

Synthomer plc
Annual Report 2021

MONDAY



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07/11/2022

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COMPANIES HOUSE

Our products are all around you.

Packaging
and tapes

On your walls.

In your car.

Under your carpet and floor tiles –
or wrapped around your lunch.

Decorative
paints and
coatings

They're in the wires and cables that connect you to
the world, in the clinics and hospitals that keep us all
healthy, and in the factories, construction sites and
offices that drive our economy.

And if you're holding a printed copy of this report,
they could even be in your hands.

Our teams of experts make many of the high-performance,
highly specialised chemical products that bind the modern
world together, using water-based solutions that eliminate
carbon emissions. We serve customers in a huge range of
markets, whose own end-products are a vital part of all our
daily lives. And we're growing fast, by fulfilling our purpose:
creating innovative and sustainable polymer solutions for
the benefit of customers and society.

Strategic report

Who we are and what we do

Our high-performance, differentiated and highly specialised products, and our leadership in sustainable water-based polymer solutions, are at the heart of our strategy of driving long-term sustainable growth.

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Review of the year

Our six-pillar strategy for organic and inorganic growth has driven outstanding performance across the Group. Record Group EBITDA was underpinned by EBITDA growth in all our business divisions in FY2021.

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Business foundations

Synthomer and sustainability

Our Vision 2030 sustainability roadmap underpins our strategy. It harnesses our leadership in water-based polymer solutions to set out our pathway to net zero, and is built on the foundation of our commitment to Safety, Health and Environment (SHE), one of our core values.

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Decorative laminates
including luxury
vinyl tiles

Non-woven
nappies

Mortar and other
construction
products

Paper and
filmic labels

High-performance
industrial paints

Nitrile
medical
gloves

Oil and gas
drilling products

**Our specialised,
emissions-reducing
formulations help
customers make
thousands of products
that bind the modern
world together.**

Artificial turf

Technical textiles
including glass
fibre eaves

Carpets and foam

Risk

Understanding and managing risk enables the delivery of our strategy. Our risk management framework has continued to evolve in FY2021.

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We make high-performance, highly specialised chemical products to serve customers all over the world, and we're a leading supplier of sustainable water-based polymer solutions which help eliminate harmful emissions.

Through our differentiated portfolio, our wide customer base, and our track record of outstanding innovation, we're delivering on our strategy: driving long-term sustainable growth organically and through acquisitions.

2021 Highlights

Underlying performance statement

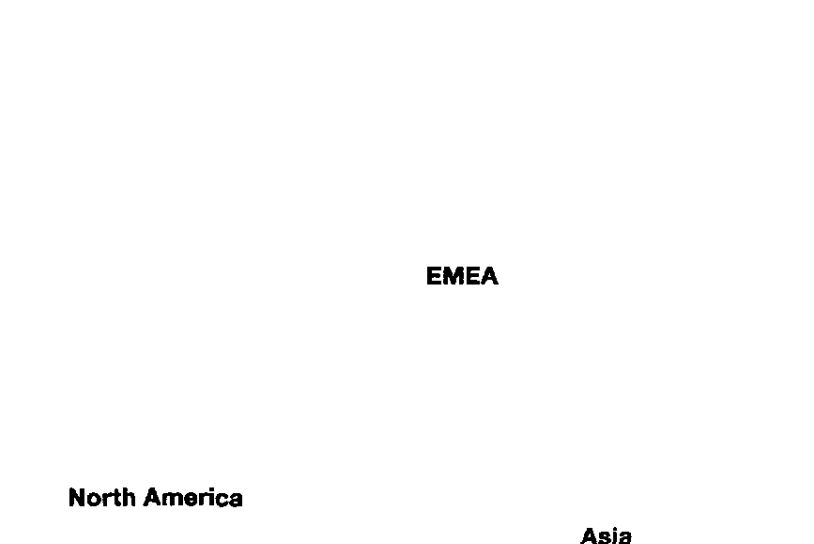
The Group's performance management uses Underlying performance to plan for, control and assess the performance of the Group. Underlying performance differs from the statutory IFRS performance as it excludes the effect of Special Items, which are detailed in note 4 to the financial statements. The Board's 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.

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

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.

Our global reach



£2.3bn

revenue

2020: £1.6bn

6,000+

customers

Successfully integrated our OMNOVA acquisition ahead of schedule

See page 21

4,600+

employees

2020: 4,200+

12

principal end markets

Launched our Vision 2030 roadmap to a more sustainable future

See page 18

Our four divisions:

Performance Elastomers

Delivering water-based Nitrile Butadiene Rubber latex (NBR) and Styrene Butadiene Rubber latex (SBR) products.

Functional Solutions

Delivering acrylic and vinyl water-based dispersions.

Industrial Specialities

Delivering speciality chemical additives and non-water-based chemistry for a broad range of applications as well as laminates & films.

Acrylate Monomers

Supplying acrylic monomers to our European Functional Solutions Division and to third-party customers.

Share of revenue by end market

A	23.2%	Health & Protection
B	11.6%	Carpet, Compounds & Foam
C	6.3%	Paper & Packaging
D	14.3%	Coatings
E	8.4%	Construction
F	7.6%	Technical Textiles
G	6.1%	Adhesives
H	2.0%	Oil & Gas
I	8.5%	Polymer Additives
J	6.3%	Laminates & Films
K	1.7%	Coated Fabrics
L	4.0%	Acrylate Monomers

37

production sites

2020: 38

34%

reduction in Scope 1 and 2 GHG emissions since 2019

Announced proposed \$1 billion acquisition to form our Adhesive Technologies division

See page 14

Strategic report

Governance

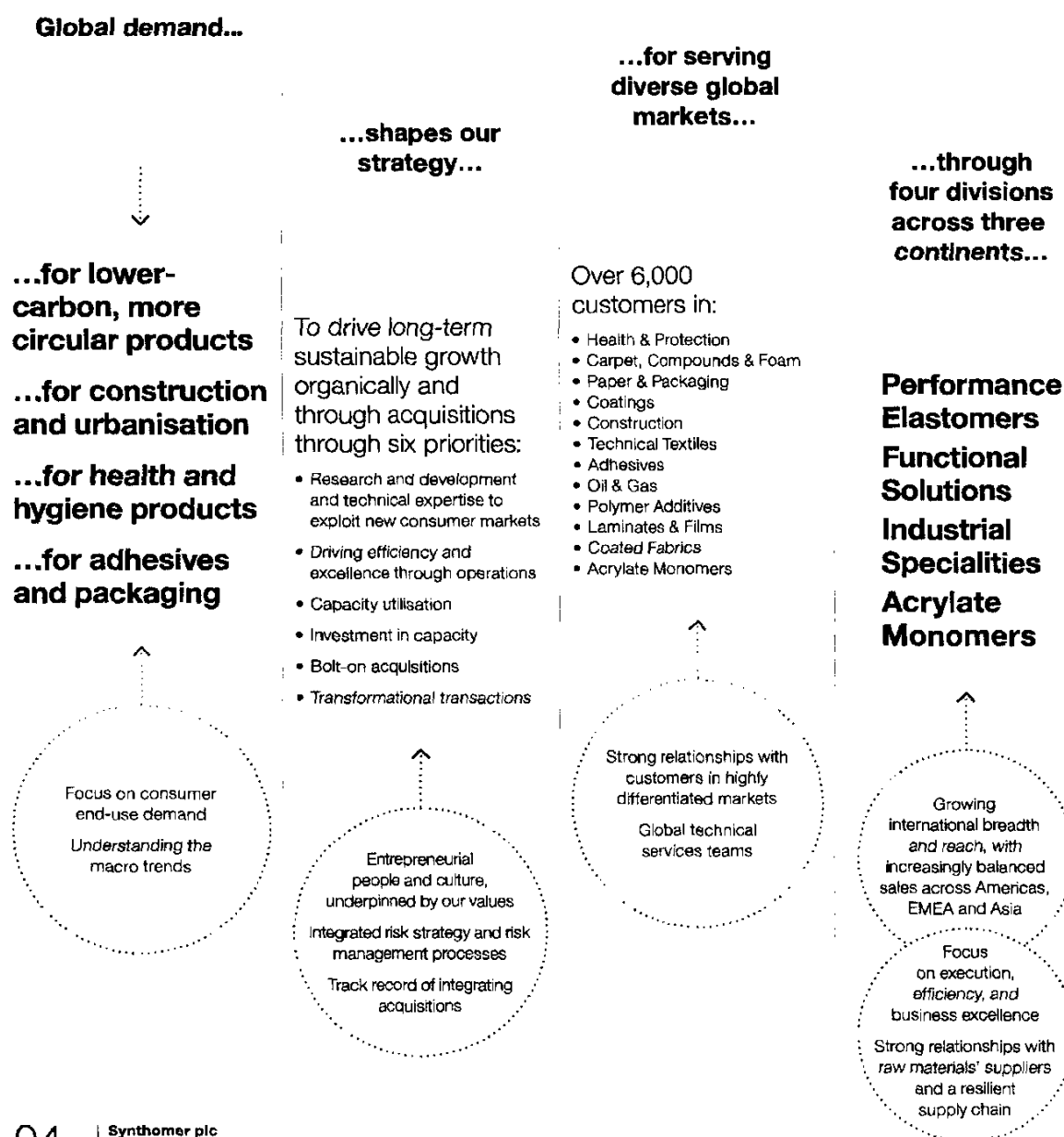
Group financial statements

Company financial statements

Other information

Our business model

Innovation, sustainability and customer service 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 fulfilling our purpose...

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

...and create value for all stakeholders.

...that add value for customers...

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

Global leadership in water-based polymer solutions
Vision 2030, our ESG roadmap

Our values
Safety, health and environment
Accountability
Integrity
Teamwork
Innovation

Over 14 product lines including:

- Water-based Nitrile latex and Performance Materials products for the healthcare, carpet, foam and paper markets.
- Acrylic and vinyl water-based dispersions for the coatings, construction, technical textiles, adhesives and oil & gas markets.
- Speciality chemical additives and non-water-based chemistry for a broad range of applications from polymer additives and polymer manufacture to emerging materials.
- Acrylate monomers that improve the performance characteristics of polymer formulations including latex and solution copolymers and cross-linkable polymer systems.

Highly differentiated portfolio
Improved products with Improved margins

Responding to consumer needs in thousands of applications

Outstanding global and divisional innovation

Focusing on product sustainability benefits

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

£522.2m

2020: £259.4m
EBITDA

4,632

2020: 4,601 employees
Employees in 24 countries

£243.7m

2020: £211.3m
payroll

£28.9m

2020: £25.8m
R&D spend

43%

of new products with sustainability benefits

£1.6bn

2020: £1.2bn
spend with suppliers

£73.5m

2020: £12.8m
returned to shareholders

£86.4m

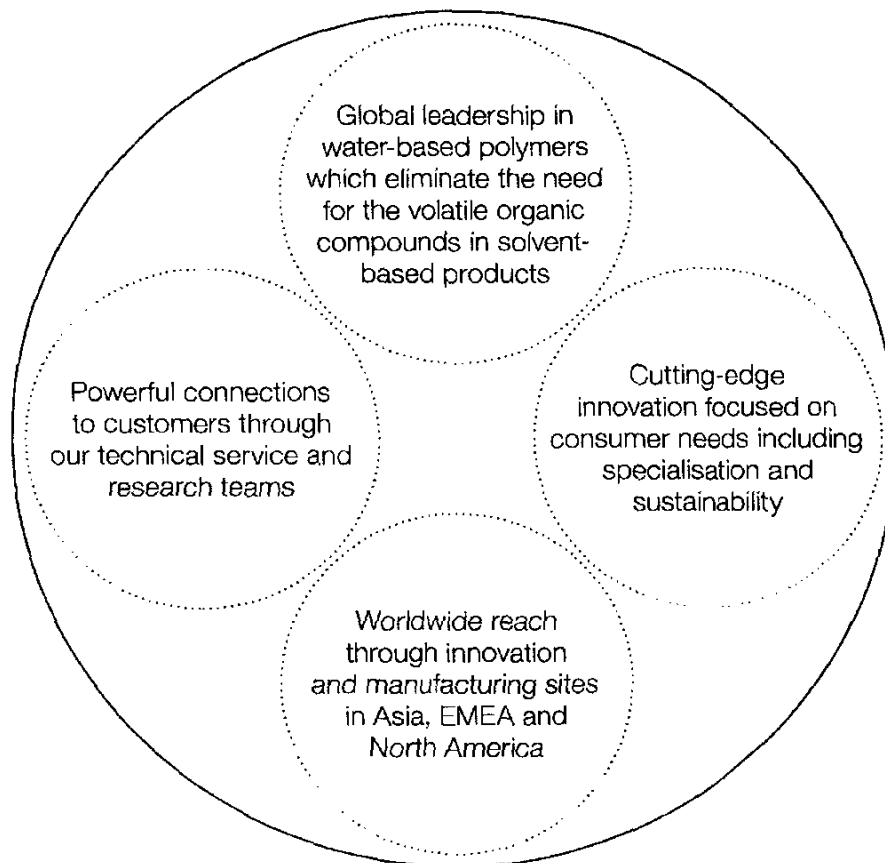
2020: £31.4m
corporate tax paid

Who we are and what we do

What we make – and who we make it for

Differentiation. Specialisation. Sustainability. And high performance. We're able to lead the way in water-based polymers because of the breadth and diversity of the end markets we serve, our strong relationships with more than 6,000 customers, and our commitment to innovate and deliver the high-performing products they need.

