• between 5 and 20 years
Other intangibles	• up to 20 years

Assets with an indefinite life are not subject to amortisation.

Acquired intangible assets are derecognised upon reaching the end of their useful lives.

Other intangible assets

Other intangible assets that are not acquired through a business combination are initially measured at cost and amortised on a straight-line basis over their estimated useful lives of up to ten years.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the asset;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the asset once development has been completed;
- the probability that the asset created will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development; and
- the asset created can be separately identified and the development cost can be measured reliably.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. The significant other intangible asset in the Group relates to the Pathway Programme systems transformation project.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its plant, property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where they exist.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial instruments in the following categories:

- financial assets and liabilities at amortised cost (AC);
- financial assets and liabilities at fair value through profit and loss (FVTPL); and
- financial assets and liabilities at fair value through other comprehensive income (FVTOCI).

Financial assets and liabilities are initially measured at fair value including, where permitted, any directly attributable transaction costs.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

Financial assets and liabilities measured at amortised cost

Financial assets measured at amortised cost include cash and cash equivalents and trade and other receivables. Cash and cash equivalents comprise cash held in bank accounts with no access restrictions, and bank term deposits repayable on demand or maturing within three months of inception.

At each reporting date the Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Group applies either the general approach or the simplified approach, depending on the nature of the underlying class of financial assets:

- Under the general approach, the Group recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses.
- The simplified approach is applied to the impairment assessment of trade and other receivables. Under this approach, the Group recognises expected lifetime losses upon initial recognition.

Financial liabilities measured at amortised cost include trade and other payables, lease liabilities and borrowings. Borrowings are measured at amortised cost unless they form part of a fair value hedge relationship. The difference between the initial carrying amount of borrowings and the redemption value is recognised in the income statement over the contractual terms using the effective interest rate method.

Financial assets and liabilities held at fair value

Financial assets and liabilities are measured at fair value through profit or loss when they do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

Financial assets and liabilities at FVTPL are measured at fair value at the end of each reporting period with fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see below).

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are set out in note 22.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Hedge accounting

To mitigate foreign currency and interest rate risk, the Group designates certain derivatives as hedging instruments in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk.

On adoption of IFRS 9, the Group elected to continue to apply the hedge accounting requirements of IAS 39 as permitted by the standard.

Fair value hedges

The Group only applies fair value hedge accounting for foreign currency risk.

The fair value change on qualifying hedging instruments is recognised in the income statement and is recognised in the same line as the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge.

Gains or losses relating to an ineffective portion are recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified in the income statement in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated at that time in equity is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognised immediately in profit or loss.

Hedges of net investment in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

2 Significant accounting policies continued

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are treated as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

For defined benefit schemes, the cost of providing benefits is calculated using the projected unit credit method, with actuarial valuations carried out at the end of each reporting period.

Defined benefit costs are split into three categories, namely:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense; and
- remeasurements.

The Group presents service costs within cost of sales and administrative expenses.

Past service cost is recognised when the plan amendment or curtailment occurs.

Net interest expense is recognised within finance costs and is calculated by applying a discount rate to the net defined benefit liability.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of other comprehensive income in the period in which they occur and are not subsequently reclassified to profit and loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. These are measured at the fair value of the equity instruments at grant date. The fair value excludes the effect of non-market-based vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity

reserves. The Group will on occasion, at its own discretion, settle these share-based payments in cash rather than equity.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Alternative Performance Measures

The Group has consistently used two significant Alternative Performance Measures (APMs) since its adoption of IFRS in 2005:

- Underlying performance, which excludes Special Items from IFRS profit measures; and
- EBITDA, which excludes Special Items, amortisation and depreciation from IFRS operating profit.

The Board's view is that Underlying performance provides additional clarity for the Group's investors and so it is the primary focus of the Group's narrative reporting. It is not intended to be a superior measure to IFRS; however, these measures are used internally to manage the business. Further information and the reconciliation to the IFRS measures are included in notes 4 and 5.

Critical accounting judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The assumptions for each estimate are set out in the relevant note referenced below.

- Defined benefit obligation (note 26): Calculation of the Group's defined benefit obligation includes a number of assumptions which affect the carrying value of the obligation.
- Valuation of goodwill, intangible assets and property plant and equipment on acquisition: In a business combination, intangible and tangible assets are identified and recognised at fair value. The assumptions involved in valuing these assets require the use of estimates that may differ from the actual outcome. These estimates cover future growth rates, expected inflation rates and the discount rate used. Changing the assumptions selected by management could significantly affect the allocation of the purchase price paid between goodwill and other acquired intangibles.

- Impairment of goodwill and intangible assets: as part of impairment testing, the Group is required to estimate the recoverable amount of cash generating units by estimating future cash flows. The assumptions involved in estimating the recoverable amount include future growth rates and the discount rates used. Changing the assumptions selected by management could significantly affect the amount of any impairment.
- Current tax liability and deferred tax (notes 10 and 11): The Group annually incurs significant amounts of income taxes payable to various jurisdictions around the world and it also recognises significant changes in deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions.

Critical judgements in applying the Group's accounting policies

In December 2022 the Group entered into agreements under which amounts receivable from customers can be sold to a third party on a non-recourse basis. These receivables are derecognised at the point of sale which is shortly after the initial recognition of the receivable balance. This derecognition generated a net cash inflow of £82 million in the year ended 31 December 2022, reflected as a net reduction in receivables. In accordance with IFRS 9, the Group has determined that substantially all the risks and rewards of ownerships of these receivables have been transferred to the third parties under the facilities, resulting in derecognition of the customer receivables. IFRS 7 provides further guidance on disclosure requirements where there is continued involvement in the derecognised financial assets. The Group has determined that an asset should be recognised in respect of deferred purchase price reserve, which represents a portion of the original receivable. This reserve is subsequently paid by the counterparties to the agreements, whether the customer pays the receivable in full or not. Further disclosures in relation to this receivable can be found in note 22.

There are no other critical judgements, apart from those involving estimations (which are discussed above), that the Directors have made in the process of applying the Group's accounting policies.

During 2018, the European Commission (the Commission) initiated an investigation into practices relating to the purchase of styrene monomer by companies, including Synthomer, operating in the European Economic Area. The Company has fully cooperated with the Commission during its investigation, which concluded in 2022 resulting in a fine of £38.5 million payable in 2023. In prior years given the ongoing investigation and the inherent uncertainties associated with it, it was not possible to determine whether or not a liability existed. Similarly, given the many variables in the Commission's fining framework and accordingly the range of possible outcomes, the Directors were not able to reliably estimate any potential possible liability. Therefore a contingent liability was initially disclosed in each set of financial statements, before further information allowed a provision of £57.2 million to be recognised in 2021. No critical judgement or uncertainty remains now that the investigation is concluded.

3 Adoption of new and revised standards

There were no new standards or amendments to existing standards that were effective in the year that have had a material impact on the Group. There are a number of amendments and clarifications to IFRS, effective in future years, which have not been early adopted by the Group. These standards, amendments or clarifications are not expected to significantly affect the Group's consolidated results or financial position in the current or future periods.

4 Special items

IFRS and Underlying performance

The IFRS profit measures show the performance of the Group as a whole and as such include all sources of income and expense, including both one-off items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of the Group's businesses, management uses 'Underlying' performance as an Alternative Performance Measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

Special Items

Special Items are disclosed separately in order to provide a clearer indication of the Group's Underlying performance.

Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of a segment in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

The following are consistently disclosed separately as Special Items in order to provide a clearer indication of the Group's Underlying performance:

- Restructuring and site closure costs;
- Sale of business or significant asset;
- Acquisition costs;
- Amortisation of acquired intangible assets;
- Impairment of non-current assets;
- Fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied;
- Items of income and expense that are considered material, either by their size and/or nature;
- Tax impact of above items; and
- Settlement of prior period tax issues.

Notes to the consolidated financial statements continued

31 December 2022

4 Special items continued

Special items comprise:

	Note	2022 £m	2021 £m
Amortisation of acquired intangibles	15	(44.8)	(30.1)
Restructuring and site closure costs		(19.2)	(29.7)
Acquisition costs and related gains		(6.5)	(11.9)
Sale of business		(0.3)	(7.4)
Regulatory Fine		21.5	(57.2)
Impairment charge		(133.7)	-
Total impact on operating loss		(183.0)	(136.3)
Finance costs			
Fair value gain on unhedged interest derivatives	9	25.1	6.2
Total impact on profit before taxation		(157.9)	(130.1)
Taxation Special items	10	3.6	8.8
Taxation on Special items	10	39.3	11.5
Total impact on profit for the year – continuing operations		(115.0)	(109.8)
Discontinued Operations			
Amortisation of acquired intangibles		(6.1)	(6.1)
Restructuring and site closure costs		(0.3)	-
Sale of business		(8.3)	-
Taxation on Special items		(0.2)	0.3
Total impact on profit for the year – discontinued operations		(14.9)	(5.8)
Total impact on profit for the year		(129.9)	(115.6)

Amortisation of acquired intangibles increased in 2022, reflecting the amortisation on the customer lists, patents, trademarks and trade secrets arising on the acquisition of Eastman's Adhesive Resins business. The fair value of the intangible assets arising on the acquisition, amounting to £273.2 million, are being amortised over a period of 8-20 years mainly dependent on the characteristics of the customer relationships.

Restructuring and site closure costs in 2022 comprise:

- A £9.6 million charge in relation to the ongoing integration of the acquired business into the newly formed Adhesive Technologies division;
- A £3.2 million charge in relation to site closure of one of the smaller sites in Malaysia;
- A further £6.7 million, in relation to further demolition and site rationalisation costs, as well as costs in relation to the strategy change and alignment of the business into its new divisions effective in 2023.

Restructuring and site closure costs in 2021 comprised £13.2 million of OMNOVA integration costs following its acquisition in 2020, an £11.6 million charge to demolish and rationalise assets at a small number of sites to bring them into line with our ESG strategy, and a further £4.9 million to complete the rationalisation of the Group's European Performance Materials network.

Acquisition costs and related gains are for the acquisition of Eastman's Adhesive Resins business and comprise £11.9 million of costs, mainly professional adviser fees, offset by a £5.4 million gain on a foreign exchange derivative entered into in October 2021 to hedge the acquisition price. Acquisition costs in 2021 also related to the acquisition of Eastman's Adhesive Resins business.

Sale of business mainly related to the costs, primarily professional fees, incurred in conjunction with the sale of the Laminates, Films and Coated Fabrics business to Surteco. In the prior year the sale of business principally comprised a further £7.1 million loss on the onerous contract for the disposal of Synthomer's European Tyre Cord business in 2020.

During 2018, the European Commission initiated an investigation into styrene monomer purchasing practices of a number of companies, including Synthomer, operating in the European Economic Area. The Company has fully cooperated with the Commission throughout the investigation. In 2021, based on the information available and the resulting assessment of the expected outcome of the investigation, a provision of £57.2 million was made. In 2022, the Commission concluded its investigation, resulting in a fine of £38.5 million.

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

A £133.7 million impairment charge was taken in the year, relating to the Adhesives Technologies division. This was caused by reliability and supply chain issues, demand weakness in key adhesives markets and lower than expected delivered capacity.

Taxation Special Items related to historical tax issues in Malaysia.

Taxation on Special Items is mainly deferred tax credits arising on the amortisation of acquired intangibles and restructuring and site closure costs.

5 Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance.

The Group's reportable segments are as follows:

Performance Elastomers

Performance Elastomers is focused on healthcare, carpet, paper and foam markets through our Nitrile Butadiene Rubber latex (Nitrile latex) and Styrene Butadiene Rubber latex and Elastomeric Modifiers businesses (Performance Materials).

Functional Solutions

Functional Solutions is focused on coatings, construction, adhesives and technical textiles markets through our acrylic and vinylic based dispersions products.

Industrial Specialities

Industrial Specialities is focused on speciality chemical additives and non-aqueous based chemistry for a broad range of applications from polymer additives to emerging materials and technologies.

Acrylate Monomers

Acrylate Monomers is focused on the production of acrylate monomers which are sold to external customers in European markets as well as our European Functional Solutions dispersions business.

Adhesive Technologies

Adhesive Technologies is focused on tackifying resins and additives for adhesive products, for uses in end markets such as packaging, hygiene and high-performance tyre additives. The division was formed from the newly acquired Adhesive Resins business purchased from Eastman.

With effect from 1 January 2023, the Group has implemented a new organisation structure, comprising three operating segments. See note 35 for further details.

The Group's Executive Committee is the chief operating decision maker and primarily uses a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments. No information is provided to the Group's Executive Committee at the segment level concerning interest income, interest expense, income tax or other material non-cash items. No single customer accounts for more than 10% of the Group's revenue.

A segmental analysis of Underlying performance and Special Items is shown below.

	Continuing Operations						Discontinued Operations		Total £m
	Performance Elastomers £m	Functional Solutions £m	Industrial Specialities £m	Acrylate Monomers £m	Adhesive Technologies £m	Corporate £m	Industrial Specialities		
2022									
Revenue									
Total revenue	659.7	1,001.3	233.9	116.0	391.3	–	2,402.2	201.2	2,603.4
Inter-segmental revenue	–	–	–	(18.3)	–	–	(18.3)	–	(18.3)
	659.7	1,001.3	233.9	97.7	391.3	–	2,383.9	201.2	2,585.1
EBITDA									
Depreciation and amortisation	49.1	127.8	31.8	21.7	39.5	(20.7)	249.2	15.9	265.1
	(29.6)	(26.7)	(6.3)	(1.1)	(17.0)	(6.0)	(86.7)	(7.2)	(93.9)
Operating profit/(loss) before Special Items	19.5	101.1	25.5	20.6	22.5	(26.7)	162.5	8.7	171.2
Special Items	(1.9)	(31.3)	(2.8)	–	(169.3)	22.3	(183.0)	(14.7)	(197.7)
Operating profit/(loss)	17.6	69.8	22.7	20.6	(146.8)	(4.4)	(20.5)	(6.0)	(26.5)
Finance costs									(21.1)
Loss before taxation									(47.6)

	Continuing Operations						Discontinued Operations		Total £m
	Performance Elastomers £m	Functional Solutions £m	Industrial Specialities £m	Acrylate Monomers £m	Adhesive Technologies £m	Corporate £m	Industrial Specialities		
2021									
Revenue									
Total revenue	951.5	900.3	197.2	110.3	–	–	2,159.3	185.3	2,344.6
Inter-segmental revenue	–	–	–	(15.1)	–	–	(15.1)	–	(15.1)
	951.5	900.3	197.2	95.2	–	–	2,144.2	185.3	2,329.5
EBITDA									
Depreciation and amortisation	320.7	139.2	23.4	35.3	–	(20.6)	498.0	24.2	522.2
	(25.8)	(28.1)	(7.6)	(0.8)	–	(2.9)	(65.2)	(6.1)	(71.3)
Operating profit/(loss) before Special Items	294.9	111.1	15.8	34.5	–	(23.5)	432.8	18.1	450.9
Special Items	(8.0)	(41.3)	(8.0)	(5.2)	–	(73.8)	(136.3)	(6.1)	(142.4)
Operating profit/(loss)	286.9	69.8	7.8	29.3	–	(97.3)	296.5	12.0	308.5
Finance costs									(24.6)
Profit before taxation									283.9

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Geographical information

The Group's revenue from external customers and its non-current assets (excluding deferred tax and the defined benefit asset) by geographical location are detailed below:

	Revenue by destination		Non-current assets	
	2022 £m	2021 £m	2022 £m	2021 £m
UK	106.0	103.6	187.5	154.8
Germany	304.3	257.2	183.4	189.4
Italy	135.6	102.9	30.6	33.9
Netherlands	76.6	81.4	140.4	10.9
France	111.9	97.2	100.1	99.2
Belgium	63.0	49.2	60.1	62.3
Other Europe	437.2	389.6	81.6	75.8
Malaysia	174.5	392.4	177.9	170.5
China	116.1	145.9	23.9	22.3
Other Asia	206.1	205.5	4.5	22.5
USA	693.6	399.6	827.7	497.5
Rest of World	160.2	105	9.3	7.6
	2,585.1	2,329.5	1,827.0	1,346.7

6 Operating profit – continuing operations

	Note	2022 £m	2021 £m
Revenue		2,383.9	2,144.2
Cost of sales		(1,971.4)	(1,479.2)
Gross profit		412.5	665.0
Sales and marketing costs		(73.5)	(48.6)
Administrative expenses		(91.5)	(121.0)
Share of joint ventures	18	1.7	2.6
EBITDA		249.2	498.0
Depreciation and amortisation - Underlying performance		(86.7)	(65.2)
Operating profit – Underlying performance		162.5	432.8
Special items		(183.0)	(136.3)
Operating (loss)/profit – IFRS		(20.5)	296.5

	Note	2022 £m	2021 £m
Operating profit is stated after charging/(crediting) the following:			
Amortisation of acquired intangibles	4	44.8	30.1
Amortisation of other intangibles	4	7.9	7.1
Depreciation of property, plant and equipment		69.7	48.7
Depreciation of right of use assets		9.1	9.4
Research and development expenditure		33.7	28.9
Net (gain)/loss on foreign exchange		(1.7)	0.7

7 Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor for:		
– audit of the Company's annual financial statements and the consolidated annual financial statements	485	332
Fees payable to the Company's auditor and their associates for other services to the Group:		
– audit of the Company's subsidiaries' annual financial statements	1,951	1,291
Total audit fees	2,436	1,623
Audit related assurance services	46	42
Other assurance services	213	1,582
Total non-audit fees	259	1,624

Details of the Company's policy on the use of the auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance report on [page 115](#). No services were provided pursuant to contingent fee arrangements.