We draw on our unique business strengths...



**...to serve over 6,000 customers
in diverse, strategic end markets:**

**Health &
Protection**
23.2% of revenue

We are a world leader in Acrylonitrile Butadiene Rubber (NBR latex) for glove-dipping and associated healthcare industries. Gloves made from our speciality NBR latex ensure a combination of high tensile strength, good elongation and relaxation.

**Carpet,
Compounds &
Foam**
11.6% of revenue

Our specialist High-Solid Styrene Butadiene (HS-SBR), Styrene Acrylic (SA) and SBR-compounded products provide high-performance binders for the backing of carpet and artificial turf, and as gel foam elastomers for floor coverings, footwear and mattresses.

**Paper &
Packaging**
6.3% of revenue

We are Europe's largest manufacturer of SBR and SA high-performance binders for graphic, packaging and speciality paper coatings. Our products help customers meet stringent regulatory requirements and comply with rules on food contact.

Coatings
14.3% of revenue

We develop speciality binders to meet the performance and regulatory requirements of the architectural and industrial coatings market, using acrylic and vinyl copolymer dispersions that are low Volatile Organic Compounds (VOCs), low odour and alkylphenol ethoxylate (APEO) free.

Construction
8.4% of revenue

Our dry and liquid specialist polymers provide binding or bonding properties for many construction applications, including mortar modification, liquid-applied waterproofing membranes, ceramic tile adhesives, and flooring adhesives.

Technical Textiles
7.6% of revenue

Our products are used in a broad range of woven and non-woven applications, including to bind mesh insulation systems in technical textiles, to provide the binder in distribution layers in non-woven nappies, and in decorative laminates.

Adhesives
6.1% of revenue

Our specialist polymers bond dispersions and bind industrial and consumer adhesives, meeting our customers' stringent technical and regulatory requirements.

Oil & Gas
2.0% of revenue

We are a global leader in speciality polymeric solutions that promote wellbore stability and drilling efficiency in the most challenging high-temperature, high-pressure and high-differential pressure operating environments.

**Polymer
Additives**
8.5% of revenue

We make a broad range of specialist polymer solutions, including suspending agents for PVC manufacture, thermosetting polyester resins for powder coatings, and thermal stabilisers in polyamide engineering plastics.

**Laminates &
Films**
6.3% of revenue

We produce decorative laminates for residential and commercial interiors and recreational vehicles, and performance films for luxury flooring, signage and industrial applications.

Coated Fabrics
1.7% of revenue

We manufacture high-performance polyurethane and vinyl coated fabrics used in seating and trims in cars, buses, boats and ships, and in healthcare, hospitality, education and corporate offices. Our range includes our industry-leading PreFixx protective finish.

**Acrylate
Monomers**
4.0% of revenue

We make acrylic acid and acrylate monomers which improve the performance characteristics of thousands of polymer formulations including latex and solution copolymers and cross-linkable polymer systems.

**...by making speciality products
used in thousands of applications
that consumers use every day:**

- Medical and examination gloves
- Industrial and fabric-supported gloves
- Medical devices and balloons

- Carpet
- Tufted carpets
- Woven carpets
- Needle felt carpets

- Automotive carpets
- Gel foam elastomer backings
- Bedding foam
- Footwear foam

- Graphic paper
- Packaging
- Speciality paper
- Paper additives

- Architectural coatings
- Masonry coatings
- Intumescent coatings
- Metal coatings

- Mortar modification
- Waterproofing
- Flooring adhesives

- Sport surfaces
- Additives for construction

- Glass fibre
- Roofing
- Decorative laminates

- Technical fibre
- Footwear
- Hygiene and wipes

- PSA packaging tapes
- PSA speciality tapes
- PSA labels
- Caulks and sealants

- Packaging specialities
- Release coatings
- Tape saturants

- Oil and gas cementing
- Drilling fluid additives

- Elastomeric modifier for thermoplastics and friction
- Reinforcing resins for rubber compounds

- Tyre cord

- Luxury flooring
- Bathroom fittings
- Kitchen fittings
- Recreational vehicle fittings

- Durable surfaces for retail and domestic applications

- Automotive and bus seating
- Marine seating and trim
- Healthcare, hospitality, education and corporate seating

- Compounds and curing pastes
- Monomers
- Antioxidants

Chair's statement

Our people have risen to the unique demands and delivered exceptional performance in 2021 – the Board expected and planned for this, and it has allowed us to carefully invest for future growth, maintaining prudent leverage.

'In 2021, the Board focused on the significant demands of the business as well as succession planning, business excellence and delivering on the OMNOVA acquisition. The acquisition of Eastman's Adhesive Resins business was a strategic and important step and we thank shareholders for their support.'

Caroline Johnstone
Chair

Exceptional performance, built on robust foundations

Our business ended the year with record results, and with the foundations in place for growth that will enable us to create value into the future. This was made possible by two things: further delivering our consistent strategy of long-term sustainable growth organically and through acquisitions, including the \$1 billion acquisition of Eastman's Adhesive Resins business which is expected to complete in March 2022; and the resilience and skill of our employees, who have continued to put our values into practice despite the ongoing challenges of the

COVID-19 pandemic. I would like to thank them all personally, and also on behalf of the Board. The safety of employees is our first priority and the Board oversaw progress towards achieving top quartile performance across all our sites during 2021.

A smooth leadership transition, and a consistent strategy

In June, we announced the appointment of Michael Willome as our new Group Chief Executive Officer, after Calum MacLean announced his intention to step down at the start of the year.

I was delighted to welcome Michael in November, following an extensive search process which identified him as a high-calibre, proven business leader with experience in the global speciality chemicals industry and a strong track record of driving growth (see page 84 for details). The smooth transition since his appointment has confirmed that Michael has the right capabilities to lead Synthomer through the next phase of its development. He has already demonstrated his appetite for organic and inorganic growth, a passion for building our teams and developing our people, and an instinctive understanding of the importance of sustainability to our future.

This seamless handover was due in no small part to Calum, and on behalf of the Board I would like to thank him for his outstanding leadership over the past seven years. I extend the same thanks to Stephen Bennett, our Chief Financial Officer, who in August announced his intention to stand down. As we discuss on page 107, we look forward to welcoming Lily Liu this summer.

Calum and Stephen have helped transform Synthomer into a diversified, differentiated, global speciality chemicals business, and the benefits can be clearly seen in the Company's performance. They have built a strong platform for continued success, and leave behind a highly experienced leadership team. We wish them both the very best.

Growth that supports our purpose

One of the most exciting developments of the year was October's announcement of our proposed acquisition of Eastman's Adhesive Resins, which will bring clear benefits, as discussed on page 14. It is a great example of Synthomer's growth strategy in action, and I'd like to comment on two points.

First, the Company's ability to deliver growth. The year's results show that across the business, our teams have worked superbly to create organic growth – through innovation, capacity utilisation, and a continuous focus on meeting strong customer demand. This was despite the challenges presented by disruptions in the global supply chain, which were navigated with great skill by our procurement, operations, and

commercial teams. The results also show that the integration of OMNOVA – Synthomer's largest acquisition at the time – is complete, well ahead of schedule and is delivering higher synergies than originally announced. The synergies outlined have all been realised, despite the COVID-19 pandemic making it difficult for new teams to meet in person. This is a tribute to everyone involved, especially colleagues who have joined Synthomer from OMNOVA, the teams who made the transaction in the first place, and the management and finance teams who oversaw the integration process.

My second point is really a question. What is the purpose of growth? Synthomer does not seek growth for its own sake. Of course, we want to keep creating value for shareholders. But we also want to embed sustainability into every aspect of the business, to help Synthomer play a greater role in creating a fairer, more sustainable future and respond to the climate emergency. Growth, with the scale it brings, makes us more resilient. It enables us to invest in our people, our infrastructure, and our assets, and means we are better able to deliver on our purpose of creating innovative and sustainable polymer solutions for the benefit of customers and society. That is why the Board spent a lot of time on another highlight of Synthomer's year – the launch of our Vision 2030 roadmap to a more sustainable business.

Regulatory fine

During 2018, the European Commission (the Commission) initiated an investigation into practices relating to the purchase of styrene monomer by several companies, including Synthomer, operating in the European Economic Area. The Company has and will continue to fully co-operate with the Commission during its investigation. Based on the information available and the resulting assessment of the expected outcome of the investigation a provision of £57.2 million has been made in relation to this case.

A more diverse, inclusive Synthomer, underpinned by sound governance

The full details of our Vision 2030 roadmap – which includes our commitment to net zero as well as expanding on Synthomer's longstanding work on safety, health and environment (SHE) – can be found in our Sustainability report on pages 42 to 68. We have, for the first time, fully integrated this into our Annual Report so that stakeholders can understand how sustainability is inextricably linked to our financial performance.

Along with the rest of the Board, I wholeheartedly endorse Vision 2030. It is a huge step forward, strengthening the business and helping Synthomer meet the rising expectations of stakeholders over the next decade. The Board has been fully involved in the development of Vision 2030

and will be regularly revisiting and challenging the targets, and where we can be bolder and go faster, in a balanced way.

At the same time, we know that launching Vision 2030 is not an end in itself. We have more to do in many areas – including one particularly close to my heart, which is making our culture more diverse, inclusive, and supportive of the employees who drive our success, with further equality of career development opportunities. We have made progress in many areas – and there is a clear appetite from everyone in the business to enhance our ability to plan and develop people's careers to ensure their engagement and success, and our business growth.

Like every other aspect of our strategy, Vision 2030 must be underpinned by sound governance – and I talk more about this in my introduction to the Governance report, on page 90, where I also thank Dr Just Jansz for his valued service to the Board, and welcome Roberto Gualdoni, who joined Synthomer as an Independent Non-Executive Director in July.

Dividend of 21.3 pence

The Board has recommended a final ordinary dividend of 21.3 pence (2020: 8.6 pence) per share, consistent with our dividend policy, this exceptional increase reflecting the unique year of profitability.

Caroline Johnstone
Chair

3 March 2022

Looking ahead/ priorities for 2022

- Oversee the completion of our acquisition of Eastman's Adhesive Resins to create our new Adhesive Technologies division
- Ensure that Adhesive Technologies is effectively integrated into Synthomer, and synergies are being captured
- Continue to focus on nitriles capacity expansion and investment
- Oversee our leadership team transition and succession planning
- Further drive our Vision 2030 sustainability agenda and oversee progress on Task Force on Climate-related Financial Disclosures (TCFD)
- Continue to engage with investors and all stakeholders

Chief Executive Officer's review

Exceptional results, built on a platform of underlying growth – and with great opportunities ahead.

'When I look beyond the most obvious figures, I see a more important narrative. That's a story of consistent growth built on the core assets of this business.'