8 Staff costs

	2022 Number	2021 Number
The average monthly number of employees during the year by segment was:		
Performance Elastomers	928	944
Functional Solutions	1,955	1,826
Industrial Specialities	1,122	1,176
Acrylate Monomers	345	344
Adhesive Technologies	547	–
Corporate	305	324
	5,202	4,614
	2022 £m	2021 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	266.1	243.7
Social security costs	35.3	26.5
Other pension costs	16.1	13.9
Share-based payments	0.7	2.1
	318.2	286.2

Directors' emoluments are disclosed in the Remuneration report on [pages 123 to 148](#).

9 Finance costs

	2022 £m	2021 £m
Interest payable on bank loans and overdrafts	44.8	27.9
Less: interest receivable	(1.6)	(1.0)
Net interest expense on defined benefit obligations	1.2	2.0
Interest element of lease payments	1.4	1.5
Underlying finance costs	45.8	30.4
Fair value (gain) on unhedged interest derivatives	(25.1)	(6.2)
Total finance costs from continuing operations	20.7	24.2
Finance costs from discontinued operations	0.4	0.4
Total finance costs	21.1	24.6

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10 Taxation

	2022 £m	2021 £m
Current tax		
UK corporation tax	1.3	0.3
Overseas taxation	21.5	89.0
	22.8	89.3
Deferred tax		
Origination and reversal of temporary differences	5.3	5.2
	28.1	94.5
Special items		
<i>Current tax:</i>		
Historical issues	–	(8.8)
Purchase and sale of business	(0.1)	(0.2)
Restructuring and site closure costs	(2.6)	(4.2)
<i>Deferred tax:</i>		
Restructuring and site closure costs	1.5	(6.1)
Amortisation of acquired intangibles	(7.5)	(6.9)
Impairment of goodwill	(30.0)	–
Acquired tax attributes	(0.4)	5.6
Adjustment in respect of prior periods	(3.6)	–
	(42.7)	(20.6)
Total tax on (loss)/profit before taxation	(14.6)	73.9
Total tax from continuing operations	(15.3)	73.3
Total tax from discontinued operations	0.7	0.6

UK corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of tax (credit)/charge to (loss)/profit before taxation

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2022 £m	2021 £m
(Loss)/profit before taxation	(47.6)	283.9
Tax on (loss)/profit before taxation (continuing operations) at standard UK corporation tax rate of 19.0% (2021: 19.0%)	(9.0)	53.9
Effects of:		
Expenses not deductible for tax purposes	5.3	16.7
Tax incentives and items not subject to tax	(4.2)	(0.6)
Higher tax rates on overseas earnings	(2.6)	16.6
Other deferred tax asset not recognised less amounts now recognised	0.2	(7.6)
Adjustments to tax charge in respect of prior periods	(2.8)	(7.5)
Effect of change of rate on deferred tax	(1.5)	2.4
Tax (credit)/charge for year	(14.6)	73.9

Tax relating to components of other comprehensive income

	2022 £m	2021 £m
Current tax credit in respect of actuarial losses	0.3	1.4
Deferred tax charge in respect of actuarial movements	(11.9)	(13.2)
Total tax charge in respect of actuarial gains/losses	(11.6)	(11.8)

Current tax

	2022 £m	2021 £m
Current tax receivables	34.3	–
Current tax liabilities	(33.6)	(45.2)

Expenses not deductible for tax includes the tax impact of the impairment in relation to the Adhesive Technologies business. Tax incentives and items not subject to tax includes the tax impact of the release of the provision in relation to the European Commission Styrene investigation. This was treated as a disallowed expense in the 2021.

11 Deferred taxation

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities are shown below.

Deferred tax liabilities

2022

	Accelerated tax depreciation £m	Goodwill and acquired intangibles £m	Sub-total £m	Right of Offset £m	Total £m
At 1 January	(33.2)	(73.5)	(106.7)	49.2	(57.5)
Purchase of business	0.7	(7.5)	(6.8)		
Reclassification of assets/liabilities classified as held for sale	7.0	11.1	18.1		
(Charged)/credited to income statement	(25.3)	37.5	12.2		
Exchange adjustment	(5.4)	(5.4)	(10.8)		
At 31 December	(56.2)	(37.8)	(94.0)	49.1	(44.9)
2021	£m	£m	£m	£m	£m
At 1 January	(32.8)	(81.6)	(114.4)	71.1	(43.3)
(Charged)/credited to income statement	(1.2)	6.9	5.7		
Exchange adjustment	0.8	1.2	2.0		
At 31 December	(33.2)	(73.5)	(106.7)	49.2	(57.5)

Deferred tax liability not recognised

No deferred tax liability has been recognised on temporary differences relating to unremitted earnings of overseas subsidiaries of £117.4 million (2021: £71.7 million), as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that the differences will reverse in the foreseeable future.

Deferred tax assets

2022

	Losses £m	Pension £m	Restructuring £m	Other £m	Sub-total £m	Right of Offset £m	Total £m
At 1 January	26.1	20.0	16.1	16.2	78.4	(49.2)	29.2
Purchase of business	–	–	–	3.7	3.7		
Reclassification to assets/liabilities classified as held for sale	–	–	–	(1.1)	(1.1)		
Credited/(charged) to income statement	29.3	(1.8)	(1.5)	(3.5)	22.5		
Charged to statement of other comprehensive income	–	(11.9)	–	–	(11.9)		
Transfers	4.4	–	(4.4)	–			
Exchange adjustment	2.8	1.7	(0.4)	3.7	7.8		
At 31 December	62.6	8.0	9.8	19.0	99.4	(49.1)	50.3
2021	£m	£m	£m	£m	£m	£m	£m
At 1 January	29.0	37.2	10.5	18.2	94.9	(71.1)	23.8
(Charged)/credited to income statement	(3.1)	(3.4)	6.1	(3.1)	(3.5)		
Charged to statement of other comprehensive income	–	(13.2)	–	–	(13.2)		
Exchange adjustment	0.2	(0.6)	(0.5)	1.1	0.2		
At 31 December	26.1	20.0	16.1	16.2	78.4	(49.2)	29.2

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11 Deferred taxation continued

Tax losses not recognised

The amounts of tax losses for which no deferred tax asset has been recognised at the balance sheet dates are as follows:

	2022 £m	2021 £m
Tax losses	53.0	53.4
	53.0	53.4

All of the unrecognised tax losses set out above can be carried forward indefinitely.

12 Dividends

	2022		2021	
	Pence per share	£m	Pence per share	£m
Interim dividend	–	–	8.7	36.9
Proposed final dividend	–	–	21.3	99.5
	–	–	30.0	136.4

As part of a covenant amendment process in October 2022, the Group suspended dividend payments until the end of 2023. This included the suspension of the interim dividend of 4.0p announced in 2022 that was due to be paid in November 2022.

Dividends paid

	2022 £m	2021 £m
Interim dividend	–	36.9
Prior year final dividend	99.5	36.6
	99.5	73.5

13 Earnings per share

Number of shares

		2022			2021		
		Underlying performance	Special Items	IFRS	Underlying performance	Special Items	IFRS
Profit/(loss) attributable to equity holders of the parent							
– continuing	£m	88.6	(114.0)	(25.4)	308.4	(110.7)	197.7
– total	£m	96.4	(128.9)	(32.5)	325.2	(116.5)	208.7
Number of shares							
Weighted average number of ordinary shares – basic	'000			467,311			432,290
Effect of dilutive potential ordinary shares	'000			1,019			1,654
Weighted average number of ordinary shares – diluted	'000			468,330			433,944
Earnings per share for profit from continuing operations							
Basic earnings per share	pence	19.0	(24.4)	(5.4)	71.3	(25.6)	45.7
Diluted earnings per share	pence	18.9	(24.3)	(5.4)	71.1	(25.5)	45.6
Earnings per share for profit from discontinued operations							
Basic earnings per share	pence	1.6	(3.2)	(1.6)	3.9	(1.3)	2.6
Diluted earnings per share	pence	1.7	(3.3)	(1.6)	3.8	(1.3)	2.5
Earnings per share for profit attributable to equity holders of the parent							
Basic earnings per share	pence	20.6	(27.6)	(7.0)	75.2	(26.9)	48.3
Diluted earnings per share	pence	20.6	(27.6)	(7.0)	74.9	(26.8)	48.1

14 Goodwill

	2022 £m	2021 £m
Cost		
At 1 January	502.4	508.8
Measurement period adjustment	–	2.1
Purchase of business	124.9	–
Transferred to assets held for sale	(43.5)	–
Exchange adjustments	46.1	(8.5)
At 31 December	629.9	502.4
Accumulated impairment losses		
At 1 January	15.4	15.4
Impairment charge	133.7	–
At 31 December	149.1	15.4
Net book value		
At 31 December	480.8	487.0

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

In March 2021, a £2.1 million measurement period adjustment was recognised, relating to the acquisition of OMNOVA Solutions Inc. The allocation of the carrying value of goodwill is represented below.

	Net book value at 1 January 2021 £m	Measurement period adjustment £m	Exchange adjustments £m	Net book value at 31 December 2021 £m	Purchase of business £m	Transfer to asset held for sale £m	Impairment £m	Exchange adjustments £m	Net book value at 31 December 2022 £m
Performance Elastomers	123.2	–	(5.9)	117.3	–	–	–	6.0	123.3
Functional Solutions	306.4	1.9	(1.4)	306.9	–	–	–	24.0	330.9
Industrial Specialities	63.8	0.2	(1.2)	62.8	–	(43.5)	–	5.9	25.2
Adhesive Technologies	–	–	–	–	124.9	–	(133.7)	10.2	1.4
TOTAL	493.4	2.1	(8.5)	487.0	124.9	(43.5)	(133.7)	46.1	480.8

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts for CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rate, profitability and growth rate. These assumptions have been updated in the year in light of the current economic environment.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The discount rate is based on the Group's weighted average cost of capital adjusted where appropriate for the risk premium attributable to a particular CGU's activities. A pre-tax discount rate of 11.4% (2021: 10.2%) has been used in the above calculations for each of Performance Elastomers, Functional Solutions and Industrial Specialities, and a pre-tax discount rate of 12.3% was used for Adhesive Technologies.

The Group prepares cash flow forecasts for each CGU, derived from the most recent five-year business plans approved by the Board. The final year cash flow is then assumed to apply into perpetuity with estimated annual growth rates of 3.1%, 1.9%, 2.0% and 2.0% for Performance Elastomers, Functional Solutions, Industrial Specialities and Adhesive Technologies respectively (2021: 3.1%, 1.9% and 2.0% for Performance Elastomers, Functional Solutions and Industrial Specialities respectively) These rates do not exceed average long-term growth rates for relevant markets.

A £133.7 million impairment charge was taken in the year, relating to the Adhesives Technologies division. This reflected reliability and supply chain issues, which the Group is working to resolve, and lower-than-expected capacity acquired.

For all the CGUs, a sensitivity analysis has been undertaken on these impairment tests, with scenarios covering increased cost of capital, lower perpetuity growth rates, the impact of potential carbon taxes, reduced margins and reduction in customer demand. For each CGU except for Adhesive Technologies, the Directors believe that there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU. For Adhesive Technologies, the primary sensitivities identified were the discount rate and the perpetuity growth rate. Every 0.25% decrease in perpetuity growth rate yields a decrease of c.£9 million in recoverable amount. Every 0.1% increase in discount rate yields a decrease in recoverable amount of c.£5 million.

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15 Acquired intangible assets

	Customer Relationships £m	Other Acquired Intangibles £m	Total £m
Cost			
At 1 January 2022	361.7	21.1	382.8
Acquisition of business	180.9	92.3	273.2
Transfer to held for sale	(60.2)	(2.4)	(62.6)
Derecognition of fully amortised assets	(4.1)	(2.6)	(6.7)
Exchange adjustments	47.3	9.0	56.3
At 31 December 2022	525.6	117.4	643.0
Accumulated amortisation and impairment			
At 1 January 2022	78.5	6.7	85.2
Amortisation charge for the year	44.7	6.2	50.9
Transfer to held for sale	(17.8)	(0.4)	(18.2)
Derecognition of fully amortised assets	(4.1)	(2.6)	(6.7)
Exchange adjustments	7.6	0.6	8.2
At 31 December 2022	108.9	10.5	119.4
Net book value			
At 31 December 2022	416.7	106.9	523.6
	Customer Relationships £m	Other Acquired Intangibles £m	Total £m
Cost			
At 1 January 2021	373.2	21.6	394.8
Derecognition of fully amortised assets	(3.1)	–	(3.1)
Exchange adjustments	(8.4)	(0.5)	(8.9)
At 31 December 2021	361.7	21.1	382.8
Accumulated amortisation and impairment			
At 1 January 2021	48.8	5.0	53.8
Amortisation charge for the year	34.1	2.1	36.2
Derecognition of fully amortised assets	(3.1)	–	(3.1)
Exchange adjustments	(1.3)	(0.4)	(1.7)
At 31 December 2021	78.5	6.7	85.2
Net book value			
At 31 December 2021	283.2	14.4	297.6

16 Other intangible assets

	Other intangible assets £m	Assets under construction £m	Total £m
Cost			
At 1 January 2022	61.8	–	61.8
Additions	21.8	–	21.8
Disposals	(0.4)	–	(0.4)
Transfer to held for sale	(3.1)	–	(3.1)
Other transfers	8.6	–	8.6
Exchange adjustments	2.2	–	2.2
At 31 December 2022	90.9	–	90.9
Accumulated amortisation and impairment			
At 1 January 2022	15.4	–	15.4
Amortisation charge for the year	7.9	–	7.9
Disposals	(0.5)	–	(0.5)
Transfer to held for sale	(0.3)	–	(0.3)
Other transfers	6.3	–	6.3
Exchange adjustments	1.2	–	1.2
At 31 December 2022	30.0	–	30.0
Net book value			
At 31 December 2022	60.9	–	60.9
At 31 December 2021			
	Other intangible assets £m	Assets under construction £m	Total £m
Cost			
At 1 January 2021	14.8	29.9	44.7
Additions	9.5	6.4	15.9
Other transfers	36.1	(36.1)	–
Exchange adjustments	1.4	(0.2)	1.2
At 31 December 2021	61.8	–	61.8
Accumulated amortisation and impairment			
At 1 January 2021	8.1	–	8.1
Amortisation charge for the year	7.1	–	7.1
Exchange adjustments	0.2	–	0.2
At 31 December 2021	15.4	–	15.4
Net book value			
At 31 December 2021	46.4	–	46.4

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

As disclosed in note 2, there are various conditions required by IAS 38 for an internally generated intangible asset to be recognised.

During the year the Group invested a further £19.4 million in its Pathway programme (2021: £12.9 million). This programme is designed to deliver a unified operating model on a single set of integrated systems to improve the efficiency and effectiveness of the Group. The investment in this programme was shown as an asset under construction until the deployment phase began.

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17 Property, plant and equipment

	Owned assets				Right of use assets		Total £m
	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and equipment £m	Assets under construction £m	Land and buildings £m	Plant and equipment £m	
Cost							
At 1 January 2022	178.7	8.7	761.0	27.9	36.6	23.0	1,035.9
Additions	3.7	–	62.2	3.2	1.0	3.4	73.5
Purchase of business	43.6	1.0	212.4	–	1.1	6.4	264.5
Transfer to held for sale	(34.6)	–	(106.5)	–	(3.8)	(0.1)	(145.0)
Disposals	(0.9)	(0.6)	(19.1)	–	(1.0)	(2.5)	(24.1)
Transfer from assets under construction	1.2	–	26.7	(27.9)	–	–	–
Other transfers	7.5	–	(16.1)	–	–	–	(8.6)
Exchange adjustments	13.9	0.4	76.3	–	1.9	3.7	96.2
At 31 December 2022	213.1	9.5	996.9	3.2	35.8	33.9	1,292.4
Accumulated depreciation and impairment							
At 1 January 2022	70.6	5.2	429.7	–	9.4	12.7	527.6
Depreciation charge for the year	5.6	0.2	70.6	–	4.0	5.6	86.0
Transfer to held for sale	(17.7)	–	(71.3)	–	(1.2)	(0.1)	(90.3)
Impairment	–	–	–	–	0.6	–	0.6
Disposals	(0.1)	(0.3)	(17.3)	–	(1.0)	(2.5)	(21.2)
Other transfers	(2.2)	0.3	(4.4)	–	–	–	(6.3)
Exchange adjustments	3.5	–	35.7	–	0.2	3.0	42.4
At 31 December 2022	59.7	5.4	443.0	–	12.0	18.7	538.8
Net book value							
At 31 December 2022	153.4	4.1	553.9	3.2	23.8	15.2	753.6
	Owned assets				Right of use assets		Total £m
	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and equipment £m	Assets under construction £m	Land and buildings £m	Plant and equipment £m	
Cost							
At 1 January 2021	181.4	8.7	739.4	25.1	36.9	29.4	1,020.9
Additions	6.0	–	48.5	13.4	1.6	2.1	71.6
Sale of business	(3.6)	–	(3.6)	–	–	–	(7.2)
Disposals	(1.1)	–	(9.9)	–	(1.7)	(8.0)	(20.7)
Transfer from assets under construction	0.2	–	9.9	(10.1)	–	–	–
Exchange adjustments	(4.2)	–	(23.3)	(0.5)	(0.2)	(0.5)	(28.7)
At 31 December 2021	178.7	8.7	761.0	27.9	36.6	23.0	1,035.9
Accumulated depreciation and impairment							
At 1 January 2021	59.0	5.1	417.8	–	6.0	11.2	499.1
Depreciation charge for the year	16.6	0.1	37.7	–	3.6	6.2	64.2
Sale of business	(2.4)	–	(3.6)	–	–	–	(6.0)
Disposals	(0.7)	–	(9.6)	–	(0.9)	(4.9)	(16.1)
Exchange adjustments	(1.9)	–	(12.6)	–	0.7	0.2	(13.6)
At 31 December 2021	70.6	5.2	429.7	–	9.4	12.7	527.6
Net book value							
At 31 December 2021	108.1	3.5	331.3	27.9	27.2	10.3	508.3

Freehold land is not depreciated and is held at historical cost. At 31 December 2022, the Group's freehold land was recognised at £62.9 million (31 December 2021: £50.4 million).

At 31 December 2022 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £32.6 million (2021: £18.8 million).

18 Investment in joint ventures

Details of the Group's joint ventures are as follows:

Name of entity	Place of incorporation	Ownership	Principal Activity	Segment
Synthomer Middle East Company Ltd	Saudi Arabia	49%	Manufacturer and sale of acrylic and vinyl resin emulsions	Functional Solutions
Synthomer Functional Solutions FZCO	U.A.E.	49%	Trading in adhesives and oilfield chemicals	Functional Solutions
Synthomer FZCO	U.A.E.	49%	Sales and marketing support for Synthomer companies	Functional Solutions
Nanjing Yangzi Eastman Chemical Ltd	China	50%	Manufacturer of hydrogenated hydrocarbon resins	Adhesive Technologies
Super Sky Ltd	United Kingdom	50%	Non-trading	Corporate

Joint ventures are accounted for using the equity method in these financial statements. The ownership of entities has not changed since the prior year with the exception of Nanjing Yangzi Eastman Chemical Ltd which was acquired in 2022 as part of the purchase of the Adhesive Resins business from Eastman.

Summarised financial information in respect of the joint ventures is set out below. This information represents amounts in the joint ventures' financial statements adjusted for differences in accounting policies between the Group and the joint venture (and not the Group's share of those amounts).

Summarised balance sheet (100%)

	2022 £m	2021 £m
Non- current assets	12.6	6.4
Cash and cash equivalents	5.0	2.6
Other current assets	24.5	24.5
Total current assets	29.5	27.1
Other current liabilities	(25.5)	(18.5)
Total current liabilities	(25.5)	(18.5)
Net assets	16.6	15.0

Summarised statement of comprehensive income (100%)

	2022 £m	2021 £m
Revenue	100.1	61.8
Operating profit	3.4	5.4
Taxation	–	–
Profit for the year	3.4	5.4
Exchange differences on translation	(2.1)	0.2
Total comprehensive income	1.3	5.6
Dividends paid	(4.0)	(3.9)
Movement in retained earnings	(2.7)	1.7
Group share:		
Profit for the year	1.7	2.6
Exchange differences on translation	(0.9)	0.1
Dividends paid	(1.9)	(1.9)

Notes to the consolidated financial statements continued

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18 Investment in joint ventures continued

The following table reconciles the summary information above to the carrying amount of the Group's interest in the joint ventures:

Investment in joint venture

	2022 £m	2021 £m
At 1 January	7.4	6.6
Profit from continuing operations	1.7	2.6
Exchange differences on translation	0.9	0.1
Dividend paid	(1.9)	(1.9)
At 31 December	8.1	7.4

19 Inventories

	2022 £m	2021 £m
Raw materials and consumables	184.8	120.4
Finished goods	223.1	133.3
	407.9	253.7
Stock written off during the year	5.8	5.9
Cost of inventory recognised as an expense and included in cost of sales	1,686.7	1,338.4

The nature of the chemical reaction necessary to produce finished goods from raw materials is such that 'work in progress' is not a material part of the Group's inventory at any given point of time.

20 Trade and other receivables

	2022 £m	2021 £m
Trade receivables	201.3	275.1
Other receivables	62.7	25.4
Prepayments	7.6	12.3
	271.6	312.8

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Before accepting a new customer, the Group uses appropriate procedures to assess the potential customer's credit quality in order to set a credit limit.

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Trade receivables – days past due				Total £m
	Not yet due £m	<60 £m	61 – 120 £m	>120 £m	
2022					
Gross carrying amount	140.3	48.1	12.4	2.1	202.9
Expected credit loss rate					0.07%
Lifetime expected credit loss					(1.6)
Total					201.3
	Trade receivables – days past due				Total £m
	Not yet due £m	<60 £m	61 – 120 £m	>120 £m	
2021					
Gross carrying amount	249.3	25.3	0.3	1.7	276.6
Expected credit loss rate					0.06%
Lifetime expected credit loss					(1.5)
Total					275.1

20 Trade and other receivables continued

The following table shows the movement in the lifetime expected credit loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2022 £m	2021 £m
At 1 January	1.5	1.9
Exchange adjustments	0.3	(0.1)
Acquisition of business	2.2	–
Transfer from credit impaired	(0.2)	(0.2)
Uncollectable amounts written off/recovered	(2.2)	(0.1)
At 31 December	1.6	1.5

21 Cash and borrowings

	1 January 2022 £m	Cash flows £m	Exchange and other movements £m	31 December 2022 £m
Bank overdrafts	–	(17.6)	(0.9)	(18.5)
Current liabilities	–	(17.6)	(0.9)	(18.5)
Bank loans	(187.9)	(525.6)	(64.2)	(777.7)
€520m 3.875% senior unsecured loan notes due 2025	(431.6)	–	(24.8)	(456.4)
Non-current liabilities	(619.5)	(525.6)	(89.0)	(1,234.1)
Total borrowings	(619.5)	(543.2)	(89.9)	(1,252.6)
Cash and cash equivalents	505.3	(282.2)	4.6	227.7
Net debt	(114.2)	(825.4)	(85.3)	(1,024.9)

Capitalised debt costs which have been recognised as a reduction in borrowings in the financial statements, amounted to £14.2 million at 31 December 2022 (31 December 2021: £9.9 million).

Analysis of net debt by currency:

	2022		2021	
	Cash and Cash Equivalents £m	Total Borrowings £m	Cash and Cash Equivalents £m	Total Borrowings £m
Sterling	20.5	108.1	211.5	–
Euro	54.4	602.0	50.7	437.3
US dollar	65.1	556.7	124.8	192.1
Malaysian Ringgit	32.7	–	51.0	–
Other	55.0	–	67.3	–
Total	227.7	1,266.8	505.3	629.4

The principal features of the Group's borrowings are as follows:

The Group has committed unsecured borrowing facilities comprising a \$260 million term loan, a €460 million revolving credit facility both of which have terms ending July 2024, a \$300 million term loan with a term ending October 2024 and €520 million 3.875% unsecured senior loan notes due in June 2025. In October 2022 the Group signed a five-year €288 million and \$230 million facility, 80% guaranteed by UK Export Finance on terms that are similar to the Company's existing revolving credit facility. See note 36 for more details on refinancing arranged after the balance sheet date.

Notes to the consolidated financial statements continued

31 December 2022

21 Cash and borrowings continued

Changes in liabilities arising from financing activities

	1 January 2022	Financing cash (inflows)/ outflows	Non-cash changes		31 December 2022
			Acquisitions	Exchange and other movements	
Borrowings	(619.5)	(525.6)	–	(89.0)	(1,234.1)
Lease liabilities	(43.5)	10.1	(7.5)	(4.6)	(45.5)
Total	(663.0)	(525.3)	(7.5)	(83.8)	(1,279.6)

	1 January 2021	Financing cash (inflows)/ outflows	Acquisitions	Exchange and other movements	31 December 2021
Lease liabilities	(55.0)	9.7	–	1.8	(43.5)
Total	(708.5)	9.7	–	35.8	(663.0)

22 Financial instruments

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

	2022				2021			
	Valuation category in accordance with IFRS 9	Fair value hierarchy level	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Fair value £m	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Fair value £m
Trade receivables	AC		201.3	201.3	201.3	275.1	275.1	275.1
Other receivables	AC		62.7	42.4	42.4	25.4	15.0	15.0
Cash and cash equivalents	AC		227.7	227.7	227.7	505.3	505.3	505.3
Derivatives – no hedge accounting	FVTPL	Level 2	17.3	17.3	17.3	3.2	3.2	3.2
Total assets			509.0	488.7	488.7	809.0	798.6	798.6
Borrowings	AC		(1,252.6)	(1,252.6)	(1,266.8)	(619.5)	(619.5)	(629.4)
Trade and other payables	AC		(461.2)	(449.5)	(449.5)	(416.5)	(404.6)	(404.6)
Derivatives – no hedge accounting	FVTPL	Level 2	–	–	–	(10.1)	(10.1)	(10.1)
Total liabilities			(1,713.8)	(1,702.1)	(1,716.3)	(1,046.1)	(1,034.2)	(1,044.1)

Note

1. AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss; a more detailed description of the categories can be found in note 2.

The fair value of the Group's borrowings at 31 December 2022 was £1,266.8 million (31 December 2021: £629.4 million).

As at 31 December 2022 £9.4 million (2021: nil) of the interest rate swap derivative asset was designated as being in a hedging relationship.

Financial risk management

The Group's policies, approved by the Board, provide written principles on financial risk management and the use of financial derivatives. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group has a policy of hedging significant foreign exchange transactional exposure at operating company level. The Group regularly reviews its net assets and borrowing currency exposures, borrowing in overseas currencies in order to hedge the net assets held in those currencies as appropriate. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Currency risk

The Group presents its consolidated financial statements in sterling and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which will affect the Group's transactions and the translation of the results and underlying net assets of its operations.

To manage the currency risk the Group uses foreign currency borrowings, forward contracts and currency swaps to hedge overseas net assets, which are predominantly denominated in euros, US dollars and Malaysian ringgits. Profit translation exposures are not hedged.

The Group hedges currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities. Consequently, there are no material currency exposures to disclose (2021: none).

22 Financial instruments continued

Interest rate risk

The Group has an exposure to interest rate risk, arising principally on changes in US dollar and euro interest rates. To manage interest rate risk, the Group manages its proportion of fixed to floating rate borrowings, and utilises interest rate swaps. These practices aim to minimise the Group's net finance charges with acceptable year-on-year volatility.

At 31 December 2022 the Group had in place swap arrangements to fix interest rates on €440 million of borrowings.

The Group's interest rate derivatives are designated as cash flow hedges with fair value movement on the hedged portion recognised in equity. Interest paid on these derivatives is recognised in the income statement, within Underlying interest costs. Fair value movement in the unhedged portion is also recognised in profit and loss, as a Special Item.

After taking account of interest rate swaps, the Group's currency and interest rate exposure as at 31 December 2022 was:

	2022			2021		
	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Sterling	108.1	–	108.1	–	–	–
Euro	–	602.0	602.0	–	437.3	437.3
US dollar	556.7	–	556.7	192.1	–	192.1
Total	664.8	602.0	1,266.8	192.1	437.3	629.4

Market risk sensitivity analysis

The Group's main exposure to market risk is in the form of interest rate risk and foreign currency risk. The Group uses a sensitivity analysis that estimates the impacts on the consolidated income statement and other comprehensive income of either an instantaneous increase or decrease of 1.0% in market interest rates or a 10% strengthening or weakening in sterling against all other currencies, from the rates applicable at 31 December 2022 and 31 December 2021 with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on the net post-employment benefit liabilities and assets, and corporate tax payable. This analysis is for illustrative purposes only, as interest and foreign exchange rates rarely change in isolation.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

	2022			2021		
	Income statement		Equity	Income statement		Equity
	Underlying -/+ £m	IFRS -/+ £m	IFRS -/+ £m	Underlying -/+ £m	IFRS -/+ £m	IFRS -/+ £m
Interest rate sensitivity analysis						
UK interest rate +/- 1.0%	0.9	–	–	2.1	–	–
Euro interest rate +/- 1.0%	0.6	3.1	1.4	0.5	4.4	–
US interest rate +/- 1.0%	4.9	–	–	0.7	–	–
Foreign currency sensitivity analysis						
Sterling +/- 10%	5.5	5.5	3.3	19.9	19.9	23.0
Euro exchange rate +/- 10%	7.4	7.4	5.3	1.0	1.0	10.0
US dollar exchange rate +/- 10%	4.3	4.3	8.7	19.6	19.6	11.6
Malaysian Ringgit exchange rate +/- 10%	1.8	1.8	–	0.5	0.5	–

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

For interest rate derivatives the mark-to-market adjustment, and amount recognised in equity as part of a hedging arrangement, is estimated using the interest rate sensitivity against the nominal amount.