Michael Willome
Chief Executive Officer

Building on an outstanding year to consistently deliver growth and value

Synthomer has delivered record results this year. But in a way, those results don't tell the full story of our Company. When I look beyond the most obvious figures, I see a more important narrative. That's a story of consistent growth built on the core assets of this business. Today Synthomer enjoys leadership positions in a wide range of attractive, global markets, based on a broad portfolio of differentiated speciality products. We have proven expertise in acquiring and integrating new businesses.

Furthermore, our powerful sustainability credentials, including our leadership in water-based polymers in our dispersions business and our sustainability innovations in areas such as Nitrile latex for medical gloves, or lower carbon footprint products in our Functional Solutions division mean that we are well positioned in this vitally important area. Our platform for future growth is strong.

The exciting thing for me is that there is more we can do in all these areas. The unique conditions of the past two years, and particularly those affecting our Performance Elastomers division, may not come back for a long time – but our underlying position means we will have the opportunity to strengthen our business further in the future. Our innovative,

sustainable products perform a vital role in people's lives – and our strategy of investing in organic and inorganic growth in attractive end markets has consistently created value for all our stakeholders over several years, and given us a platform to continue to deliver in the years ahead.

Excellent EBITDA performance in all divisions, creating a platform for the future

All our divisions have achieved record EBITDA growth in 2021 as described in our divisional reports on pages 26 to 37. The strongest growth came from Performance Elastomers, which grew EBITDA by 136.9%, mainly as a result of the unprecedented, and one-off, demand for Nitrile latex caused by the COVID-19 pandemic in 2020 and 2021 – though other areas of the division also grew their profitability. At the same time, Functional Solutions grew by 49.8%, and Industrial Specialities by 18.9%. Acrylate Monomers has returned to profitability with £35.3 million EBITDA. Overall, Group EBITDA grew by 109.8% to £522.2 million and resulted in an EBITDA margin of 22.4% of net sales (2020: 15.8%).

This outstanding performance meant we further strengthened our balance sheet. We successfully deleveraged to 0.3x EBITDA, through strong Free Cash Flow and the equity placing, creating the conditions to pursue further inorganic and organic growth opportunities, and add further value.

The most significant strategic event in 2021 was our acquisition of the Eastman's Adhesive Resins business, which on completion will create our new Adhesive Technologies division.

This is a highly complementary opportunity with a strong focus on attractive end markets such as packaging, hygiene, building and construction, and high-performance tyre additives. It will enable us to further develop, manufacture and sell tackifying resins and additives for adhesive products and, as we describe on page 14, it will expand our portfolio and our geographical reach, especially in the US, one of our focus markets.

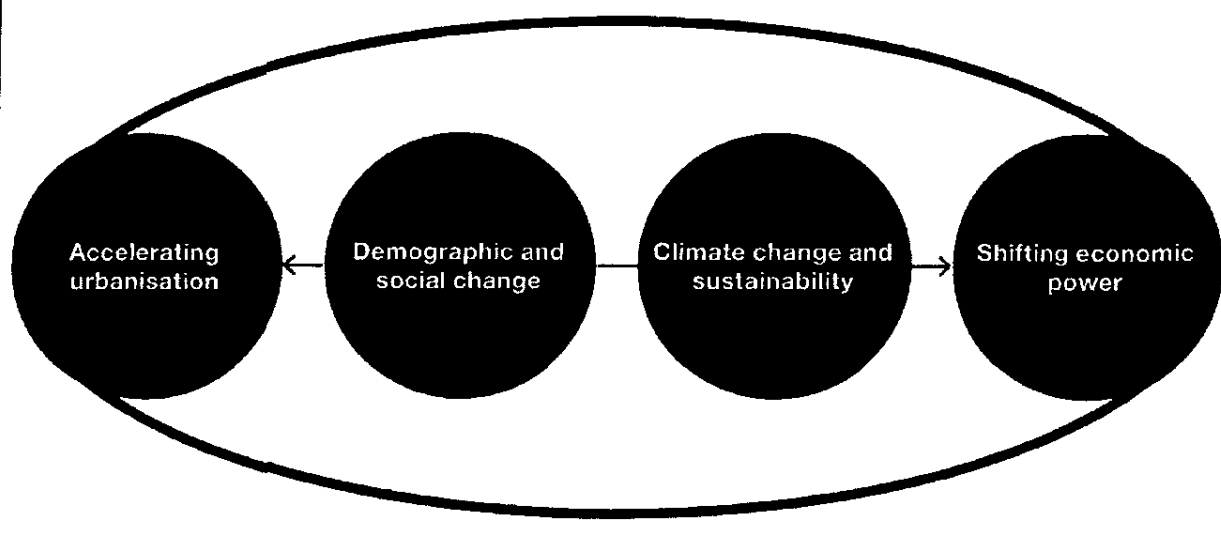
People and teams making the difference

Everything we have achieved this year is the result of the agility, dedication and commitment of Synthomer people, all over the world.

It is one thing to invest in attractive markets and technologies, as the business has done consistently over the years – but that does not produce strong performance on its own. That is down to people going the extra distance, time and again, despite challenges such as the COVID-19 pandemic, or significant raw material and energy price increases, or supply chain disruption, or unprecedented demand.

Robust investment case in line with global megatrends

Globally differentiated chemical company	Growing proportion of speciality chemicals	Resilient demand	Strong organic and inorganic growth drivers	Sustainable and responsible operator	Attractive financial metrics
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Chief Executive Officer's review continued

I have met outstanding people and teams everywhere I have been – and I look forward to working with them on future opportunities based on the success achieved so far.

As a speciality chemicals player with 37 production sites worldwide, our first priority is to continue our journey towards becoming a top quartile work environment in terms of personal and process safety. We are on the right track, but we still have further to go to ensure that our safety performance is consistent across the business, site by site.

Safety remains both a core value and a strategic priority for Synthomer, and we discuss our performance in detail on pages 54 to 57.

I would also like to mention another priority, 'people development'. We will spend significant time and effort on this area, creating an excellent environment for all stages of people's professional life, starting with our well-established and highly successful graduate programme, our talent development initiative for more experienced employees, and senior leadership development. Our aim is to create a culture which fosters trust, open and fast communication between people, units and regions, and strong performance for our customers.

I would also highlight our need for more diversity of all kinds in our Company. As recent nominations to our Executive Committee show, we have already made first steps on a journey that clearly builds value for the business, and we will continue it in 2022 and beyond.

Maintaining our strategic focus

Once again, our results demonstrate how critical it is to have leadership positions in our markets. They have also shown how valuable it is to have a growing global footprint, which is why we continue to address opportunities in the US, South East Asia and China, as well as Europe.

Above all, we need to make sure we are always 'market-orientated' – which means always thinking about the end consumers who will ultimately benefit from our products. What do they need from the buildings they live or work in, or the surface coatings solutions we all need in daily life, or the health and hygiene products that serve them, or the functional textiles, and automotive products that surround them?

We make specialised chemical products for our customers, who sell them to consumers – so understanding the consumer means we can serve our customers better.

SyNovus™ Plus – sustainable innovation in action

Our specialised SyNovus™ nitrile products, widely used in latex glove manufacture, have played an important part this year in the success of our Performance Elastomers division – and of Synthomer overall.

In 2021, teams at our Asia Innovation Centre in Malaysia worked on making the SyNovus™ range even more attractive to our customers – and more sustainable – through developments in content and manufacture. They created SyNovus™ Plus, a new nitrile product that we will launch in 2022.

High-performing. Recyclable. And with a lower carbon footprint.

SyNovus™ Plus provides the same high-performance barrier protection as conventional nitrile latex, but has several critical differences – including the potential for gloves made using SyNovus™ Plus to be recycled into other products after they are worn for applications such as food handling

and hygiene (all gloves used for medical applications have to be incinerated).

The way we make SyNovus™ Plus also enables our customers to reduce the carbon footprint of their gloves. Our Life Cycle Assessment has demonstrated that customers need less nitrile latex and can be more energy efficient in their manufacturing because SyNovus™ Plus can be used in a low-energy cure process.

And by eliminating the use of rubber accelerators, which can leave residues that cause reactions to people with latex allergies, gloves made with SyNovus™ Plus can be used by more professionals and consumers in our customers' markets.

We believe SyNovus™ Plus has the potential to transform our approach to NBR latex – and shows that sustainable innovation can be good for customers, consumers, and our business.

We are also striving for innovation excellence, always driven by consumer and customer demand illustrated by our new, patented SyNovus™ Plus Nitrile latex for gloves combining exacting consumer requirements and sustainability.

Innovation continues to be a core pillar of our growth strategy, helping us secure differentiated market positions and generate added value for our customers. This year, the full integration of OMNOVA has significantly strengthened our innovation pipeline, and our network of four global innovation centres of excellence supported by local application and technical service centres is a key strategic asset, as we describe on page 38.

Inspired by our purpose, and committed to Vision 2030

The demand for more 'sustainable products' has never been so great.

Here, too, we are in a strong position for future growth. Our expertise in water-based polymers, which have a lower environmental impact than solvent-based alternatives, makes us leaders in many fields of specialised chemical products. This year, we were awarded the London Stock Exchange's Green Economy Mark, given to companies that derive more than 50% of their revenues from sustainable solutions. We are closing the coal-fired power station at Sokolov (Czech Republic), which ends our use of coal for power generation across Synthomer, and we moved to electricity from renewable sources in Europe and North America. And our Vision 2030 roadmap, aligned with the UN's Sustainable Development Goals and reported on in full for the first time on page 18 of this Annual Report, sets out our course to make our business increasingly sustainable. It makes clear that our ESG priorities, beyond safety, remain combating climate change, becoming more diverse and inclusive, and developing our supply chain assurance.

We are well-embarked on this journey, but we know we have much more to do because as well as being the right thing to do, we know that consumers, and therefore our customers, will increasingly demand sustainable products, and prefer companies that can produce them.

£522.2m

EBITDA

+109.8%

Increase in EBITDA vs 2020

Looking ahead

I would like to thank everyone at Synthomer – and my predecessor, Calum MacLean, whose leadership over seven years at the company did so much to create the differentiated, global business we are today – for their dedication over the last year.

Exceptional levels of profitability in 2021 have enabled the Group to make major inorganic and organic investments to significantly strengthen our platform for future growth. As set out in the February trading statement, Nitrile latex margins have normalised to pre-COVID levels and the Group does not expect any Nitrile latex pandemic premium in 2022. Year-to-date, Nitrile latex demand remains subdued due to high inventory levels of medical gloves and reduced demand due to the easing of the COVID-19 pandemic. However, trading conditions in Nitrile latex are expected to normalise by the end of H1 with market growth returning to 2019 levels in the second half. All other divisions have had an encouraging start to the year, and the Group expects to make continued strategic, commercial and operational progress in 2022. We have very limited exposure to Russia and Ukraine, with both countries accounting for less than 1% of Group revenue, and we continue to carefully monitor the situation and its potential implications on our business. The acquisition of Eastman's Adhesive Resins business is expected to complete in Q1. The Group continues to look for further bolt-on acquisition opportunities geared towards attractive end-markets that are value accretive to Synthomer's portfolio. The Board remains confident that the benefits of recent acquisitions and disciplined capital allocation focused on organic growth, inorganic growth and dividends will underpin growing sustainable profits and value creation in the coming years.

Michael Willome

Chief Executive Officer

3 March 2022

Our new platform for growth: Our planned Adhesive Technologies division

Our growth strategy in action

Building on our success – Adhesive Technologies

On 17 December 2021, Synthomer shareholders approved the acquisition of Eastman's Adhesive Resins. Subject to regulatory approvals and customary closing conditions, we intend to complete the transaction in March 2022, and create a new division for Synthomer: Adhesive Technologies.

For details of the Eastman's Adhesive Resins transaction, please see our investor presentation on [Synthomer.com](https://www.synthomer.com).

Speciality products that broaden our portfolio and extend our reach

It is an exciting moment in our growth story, and a demonstration of our organic and inorganic growth strategy in action. In the largest acquisition in our history, valued at \$1bn on a cash/debt free basis, Synthomer will gain a US-based global business which develops, manufactures and sells tackifying resins and additives for adhesive products, making us a global leader in the field.