The foreign currency sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower.

Notes to the consolidated financial statements continued

31 December 2022

22 Financial instruments continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on cash balances, derivative financial instruments and credit exposures to customers.

The carrying amount of financial assets represents the Group's exposure to credit risk at the balance sheet date as disclosed at the start of this note. A financial asset is in default when the counterparty fails to pay its contractual obligations. Financial assets are written-off when there is no reasonable expectation of recovery. Credit risk is managed separately for financial and business-related credit exposures.

Financial credit risk

Synthomer aims to minimise its financial credit risk through the application of risk management policies approved and monitored by the Board. Counterparties are predominantly limited to major banks and financial institutions with a credit rating of investment grade and the policy restricts the exposure to any one counterparty by setting credit limits. The Group's policy is designed to ensure that individual counterparty limits are adhered to and that there are no significant concentrations of credit risk. The Board also defines the types of financial instruments which may be transacted. Synthomer annually reviews the credit limits applied and regularly monitors the counterparties' credit quality, reflecting market credit conditions.

Business related credit risk

Trade and other receivables exposures are managed locally in the operating units where they arise and active risk management is applied, focusing on country risk, credit limits, ongoing credit evaluation and monitoring procedures. There is no significant concentration of credit risk with respect to receivables as the Group has a large number of customers which are internationally dispersed. See note 20 for information on credit risk with respect to trade and other receivables.

Liquidity risk

Liquidity risk is the risk that Synthomer is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds at an acceptable price to fund actual or proposed commitments. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

The following tables provide an analysis of the anticipated undiscounted contractual cash flows including interest payable for the Group's financial liabilities and derivative instruments. The liquidity analysis for lease liabilities is included in note 23. Where interest payments are calculated at a floating rate, rates of each cash flow until maturity of the instruments are calculated based on the forward yield curve prevailing at the respective year ends. Derivative contracts are presented on a net basis.

	2022			2021		
	Amount due			Amount due		
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m
Overdrafts	(18.5)	-	-	-	-	-
Financial liabilities in trade and other payables	(449.1)	(0.2)	(0.2)	(402.3)	(1.5)	(0.8)
Bank loans – principal	-	(646.2)	(141.7)	-	-	(192.1)
€520m 3.875% senior unsecured loan notes due 2025	-	-	(460.4)	-	-	(437.3)
Interest payments on borrowings	(62.2)	(33.3)	(13.3)	(20.5)	(20.5)	(27.5)
Total non-derivative financial liabilities	(529.8)	(679.7)	(615.6)	(422.8)	(22.0)	(657.7)

	2022				2021			
	Amount due				Amount due			
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	Total	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	Total
Interest rate swaps	5.1	5.1	3.8	14.0	-	-	-	-
Currency forwards	1.5	-	-	1.5	3.2	-	-	3.2
Total derivative financial assets	6.6	5.1	3.8	15.5	3.2	-	-	3.2
Interest rate swaps	-	-	-	-	(4.0)	(4.0)	(7.1)	(15.1)
Currency forwards	-	-	-	-	(1.2)	-	-	(1.2)
Total derivative financial liabilities	-	-	-	-	(5.2)	(4.0)	(7.1)	(16.3)

22 Financial instruments continued

The financial covenant at 31 December 2022 for the RCF is that net debt must be less than 4.0 times EBITDA. At 31 December 2022 the actual covenant for the net debt was 3.7 times EBITDA.

Any non-compliance with covenants underlying Synthomer's financing arrangements could, if not waived, constitute an event of default with respect to any such arrangements, and any non-compliance with covenants may, in particular circumstances, lead to an acceleration of maturity on certain borrowings and the inability to access committed facilities. Synthomer was in full compliance with its financial covenants in respect of its borrowings throughout each of the years presented.

At the year end, Synthomer had available undrawn committed bank facilities as follows:

	2022					2021				
	Amount due					Amount due				
	Expiring within one year £m	Expiring between 1 and 2 years £m	Expiring between 2 and 5 years £m	Expiring after 5 years £m	Total	Expiring within one year £m	Expiring between 1 and 2 years £m	Expiring between 2 and 5 years £m	Expiring after 5 years £m	Total
Unsecured €460m multi-currency RCF expiring 03 July 2024	-	224.5	-	-	224.5	-	-	373.3	-	373.3
Unsecured UK Export Finance facility expiring 12 October 2027	-	-	303.2	-	303.2	-	-	-	-	-
Unsecured \$300m Term Loan Facility expiring 28 October 2024	-	-	-	-	-	-	-	221.7	-	221.7
	-	224.5	303.2	-	527.7	-	-	595.0	-	595.0

Fair value measurement

Certain of the Group's financial instruments are held at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. As prescribed by IFRS 13 Fair Value Measurement, fair values are measured using a hierarchy where the inputs are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – not Level 1 but are observable for that asset or liability either directly or indirectly.
- Level 3 – not based on observable market data.

Interest rate swaps and foreign currency forwards and swaps are valued using discounted cash flow techniques. These techniques incorporate inputs such as foreign exchange rates and interest rates, which are used in a discounted cash flow calculation incorporating the instrument's term, notional amount and discount rate, and taking credit risk into account. As significant inputs to the valuation are observable in active markets, all of the Group's financial instruments are classified as Level 2 financial instruments. The fair value of forward foreign exchange contracts, interest rate swaps and currency swaps is estimated by discounting the future contractual cash flows using forward exchange rates, interest rates and prices at the balance sheet date.

There were no transfers of any financial instrument between the levels of the fair value hierarchy during the current or prior year.

Hedge relationships

The Group targets a one-to-one hedge ratio. Strengths of the economic relationship between the hedged item and the hedging instrument is analysed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of timing, cash flows or value except when the critical terms of the hedging instrument and hedged item are closely aligned. The change in the credit risk of the hedging instruments or the hedged items is not expected to be the primary factor in the economic relationship.

The notional amounts, contractual maturities and rates of the hedging instruments designated in hedging relationships as of 31 December 2021 by the main risk categories are as follows:

	Hedged risk	Notional amount	Maturity	Range of hedged rates
2022				
Cash flow hedges				
Interest rate swap	Interest Rate	Up to €440m	28/08/2018 – 28/08/2025	0.517% to 0.535% Fixed
Net investment hedges				
Net investment	Currency	Up to \$560m	01/04/2020 – present	1.07 – 1.37
Net investment	Currency	Up to €370m	01/04/2020 – present	1.11 – 1.21
2021				
Cash flow hedges				
Interest rate swap	Interest Rate	Up to €440m	28/08/2018 – 28/08/2025	0.517% to 0.535% Fixed
Net investment hedges				
Net investment	Currency	Up to \$560m	01/04/2020 – present	1.11 – 1.20
Net investment	Currency	Up to €370m	01/04/2020 – present	1.33 – 1.42

22 Financial instruments continued

Where hedge accounting is applied, hedges are documented and tested for effectiveness on an ongoing basis.

The ratio for hedging instruments designated in both net investment and cash flow hedge relationships was 1:1. Ineffectiveness could occur on either hedging relationship due to significant changes in counterparty credit risk or a reduction in the notional amount of the hedged item during the designated hedging period.

Cash flow hedges

The Group designated as a cash flow hedge the interest rate swaps used to manage interest rate risk on its euro borrowings.

In 2022 a gain of £9.7 million (2021: £3.4 million gain) was recognised in the cash flow hedge reserve in respect of these derivatives. At 31 December 2022 the cash flow hedge reserve includes a cumulative loss of £0.3 million (2021: loss of £10.0 million), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2023 and 2025.

In the year, the Group's euro borrowings remained below the total of the interest rate derivative contracts, leading to a balance not able to be designated as a cash flow hedge. The change in fair value relating to the unhedged portion of the interest rate swaps was a gain of £25.1 million (2021: gain of £6.2 million) which was recognised in the income statement within finance costs as a Special Item.

Receivables financing

In December 2022 the Group entered into agreements under which amounts receivable from customers can be sold to a third party on a non-recourse basis. As a result, £100.3 million of trade receivables were sold and derecognised in December 2022.

A corresponding asset of £17.6 million has been recognised in respect of deferred purchase price reserves, which represent a portion of the original receivables. This balance has been recorded within "other receivables" in note 20. These reserves are subsequently paid by the counterparties to the agreements, whether the customer pays the receivable in full or not. The fair value of these assets is considered to be the same as the carrying value. Movements in receivables balances as a result of receivables financing are included in movement in working capital within note 28.

Capital management

The Board is committed to enhancing shareholder value in the long term, both by investing in the business so as to deliver continued improvement in the return from those investments and by managing the capital structure.

Synthomer manages its capital structure to achieve capital efficiency and to provide flexibility to invest through the economic cycle and give efficient access to debt markets at attractive cost levels. This is achieved by targeting a net debt to EBITDA ratio between 1.0 and 2.0. In order to finance acquisitions, the Group may increase the ratio with a view to deleveraging in the medium term.

As at 31 December 2022 the net debt to EBITDA ratio was 3.7 times (2021: 0.3 times).

The Board maintains a dividend policy to 2.5 times earnings cover. Should excess capital not be deployed for acquisitions or capital expenditure, the Board will periodically consider one-off capital returns to shareholders in order to maintain an efficient balance sheet. In 2022 the Board announced the suspension of dividends until the end of 2023.

23 Leases

The Group has a portfolio of leases mainly comprising land and buildings, chemical storage tanks and vehicles. Further details are given in note 2.

Information in respect of right of use assets, including the carrying amount, additions and depreciation, are set out in note 17 to these financial statements. Information in respect of the carrying value is set out below and information in respect of interest arising on lease liabilities is set out in note 9.

Synthomer also enters into short-term leases and low value leases which are not recognised as right of use assets and lease liabilities. The expense recognised in the year in relation to these leases is not material. Synthomer has no material exposure to variable lease payments, extension options or committed leases not yet commenced.

The total cash outflow for leases in the year was as follows:

	2022 £m	2021 £m
Payments for the principal portion of lease liabilities	10.1	9.7
Payments for the interest portion of lease liabilities	1.4	1.5

Lease liabilities included in the balance sheet are as follows:

	2022 £m	2021 £m
Current	10.6	8.8
Non-current	34.9	34.7
	45.5	43.5

The following table details the maturity of contractual undiscounted cash flows for lease liabilities:

	2022 £m	2021 £m
Less than one year	11.2	9.4
Between one and two years	7.5	8.1
Between two and five years	14.2	11.3
More than five years	17.9	17.0

24 Trade and other payables

	2022 £m	2021 £m
Amount due within one year		
Trade payables	253.7	264.0
Other payables	110.3	50.8
Accruals	96.8	99.4
	460.8	414.2
Amount due after one year		
Accruals	0.4	2.3
	0.4	2.3

Average trade payable days in 2022 was 62 (2021: 60). This figure represents trade payable days for all trading operations within the Group, calculated as a weighted average based on cost of sales.

The Directors consider that the carrying amount of trade payables, other payables and accruals approximates to their fair value.

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25 Provisions for other liabilities and charges

	Environmental £m	Restructuring & site closure £m	Regulatory fine £m	Total £m
At 1 January 2022	–	46.0	57.2	103.2
Charged/(credited) to the income statement	–	1.6	(21.5)	(19.9)
Recognised on acquisition	9.9	9.9	–	19.8
Utilised during the year	–	(16.4)	–	(16.4)
Transfer to other payables	–	–	(38.5)	(38.5)
Exchange adjustments	0.9	2.1	2.8	5.8
31 December 2022	10.8	43.2	–	54.0

Analysis of provisions

	31 December 2022 £m	31 December 2021 £m
Non-current	40.3	18.0
Current	13.7	85.2
	54.0	103.2

Analysis of (credit)/charge to the income statement

	31 December 2022 £m	31 December 2021 £m
Underlying performance	–	–
Special items	(19.9)	84.1
	(19.9)	84.1

The closing balance includes £15.0 million in relation to the rationalisation of sites around the Group, most notably in Marl and Villejust, £6.8 million in relation to the onerous contract arising on the disposal of the European Tyre Cord business, and £9.6 million to demolish assets at a small number of sites. In the year, two new provisions were recognised on acquisition of the Adhesive Resins business from Eastman. £9.9 million was recognised in relation to environmental remediation work required at the Jefferson and Middelburg sites, and a further £9.9 million was recognised for the demolition and disposal of unused equipment and vacant tanks at the Jefferson and Longview sites in order to bring them into line with our ESG strategy. During 2022, the European Commission concluded its investigation into styrene monomer purchasing practices, and the final settlement amount of £38.5 million, to be paid in 2023, was transferred to other payables.

26 Retirement benefit obligations

The Group operates a variety of retirement benefit arrangements, covering both defined contribution and defined benefit schemes.

Defined contribution scheme

The Group operates a number of defined contribution schemes for its employees. Costs recognised in respect of defined contribution pension plans across the Group for the year ended 31 December 2022 were £12.6 million (2021: £10.9 million).

The risk relating to benefits to be paid to the dependants of scheme members (widow and orphan benefits) is re-insured with an external insurance company.

Multi-employer schemes

The Group participates in several tariffs of the Pensionskasse Degussa in Germany, which is a multi-employer pension scheme. Regular contributions are payable to the scheme by each participating employer for new benefits accruing. The assets of all participating employers are pooled, and contributions are calculated based on aggregated demographic experience. Therefore sufficient information is not available to identify the Group's share of the assets on a consistent and reliable basis and the Group accounts for the scheme on a defined contribution basis. The Group expects to make a regular contribution of £2.1 million to the scheme in 2023.

To the extent that there is underfunding in the scheme, deficit contributions are payable based on an actuarial assessment of each participating employer's share of the future benefit accrual. At 31 December 2022 there is no indication of any commitment for additional deficit contributions in excess of regular contributions.

26 Retirement benefit obligations *continued*

Defined benefit schemes

UK

The Group's UK defined benefit scheme is administered by a fund that is legally separate from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension scheme are responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to future accrual in 2009 and all retirement benefits since that time are provided by way of a defined contribution scheme. The assets of the scheme are held separately from those of the companies concerned. A triennial actuarial valuation of the scheme was undertaken in 2021 and completed in 2022. The next triennial valuation is due in 2024.

USA

The Group's US defined benefit scheme was acquired as part of the OMNOVA acquisition and is administered by a fund which is legally separate from OMNOVA Solutions Inc. The fiduciary committee is required by law to act in the interest of the fund and is responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to future accrual in 2011 and all retirement benefits since that time are provided by way of a defined contribution scheme. The assets of the scheme are held separately from those of the companies concerned and a formal valuation is undertaken on an annual basis.

Germany

The Group operates a number of defined benefit schemes in Germany. These schemes are closed to new members. In line with common practice, these schemes are unfunded and liabilities are settled on a cash basis as they fall due. At each balance sheet date, obligations are calculated by external actuaries.

Other

The Group operates a number of smaller overseas pension and retirement benefit schemes. For the funded schemes, assets are held separately from those of the Group. The aggregated pension disclosures for the other defined benefit schemes have been compiled from a number of actuarial valuations at 31 December 2022.