Adhesive Technologies will have a strong focus on attractive end markets such as hygiene, packaging and high-performance tyre additives. On completion, it will mean we can extend and diversify our portfolio, reach more customers in more end markets, and further expand our geographical reach.

A platform for growth

The transaction is in line with our conservative capital allocation policy, and has been enabled by the outstanding performance of our existing divisions as well as our effective integration of OMNOVA, ahead of schedule. Our track record and experience of integrating OMNOVA gives us confidence that we have the people and skills to realise synergies through the creation of Adhesive Technologies. And with its alignment with our sustainability objectives – including through a focus on renewable raw materials, circular economy approaches, and solvent-free product lines – we believe Adhesive Technologies will provide us with a platform for further sustainable growth.

At-a-glance:

What Adhesive Technologies will add to Synthomer

1. Well-invested assets with a global leading position in adhesives
2. Around 650 talented employees worldwide, and a strong management team
3. Six plants with strong SHE standards and a track record of manufacturing excellence
4. More access to attractive end markets with resilient growth fundamentals
5. Greater scale and diversity to our portfolio, and greater geographic reach
6. Strong R&D, and opportunities for further innovation-led growth
7. A large and growing portfolio of sustainable products and alignment with our Vision 2030 sustainability goals
8. Potential synergies following integration
9. Compelling financial metrics with accretive unit gross margins

Key product lines for Adhesive Technologies

Hydrocarbon Resins (HCR)

- Hydrogenated HCR (H₂HCR)
- Non-Hydrogenated HCR (Non-H₂HCR)
- Pure Monomer Resins (PMR)

Non-Hydrocarbon Resins (Non-HCR)

- Amorphous Polyolefins (APO)
- Oleo Chemicals, Rosins and Dispersions (OCD)

Increasing our reach in attractive end markets

- Tapes and labels
- Packaging
- Hygiene
- Building and construction
- Tyres
- Other, including woodwork, automotive, windows, rubber, food and care, and inks

Our six-pillar strategy

1 Innovation and technical expertise to exploit new markets

- Anticipate consumer market trends and customer requirements to deliver improved and differentiated products
- Focus on development rather than pure research

2 Driving efficiency and excellence through operations

- Operate continuous improvement across operations
- Identify good practices and share throughout the business
- Improve commercial, HR, IT and procurement functions

3 Capacity utilisation

- Drive profitability through maximum utilisation of assets
- Identify the causes of production bottlenecks and find innovative solutions

4 Investment in capacity

- Seek to add capacity, particularly in high-growth attractive end markets

5 Bolt-on acquisitions

- Actively seek opportunistic bolt-on M&A in similar chemistries

6 Transformational transactions

- Not to occur before deleveraging to within the range of our strict capital policy
- Transformational acquisitions not limited by geography or chemistry
- Growth, stable EBITDA margins, and innovation are some of the target criteria

Our Vision 2030 roadmap sets us on the path to net zero and contains a series of targets across three key areas:

- | | | |
|---------------|---------------|---------------|
| • Product | • Operations | • People |
| (See page 47) | (See page 54) | (See page 52) |

Our progress – KPIs

Measuring the progress of our strategy

Financial

Strategy

Definition

Operating profit before depreciation, amortisation and Special Items.

Comment

Group EBITDA increased 109.8% to £522.2 million, with strong growth across all four divisions. Performance Elastomers EBITDA grew by 136.9%. Functional Solutions EBITDA grew by 49.8%. Industrial Specialities EBITDA grew by 18.9%. Acrylate Monomers EBITDA returned to profit, delivering £35.4 million.

Strategy

Definition

Basic Underlying earnings per share before Special Items.

Comment

The 160.2% increase in underlying EPS reflects the strong increase in underlying profit before tax, offset by a slight increase in the weighted average number of shares in issue. Figures previous to 2019 have been restated for the Rights Issue which completed in July 2019.

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. 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.

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

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.

Strategy

Definition

Underlying profit before tax comprising IFRS profit before tax before charging/crediting Special Items.

Comment

Group underlying profit before tax increased 162.6% to £420.1 million, driven by strong growth in EBITDA across all four divisions.

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 was driven by the rise in EBITDA and reflected the increase in activity levels and raw material prices which drove a first half 2021 net outflow, which was partly offset through working capital management in the second half of the year when raw material prices remained high.

Capital expenditure was £82.2 million (2020: £53.8 million) as the Company focused on organic growth projects, business system platforms and site sustenance expenditure.

Non-financial

Strategy

Definition

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

Comment

Our Group recordable injury case rate (RCR) reduced to 0.31, largely due to improved performance at former OMNOVA sites, which saw RCR fall from 0.64 in 2020 to 0.47 in 2021. The Group recorded 34 injuries in 2021, versus 37 in 2020. We reported no cases of disease caused by occupational factors and there were no accidents that resulted in fatality or permanent disability.

Strategy

Definition

Volume of our products sold in thousands of tonnes (ktes). The volume is based on wet volumes – i.e. the volumes including water content.

Comment

The growth in our volumes was driven by the full-year benefits of our integration of OMNOVA (compared to months in 2020) and the increase in activity in Functional Solutions and Industrial Specialties markets. This is offset by lower Performance Elastomers volumes, which reflect the rationalisation of our SBR business and lower nitriles volumes in H2 2021 caused by restrictions in output in Malaysia and lower levels of demand.

Strategy

Definition

Metered Energy (GJ) (including gas, electricity, steam and fuel oil) used at each of our plants divided by the number of tonnes of product made. The energy excludes transport of goods to and from site and the movement of the associated vehicles on site, but internal transport on site is included.

Comment

COVID-19 continued to disrupt supply chains leading to inefficient operations. Key energy efficiency processes were also delayed.

Strategy

Definition

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

Comment

Our strong performance in 2021 reflects our greater scale in innovation following the integration of OMNOVA, and the full opening of our new Asia Innovation Centre, demonstrating our continued investment in innovation.

In July 2021, we set out our Vision 2030 roadmap as our starting point for realising our commitment to sustainability and to reaching net zero by 2050. It includes targets for each of the three key areas of sustainability: products, operations and people, aligned with the seven UN's Sustainable Development Goals most material to our business. Here we set out our first year of progress against these targets. We will continuously review the targets to ensure that they remain appropriately challenging. For more details, see pages 42 to 68.

1. Products

2. Operations

3. People

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

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.

Synthomer specialist polymers are used to bond and bind industrial and consumer adhesives for a wide range of applications. Packaging and speciality tapes, paper and filmic labels, contact adhesives and can sealings all rely on our superior products which deliver solutions to our customers' technical and regulatory requirements.

Review of the year

CFO's introduction to the Financial review

2021 has been a year of strong performance by all our divisions and a truly exceptional performance in our Nitriles business delivering a record EBITDA of £522.2 million.

'EBITDA grew in each of our divisions. Our investment in organic growth, and our successful integration of OMNOVA, has created a powerful platform for future growth.'

Stephen Bennett
CFO

Volume

+2.0%

2021: 1,671.5ktes 2020: 1,638.2ktes
2019: 1,465.7ktes

EBITDA

+109.8%

2021: £522.2m 2020: £259.4m 2019: £177.9m

Underlying PBT

+162.6%

2021: £420.1m 2020: £160.0m 2019: £116.2m

IFRS PBT

+1,298.5%

2021: £283.9m 2020: £20.3m 2019: £100.5m

Underlying EPS

+160.2%

2021: 75.2p 2020: 28.9p 2019: 25.3p

IFRS EPS

+6,800%

2021: 48.3p 2020: 0.7p 2019: 21.5p

Free Cash Flow

+29.8%

2021: 217.6m 2020: £167.6m 2019: £92.8m

A proven strategy, good execution and a strengthened balance sheet

Our performance this year is a tribute to the hard work of everyone at Synthomer, who put in an extraordinary effort to meet the needs of our customers. It also reflects the success of our strategy, as our investment in organic growth, and our successful integration of OMNOVA, created a powerful platform for our performance.

Strong performance from all divisions despite global supply chain disruption

EBITDA grew in each of our divisions. Performance Elastomers EBITDA growth of 136.9% to £320.7 million reflected more than the strong demand for hygiene products, with improved demand and margins in Performance Materials also making an important contribution. Functional Solutions EBITDA grew by 49.8%, to

£139.2 million reflecting our stronger global reach and increased market diversity following the integration of OMNOVA, factors which also saw Industrial Specialities EBITDA grow by 18.9% to £47.8 million. Acrylate Monomers EBITDA grew to £35.3 million, from a small loss in 2020.

The growth across the business took place against a backdrop of squeezed supply chains – and is tribute to the work of our procurement and customer service teams, who kept meeting our customers' needs.

Growth in gross margin per tonne reflects increasing specialisation

This long-term growth reflects the fact that our differentiated portfolio contains many specialised, high-performance products. This year, extraordinary demand for Nitrile latex products during the COVID-19 pandemic meant that our Nitrile business in particular performed exceptionally and, even as this demand softened, in line with our expectations, our specialised portfolio will continue to benefit from the underlying market growth trend that existed before the pandemic.

One of the most pleasing aspects of our performance has been the consistent growth in our gross margin per tonne over recent years, a trend which continued in FY21 and not just attributable to the impact from the Nitrile latex business.

Rapid integration of OMNOVA realises \$42 million in synergies

Despite the pandemic, we completed the integration of OMNOVA ahead of schedule. The synergies we identified in our acquisition investment case have also been realised faster than budgeted, and have created greater value, with \$42 million realised in the first 18 months of integration. This has strengthened the business, and built the acquisition and integration skills of our teams.

Free Cash Flow up 29.8% to £217.6 million

Strong cash generation and the £203.1 million equity placing ahead of our acquisition of Eastman's Adhesive Resins business has helped drive a rapid reduction of our net debt to £114.2 million leading to leverage of 0.3x EBITDA. This strengthened balance sheet underpinned our proposed acquisition of Eastman's Adhesive

Resins business, which was approved by our shareholders on 17 December 2021, and which supports our overall strategy for organic and inorganic investment. We expect the acquisition to complete in March 2022.

Reduced pension liabilities

As a result of more favourable market conditions and several years of work, including a detailed review of our pension investment strategy, our pension liability has decreased to £122.4 million from £221.4 million at 31 December 2020. Strong asset returns, cash contributions of £27.0 million and actuarial gains of £51.2 million have all contributed.

Dividend of 21.3 pence

The Board has recommended a final ordinary dividend of 21.3 pence (2020: 8.6 pence) per share, this exceptional increase reflecting the unique year of profitability.

Taken with the 2021 interim ordinary dividend of 8.7 pence (2020: 3.0 pence) per share, the total ordinary dividend is 30.0 pence (2020: 11.6 pence).

The total dividend for the year is in line with the Group's dividend policy with the dividend representing 40% of the Underlying earnings per share. The final dividend per share is subject to shareholder approval at the Annual General Meeting on 28 April 2022 and will be payable on 5 July 2022 to those shareholders registered at the close of business on 6 June 2022.

Looking ahead

The exceptional performance in 2021 has enabled the Group to deleverage quickly and has paved the way for the \$1 billion acquisition of Eastman's Adhesive Resins business, the largest acquisition in the Group's history.

The acquisition in the attractive adhesives market provides further differentiation and diversification to the Group.

Coupled with our continued organic growth investment programme, particularly in Nitriles, the Group has created a powerful and multi-faceted platform to underpin future growth.

Stephen Bennett
CFO

3 March 2022

Financial review

Special Items

	2021 £m	2020 £m
Amortisation of acquired intangibles	(36.2)	(30.9)
Restructuring and site closure costs	(29.7)	(42.5)
Acquisition costs and related gains	(11.9)	(14.6)
Sale of business	(7.4)	(6.6)
Regulatory fine	(57.2)	-
Impairment charge	-	(36.6)
Total impact on operating profit	(142.4)	(131.2)
Fair value gain/(loss) on unhedged interest rate derivatives	6.2	(3.6)
Loss on extinguishment of financing facilities	-	(4.9)
Total impact on profit before tax	(136.2)	(139.7)
Taxation Special Items	8.8	(4.9)
Taxation on Special Items	11.8	20.5
Total impact on profit for the year	(115.6)	(124.1)

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

- Amortisation of acquired intangibles increased in 2021, reflecting the first full year charge since the acquisition of OMNOVA Solutions Inc on 1 April 2020. The fair values of the intangible assets arising on the acquisition of OMNOVA amounting to £330.1 million are being amortised over a period of 9-11 years

Presentation of financial results

The Group has consistently used two significant Alternative Performance Measures (APMs) since its adoption of International Financial Reporting Standards (IFRS) in 2005:

- Underlying performance, which excludes Special Items from IFRS profit measures
- 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. Further information and the reconciliation to the IFRS measures are included in note 5 of the financial statements.

mainly dependent on the characteristics of the customer relationships.