Retirement benefit obligations

Defined benefit schemes expose the Group to a number of risks, the most significant of which are detailed below:

Asset return risk	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit.
Interest rate risk	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan assets in bond holdings.
Longevity risk	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Charges to the income statement in respect of the Group's defined benefit pension schemes are as follows:

	2022					2021				
	UK £m	US £m	Germany £m	Other £m	Total £m	UK £m	US £m	Germany £m	Other £m	Total £m
Service cost	0.8	1.5	0.4	0.8	3.5	0.9	1.7	0.4	–	3.0
Net interest expense	(0.1)	0.6	0.9	0.2	1.6	0.6	1.0	0.6	0.2	2.4
	0.7	2.1	1.3	1.0	5.1	1.5	2.7	1.0	0.2	5.4

Amounts recognised in the statement of comprehensive income are set out below:

	2022					2021				
	UK £m	US £m	Germany £m	Other £m	Total £m	UK £m	US £m	Germany £m	Other £m	Total £m
Return on plan assets excluding amounts included in interest expense	(139.0)	(25.7)	–	(2.4)	(167.1)	(3.1)	19.5	–	(0.8)	15.6
Gains/(losses) from changes in financial assumptions	131.5	44.8	19.2	5.7	201.2	34.5	7.2	6.9	2.6	51.2
Actuarial gains and losses	(7.5)	19.1	19.2	3.3	34.1	31.4	26.7	6.9	1.8	66.8

Notes to the consolidated financial statements continued

31 December 2022

26 Retirement benefit obligations continued

Amounts included in the Group's consolidated balance sheet arising from the Group's defined benefit scheme obligations are:

	2022					2021				
	UK £m	US £m	Germany £m	Other £m	Total £m	UK £m	US £m	Germany £m	Other £m	Total £m
Present value of defined benefit obligation	(268.9)	(175.9)	(60.8)	(14.1)	(519.7)	(410.1)	(206.2)	(77.6)	(24.9)	(718.8)
Fair value of schemes' assets	274.8	165.3	3.1	3.1	446.3	405.5	178.5	2.9	9.5	596.4
Net liability arising from defined benefit obligation	5.9	(10.6)	(57.7)	(11.0)	(73.4)	(4.6)	(27.7)	(74.7)	(15.4)	(122.4)

Fair value of the schemes' assets are set out below:

	2022					2021				
	UK £m	US £m	Germany £m	Other £m	Total £m	UK £m	US £m	Germany £m	Other £m	Total £m
At 1 January	405.5	178.5	2.9	9.5	596.4	404.1	158.5	3.2	10.5	576.3
Interest income	7.3	4.1	–	0.1	11.5	5.7	2.4	–	–	8.1
Amounts recognised in income in respect of defined benefit schemes	7.3	4.1	–	0.1	11.5	5.7	2.4	–	–	8.1
Remeasurement:										
– Return on plan assets excluding amounts included in interest income	(139.0)	(25.7)	–	(2.4)	(167.1)	(3.1)	19.5	–	(0.8)	15.6
Amounts recognised in the statement of comprehensive income	(139.0)	(25.7)	–	(2.4)	(167.1)	(3.1)	19.5	–	(0.8)	15.6
Contributions:										
– Employers	17.9	2.9	–	0.8	21.6	16.9	10.0	–	0.6	27.5
Payments from plans:										
– Benefit payments	(16.9)	(15.1)	–	(5.2)	(37.2)	(18.1)	(13.9)	–	(0.2)	(32.2)
	1.0	(12.2)	–	(4.4)	(15.6)	(1.2)	(3.9)	–	0.4	(4.7)
Plan assets from acquired entities	–	20.6	0.2	0.3	21.1	–	2.0	(0.3)	(0.6)	1.1
Exchange adjustments	–	20.6	0.2	0.3	21.1	–	2.0	(0.3)	(0.6)	1.1
At 31 December	274.8	165.3	3.1	3.1	446.3	405.5	178.5	2.9	9.5	596.4

Plan assets for the principal schemes comprised:

	2022			2021		
	UK £m	US £m	Germany £m	UK £m	US £m	Germany £m
Hedge funds	31.2	–	–	17.5	–	–
Equities	52.2	36.4	1.6	96.5	97.2	1.5
Debt instruments	181.0	119.9	1.5	270.1	56.8	1.4
Property	6.3	9.0	–	9.2	24.5	–
Annuity assets	2.2	–	–	3.1	–	–
Cash	1.9	–	–	9.1	–	–
Fair value of schemes' assets	274.8	165.3	3.1	405.5	178.5	2.9

All investments in equities, bonds and property are quoted.

26 Retirement benefit obligations continued

Present value of defined benefit obligations comprised:

	2022					2021				
	UK £m	US £m	Germany £m	Other £m	Total £m	UK £m	US £m	Germany £m	Other £m	Total £m
At 1 January	(410.1)	(206.2)	(77.6)	(24.9)	(718.8)	(456.4)	(220.3)	(91.0)	(30.0)	(797.7)
Current service cost	(0.8)	(1.5)	(0.4)	(0.8)	(3.5)	(0.9)	(1.7)	(0.4)	(1.2)	(4.2)
Past service cost	–	–	–	–	–	–	–	–	1.2	1.2
Interest expense	(7.2)	(4.7)	(0.9)	(0.3)	(13.1)	(6.3)	(3.4)	(0.6)	(0.2)	(10.5)
Amounts recognised in income in respect of defined benefit schemes	(8.0)	(6.2)	(1.3)	(1.1)	(16.6)	(7.2)	(5.1)	(1.0)	(0.2)	(13.5)
Remeasurement gains/(losses) from:										
– changes in financial assumptions	144.2	46.7	21.5	6.2	218.6	14.3	10.9	7.0	–	32.2
– changes in demographic assumptions	–	–	–	0.1	0.1	6.4	(0.3)	–	1.1	7.2
– experience adjustments	(12.7)	(1.9)	(2.3)	(0.6)	(17.5)	13.8	(3.4)	(0.1)	1.5	11.8
Amounts recognised in the statement of comprehensive income	131.5	44.8	19.2	5.7	201.2	34.5	7.2	6.9	2.6	51.2
Contributions:										
– Employers	0.8	–	2.2	0.2	3.2	0.9	–	2.2	0.6	3.7
Payments from plans:										
– Benefit payments	16.9	15.1	–	5.2	37.2	18.1	13.9	–	0.2	32.2
	17.7	15.1	2.2	5.4	40.4	19.0	13.9	2.2	0.8	35.9
Business combinations/ disposals/ divestitures	–	–	–	1.6	1.6	–	–	–	0.2	0.2
Exchange adjustments	–	(23.4)	(3.3)	(0.8)	(27.5)	–	(1.9)	5.3	1.7	5.1
At 31 December	(268.9)	(175.9)	(60.8)	(14.1)	(519.7)	(410.1)	(206.2)	(77.6)	(24.9)	(718.8)

The Group remains committed to funding the UK and US defined benefit schemes.

Following the 2021 triennial valuation of the UK scheme, which completed in 2022, the Company committed to paying contributions for the period to 31 March 2024.

The defined benefit obligation of the US scheme reduced to £10.6 million at 31 December 2022. The Group is expecting to contribute \$1 million in 2023, rising to \$6 million in 2025.

The Group's other defined benefit schemes are largely unfunded, with minimal plan assets. Liabilities from these schemes are settled on a cash basis as they fall due.

Actuarial assumptions

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2022				2021			
	UK	US	Germany	Other	UK	US	Germany	Other
Rate of increase in pensions in payment	3.00%	0.00%	1.00%	2.00% – 3.70%	3.20%	0.00%	1.00%	2.00% – 3.40%
Rate of increase in pensions in deferment ("salary increase" on AON Germany reports)	2.70%	0.00%	2.50%	2.00% – 3.70%	2.90%	0.00%	2.50%	2.00% – 3.40%
Discount rate	5.00%	5.20%	3.70%	0.27% – 5.16%	1.80%	2.66%	1.20%	0.27% – 2.48%
Inflation assumption	3.10%	0.00%	2.25%	2.00% – 2.40%	3.40%	0.00%	1.75%	1.20% – 2.00%

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. Mortality assumptions are based on country-specific mortality tables and, where appropriate, include an allowance for future improvements in life expectancy. In addition, where credible data exists, actual plan experience is taken into account. The Group's most substantial pension liabilities are in the UK, the US and Germany where, using the mortality tables adopted, the expected lifetime of average members currently at age 65 and average members at age 65 in 20 years' time is as follows:

	2022						2021					
	Retiring Today			Retiring in 20 years			Retiring Today			Retiring in 20 years		
	UK	US	Germany	UK	US	Germany	UK	US	Germany	UK	US	Germany
Males	87.3	86.4	85.6	88.9	87.4	88.4	87.2	86.4	85.5	88.8	87.4	88.2
Females	89.5	87.5	89.0	91.0	88.5	91.3	89.5	87.5	88.9	90.9	88.5	91.1

The weighted average duration of the benefit obligation at the end of the reporting period is 11.0 years for the UK scheme (2021: 14.9 years), 6.8 years for the US scheme (2021: 10.7 years) and 13.9 years for the German schemes (2021: 17.2 years).

Notes to the consolidated financial statements continued

31 December 2022

26 Retirement benefit obligations continued

Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming that all other assumptions are held constant:

	Increase/(decrease) in scheme liabilities		
	UK £m	US £m	Germany £m
Discount rate (decrease of 1%)	34	13	9
Future mortality rate (one year increase in expectancy)	9	4	2

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

27 Share capital and reserves

Share capital

	2022 Number	2021 Number	2022 £m	2021 £m
Ordinary shares of 10 pence				
Shares in issue at 1 January	467,336,041	424,850,961	46.7	42.5
Issued in year	–	42,485,080	–	4.2
Shares in issue at 31 December	467,336,041	467,336,041	46.7	46.7

Ordinary shares carry no right to fixed income.

On 28 October 2021 the Group completed a share placing, resulting in the issue of 42,485,080 ordinary shares at 485 pence per share.

Share premium

	2022 £m	2021 £m
Balance at 1 January	620.0	421.1
Premium arising on issue of shares	–	201.7
Expenses of issue of shares	–	(2.8)
Balance at 31 December	620.0	620.0

The share premium account represents the difference between the issue price and the nominal value of shares issued.

Retained earnings

	2022 £m	2021 £m
Balance at 1 January	383.8	192.4
Dividends paid	(99.5)	(73.5)
Net profit for the year	(32.5)	208.7
Actuarial gains recognised in other comprehensive income	34.1	66.8
Tax arising from other comprehensive income	(11.6)	(11.8)
(Charge)/credit to equity for equity-settled share-based payments	(0.8)	1.2
Balance at 31 December	273.5	383.8

27 Share capital and reserves continued

Hedging and translation reserve

	Cash flow hedging reserve £m	Translation reserve £m	Total £m
Balance at 1 January 2022	(10.0)	(22.1)	(32.1)
Exchange differences on translation of foreign operations	–	95.9	95.9
Gains on net investment hedges taken to equity	–	2.4	2.4
Gain recognised on cash flow hedges:			
– Interest rate swaps	9.7	–	9.7
Balance at 31 December 2022	(0.3)	76.2	75.9
Balance at 1 January 2021	(13.4)	(28.5)	(41.9)
Exchange differences on translation of foreign operations	–	2.8	2.8
Gains on net investment hedges taken to equity	–	3.3	3.3
Gain recognised on cash flow hedges:			
– Interest rate swaps	3.4	–	3.4
Reclassification to profit or loss:			
– Exchange differences recycled on sale of business	–	0.3	0.3
Balance at 31 December 2021	(10.0)	(22.1)	(32.1)

Cash flow hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being sterling, are recognised directly in the translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the translation reserve.

28 Reconciliation of operating (loss)/profit to cash generated from operations

	2022 £m	2021 £m
Continuing and discontinued operations:		
Operating (loss)/profit	(26.5)	308.5
Less: share of profits of joint ventures	(1.7)	(2.6)
	(28.2)	305.9
Adjustments for:		
– Depreciation of property, plant and equipment	76.4	54.4
– Depreciation of right of use assets	9.6	9.8
– Amortisation of other intangibles	7.9	7.1
– Share-based payments	0.7	2.1
– Special Items	197.7	142.4
Cash impact of restructuring and site closure costs	(25.9)	(17.8)
Cash impact of acquisition costs and related gains	1.7	(6.6)
Pension funding in excess of service cost	(21.3)	(27.0)
Movement in working capital	19.1	(82.8)
Cash generated from operations	237.7	387.5
Reconciliation of movement in working capital		
Increase in inventories	(12.3)	(87.7)
Decrease/(increase) in trade and other receivables	147.0	(64.8)
(Decrease)/increase in trade and other payables	(115.6)	69.7
Movement in working capital	19.1	(82.8)

Notes to the consolidated financial statements continued

31 December 2022

29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated.

Transactions between the Company and its subsidiaries are disclosed in the Company's financial statements where appropriate.

The UK defined benefit scheme is a related party, see note 26.

Key management compensation	2022 £m	2021 £m
Short-term employee benefits	6.1	8.3
Pension costs	0.7	0.5
Share-based payments	0.7	2.1
	7.5	10.9

30 Acquisition

On 1 April 2022, the Group completed the acquisition of Eastman's Adhesive Resins business for a total consideration of £779.1 million. The asset identification and fair value allocation processes remain under review and will be finalised by 31 March 2023. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

Provisional	£m
Identifiable intangible assets	273.2
Property, plant and equipment	264.5
Other non-current assets	6.2
Inventory	143.4
Trade and other receivables	94.0
Trade and other payables	(88.6)
Lease liabilities	(7.5)
Other non-current liabilities	(31.0)
Provisional fair value of net assets acquired	654.2
Goodwill	124.9
Total consideration	779.1
Satisfied by:	
Cash	759.6
Deferred consideration	19.5
Total consideration transferred	779.1
Net cash outflow arising on acquisition:	
Cash consideration	759.6

The goodwill arising on acquisition represented the premium the Group paid to acquire the Adhesive Resins business from Eastman, to complement the existing businesses and to strengthen Synthomer's presence in North America and Europe.

In the period from acquisition to 31 December 2022 the business contributed £391.3 million to the Group's revenue, £39.5 million to the Group's EBITDA, £22.5 million to the Group's Underlying operating profit and a loss of £146.8 million to the Group's IFRS operating profit. If the acquisition had been completed on the first day of the financial year the business would have contributed £510.9 million to the Group's revenue, £60.0 million of the Group's EBITDA, £38.8 million to the Group's Underlying operating profit and a loss of £135.0 million to the Group's IFRS operating loss.

31 Discontinued operations

On 13 December 2022, the Group announced that it had entered into an agreement to sell its Laminates, Films and Coated Fabrics businesses to Surteco North America, Inc. The UK Financial Conduct Authority approved the transaction on 16 December 2022. Shareholder approval was subsequently obtained on 11 January 2023 and the transaction completed on 28 February 2023 with net cash proceeds of \$262 million.

The associated assets and liabilities were consequently presented for sale in the 2022 financial statements.

The Laminates, Films and Coated Fabrics businesses all form part of the Industrial Specialities division.

Financial information in respect of the discontinued operation is set out below:

The prior-year figures of the consolidated income statement and the consolidated statement of cash flows have been restated in accordance with IFRS 5 to report the discontinued operations separately from continuing operations.

31 Discontinued operations continued

Financial performance and cash flow information

	2022 £m	2021 £m
Revenue	201.2	185.3
EBITDA	15.9	24.2
Depreciation and amortisation – Underlying performance	(7.2)	(6.1)
Operating profit – Underlying performance	8.7	18.1
Special items	(14.7)	(6.1)
Operating (loss)/profit – IFRS	(6.0)	12.0
Finance costs	(0.4)	(0.4)
(Loss)/profit before taxation	(6.4)	11.6
Taxation	(0.7)	(0.6)
(Loss)/profit for the year	(7.1)	11.0

Cash flows from discontinued operations

	2022 £m	2021 £m
Net cash inflow from operating activities	5.6	5.2
Net cash outflow from investing activities	(4.0)	(3.1)

Assets and liabilities classified as held-for-sale

As of 31 December 2022, the disposal group was recognised at the lower of its carrying amount and fair value less costs to sell, and comprised the following main categories of assets and liabilities:

	Note	2022 £m
Non-current assets		
Goodwill	14	43.5
Acquired intangible assets	15	44.4
Other intangible assets	16	2.8
Property, plant and equipment	17	54.7
Deferred tax assets	11	1.1
Total non-current assets		146.5
Current assets		
Inventories		31.1
Trade and other receivables		18.6
Total current assets		49.7
Total assets		196.2
Current liabilities		
Trade and other payables		(22.8)
Lease liabilities		(0.5)
Current tax liabilities		(0.3)
Total current liabilities		(23.6)
Non-current liabilities		
Lease liabilities		(2.2)
Deferred tax liabilities		(18.1)
Retirement benefit obligations	26	(1.6)
Total non-current liabilities		(21.9)
Total liabilities		(45.5)
Net assets held for sale		150.7

Notes to the consolidated financial statements continued

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32 Contingent assets, contingent liabilities and guarantees

Guarantees and contingent liabilities of the Group amount to £2.7 million (2021: £2.5 million) and relate to an environmental liability in France.

The Company and its subsidiaries have, in the normal course of business, entered into guarantees and counter-indemnities in respect of performance bonds, relating to the Group's own contracts.

33 Share-based payments**Executive share option schemes**

The Group's share option scheme is described in the Directors' remuneration report on [pages 123 to 148](#).

In addition to the two executive directors, it is available to other senior management. Movement in the options held under the scheme are defined as follows:

	Options 2022 number	Weighted av. exercise price (£) 2022 number	Options 2021 number	Weighted av. exercise price (£) 2021 number
Outstanding at 1 January	2,391,293	–	2,551,622	–
Granted during the year	2,084,186	–	875,330	–
Exercised during the year	(467,009)	–	(214,389)	–
Lapsed during the year	(735,248)	–	(821,270)	–
Outstanding at 31 December	3,273,222	–	2,391,293	–
Exercisable at 31 December	22,367		22,367	

The outstanding share options were all issued under the Performance Share Plan. As at 31 December 2022 the following options were outstanding:

Executive share options	Number
Exercisable between 2016-2023	8,316
Exercisable between 2017-2024	6,945
Exercisable between 2018-2025	7,106
Exercisable between 2023-2030	896,996
Exercisable between 2024-2031	589,013
Exercisable between 2025-2032	1,764,846
	3,273,222

The total exercise price for all the above grants is £nil.

For options outstanding as at 31 December 2022, the exercise price was £nil and the weighted average remaining contractual life was 5.24 years (2021: 4.95 years).

The weighted average share price at the date of exercise was £2.33 (2021: £4.64).

The weighted average fair value of the options at the measurement date granted during the year was £2.37 (2021: £3.60). The valuation was based on the following inputs and assumptions, using a Monte Carlo simulation model:

	2022 £m	2021 £m
Weighted average share price (£)	3.64	4.68
Option price (£)	–	–
Value of optionality	nil	nil
Vesting assumption	35%	77%

The vesting assumption is the estimate at the measurement date of the percentage of the options that will ultimately vest and is based on market conditions and management's assessment of the likelihood of achievement of the performance criteria.

The charge in the year in relation to the equity-settled scheme was £0.7 million (2021: £2.1 million). The Group also operates a cash-settled share-based payment scheme for which there was a credit in the year of £1.9 million (2021: charge of £1.8 million) and for which there was a liability at the year end of £0.9 million (2021: £4.0 million).

The Synthomer Employee Benefit Trust

The Company established a trust, the Yule Catto Employee Benefit Trust, on 17 July 1996 to distribute shares to employees enabling the obligations under the Yule Catto Longer-Term Performance Share Plan and the Yule Catto Longer-Term Deferred Bonus Plan to be met. The Trust is managed by the RBC Trustees (Guernsey) Limited, an independent company located in Guernsey.

At 31 December 2022, the Trust held 73,413 (2021: 2,547) ordinary shares in the Company with a market value of £0.1 million (2021: £0.0 million).

The dividends on these shares have been waived. All of the shares are under option. Costs are amortised over the life of the plans.

34 Share price information

The middle market value of the listed ordinary shares at 31 December 2022 was 144.2 pence (31 December 2021: 399.6 pence). During the year, the market price ranged between 83.0 pence and 413.8 pence. The latest ordinary share price is available on the Group's website, www.synthomer.com

35 Additional segmental analysis

With effect from 1 January 2023, the Group has implemented a new organisation structure, comprising three operating segments: Going forward, the following global operating segments will replace the existing segments.

- Coatings and Construction Solutions
- Adhesive Solutions
- Health Protection and Performance Materials.

2022 results under the new divisional structure are shown below:

Analysis by activity – Revenue

	2022 £m
Coatings and Construction Solutions	996.1
Adhesive Solutions	572.9
Health Protection and Performance Materials	1,016.1
	2,585.1

Analysis by activity – Underlying operating profit

	2022		Total £m
	Subsidiaries £m	Share of joint ventures £m	
Coatings and Construction Solutions	92.3	1.8	94.1
Adhesive Solutions	44.4	0.1	44.5
Health Protection and Performance Materials	59.5	(0.2)	59.3
Reported segment operating profit	196.2	1.7	197.9
Unallocated corporate expenses	(26.7)	–	(26.7)
Operating profit	169.5	1.7	171.2

36 Post-balance sheet events

Sale of business

On 28 February 2023, the Group completed the sale of its laminates, films and coated fabrics businesses to Surteco North America, Inc. The net cash proceeds received at completion amounted to \$262m after transaction expenses and adjustments for working capital, debt and debt-like items as described in the circular issued to shareholders on 16 December 2022. A further \$5m is payable in cash on the thirteen month anniversary of completion.

Sufficient information is not currently available to disclose the profit on the sale of the businesses.

Refinancing

On 21 March 2023 the Group refinanced its existing bank loan facilities, signing a new \$480m committed revolving credit facility which matures on 31 May 2025. All amounts outstanding on its existing \$260 million term loan, \$300 million term loan and €460 million revolving credit facility were subsequently repaid and the facilities were cancelled. The financial covenant for the new facility is that the net debt must be less than 6.0 times EBITDA at 30 June 2023, less than 5 times EBITDA at December 2023, less than 4.25 times EBITDA at June 2024 and less than 3.5 times EBITDA at December 2024. The financial covenants in the UK Export Finance facility have been aligned to these levels.

Notes to the consolidated financial statements continued

31 December 2022

37 Audit exemptions

The following subsidiaries have taken advantage of the exemption from an audit for the year ended 31 December 2022 available under s479a of the Companies Act 2006 as the Company has given a statutory guarantee of all of the outstanding liabilities of these subsidiaries as at 31 December 2022.

Company	Registration
Dimex Limited	01763129
Ecatto Limited	00978441
Harlow Chemical Company Limited	00778831
OMNOVA UK Holding Limited	07682224
Polymerlatex Limited	03439041
Revertex Limited	00873653
Super Sky Limited	02021871
Synthomer Adhesive Technologies Limited	13827669
Synthomer Overseas Limited	06349474
Temple Fields 514 Limited	04541637
Temple Fields 515 Limited	00692510
Temple Fields 522 Limited	05516912
Temple Fields 523 Limited	05516913
Temple Fields 530 Limited	00831113

Company statement of financial position

as at 31 December 2022

	Note	2022 £m	2021 £m
Non-current assets			
Property, plant and equipment	4	3.7	4.4
Other intangible assets	5	55.7	41.5
Investments in subsidiaries and joint ventures	3	733.4	537.9
Other debtors: amounts falling due after more than one year	6	1,951.2	–
Deferred tax assets		0.4	1.8
Total non-current assets		2,744.4	585.6
Current assets			
Other debtors: amounts falling due within one year	6	40.5	1,279.7
Cash and cash equivalents		77.7	248.9
Derivative financial instruments		26.1	3.0
Total current assets		144.3	1,531.6
Current liabilities			
Borrowings	9	(18.1)	(10.4)
Other payables	7	(358.0)	(180.8)
Provisions		–	(57.2)
Derivative financial instruments		–	(9.1)
Lease liabilities		(0.7)	(0.7)
Total current liabilities		(376.8)	(258.2)
Net current assets		(232.5)	1,273.4
Total assets less current liabilities		2,511.9	1,859.0
Non-current liabilities			
Borrowings	9	(1,234.1)	(619.5)
Lease liabilities		(0.9)	(1.7)
Total non-current liabilities		(1,235.0)	(621.2)
Net assets		1,276.9	1,237.8
Equity			
Share capital	11	46.7	46.7
Share premium		620.0	620.0
Revaluation reserve		0.8	0.8
Capital redemption reserve		0.9	0.9
Retained earnings		608.5	569.4
Total equity		1,276.9	1,237.8

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented for Synthomer plc. As disclosed in note 2, the Company's profit for the year was £129.7 million (2021: £112.1 million).

The notes on [pages 205 to 210](#) are an integral part of these financial statements. The financial statements of Synthomer plc (registered number 98381) on [pages 203 to 210](#) were approved by the Board of Directors and authorised for issue on 28 March 2023. They are signed on its behalf by:

M Willome
Director

L Liu
Director

Company statement of changes in equity

as at 31 December 2022

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total £m
Balance as at 1 January 2022	46.7	620.0	0.8	0.9	569.4	1,237.8
Profit for the year	-	-	-	-	129.7	129.7
Total comprehensive income for the year	-	-	-	-	129.7	129.7
Dividends	-	-	-	-	(99.5)	(99.5)
Share-based payments	-	-	-	-	(0.8)	(0.8)
Fair value gain on hedged interest rate derivatives	-	-	-	-	9.7	9.7
As at 31 December 2022	46.7	620.0	0.8	0.9	608.5	1,276.9
At 1 January 2021	42.5	421.1	0.8	0.9	526.2	991.5
Profit for the year	-	-	-	-	112.1	112.1
Total comprehensive income for the year	-	-	-	-	112.1	112.1
Issue of shares	4.2	198.9	-	-	-	203.1
Dividends	-	-	-	-	(73.5)	(73.5)
Share-based payments	-	-	-	-	1.2	1.2
Fair value gain on hedged interest rate derivatives	-	-	-	-	3.4	3.4
As at 31 December 2021	46.7	620.0	0.8	0.9	569.4	1,237.8

Notes to the Company financial statements – Synthomer plc

31 December 2022

1 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on a going concern basis and under the historical cost basis except for the remeasurement of certain financial instruments that are measured at fair values at the end of each reporting period.

The basis of accounting and the principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries and joint ventures are stated at cost less, where appropriate, provisions for impairment.

The carrying amounts of the Company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the income statement and reflected in an allowance against the carrying value. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Intercompany balances are shown gross unless a right of set-off exists. Balances are valued at fair value at inception and are repayable on demand. All intercompany loans are repayable on demand and the Company has the ability to refinance any of its subsidiaries using equity allowing the subsidiary to repay any receivables owed to Synthomer plc.

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

There are no significant accounting judgements and estimates applied in preparing the Company's account except for the impairment testing of amounts owed by subsidiary undertakings. When measuring the potential impairment of receivables from subsidiaries, forward-looking information based on assumptions for the future movement of different economic drivers are considered.

2 Profit attributable to equity shareholders

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented for Synthomer plc.

The Company reported a profit of £129.7 million for the year ended 31 December 2022 (2021: profit of £112.1 million). Auditor remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements. The Company had no employees during the current or prior year.

3 Investments in subsidiaries and joint ventures

	2022			2021		
	Subsidiaries £m	Joint ventures £m	Total £m	Subsidiaries £m	Joint ventures £m	Total £m
Cost						
At 1 January	537.6	0.5	538.1	370.5	0.5	371.0
Additions	234.7	–	234.7	167.1	–	167.1
Return of Capital	(33.9)	–	(33.9)	–	–	–
Impairment	(5.3)	–	(5.3)	–	–	–
At 31 December	733.1	0.5	733.6	537.6	0.5	538.1
Provisions						
At 1 January and 31 December	–	(0.2)	(0.2)	–	(0.2)	(0.2)
Net book value						
At 31 December	733.1	0.3	733.4	537.6	0.3	537.9

Details of the Group's subsidiaries and joint ventures are included in note 12 on [pages 209 to 210](#).

In March 2021 the Company capitalised a loan receivable from Temple Fields 514 Limited. The Directors consider the value of investments to be supported by underlying assets.

During the year, Synthomer Overseas Limited was impaired by £5.3 million, as a result of the trading performance of its subsidiaries.

Notes to the Company financial statements – Synthomer plc continued

31 December 2022

4 Property, plant and equipment

Land and buildings

	2022				2021			
	Right of use buildings £m	Freehold land and buildings £m	Plant and equipment £m	Total £m	Right of use buildings £m	Freehold land and buildings £m	Plant and equipment £m	Total £m
Cost								
At 1 January	4.1	3.0	0.1	7.2	4.1	3.0	0.6	7.7
Additions	–	–	–	–	–	–	0.1	0.1
Transfers to other intangible assets	–	–	–	–	–	–	(0.6)	(0.6)
At 31 December	4.1	3.0	0.1	7.2	4.1	3.0	0.1	7.2
Accumulated depreciation								
At 1 January	1.9	0.9	–	2.8	1.2	0.9	–	2.1
Charge for the year	0.6	0.1	–	0.7	0.7	–	–	0.7
At 31 December	2.5	1.0	–	3.5	1.9	0.9	–	2.8
Net book value								
At 31 December	1.6	2.0	0.1	3.7	2.2	2.1	0.1	4.4

Freehold land amounting to £1.8 million (2021 £1.8 million) has not been depreciated.

5 Other intangible assets

	2022 £m	2021 £m
Cost		
At 1 January	43.6	–
Additions	19.4	2.1
Transfers from Group undertakings	–	40.9
Transfers from PPE	–	0.6
At 31 December	63.0	43.6
Accumulated Depreciation		
At 1 January 2022	2.1	–
Charge for the year	5.2	2.1
At 31 December	7.3	2.1
Net book value		
At 31 December	55.7	41.5

The first phase of the Group's Pathway Programme systems transformation project was successfully deployed in May 2021. Now that the system is operational, costs have been transferred to the Company.

6 Other debtors

	2022 £m	2021 £m
Amounts owed by Group undertakings: amounts falling due within one year	36.1	1,275.0
Amounts owed by Group undertakings: amounts falling due after more than one year	1,951.2	–
Other receivables	0.1	0.6
Prepayments and accrued income	4.3	4.1
	1,991.7	1,279.7

Amounts owed by Group undertakings are unsecured and valued at fair value at inception. Interest is charged at arm's length and receivable per the agreement in place. Of the Company's amounts owed by Group undertakings, £162.4 million is impaired (2021: £149.0 million). Future expected credit losses on amounts receivable from subsidiaries are immaterial.

7 Other payables

	2022 £m	2021 £m
Amount due within one year		
Amounts owed to Group undertakings	292.3	142.5
Other creditors	42.3	3.5
Accruals and deferred income	23.4	34.8
	358.0	180.8

Amounts owed to Group undertakings are unsecured and valued at fair value at inception and are repayable on demand. Interest is charged at arm's length and payable per the agreement in place.