- Restructuring and site closure costs in 2021 comprise:
 - A £13.2 million charge in relation to the substantially completed integration of the OMNOVA acquisition net of a £1.2 million pension curtailment credit in relation to the French business;
 - A £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 for the completion of the rationalisation of the Group's European Performance Materials network.

Restructuring and site closure costs in 2020 comprised £19.5 million for integration of OMNOVA, £20.9 million for the rationalisation of the Group's European Performance Materials network and £2.1 million to rationalise the Acrylate Monomers' site.

- Acquisition costs and related gains are for the acquisition of Eastman's Adhesive Resins business and comprise £15.0 million of costs, mainly professional adviser fees, offset by a £3.1 million gain on a foreign exchange derivative entered into in October 2021 to hedge the acquisition price. Acquisition costs in 2020 related to the acquisition of OMNOVA.
- Sale of business mainly comprised a further £7.1 million loss on the onerous contract for the disposal of Synthomer's European Tyre Cord business as production is relocated to Caojing (China) to enable the Marl 3 asset (Germany) to be fully closed. This is incremental to the charge taken in 2020.
- During 2018, the European Commission initiated an investigation into practices relating to the purchase of Styrene monomer by several companies, including Synthomer, operating in the European Economic Area. The Company has and will continue to fully cooperate with the Commission during its investigation. Based on the information available and the resulting assessment of the expected outcome of the investigation a provision of £57.2 million has been made in relation to this case.
- In 2020, a £36.6 million impairment charge was booked relating to four sites.
- 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 at 31 December 2021 in excess of the Group's current borrowings.
- Following the Group's successful refinancing in 2020, capitalised debt costs relating to the 2018 refinancing and the 2019 bridge to bond were written off, leading to a loss on extinguishment of £4.9 million.
- Taxation Special Items comprise the release of uncertain tax provisions in relation to historical tax issues in France and Malaysia.
- Taxation on Special Items is mainly deferred tax credits arising on the amortisation of acquired intangibles and restructuring and site closure costs.

Finance costs

	2021 £m	2020 £m
Net interest payable	(26.9)	(24.3)
Net interest expense on defined benefit obligation	(2.4)	(3.7)
Interest element of lease payments	(1.5)	(1.6)
Underlying finance costs	(30.8)	(29.6)
Fair value gain/(loss) on unhedged interest derivatives	6.2	(3.6)
Loss on extinguishment of financing facilities	–	(1.9)
Total finance costs	(24.6)	(38.1)

We have designed our new sustainability brand Lipolan™ TERRA to help reduce the carbon footprint typically associated with making latex foam.

Our first product is called Lipolan™ TERRA 2022F and is made using processes that can reduce that footprint by up to 60%. It also contains 70% total solids, making it more efficient to transport, which means we can lower the associated logistics carbon footprint by up to 5%. This is just the start though – we're now planning ways in which to use bio-based and recycled feedstock.

Underlying finance costs increased to £30.8 million (2020: £29.6 million) and comprise interest on the Group's financing facilities, interest rate swaps, amortisation of associated debt costs and IAS 19 pensions interest costs in respect of our defined benefit pension schemes.

The rise in the net interest payable mainly reflects the higher interest rate on the €520 million, 3.875% senior unsecured loan notes due 2025 bond issued in June 2020, refinancing the OMNOVA acquisition finance bridge, as offset by the lower level of borrowings in 2021 relative to 2020 as a result of the strong Free Cash Flow and the equity placing in anticipation of the acquisition of Eastman's Adhesive Resins business.

The Group's committed unsecured facilities comprise the \$260 million term loan, the €520 million bond and the €460 million revolving credit facility. The revolving credit facility was fully undrawn throughout 2021 and, as a result, the interest rate derivatives were fully unhedged and the full movement in fair value was taken to Special Items.

Taxation

The Group's effective tax rate is affected by the tax charge/credit of Special Items. It is therefore helpful to consider the Underlying and Special Items tax rates separately:

- The effective tax rate on Underlying profit before tax for the year decreased to 22.5% (2020: 23.4%) due to the impact of COVID-19 on the geographical mix of profits.
- The effective tax rate for Special Items was 15.1% (2020: 11.2%) and was driven by deferred tax credits on the amortisation of acquired intangibles and restructuring and site closure costs, and a current tax credit in relation to historical tax issues in France and Malaysia.

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 2021 increased to 432,290,000 (2020: 424,843,000) following the equity share placing on 28 October 2021 where 42,485,080 shares were issued raising net proceeds of £203.1 million.

Underlying earnings per share for the year is 75.2p, up from 28.9p in 2020, reflecting the exceptional performance in the year. The IFRS earnings per share is 48.3p (2020: 0.7p).

Group financials continued

Financial review continued

Balance sheet

Net assets of the Group increased by 64.5% to £1,033.0 million, mainly reflecting the £210.0 million profit for the year, the £203.1 million share issue and actuarial gains of £66.8 million offset by dividend payments of £74.0 million.

Provisions

As a result of the regulatory fine and the restructuring and site closure costs set out above, provisions have increased to £103.2 million (2020: £31.6 million).

The closing balance includes £57.2 million for the regulatory fine, £15.8 million and £1.0 million in relation to the rationalisation of the Group's European Performance Materials network in Marl and Oulu respectively and £10.6 million in relation to the onerous contract arising on the disposal of the European Tyre Cord business.

In the year, a £5.1 million provision was recognised for the closure of OMNOVA's administrative and R&D site in Villejust (France) and the site transformation in Kluang (Malaysia) was completed.

A £11.6 million provision has been made to demolish and rationalise assets at a small number of sites, to bring them into line with our ESG strategy.

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 44.7% to £122.4 million at 31 December 2021 (31 December 2020: £221.4 million) and reflects the market value of assets and the valuation of liabilities in accordance with IAS 19. This £99.0 million reduction in the net retirement obligation is principally attributable to the conservative investment strategy, £66.8 million of actuarial gains and Group funding contributions of £27.0 million. The actuarial gain arose due to a £15.6 million return on assets, a £32.2 million impact from increases in discount rates, an £11.8 million gain from experience adjustments and a £7.2 million gain on demographic assumptions.

The most recent triennial valuation of the UK scheme took place at April 2021 and is progressing in line with expectations. The value of liabilities under this method differs slightly from IAS 19, but we expect the finalised valuation to result in an improved funding status relative to the 2018 valuation completed in 2019.

Cash performance

The Group's primary focus is on managing net debt by maximising Free Cash Flow. The following table summarises the movement in net debt and is in the format used by management:

	2021 £m	2020 £m
Opening net (debt)/cash	(462.2)	20.7
Underlying operating profit (excluding joint ventures)	448.3	188.4
Movement in working capital	(82.6)	23.5
Depreciation of property, plant and equipment	64.2	64.9
Amortisation of other intangible assets	7.1	4.9
Share-based payments charge	2.1	2.0
Capital expenditure	(82.2)	(53.6)
Business cash flow	358.7	229.9
Net interest paid	(27.6)	(14.0)
Tax paid	(86.4)	(31.4)
Pension funding	(27.0)	(18.8)
Dividends received from joint ventures	1.9	1.9
Free Cash Flow	217.6	167.6
Cash impact of restructuring and site closure costs	(17.8)	(25.3)
Cash impact of acquisition costs	(6.6)	(7.4)
Purchase of business	–	(587.6)
Sale of business	1.7	0.1
Proceeds on issue of shares	203.1	–
Repayment of principal portion of lease liabilities	(9.7)	(9.7)
Dividends paid	(73.5)	(12.8)
Dividends paid to non-controlling interests	(0.5)	(3.1)
Foreign exchange and other movements	33.7	(4.7)
Movement in net debt	348.0	(482.9)
Closing net debt:	(114.2)	(462.2)

Underlying operating profit more than doubled to £448.3 million due to exceptionally strong trading but this was offset in part by an £82.6 million investment in working capital mainly due to significant rises in raw material costs partially reflecting disruptions in raw material supply chains. Working capital as a percentage of sales – the key performance measure monitored by the Group – remains at around 10% in line with historical performance. Depreciation and amortisation of other intangibles are in line with the previous year.

Capital expenditure increased to £82.2 million, recovering from the COVID-19 measures introduced in 2020 to preserve cash and liquidity. Our Nitrile latex capacity expansion project in Malaysia is nearing completion, as is the project to replace the coal-fired power station in Sokolov (Czech Republic). The Group continues to invest in its Pathway Programme systems transformation project, the first phase of which was successfully deployed in May 2021.

Interest paid increased to £27.6 million reflecting the first full period of additional borrowings drawn for the OMNOVA acquisition and the successful issue in June 2020 of the €520 million, 3.875% senior unsecured loan notes due 2025, for which the first biannual interest payment was due in January 2021.

Tax paid increased by £55.0 million to £86.4 million. The Group's overall effective tax rate reduced slightly, from 23.4% to 22.5%, and the increase in cash payments is mainly due to higher profitability in 2021.

The cash impact of restructuring and site closure costs was £17.8 million, which comprises £6.0 million of OMNOVA synergy costs, £10.5 million utilisation of restructuring provisions and £1.3 million of other restructuring costs in the year.

The cash impact of acquisition costs was £8.6 million, arising from the acquisition of Eastman's Adhesive Resins business. The 2020 net outflow of £7.4 million related to the OMNOVA acquisition and comprised £20.1 million of costs offset by a £12.7 million cash gain on deal-contingent foreign exchange contracts.

The 2020 cash outflow for the purchase business related to OMNOVA.

On 28 October 2021, the Group successfully completed a share placing, raising £203.1 million, net of issue costs, again relating to the financing of the proposed acquisition of Eastman's Adhesive Resins business.

Dividends paid in the year increased. The final dividend payment for 2020 was paid in July 2021, whereas the 2019 final dividend was cancelled in order to preserve cash, liquidity and balance sheet strength at the onset of the COVID-19 pandemic in March 2020.

Our debt is denominated in euros and dollars. The euro weakened relative to sterling during 2021, leading to a foreign exchange gain in net debt.

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 2021, the Group experienced an overall currency headwind with average FX rates against our three principal currencies increasing by 3.4% to €1.165, 6.3% to \$1.374 and 5.5% to 5.70 ringgits. This resulted in a net £22.1 million translation headwind in reported EBITDA.

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

At 31 December 2021, the Group had net debt of £114.2 million compared to net debt of £462.2 million at 31 December 2020. The reduction in net debt reflects the strong Free Cash Flow in the year and the proceeds on the equity share placing. This cash generation resulted in a reduction in the Group's leverage, from 1.8x at 31 December 2020 to 0.3x at 31 December 2021, leaving the Group well placed to finance the acquisition of Eastman's Adhesive Resins business.

Ahead of the Eastman's Adhesive Resins acquisition, a new committed unsecured \$300 million loan facility was entered into on 28 October 2021 which will be drawn, alongside a portion of the revolving credit facility on completion. An equity share placing was also undertaken on 28 October 2021 raising £203.1 million net of issue costs. These proceeds were swapped into US dollars on the day of the placing in order to hedge against the dollar-denominated acquisition price.

While arranging the new \$300 million loan facility the Group took the opportunity to transition the reference rates for \$260 million term loan and non-Euro borrowings under the €460 million rolling credit facility away from inter-bank interest rate to risk-free rates.

At 31 December 2021, the Group had committed borrowing facilities of approximately £1,250 million through until July 2024 with a single financial leverage ratio covenant of 3.5x for 2022 and 3.25x for 2023 and 2024.

Performance Elastomers

A year of exceptional growth – and clear opportunities for the future, driven by innovation and capacity expansion.

'We've been able to meet the exceptional demand of 2020 and early 2021 because of the dedication of our people and our investment in innovation and increased capacity. That has created significant value to support Synthomer's future growth.'

Neil Whitley

President, Performance Elastomers Division and Asia, M&A and HR

Main markets

Health & protection
Carpet, compounds & foam
Paper & packaging

Main product lines

- Nitrile Butadiene Latex emulsion (NBR)
- Styrene Butadiene Latex emulsion (SBR)
- Antioxidants
- Speciality SBR
- Performance Materials
- Elastomeric Modifiers

947 people in 12 plants in Europe, Middle East, South East Asia and China, and in two US plants we share with Functional Solutions.

Our contribution to sustainability

Performance Elastomers has a strong track record of innovation, increasingly driven by consumers' demand for products with reduced impact on the environment. In line with the Group's 2030 target of more than 60% of new products having a positive sustainability impact, the division has an exciting innovation funnel in both SBR and NBR which set the standards for sustainability.

Highlights of our performance

£320.7m

EBITDA

+136.9%

In constant currency

Divisional snapshot

	2021	2020	%	Constant currency %
Safety (RCR)	0.11	0.31	(65)	
Volumes (ktes)	844.2	896.0	(5.8)	
Revenue (£m)	951.5	680.3	39.9	46.2
EBITDA (£m)	320.7	142.5	125.1	136.9
Operating profit – Underlying performance (£m)	294.9	116.8	152.5	166.0
Operating profit – IFRS (£m)	286.9	80.8	255.1	

This has been a record year for EBITDA, and for me, three factors stand out about our very strong performance across the division.

Dedicated people and strong teamwork

The first is that it was only possible because of the commitment of our people and teams to working through challenges – whether those were the constraints imposed by COVID-19, which had a particular impact in Malaysia and on the people working in our NBR business, or the disruptions to global supply chains that affected the whole industry. Across the division, our teams kept our manufacturing going throughout, working safely, and consistently going the extra mile to meet the needs of our customers, resulting in strong performances from both our NBR and SBR businesses.

Clear benefits from long-term investment

The second is that there was a clear link between our consistent investment in organic growth and capacity utilisation, and our ability to meet demand, particularly for Nitrile latex to support the healthcare sector during the COVID-19 pandemic.

We know that extraordinary Nitrile latex demand for glove manufacturing during the pandemic resulted in exceptional earnings and cash generation this year, and we expected conditions to normalise as supply and demand became more balanced. That began to happen in H2 2021.

Putting aside the exceptional demand created by the pandemic, we intend to continue investing in Nitrile latex because we, along with other industry experts, expect the underlying growth in demand for Nitrile latex experienced pre-pandemic to continue, given the global trends in the healthcare and hygiene product markets and the fact that nitrile latex is increasingly substituting PVC and natural rubber in personal protective equipment. We have a very strong position in this market with a high market share, industry-leading manufacturing technology and a track record of product innovation. There are exciting opportunities on the horizon and we will continue our focus on product, process and application improvements. We are currently commissioning our 'JOB6' expansion project in Pasir Gudang, Malaysia, creating 60ktes of additional Nitrile latex capacity which will provide additional products for our local and growing US customer bases. At the same time, we have carried out siting reviews in Asia to ensure that the required Nitrile latex capacity is available in the coming years to meet our customers' continuing growth plans.

Added to this, we have some of the most innovative, highly-skilled people in the industry – and the full opening this year of our Asian Innovation Centre (AIC) has enhanced our ability to lead the way on innovations in products and processes, many of which will have defined sustainability benefits for customers and consumers – including SyNovus™ Plus, described in the case study on page 12.

Review of the year

Divisional reviews continued

Performance Elastomers continued

Ensuring we have the structure in place for future success

While results this year have been strong, we need to remain focused on staying competitive in all our markets. This year, in line with the findings of our review of our SBR business, we closed SBR facilities in Oulu, Finland, and Marl, Germany, shifting our production to our other sites, where we have been able to focus on our strategic move towards greater capacity utilisation.

Performance review

Safety

Performance Elastomers achieved a recordable injury case rate of 0.11 in FY21, and a process safety rate of 0.18. The three-year average recordable injury case rate of 0.14 illustrates consistent delivery of upper-quartile safety performance across all sites, with an ongoing focus on slips, trips and falls which now account for most of the small number of incidents each year. Our major nitrile project (JOB6) in Pasir Gudang achieved more than 750,000 hours without a recordable accident. Significant management attention and reporting focuses on further improving process safety performance, including leading indicators for permit to work and management of change. We are launching behavioural safety programmes in 2022 to drive safety performance to industry-leading levels.

Volumes

Performance Elastomers achieved overall volumes of 844.2ktes in FY21, a reduction on the exceptional volumes of 896.0ktes in FY20, and in line with our FY19 performance of 849.1ktes. Within this overall figure, volumes in our Nitrile latex business were lower than in 2020. Nitrile latex performance was affected by Emergency Movement Control Orders put in place in Malaysia in response to the pandemic in Q3, as well as some customer de-stocking in H2 2021 that followed exceptional demand in FY20 and H1 2021. Our further investment in Nitrile latex capacity, including JOB6 and our announced plans for significant further investment in South East Asia, demonstrate our long-term commitment to the growing Nitrile latex market.

We closed our Performance Materials facility in Oulu, Finland, in February 2021, reducing SBR capacity by 55ktes in FY21. Our oldest SBR plant in Marl is closing and a range of products previously made at this plant are being successfully transferred across the wider Synthomer network. This will significantly improve the utilisation of the Performance Elastomers Performance Materials assets in Europe.

Revenue

The division achieved revenues of £951.5 million in FY21, with particularly strong demand, driven by the global COVID-19 pandemic, for Nitrile latex for a range of medical and industrial gloves. Glove prices rose to record levels and with demand for Nitrile latex exceeding supply in H1, margins rose well above normalised levels. As demand reduced during H2 both glove and Nitrile latex prices reduced significantly, returning to historical levels since January 2022. Industry analysts forecast that demand for Nitrile latex, the preferred material of choice for medical gloves, will continue to grow strongly as glove usage per capita continues to increase in developing countries. Synthomer also has a strong product development pipeline arising from our industry-leading Asia Innovation Centre in Malaysia, including SyNovus™ Plus, samples of which were approved by customers in Q1 2022.

EBITDA

This was an exceptional year for the division, and we achieved EBITDA of £320.7 million. This compares to divisional EBITDA of £142.5 million in FY20. The underlying margins within the NBR business were at exceptional levels as demand for Nitrile latex exceeded supply and record production rates for medical gloves continued in H1. Demand for Nitrile latex started to slow through H2, partly due to de-stocking, with margins reducing to more normal levels since January 2022.

Performance Materials margins improved following our asset rationalisation programme, and helped by movement in raw materials through the year.

Priorities for FY22

- Increase production capacity for NBR products
- Increase production capacity for PM products
- Increase production capacity for NBR products
- Increase production capacity for PM products
- Increase production capacity for NBR products
- Increase production capacity for PM products
- Increase production capacity for NBR products
- Increase production capacity for PM products
- Increase production capacity for NBR products
- Increase production capacity for PM products

Extending our SyNovus™ product range, building our capacity and reducing energy use

We are proud of the innovation that goes into developing new products for our customers, especially those that support our – and our customers' – sustainability ambitions.

But innovation is equally important when it comes to our processes, supporting our strategy by increasing our capacity, maintaining the high performance of our speciality products, and making us more energy efficient.

To support our family of patented SyNovus™ products, our new Asian Innovation Centre in Malaysia launched a process innovation programme designed to further improve the way we make the NBR nitrile grades that are vital to the manufacture of thin latex examination gloves – a critical product to us, and to the healthcare sector during the COVID-19 pandemic.

Harnessing the energy from chemical reactions

While at all times ensuring that our nitriles product maintains its high performance in our customers' applications, our innovation teams have adapted our systems to harness the heat created by the chemical reactions that lead to polymerisation, and used that heat in the product process, reducing our need for steam.

In the second year of a three-year programme that has involved cooperation between our operations, commercial and technical support teams in Malaysia, the project has boosted capacity by a further 10%, while reducing the energy consumption in use for both Synthomer and our customers. It has meant we could increase our supply to customers at a time of very high demand – and is creating opportunities to use the technology within other plants and product lines.

Functional Solutions

Building on our growth platform through innovation and sustainability.

'Very strong demand across all end markets served by Functional Solutions has led to robust business growth despite substantial supply chain disruptions in all regions.'

Rob Tupker

President, Functional Solutions and Europe

Main markets

Coatings
Construction
Technical Textiles
Adhesives
Oil & Gas

Main product applications

- Architectural paint
- Intumescent paint
- Wood and metal coatings
- Tile and flooring adhesives
- Speciality tapes
- Sealants
- Waterproofing
- Repair mortar
- Glass fibre scrim
- Non-woven and woven textiles
- Drilling additives
- Cement enhancement

1,807 people in 16 plants in Europe, the USA, the Middle East, South East Asia and China.
11 technology and innovation centres.

Our contribution to sustainability

With a strong focus on its development pipeline, the division is making good progress towards meeting the Group's 2030 target of more than 60% of new products having a positive impact on sustainability. Many of Functional Solutions' newly developed products replace solvent with water, contribute to energy savings for the customer, reduce the use of materials of concern or have a positive impact on recyclability.

Highlights of our performance

£139.2m

EBITDA

+49.8%

in constant currency

Divisional snapshot

	2021	2020	%	Constant currency %
Safety (RCR)	0.37	0.39	(5)	
Volumes (kton)	655.9	591.2	10.9	
Revenue (£m)	900.3	646.7	39.2	43.9
EBITDA (£m)	139.2	95.6	45.6	49.8
Operating profit – Underlying performance (£m)	111.1	69.1	60.8	65.6
Operating profit – IFRS (£m)	69.8	31.1	124.4	

Our extensive portfolio of innovative and sustainable products are used in diverse applications by our customers around the world.

Though consumers will rarely see Synthomer's name on consumer products, Functional Solutions' wide range of products play a vital role in people's lives, and with our leadership positions in sustainable, water-based dispersions and our broad customer base, we have a clear platform for growth. Our commitment to innovation, capacity expansion and operational excellence ensures we stay ahead and remain one of the leaders in speciality dispersions, and this year helped drive an outstanding 49.8% growth in EBITDA. Both top- and bottom-line growth were delivered despite a succession of disruptions to raw material supplies, including COVID-19-related supplier closures in Asia, the Texas freeze in February 2021, and force majeure in Europe.

Harnessing innovation and sustainability to drive growth

With more than 80% of our products consisting of water-based dispersions which eliminate the VOCs associated with solvents, Functional Solutions plays a key part in Synthomer's Vision 2030 ambitions.

Demand from our more than 3,000 customers across the world for sustainable polymer solutions is growing, driven in many regions by regulation as well as customers' own sustainability objectives. At the same time, our innovation teams are working with customers to develop products that push the possibilities further – meeting needs for formaldehyde-free, biocide-free or lower-VOC applications, and developing biodegradable, bio-based or industry-compostable products to support circular economy approaches to sustainability. Our 11 technology and

innovation centres are state-of-the-art facilities for all our main technology functions: polymer synthesis, materials characterisation, applications technology, technical service and production scale-up.

Synthomer people dedicated to meeting needs of customers in diverse markets

An essential element in the division's success this year has been the commitment of Synthomer people to meeting customer needs. This takes many forms – keeping our plants running through the COVID-19 pandemic, overcoming the disruptions in global supply chains, maintaining close partnerships with customers when it comes to innovation and delivery. There is no doubt that our strong performance is owed in large part to our people and teams, and to the focus we have placed on both commercial and manufacturing excellence programmes in recent years.

This was especially important in the context of recovering and rising demand. The year saw a notable improvement in demand in the Coatings, Adhesives, Sealants and Elastomers (CASE), and Oil & Gas segments, and products that found their end-application in consumers' houses performed very well, as so many people turned their hand to DIY in the pandemic. Investment in capacity over the past few years served us well here, as our Worms plant ran at increased capacity and allowed us to deliver differentiated products across our European network, part of an overall increase in capacity in our plant networks in Europe and North America in particular.