8 Guarantees and other financial commitments

The Company has given guarantees amounting to £0.0 million (2020: £31.9 million) in respect of bank and other facilities of subsidiaries and joint ventures.

9 Borrowings

	2022 £m	2021 £m
Current borrowings		
Bank loans		
Overdrafts	18.1	10.4
	18.1	10.4
Non-current borrowings		
Bank loans		
Bank Loans	777.7	187.9
€520 million 3 7/8% Senior notes due 1 July 2025	456.4	431.6
	1,234.1	619.5

Details of borrowings are provided in note 21 to the consolidated financial statements.

Notes to the Company financial statements – Synthomer plc continued

31 December 2022

10 Financial instruments

The fair value of financial instruments has been disclosed in the Company's statement of financial position as:

	Valuation category in accordance with IFRS 9 ¹	Fair value hierarchy level	2022			2021		
			Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Fair value £m	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Fair value £m
Other receivables	AC		1,991.7	1,987.4	1,987.4	1,279.7	1,275.6	1,275.6
Cash and cash equivalents	AC		77.7	77.7	77.7	248.9	248.9	248.9
Derivatives – no hedge accounting	FVTPL	Level 2	16.7	16.7	16.7	3.0	3.0	3.0
Total assets			2,086.1	2,081.8	2,081.8	1,531.6	1,527.5	1,527.5
Borrowings	AC		(1,252.2)	(1,252.2)	(1,266.4)	(629.9)	(629.9)	(639.8)
Trade and other payables	AC		(358.0)	(357.9)	(357.9)	(180.8)	(180.6)	(180.6)
Derivatives – no hedge accounting	FVTPL	Level 2	–	–	–	(9.1)	(9.1)	(9.1)
Total liabilities			(1,610.2)	(1,610.1)	(1,624.3)	(819.8)	(819.6)	(829.5)

1. AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss

As at 31 December 2022 £9.4 million (2021: nil) of the interest rate swap derivative asset was designated as being in a hedging relationship. A fuller description of financial instruments is included in note 22 of the consolidated financial statements on [page 186](#).

11 Share capital

Details of the Company's share capital and outstanding share options are shown in note 27 of the consolidated financial statements on [page 196](#).

12 Subsidiaries and joint ventures

Country of incorporation and registered address	Principal activity	Ownership %	Country of incorporation and registered address	Principal activity	Ownership %
United Kingdom			Czech Republic		
Central Road, Harlow, Essex, CM20 2BH			Tovární 2093, Sokolov, 356 01		
Dimex Limited	Holding Company	100	Synthomer AS	Trading	100
Ecatto Limited	Holding Company	100 ³	V Celnici 1031/4, Prague, 110 00		
Harlow Chemical Company Limited	Holding Company	100 ²	Synthomer Holdings (CZE) SRO	Non-Trading	100
OMNOVA Performance Chemicals Limited	Dormant	100	Egypt		
OMNOVA UK Holding Limited	Dormant	100	Industrial Zone 1-B, 10th of Ramadan City, Sharkiya		
PolymerLatex Limited	Holding Company	100	Synthomer SAE	Trading	88
Revertex Limited	Dormant	100 ³	Finland		
Super Sky Limited	Holding Company	50 ^{1,3}	PO Box 175, Oulu, FI 90101		
Synthomer Adhesive Technology Limited	Trading	100	Synthomer Finland Oy	Non-Trading	100
Synthomer (UK) Limited	Trading	100	France		
Synthomer Holdings Limited	Holding Company	100 ³	14 avenue des Tropiques, Z.A. de Courtaboeuf 2, Villejust, 91955		
Synthomer Overseas Limited	Holding Company	100 ³	OMNOVA Solutions France Holding SAS	Holding Company	100
Temple Fields 514 Limited	Holding Company	100 ³	OMNOVA Solutions International SAS	Holding Company	100
Temple Fields 515 Limited	Holding Company	100	OMNOVA Solutions SAS	Holding Company	100
Temple Fields 522 Limited	Holding Company	100 ³	704 rue Pierre et Marie Curie, Ribécourt-Dreslincourt, 60170		
Temple Fields 523 Limited	Holding Company	100 ³	Synthomer France SAS	Trading	100
Temple Fields 530 Limited	Holding Company	100	6 Place de la Madeleine, Paris, 75008		
William Blythe Limited	Trading	100	Yule Catto International SA	Non-Trading	100
45 Pall Mall, London, SW1Y 5JG			Germany		
Synthomer Trading Limited	Trading	100	Werrastrasse 10, Marl, 45768		
44 Esplanade, St Helier, Jersey, JE4 9WG			Synthomer Deutschland GmbH	Trading	100
Synthomer Jersey Limited	Dormant	100 ³	Temple Fields GmbH	Non-Trading	100
Austria			Yule Catto Holdings GmbH	Holding Company	100
Industriepark, Pischelsdorf, 3435			India		
Synthomer Austria GmbH	Trading	100	1001, Meadows, Sahar Plaza, Andheri-Kurla Road, Andheri East, Mumbai 400059		
China			OMNOVA India Trading LLP	Trading	100
Building 53-55, 1000 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai, 201203			Italy		
Shanghai Synthomer Chemicals Co Ltd	Trading	100	Via delle Industrie 9, Filago, BG, 24040		
8 Hua Jing Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131			Synthomer S.r.l.	Trading	100
OMNOVA Performance Chemicals Trading (Shanghai) Co Ltd	Trading	100	Via MoroZZo 27, Sant'Albano Stura, CN, 12040		
210 Zhou Gong Road, Shanghai Chemical Industry Park, Shanghai 201507			Synthomer Specialty Resins S.r.l.	Trading	100
OMNOVA Shanghai Co Ltd	Trading	100	Malaysia		
308 Jiangbin Road, Xiaogang United Development Zone, Ningbo Economic & Technical Development Zone, Ningbo, 315803			Unit 16-2, Wisma Uoa Damansara II, 6 Changkat Semantan, Damansara Heights, Kuala Lumpur, 50490		
OMNOVA Ningbo Co Ltd	Trading	100	Desa Baiduri Sdn Bhd	Property Letting	70
55 Xi Li Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131			Kind Action (M) Sdn Bhd	Trading	70
Eliokem Trading (Shanghai) Co Ltd	Trading	100	PolymerLatex Sdn Bhd	Trading	100
No1 Yanhe Road, Nanjing Chemical park, Nanjing			Quality Polymer Sdn Bhd	Trading	70
Nanjing Yangzi Eastman Chemical Ltd	Trading	50 ¹	Revertex (Malaysia) Sdn Bhd	Trading	70
			Rexplas Sdn Bhd	Dormant	70
			Synthomer Sdn Bhd	Trading	100
			Terra Simfoni Sdn Bhd	Holding Company	100

Notes to the Company financial statements – Synthomer plc continued

31 December 2022

12 Subsidiaries and joint ventures continued

Country of incorporation and registered address	Principal activity	Ownership %	Country of incorporation and registered address	Principal activity	Ownership %
Mauritius			Sweden		
c/o Citco (Mauritius) Limited, Tower A, 1 Exchange Square, Wall Street, Ebene			Tostarpsvagen 11, Kavlinge, 244 32		
OMNOVA Asia Pacific Corp	Holding Company	100	Synthomer Speciality Additives AB	Trading	100
Standard Chartered Tower, 19 Cybercity, Ebene			Thailand		
OMNOVA Holding Limited	Holding Company	100	111/7 Moo 2, Nikompattana District, Rayong, 21180		
Mexico			OMNOVA Engineered Surfaces (Thailand) Co Ltd		
Blvd. Paseo General Lazaro Cardenas No. 844 Col. La Magdalena, Uruapan, Michoacan, Mexico C.P. 60080			Trading		
Synthomer Mexico, S.A. de C.V.	Trading	100	UAE		
Netherlands			Building 2101, Office S10122A2, Jabel Ali Free Zone, Dubai		
Ijsselstraat 41, Oss, 5347 KG			Synthomer Functional Solutions FZCO		
Synthomer BV	Trading	100	Trading		
Yule Catto BV	Non-Trading	100	East Wing 2, Office 201, Po Box 54645, Dubai Airport Free Zone, Dubai		
Yule Catto Nederland BV	Holding Company	100	Synthomer FZCO		
Herculesweg 35, 4338 PL Middelburg			Trading		
Eastman Chemical Middelburg B.V.	Trading	100	USA		
Portugal			1201 Peachtree Street NE, Atlanta, GA, 30361		
Rua Francisco Lyon de Castro, 28, 2725-397 Mem Martins			Synthomer LLC		
OMNOVA Solutions Portugal SA	Trading	100	Trading		
Lyon28 – Imobiliario SA	Non-Trading	100	Yule Catto Inc		
Saudi Arabia			Holding Company		
27 Street, 2nd Industrial City, Dammam, 31472			160 Greentree Drive, Suite 101, Dover, DE, 19904		
Synthomer Middle East Company Ltd	Trading	49 ¹	Synthomer USA LLC		
Singapore			Trading		
Ocean Financial Centre, 10 Collyer Quay, 049315			25435 Harvard Road, Beachwood, Ohio 44122-6201		
OMNOVA Performance Chemicals Singapore Pte Ltd	Trading	100	Decorative Products Thailand Inc		
Spain			OMNOVA Overseas Inc		
Camino de Sangroniz 8, Sondika, 48150			Non-Trading		
Synthomer Asua SL	Trading	100	OMNOVA Solutions Inc		
Rambla de Catalunya 53, Barcelona, 08007			Trading		
Yule Catto Spain SL	Non-Trading	100	OMNOVA Wallcovering (USA) Inc		
			Holding Company		
			Synthomer Adhesive Technologies LLC		
			Trading		
			Synthomer Jefferson Hills LLC		
			Trading		
			Synthomer NBR Solutions LLC		
			Dormant		
			100		
			Vietnam		
			8, 6th Street, Song Than Industrial Park, Di An		
			Synthomer Vietnam Co Ltd		
			Trading		
			60		

Notes

- 1 Joint ventures
- 2 Harlow Chemical Company Limited is incorporated in UK but is resident in Netherlands
- 3 Shares directly held by Synthomer plc

Other information

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- 219 Glossary of terms
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Our artificial turf products deliver high-performance characteristics including pile holding, water resistance, low ageing, fast drying and high-filler load solutions – specially developed to meet the standards and specifications of international sporting associations.

Environmental performance summary

	2022	2021	2020	2019	2022 vs 2021 ^{7,8}	2022 vs 2020 ^{7,8}	2022 vs 2019 ^{7,8}
Energy consumption – metered (GJ)¹							
Total							
Enlarged Group	6,787,483						
Legacy Synthomer	4,882,975	5,664,011	5,410,255	5,466,905	-13.79%	-9.75%	-10.68%
UK only	321,034	339,579	340,477	329,741	-5.46%	-5.71%	-2.64%
Energy consumption by source							
Natural gas							
Enlarged Group	3,703,373						
Legacy Synthomer	2,412,431	2,574,415	2,422,543	2,479,253	-6.29%	-0.42%	-2.70%
Light and heavy oils and GLP							
Enlarged Group	416,906						
Legacy Synthomer	49,237	26,384	26,364	30,354	86.61%	86.75%	62.21%
Steam and hot water (metered)							
Enlarged Group	871,078						
Legacy Synthomer	871,078	892,030	838,485	933,895	-2.35%	3.89%	-6.73%
Electricity (metered)							
Enlarged Group	1,515,852						
Legacy Synthomer	1,269,955	1,420,734	1,426,718	1,420,687	-10.61%	-10.99%	-10.61%
Coal							
Enlarged Group	280,275						
Legacy Synthomer	280,275	750,448	696,145	602,716	-62.65%	-59.74%	-53.50%
Specific energy consumption (GJ/ton production)							
Enlarged Group	4.21						
Legacy Synthomer	3.29	3.16	3.09	3.08	4.04%	6.50%	6.83%
UK only	5.05	4.31	3.95	4.22	17.26%	27.81%	19.76%
Refrigerant releases – HCFC and others							
Total refrigerant releases (ton)							
Enlarged Group	2,614						
Legacy Synthomer	2,386	1,805	1,687	2,581	32.19%	41.46%	-7.57%
Greenhouse gas emissions (ton CO₂e)^{2,3,4,5,9}							
Total Scope 1 emissions							
Enlarged Group	242,082			282,092			-14.18%
Legacy Synthomer	157,457	211,190	200,856	198,786	-25.44%	-21.61%	-20.79%
UK only	11,963	12,721	12,867	12,429	-5.96%	-7.02%	-3.75%
Total Scope 2 emissions – Hybrid approach							
Enlarged Group	96,422			249,467			-61.35%
Legacy Synthomer	79,091	63,584	178,017	213,258	24.39%	-55.57%	-62.91%
UK only	5,815	5,893	6,266	5,308	-1.32%	-7.20%	9.55%
Total Scope 2 emissions – Market Base							
Enlarged Group	111,463						
Legacy Synthomer	88,839	70,155	182,701	227,400	26.63%	-51.37%	-60.93%
UK only	5,815	5,893	6,266	5,308	-1.32%	-7.20%	9.55%
Total Scope 2 emissions – Location Base							
Enlarged Group	223,626						
Legacy Synthomer	198,306	211,281	222,317	225,542	-6.14%	-10.80%	-12.08%
UK only	7,545	7,826	8,785	8,367	-3.59%	-14.12%	-9.82%
Total Scope 1&2 emissions – Hybrid approach							
Enlarged Group	338,504			531,559			-36.32%
Legacy Synthomer	236,548	274,774	378,873	412,044	-13.91%	-37.57%	-42.59%
UK only	17,778	18,613	19,133	17,737	-4.49%	-7.08%	0.23%

	2022	2021	2020	2019	2022 vs 2021 ^{7,8}	2022 vs 2020 ^{7,8}	2022 vs 2019 ^{7,8}
Greenhouse gas emissions (ton CO₂e)^{2, 3, 4, 5, 9} continued							
Specific Scope 1&2 emissions (ton CO₂e/ton production)							
Enlarged Group	0.210						
Legacy Synthomer	0.159	0.153	0.216	0.232	3.70%	-26.50%	-31.50%
UK only	0.280	0.237	0.222	0.227	18.26%	26.10%	23.44%
Scope 1&2 GHG emissions by source (ton CO₂e)							
From energy³							
Enlarged Group	332,065						
Legacy Synthomer	230,542	269,752	373,984	403,570	-14.54%	-38.36%	-42.87%
From refrigerant releases							
Enlarged Group	6,439						
Legacy Synthomer	6,006	5,021	4,887	8,474	19.63%	22.89%	-29.13%
Other emissions to air							
Sulphur dioxide (SO₂) (ton)							
Enlarged Group	44.652						
Legacy Synthomer	44.038	122.202	132.312	126.322	-63.96%	-66.72%	-65.14%
Kilos SO₂/tonne production							
Enlarged Group	0.028						
Legacy Synthomer	0.030	0.068	0.076	0.071	-56.04%	-60.29%	-57.84%
Nitrous oxides (NO_x) (ton)⁶							
Enlarged Group	173.230						
Legacy Synthomer	112.900	239.822	236.186	207.396	-52.92%	-52.20%	-45.56%
Kilos NO_x/ton production							
Enlarged Group	0.107						
Legacy Synthomer	0.076	0.134	0.135	0.117	-43.25%	-43.64%	-34.95%
Volatile Organic Compounds (VOCs) (ton)							
Enlarged Group	773.680						
Legacy Synthomer	651.186	595.286	504.932	515.008	9.39%	28.96%	26.44%
Kilos VOC's/ton production							
Enlarged Group	0.480						
Legacy Synthomer	0.439	0.332	0.288	0.290	32.06%	52.27%	51.31%
Scope 3 GHG emissions (ton CO₂e)							
Total Scope 3 emissions							
Enlarged Group	2,441,375			2,992,405			-18.41%
Legacy Synthomer	2,175,733	2,318,828	n/a	2,567,630	-6.17%		-15.26%
UK only	102,624						
Specific Scope 3 emissions (ton CO₂e/ton production)							
Enlarged Group	1.489			1.552			-2.44%
Legacy Synthomer	1.465	1.295	n/a	1.446	13.14%		1.29%
UK only	1.614						
Water Usage							
Total water withdrawal (m³)							
Enlarged Group	8,168,210						
Legacy Synthomer	7,473,320	7,862,459	7,241,228	7,177,835	-4.95%	3.21%	4.12%
Water withdrawal by source (m³)							
Public potable supply							
Enlarged Group	2,292,393						
Legacy Synthomer	1,597,503	1,712,967	1,683,337	1,811,592	-6.74%	-5.10%	-11.82%