'This was a record year for the division, and we achieved EBITDA of £139.2m. This compares to divisional EBITDA of £95.6m in FY20. Aided by strong cost control and synergy realisation, all regions contributed to a 46% growth in EBITDA.'

Delivering on the benefits of OMNOVA integration

Last year we completed the integration of OMNOVA, helping to increase the scale and geographic diversity of our division. As well as delivering cost synergies, the successful integration of the Functional Solutions' sales team with that of the former OMNOVA business has opened up significant new sales opportunities, many of which were realised during 2021.

The integration significantly broadened our global reach as a division, with around a third of revenue now coming from our Americas and APAC markets.

It has also expanded our technological capability – so we can continue to innovate and meet the needs of our diverse customer base.

There is still work to do to ensure that SHE performance is consistently high across the division including the heritage OMNOVA sites.

Performance review

Safety

Functional Solutions achieved a recordable injury case rate of 0.37 in FY21, and a process safety rate of 0.28.

Both metrics are higher than 2020, reflecting the integration of former OMNOVA sites for a full year. Our strong focus on safety transformation initiatives at key sites is already beginning to show success, with all-injury rates at an all-time low for the division.

For 2022, we will focus on completing transformation initiatives at all Functional Solutions' sites as we push for world-class safety rates across our whole site network.

Volumes

Functional Solutions achieved overall volumes of 655.9ktes in FY21, an increase on 591.2ktes in FY20, and substantially greater than our FY19 performance of 487.4ktes.

This strong overall performance reflects robust demand in all our main markets as well as the fact that we have grown as a division, including through the successful integration of OMNOVA, which has created new sales opportunities as well as increased our capacity.

In addition to an extra quarter of volumes from OMNOVA, the division benefited from growth in our CASF businesses in Europe and USA, offset in part by the impact of prolonged COVID-19 effects in South East Asia. Demand was particularly strong in construction and textiles. The Oil & Gas business also saw healthy growth, driven by increased drilling activity and higher oil prices.

Revenue

The Functional Solutions division achieved revenues of £900.3 million in FY21, a growth of 39.2% on FY20. The extra volumes noted above, both from the OMNOVA integration and organic growth, contributed to this increase, along with an improvement in unit margins in certain segments. Another driver for the increase was the pass-through to customers of substantial increases in unit raw material costs.

EBITDA

This was a record year for the division, and we achieved EBITDA of £139.2 million. This compares to divisional EBITDA of £95.6 million in FY20. Aided by strong cost control and synergy realisation, all regions contributed to a 45.6% growth in EBITDA.

This excellent result was achieved despite significant prolonged US disruption from the 'Texas freeze' and multiple force majeure affecting our key raw material suppliers in Europe. Functional Solutions delivered record margin growth, with all our global businesses contributing. Volume increases, strong margin management in the face of steeply rising monomer prices, cross-selling of our speciality product portfolio and the ongoing shift towards a more differentiated and sustainable product portfolio all contributed to this improved margin profile.

Priorities for FY22

Following the strong performance in FY21, we have set the following priorities for FY22:

- Continued focus on cost control and synergy realisation, with a particular emphasis on the US market.
- Continued focus on product innovation, with a particular emphasis on the US market.
- Continued focus on customer engagement, with a particular emphasis on the US market.
- Continued focus on sustainability, with a particular emphasis on the US market.
- Continued focus on talent development, with a particular emphasis on the US market.
- Continued focus on digital transformation, with a particular emphasis on the US market.

For more information on our FY22 priorities, please visit www.synthomer.com.

LITEX™ Shield technology – helping builders keep the weather out, more sustainably

Energy-efficient housing is the future for builders and homeowners – and it is an important focus for our sustainable innovation programmes.

Our LITEX™ Shield XSBR technology supports builders by improving the technical textiles they need in products such as glass fibre and roofing felt, materials they use to protect building interiors from the outside temperature and rain. These materials need to have mechanical stability, chemical resistance and water-proofing properties – all of which the LITEX™ Shield provides.

But LITEX™ Shield goes much further than competitor products. Thanks to the work of our innovation teams in Marl, Germany, LITEX™ Shield technology is free from formaldehyde – a critical competitive advantage in a market where regulations are demanding ever-higher standards – and has low Volatile Organic Compound (VOC) content. Fast-drying, it helps our customers

increase their productivity and reduce their energy consumption. And by helping people insulate their buildings better, it contributes to a lower energy consumption and carbon footprint for consumers, too.

Regular sales of LITEX™ Shield began in 2020 in Europe – and by 2021, following our launch in North America, global sales reached €17 million in revenue.

And in another example of our approach to commercialising successful innovations, we have applied the formaldehyde-free XSBR technology that underpins LITEX™ Shield to new products. REVACRYL™ Design creates low-emission acrylics that are used in household applications such as decorative laminates for furniture and glass fibre wallcoverings. Sales began in 2020, and by 2021 had expanded to €2 million in revenue. Both REVACRYL™ Design and LITEX™ Shield won categories in our annual Innovation Awards in 2021.

Industrial Specialities

Driven by innovation,
delivering excellence
and growth.

'The successful integration of OMNOVA and excellent operating performance across our highly-specialised product range has delivered strong business growth.'

Ana Perroni Laloe
President, Industrial Specialities

Main markets

Polymer Additives
Laminates & Films
Coated Fabrics

Main businesses

- Laminates & Films
- Coated Fabrics
- Vinyl Polymers
- Polybutadiene Lithene
- William Blythe (speciality chemical products)
- Speciality Additives
- Powder Coatings

1,192 people in 8 plants in Europe, the USA, the Middle East, and South East Asia.

Our contribution to sustainability

The division is assessing a number of sustainability initiatives, including developing a pilot site for water metering at our Speciality Vinyl Polymers plant in Harlow (UK) and reviewing options for improved technology to help reduce waste at our Speciality Additives plant in Ghent, Belgium. In addition, there are a number of active R&D projects across the division with sustainability as a core driver.

Highlights of our performance

£47.6m

EBITDA

+18.9%

in constant currency

Divisional snapshot

	2021	2020	%	Constant currency %
Safety (RCR)*	0.40	0.36	11	
Volumes (ktes)	115.5	91.1	26.8	
Revenue (£m)	382.5	264.9	44.4	48.9
EBITDA (£m)	47.6	41.2	15.5	18.9
Operating profit – Underlying performance (£m)	33.9	29.0	16.9	20.3

*IS and AM are combined for operational reasons

Commercial and scientific innovation is at the heart of our business. What does the end consumer want? How can we help our customers meet that demand in the many markets they serve? Can we innovate to create new and better products – and how do we make our operations even safer, more efficient and more sustainable, so we can create further value?

This year's growth in sales, volumes and EBITDA show that we are succeeding in finding answers to these questions. The seven businesses in our division supply specialised products for niche markets around the world from their manufacturing sites in Europe, the US and South East Asia. They have succeeded in meeting the diverse and specialist requirements of our global customer base, in the context of a year in which we have had to address the twin challenges of COVID-19 and disrupted raw material supply chains. That is tribute to the commitment and talent of our 1,192 people – and shows that we have solid foundations for future growth.

Outstanding customer service and consistent, safe production

Disruption across the industry has meant that this year, more than ever, customers wanted to know that when they picked up the telephone to their supplier, there would be someone there going the extra mile to help them. Our customer service, purchasing and logistics teams have done exactly that.

But of course, they could not meet customer demand without the dedication of the people in our operations who have kept our sites running throughout the pandemic – and who

have done so while delivering our division's best-ever process safety performance. Their commitment to safety, backed up by our consistent investment in manufacturing excellence, has seen a 16% reduction in the recorded case rate since 2019. It means that we can point to examples such as our powder coating business in Italy, which has now gone five years without a recordable incident, to drive further improvements across the division.

Manufacturing excellence brings other benefits too: our 'Value Gap' programme continues to deliver debottlenecking, cycle time improvements and additional capacity. It has improved productivity, increased utilisation, and helped identify opportunities to minimise our environmental profile and reduce emissions.

Responding to strong consumer and customer demand across all end markets

Sales volumes across the division grew by 26.8% as demand grew in all our main markets, and particularly in the automotive and consumer-facing industrial sectors.

Laminates & Films, and Vinyl Polymers have continued to grow significantly, as consumers seek out high-performing products for the furniture and floors of their kitchens and bathrooms, and where our teams are succeeding through a winning blend of material performance and aesthetic design. Our relationships with major retail customers are critical here – and anticipating their needs and delivering with fast, effective service is spurring our growth.

The recovery in automotive demand has benefited our Polybutadiene Lithene and Powder Coatings businesses, which also serve the construction, rubber modification and adhesives sectors.

We continue to see opportunities for all our businesses, and we have set out further investment for growth.

Priorities for FY22

- Continued investment in people, processes and technology to drive operational excellence and safety performance
- Continued investment in manufacturing excellence to drive productivity and capacity
- Continued investment in customer service and support
- Continued investment in research and development to drive innovation and growth
- Continued investment in sustainability to drive environmental and social performance
- Continued investment in talent and leadership to drive long-term success

Divisional reviews continued

Industrial Specialities continued

Leading innovation, and strengthened reach and scale

The integration of OMNOVA has given our division further diversification, both in terms of the end markets we serve, and our geographical reach. We have really seen the benefits this year, with cost synergies being realised and significant new sales opportunities, particularly in the US.

It has also expanded our innovation capabilities, which remain a key focus in our ability to meet end consumer and customer needs.

Performance review

Safety

Industrial Specialities achieved a recordable case rate of 0.40 in FY21, and a process injury safety rate of 0.04.

Across our chemicals plants, we have continued our sustained focus on strengthening practices and processes, particularly on permit to work and management of change system improvements. The recordable injury case rate across the chemicals plants in FY21 was 0.27, which is slightly above FY20 but comparable to top quartile performance in the industry.

The focus for our surfaces plants (Laminates & Films, and Coated Fabrics) has been on improving occupational health and safety performance by simplifying and embedding fundamental SHE practices, with three of four surfaces sites graduating from SHE 'supported site' status in FY21, and the remaining site expected to graduate in the first quarter of FY22. In FY21, the surfaces sites recorded their lowest-ever recordable injury case rate of 0.53, although we recognise there is much more still to do and are committed to ensuring safety remains at the heart of everything we do for all employees.

Volumes

Industrial Specialities achieved overall volumes of 115.5ktes in FY21, an increase on our volumes of 91.1ktes in FY20, and substantially greater than our FY19 performance of 67.3ktes.

Robust demand in all our main markets drove the strong volumes, while we have also grown as a division through the successful integration of OMNOVA. Our reliability programme at Harlow, as well as smaller de-bottlenecking projects across other plants, have also helped us increase capacity.

Tidal Wave™ – new technology keeping marine upholstery stain-free

'Pinking' is a real problem for boat builders and owners. It appears as a red or pink stain on vinyl marine upholstery caused by a specific strain of bacteria that thrives in marine environments. There is usually no alternative but to replace the upholstery completely.

Thanks to innovation by our Coated Fabrics technical teams in Columbus, US, and Rayong, Thailand, we have developed a new, patent-protected barrier technology

that stops the bacteria's pink dye from spreading to the surface of the upholstery.

Our new Tidal Wave™ marine vinyl upholstery, sold in our Nautolex® range, means boat owners can keep their cushions white – and creates savings and competitive advantage for our boat-building customers. Launched in 2018, Tidal Wave™ had its best-ever year of sales in 2021, and was recognised in our annual Innovation Awards this year.

Revenue

The division achieved revenues of £382.5 million in FY21, a significant increase on FY20. The increase in revenue was attributable to increased volumes, consistent focus on product pricing and margin management, and the impact of the OMNOVA integration.

EBITDA

We achieved EBITDA of £47.6 million for Industrial Specialities in FY21, compared to divisional EBITDA of £41.2 million in FY20.

Laminates & Films, integrated from OMNOVA, continued to grow revenue in FY21 through strong volumes and further market share gains, following a very strong year in FY20. The business continues to grow ahead of the market through substitution of the superior performance and lower cost of laminates and films compared to traditional wood and stone materials. The business is well placed to deliver another year of growth in FY22.