Environment performance summary continued

	2022	2021	2020	2019	2022 vs 2021 ^{7,8}	2022 vs 2020 ^{7,8}	2022 vs 2019 ^{7,8}
Water withdrawal by source (m³) continued							
Raw water from river							
Enlarged Group	3,229,634						
Legacy Synthomer	3,229,634	3,357,138	2,978,227	2,791,844	-3.80%	8.44%	15.68%
Raw water from borehole							
Enlarged Group	1,061,605						
Legacy Synthomer	1,061,605	1,358,196	1,172,020	1,200,902	-21.84%	-9.42%	-11.60%
Raw water from canal							
Enlarged Group	82,664						
Legacy Synthomer	82,664	115,771	106,553	107,642	-28.60%	-22.42%	-23.20%
Raw water from other							
Enlarged Group	1,501,914						
Legacy Synthomer	1,501,914	1,318,387	1,301,091	1,265,856	13.92%	15.43%	18.56%
Specific water withdrawal (m³/ton production)							
Enlarged Group	5.07						
Legacy Synthomer	5.03	4.39	4.13	4.04	14.56%	21.66%	24.39%
Total water consumption (m³)¹⁰							
Enlarged Group	2,532,969						
Legacy Synthomer	2,272,199						
Specific water consumption (m³/ton production)							
Enlarged Group	1.57						
Legacy Synthomer	1.53						
Waste management							
Total hazardous waste (ton)							
Enlarged Group	36,842						
Legacy Synthomer	21,349	24,110	22,116	23,909	-11.45%	-3.47%	-10.71%
Hazardous waste by source (ton)							
Recycled – energy recovery							
Enlarged Group	10,702						
Legacy Synthomer	2,612	2,931	3,244	3,777	-10.87%	-19.49%	-30.84%
Recycled – separated – reprocessed							
Enlarged Group	8,768						
Legacy Synthomer	5,443	5,065	6,418	5,959	7.47%	-15.20%	-8.66%
Incinerated – no energy recovery							
Enlarged Group	5,438						
Legacy Synthomer	1,388	2,738	1,611	1,430	-49.31%	-13.85%	-2.9%
Disposed by landfill							
Enlarged Group	2,785						
Legacy Synthomer	2,757	3,235	2,276	1,643	-14.78%	21.14%	67.80%
Other							
Enlarged Group	9,149						
Legacy Synthomer	9,149	10,141	8,567	11,100	-9.78%	6.80%	-17.58%
Specific hazardous waste (kg/ton production)							
Enlarged Group	22.85						
Legacy Synthomer	14.38	13.46	12.63	13.47	6.78%	13.85%	6.73%
Total non-hazardous waste (ton)							
Enlarged Group	28,256						
Legacy Synthomer	21,265	18,650	19,317	27,225	14.02%	10.08%	-21.89%

	2022	2021	2020	2019	2022 vs 2021 ^{7,8}	2022 vs 2020 ^{7,8}	2022 vs 2019 ^{7,8}
Non-hazardous waste by source (ton)							
Recycled – energy recovery							
Enlarged Group	3,834						
Legacy Synthomer	3,832	4,278	4,475	8,176	-10.43%	-14.37%	-53.13%
Recycled – separated – reprocessed							
Enlarged Group	3,722						
Legacy Synthomer	3,093	2,836	2,377	2,275	9.06%	30.14%	35.96%
Incinerated – no energy recovery							
Enlarged Group	124.00						
Legacy Synthomer	123.00	22.31	17.03	186.00	451.4%	622.3%	-33.87%
Disposed by landfill							
Enlarged Group	15,805						
Legacy Synthomer	9,446	8,011	8,170	11,808	17.92%	15.62%	-20.00%
Other – municipality							
Enlarged Group	4,771						
Legacy Synthomer	4,771	3,503	4,278	4,780	36.19%	11.52%	-0.19%
Specific non-hazardous waste (kg/ton production)							
Enlarged Group	17.52						
Legacy Synthomer	14.32	10.41	11.03	15.34	37.50%	29.83%	-6.63%
Total waste (ton)							
Enlarged Group	65,098						
Legacy Synthomer	42,614	42,760	41,433	51,134	-0.34%	2.85%	-16.66%
Specific total waste (kg/ton production)							
Enlarged Group	40.37						
Legacy Synthomer	28.70	23.88	23.66	28.81	20.18%	21.30%	-0.38%
Total waste to landfill (kg)							
Enlarged Group	18,590						
Legacy Synthomer	12,203	11,246	10,445	13,451	8.51%	16.83%	-9.28%
Specific waste to landfill (kg/ton production)							
Enlarged Group	11.53						
Legacy Synthomer	8.22	6.28	5.96	7.58	30.85%	37.78%	8.44%
Production volume (ton)							
Enlarged Group	1,612,442			1,928,088			-16.37%
Legacy Synthomer	1,485,019	1,790,719	1,751,406	1,775,092	-17.07%	-15.21%	-16.34%
UK only	63,583	78,612	86,170	78,196	-19.12%	-26.21%	-18.69%

Footnote:

GHG Emissions boundaries are based on operational control. Legacy Synthomer refers to the Company composition as of January 2022. Enlarged Group also includes full year information of new acquired sites under operational control. Environmental performance data covers all manufacturing operations and major office/technical centres. It excludes all non-trading and office/sales-related subsidiaries and joint ventures.

- 1 Data relates to site usage of all fuels, excluding transport of goods to and from site and the movement of these vehicles on site. Internal transport on site is included.
- 2 Emissions to air have been calculated from the usage of all fuels, excluding transport fuel. They therefore include both direct emissions and indirect emissions related to bought-in electricity, steam, compressed air, cooling water etc., with the exception of transmission and distribution losses for electricity, which are considered on Scope 3. Scope 1 process emissions are excluded: one of the newly acquired sites has direct process CO₂ emissions associated to an hydrogenation process, those emissions account for 14,442 tonnes of CO₂.
- 3 CO₂ equivalent emissions include contributions from CH₄ and N₂O associated with combustion.
- 4 All direct energy production from fossil fuels has been aggregated on a Group-wide basis and converted to CO₂e by using the appropriate emissions factors. Scope 2 emissions associated with electricity have been calculated using three different approaches: Market Base: using market-based emissions factors for electricity from suppliers of standard grid fuel mix tariffs. In cases where supplier emissions factors were not available, the residual mix factor was used for the EU sites and Location Base approach for non-EU sites. Location Base: using emissions factors from DEFRA (dataset published in June 2022) for UK grid electricity, and for other countries (except US) grid electricity from the relevant IEA (International Energy Authority) 'World CO₂ Emissions from Fuel Combustion' databases. In accordance with UK Government guidance, factors used for 2022 reporting are based on 2020 validated data. Since 2022, for US locations, EPA Inventory (EPA eGRID2020 from January 2022) eGRID Sudbregion factors have been used instead of IEA country-specific values. Hybrid Approach: using Location Based info except for sites within the Group that purchase renewable energy attribute certificates. Electricity for these locations has been given a CO₂e emissions factor of zero in calculating energy-related emissions totals. The hybrid approach is the approach that has been used by the Group in previous years to establish the baseline and the targets. In order to be able to compare historical performance year to year, the total emissions (Scope 1 and 2) have been calculated using the hybrid approach. Since 2022, imported steam has been converted into CO₂e using emissions factors provided by suppliers when available. Previously conversion factors from DEFRA were used. This could result in an increase of associated emissions if the imported steam is produced using coal as an energy source.
- 5 The total CO₂e figure is the total of the CO₂ equivalent from energy and the refrigerant contribution.
- 6 NO_x emissions are predominantly those from combustion processes. The CO₂ equivalent Global Warming Potential contribution from these releases is already included in the CO₂ from the energy figure above.
- 7 2021-2019 data has been modified according to the details provided in the Environment section.
- 8 Percentage changes are calculated from the base data and may differ slightly from changes calculated from the data in the tables because of rounding.
- 9 Our Stallingborough site in the UK draws electricity from an adjacent waste incinerator. But since the waste is both renewable and non-renewable, the site has some associated emissions. In 2022, the emissions from this electricity were 0.408kg CO₂e per kWh, based on our determination of the factors used for the Climate Change Agreement submission.
- 10 Since we are using the water mass balance approach in 2022, we are not reporting water consumption for the previous years.

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Glossary of terms

AC	Amortised Cost	ICCA	International Council of Chemical Associations
ACC	American Chemical Council	IFRS	International Financial Reporting Standards
AGM	Annual General Meeting	IS	Industrial Specialities
AIMS	Accident and Incident Management System	ISA	International Standards of Auditing
AM	Acrylate Monomers	KPIs	Key Performance Indicators
APMs	Alternative Performance Measures	ktes	Kilotonne or 1,000 tonnes (metric)
AS	Adhesive Solutions	LIBOR	London Inter-Bank Offer Rates
BAME	Black, Asian and Minority Ethnic	LMS	Learning Management System
C&C	Construction and Coatings	LTA	Lost Time Accident
Capital employed	Net assets excluding third-party net debt	LTIP	Long-Term Incentive Plan
CASE	Coatings, Adhesives, Sealants and Elastomers	M&A	Mergers and Acquisitions
CCS	Coatings & Construction Solutions	ManEx	Manufacturing Excellence
CDP	Carbon Disclosure Project	MCO	Movement Control Order
CGU	Cash Generating Unit	MOC	Management of Change
CH₄	Methane	MYR	Malaysian Ringgits
CHP	Combined Heat and Power	N₂O	Nitrous Oxide
CIA	Chemical Industries Association	NBR	Nitrile Butadiene Rubber
CO₂	Carbon Dioxide	NED	Non-Executive Director
CO₂e	Carbon Dioxide equivalent	Net debt	Cash and cash equivalents together with short- and long-term borrowings
Constant currency	Reflects current year results for existing business translated at the prior year's average exchange rates, and includes the impact of acquisitions	NO_x	Nitrogen Oxides
CRM	Customer Relationship Management system	OEM	Original Equipment Manufacturer
CSR	Corporate Social Responsibility	Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation
DEFRA	Department for Environment, Food and Rural Affairs	PBT	Profit Before Tax
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and Special Items	PE	Performance Elastomers
EGM	Extraordinary General Meeting	PHA	Process Hazard Assessment
EPDLA	European Polymer Dispersion and Latex Association	PPE	Property, Plant and Equipment
EPS	Earnings Per Share	PSA	Pressure Sensitive Adhesive
ERP	Enterprise Resource Planning	PSE	Process Safety Events
ESG	Environmental, Social and Governance	PSP	Performance Share Plan
EUUS	Europe, Middle East, Africa and Americas	PTW	Permit to Work
FEED	Front End Engineering Design	PVC	Polyvinyl Chloride
FP	Functional Polymers	R&D	Research and Development
FRC	Financial Reporting Council	RC	Responsible Care
Free Cash Flow	The movement in net debt before financing activities, foreign exchange and the cash impact of Special Items, asset disposals and business combinations	ROIC	Return on Invested Capital is calculated as Group Underlying operating profit as a percentage of Group capital employed
FRS	Financial Reporting Standard	SBR	Styrene Butadiene Rubber
FS	Functional Solutions	SD	Sustainable Development
FVTOCI	Fair Value Through Other Comprehensive Income	SDG	Sustainable Development Goals
FVTPL	Fair Value Through Profit or Loss	SEC	Specific Energy Consumption
GDP	Gross Domestic Product	SHE	Safety, Health and Environment
GDPR	General Data Protection Regulation	SHEMS	Safety, Health and Environment Management System
GHGs	Greenhouse Gases	SOFR	Secured Overnight Financing Rate
GJ	Gigajoule	SONIA	Sterling Overnight Index Average
GRI	Global Reporting Initiative	STEM	Science, Technology, Engineering and Mathematics
GTI	Global Technology and Innovation	TCFD	Task Force on Climate-related Financial Disclosures
GWP	Global Warming Potential	The Code	The UK Corporate Governance Code
H&P	Health & Protection	TSR	Total Shareholder Return
HPPS	Health & Protection and Performance Materials	Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items
IBORS	Inter-Bank Offered Rates	VOCs	Volatile Organic Compounds

Historical financial summary

		2022 £m	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Revenue		2,585.1	2,329.5	1,644.2	1,459.1	1,618.9	1,480.2
Underlying performance	(a)						
EBITDA	(b)	265.1	522.2	259.4	177.9	181.0	176.2
Operating profit	(c)	171.2	450.9	189.6	125.8	142.1	139.0
Finance costs		(46.2)	(30.8)	(29.6)	(9.6)	(7.0)	(9.0)
Profit before taxation		125.0	420.1	160.0	116.2	135.1	130.0
Basic earnings per share	(f)	20.6p	75.2p	28.9p	25.3p	30.7p	28.7p
Dividends per share	(f) (g)	–	30.0p	11.6p	4.0p	12.2p	11.4p
Dividend cover		–	2.5	2.5	6.3	2.5	2.5
IFRS							
Operating profit	(c)	(26.5)	308.5	58.4	110.6	128.7	95.4
Finance costs		(21.1)	(24.6)	(38.1)	(10.1)	(8.4)	(9.0)
Profit before taxation		(47.6)	283.9	20.3	100.5	120.3	86.4
Basic earnings per share	(f) (g)	(7.0)p	48.3p	0.7p	21.5p	27.4p	20.3p
Dividends per share	(f) (g)	–	30.0p	11.6p	4.0p	12.2p	11.4p
Dividend cover		–	1.6	0.1	5.4	2.2	1.8
Net debt	(d)	(1,024.9)	(114.2)	(462.2)	20.7	(214.0)	(180.5)
Capital expenditure	(e)	90.8	82.2	53.8	69.1	75.7	60.3

(a) Total of continuing and discontinued operations for the Group.

(b) As defined in the accounting policies at note 2 and reconciled in note 5.

(c) As defined in note 2 to the financial statements on [page 167](#).

(d) As reconciled in note 21.

(e) As disclosed on the consolidated cash flow statement.

(f) Dividends and earnings per share figures for 2018 and prior have been restated to reflect the bonus factor of 1.0713 arising from the rights issue which completed on 29 July.

(g) The 2022 interim dividend was cancelled to preserve cash.

Advisers

Registered office

Synthomer plc
Temple Fields
Harlow
Essex
CM20 2BH
Registered number 98381

Company Secretary

Anant Prakash

Bankers

Citibank
Commerzbank AG
HSBC Bank plc
JP Morgan
Santander
Goldman Sachs

Joint stockbrokers

Morgan Stanley & Co. and JP Morgan Cazenove

Registrars

Computershare Investor Services plc
Lochside House
7 Lochside Avenue
Edinburgh Park
Edinburgh
EH12 9DJ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors London



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Synthomer plc
45 Pall Mall
London
SW1Y 5JG
United Kingdom
www.synthomer.com