The Coated Fabrics business also integrated since the acquisition of OMNOVA, benefited from growth in the Asian automotive and motorcycle markets. The business experienced strong volumes during FY21, and delivered very strong year-on-year growth.

The Vinyl Polymers business had a resilient year, delivering strong volumes, but was adversely affected by weaker unit margins following unprecedented raw material price increases and a weaker US dollar. With the recovery of unit margins during the second half of the year following sales price increases, this business is in a good position to deliver growth in FY22.

The Polybutadiene Lithene business delivered year-on-year growth through strong volumes, partly helped by the recovery in the automotive sector.

William Blythe delivered excellent year-on-year growth with strong underlying volumes from existing and new product sales.

Our Speciality Additives business, which supplies speciality coatings, delivered an exceptional performance with record volumes and strong unit margins. The business also benefited from the cost improvement plan delivered during FY21.

The Powder Coating business delivered strong volumes and unit margins, and delivered a record EBITDA year.

Acrylate Monomers

	2021	2020	%	Constant currency %
Safety (RCR)*	0.40	0.36	11	
Volumes (ktes)	55.9	59.9	(6.7)	
Revenue (£m)	95.2	52.3	82.0	81.8
EBITDA (£m)	35.3	(2.4)		
Operating profit – Underlying performance (£m)	34.5	(5.6)		
Operating profit – IFRS (£m)	29.3	(26.3)		

*IS and AM are combined for operational reasons

Our Acrylate Monomers division operates from our production plant at Sokolov (Czech Republic), which we share with the Functional Solutions dispersion business. We manufacture and supply monomer products to Functional Solutions, as well as being a medium-sized supplier to the European Acrylates market.

Set up as a division in early 2021, Acrylate Monomers has made significant progress on its long-term transformation programme, which set out to return the division to profitability and establish a strong, sustainable foundation for future growth. Our ability to make good progress with the programme in 2021 reflects the commitment of our people at Sokolov, who have driven it through while maintaining operations, all in the face of the disruptions caused by COVID-19. Whilst the exceptional performance in 2021 is principally driven by strong unit margins brought about by disruption in the monomers market, the transformation project has undoubtedly benefited the site and has placed it on a more resilient and sustainable footing.

Ending coal use in Synthomer

A key element of our transformation programme at Sokolov, was beginning the closure of the site's coal-fired power station. This will mark the end of coal use in Synthomer, contributing to our target to reduce GHG emissions by 40% by the end of 2030 (compared to 2019), and reinforcing our strong commitment to reducing our carbon footprint. Our investment at the site will also reduce our site water requirements by 23%.

Continuing focus on safety

Improving safety performance is another central component of the transformation of the Sokolov site. We have focused on strengthening practice and processes including permit to work, management of change, and local involvement and accountability for driving SHE culture across the site.

We will continue to invest in improved safety as part of our Group-wide commitment to SHE as a core Synthomer value, and of our Vision 2030 sustainability roadmap.

Performance review

Safety

Acrylate Monomers achieved a recordable case rate of 0.2 in FY21. This represents a significant decrease in the recordable injury case rate from FY20, when it was 0.42.

The division demonstrated significant improvement in a number of SHE focus areas as part of our transformation programme at the Sokolov site. The division also graduated from SHE 'supported site' status at the end of FY21. No process safety events were recorded in FY21, an improvement on the FY20 process safety rate of 0.10.

Volumes

Acrylate Monomers achieved overall volumes of 55.9ktes in FY21, compared to volumes of 59.9ktes in FY20. This decrease is partly attributable to a change in product mix, supplying greater volumes to our Functional Solutions dispersions business as well as the challenging operational and raw material environment.

Revenue

The division achieved revenues of £95.2 million in FY21, a significant increase on FY20. This increase reflects a substantial rise in sales prices due to strong demand, and the temporary tightening of supply in both European and global markets in FY21. Among the events which had an impact on supply were a number of acrylic monomer supplier force majeure within Europe, the US winter storm and the blockage of the

Divisional snapshot

Suez Canal, which began in March 2021. This temporary tightening of supply is expected to normalise over the course of FY22 as competitors restore levels of production and shipping constraints ease.

EBITDA

The division delivered EBITDA of £35.3 million in FY21, compared to a small loss of £2.4 million in FY20. This return to profit was primarily driven by a substantial increase in unit margins, as a result of the period of strong demand and temporary tightening of supply in our markets, described above.

In addition, Acrylate Monomers has delivered a number of cost savings in FY21 as part of our transformation programme, the full-year benefits of which will be realised during FY22.

Priorities for FY22

As we enter the FY22 period, there are a number of key priorities for the division, which we will continue to focus on:

- Continuing to strengthen safety performance across the site
- Continuing to improve operational efficiency
- Continuing to reduce our carbon footprint

Strategic report

Governance

Group financial statements

Company financial statements

Other information

Innovation: creating value for customers, driving our growth

'Our global innovation network is at the heart of serving customer needs, meeting our sustainability objectives and driving our growth'.

Marshall Moore
Chief Technology Officer

Why we innovate, what we innovate – and how we do it

Everyone working in innovation at Synthomer should have two words on their mind, every day: 'specialisation', and 'sustainability'. Whatever we are doing – investigating new technology platforms, designing new products, researching new applications – we must focus on what will drive growth for the business. That comes from customers choosing our products – and more and more, specialisation and sustainability are the criteria they use to make that choice.

Our strategic priorities reflect this. We have introduced a target that 60% of new products should have a defined sustainability benefit by 2030, and we are aiming to ensure that new and protected products make up at least 20% of our sales volume (the NPP metric). These are challenging goals – but I am convinced we have the right innovation process, the right people, and the right spirit to achieve them.

Highlights in 2021

- Integrated innovation derived from CMO/CDMO into our three global divisions
- New target of 60% of new products with a sustainability benefit by 2030
- Implemented our new Sustainability Impact Assessment
- Launched our Innovation Excellence Framework
- Our new Application Centric (AC) model, new customer interface
- Achieved 20% EPR
- Implemented our new Innovation Awards, promising eight new products that had a sustainability benefit

Where we focus our innovation efforts

Innovating to support sustainable growth for Synthomer means adding distinctive, differentiated value for our customers, while making our own business more efficient and effective.

New product innovation within our customer-facing innovation teams means tailoring solutions based on our current technologies to meet new customer needs, or in anticipation of consumer and market trends. To enable more game-changing innovations in the future we have established a new Technology Platform Innovation team focused on investigating new chemistries designed to meet the changing needs of the market.

The three pillars of our Technology Platform's innovation approach

1

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.

2

Enhanced performance

Expanding and diversifying Synthomer's portfolio by investigating new monomer and polymer systems that perform better at:

- Binding, bonding and coating
- Improving adhesion, repellency, or aesthetics
- Material and formulation efficiency.

3

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.

Across these pillars, we have developed a new Innovation Excellence Framework to help keep everyone in our teams focused on our objectives. The framework gives us all six 'ways of working' – the principles that guide how we work every day.

Innovation snapshot

Our centres of excellence:

Akron, USA
Harlow, UK
Marl, Germany
AIC (Kulai), Malaysia

Our market-specific technology centres:

USA: Auburn, Chester, Jeannette, Monroe, Roebuck and Stafford
Rayong, Thailand
Sant'Albano, Italy
Shanghai, China
Sintra, Portugal
Villejuif, France
Accrington, UK

Global coverage – with direct links to manufacturing sites

Worldwide, we have 16 Innovation sites. Our four centres of excellence in the UK, Germany, Malaysia, and the United States provide leading research and development, and capabilities to support product and process innovation across all our divisions. The other 12 are technical centres and pilot lines located close to our manufacturing sites that respond to market-specific customer needs.

Putting innovation to work in every aspect of our business

Each business unit within Performance Elastomers, Functional Solutions and Industrial Specialities has its own dedicated innovation team. Our Global Technology and Innovation function oversees our worldwide innovation network, conducts research on new technology platforms and provides centralised support for safety management, material characterisation, process development, intellectual property and regulatory compliance.

Global Technology and Innovation

SHE

Oversees occupational safety in our innovation centres and labs, and our Responsible Care Management System.

Intellectual Property and Knowledge Management

Protects our proprietary knowledge and maximises the value of inventions through patents.

Material Characterisation

Builds understanding of materials at a molecular level to enable smarter product design.

Advanced Process Innovation

Industrialises new innovations and engineers safer, more effective and efficient ways to manufacture our products.

Product Stewardship and Regulatory Compliance

Ensures that the products we sell are safe and compliant, and guides safe product design.

Platform Technology and External Innovations

Innovates new technology platforms that help us make differentiated products at scale to meet customer demand.

Sustainability

Oversees our sustainability governance framework and sets goals to guide how we innovate and operate.

Our new Innovation Excellence Framework gives us six 'ways of working'

1. Clearly aligning innovation resources to the business strategy
2. Fostering creativity within our team and through collaborations
3. Incorporating process safety and sustainability into product design
4. Investing in people, working in teams
5. Delivering excellence in project and portfolio management
6. Focusing on delivering results.

Priorities for 2022

- Continued investment in R&D, particularly in our new technologies
- Continued investment in our people and capabilities
- Continued investment in our infrastructure and facilities
- Continued investment in our sustainability and safety
- Continued investment in our digital capabilities
- Continued investment in our regulatory compliance
- Continued investment in our product development
- Continued investment in our manufacturing
- Continued investment in our customer support
- Continued investment in our business development

Investing in innovation in Asia to meet customer needs

Our Asia Innovation Centre (AIC) in Malaysia became fully operational in April 2021. The AIC is leading the way on research and development to support our Performance Elastomers and Functional Solutions business units.

We invested RM35 million in the 6,000m² facility in the iPark near Senai Airport, Johor Bahru, as part of our commitment to meet growing demand from customers for product development and applications support. The AIC has accelerated innovation in key markets such as Healthcare and Protection (nitrile gloves) through state-of-the-art R&D reactor capabilities and investment in new Application Technology including a robotic glove-dipping laboratory.

"Our new flagship facility leads our innovation in novel nitriles and ensures Synthomer stays at the forefront of nitrile latex product development and applications. It will also create the right environment to attract and retain the best talent in the industry."

Gan Boon Teck
Vice President and General Manager of Performance Elastomers division in Asia

"This is the first phase of what we expect to be an ongoing investment in innovation in Asia, supporting all divisions of the company. As well as expanding our pilot lab reactor capacity, we are also investing in a new robotic dipping arm to more effectively mimic our customers' processes and accurately predict the behaviour of our polymers."

Dr Zhenli Wei
Vice President of Innovation for Performance Elastomers division

Innovating sustainably

We see sustainability as one of the main drivers of innovation – and product and process innovation as an essential enabler for making our business both more sustainable, and more competitive. Developing more sustainable products and processes is a critical way we can add value for customers – which is why we've set a target of 60% of new products with defined sustainability benefits, including:

- Eliminating ingredients of concern
- Reducing energy consumption and carbon emissions
- Reducing water consumption
- Reducing waste generation
- Reducing or eliminating hazards in our products
- Improving product end-of-life management
- Enabling sustainability benefits in downstream use.

We've created new benchmarks to assess the impact of our innovation projects against the goals of Synthomer's Vision 2030 roadmap. We conduct Sustainability Impact Assessments on all of our product innovation projects, and we're developing the capability to conduct life cycle assessments on candidate products during the innovation process. We've developed new capabilities to enable the design of biodegradable products, and we're exploring how we can increase our use of bio-based raw materials. We already use them in several of our products and they could play a big part in our lower-carbon future.

At the same time, by optimising or redesigning our manufacturing processes, we can help make our plants safer and more efficient while reducing greenhouse gas emissions. For more on our contribution, see the Sustainability section of this report, pages 42-68.

Our innovations are all around you...

...and you will find examples throughout this report.

SyNovus[®] Plus – sustainable innovation in action

SyNovus[®] Plus is our new nitrile product that excels at the same high performance barrier performance as conventional nitrile latex while being recyclable and reducing CO₂ emissions – see page 10.

Lipolan[®] TERRA – making latex foam more sustainable

Lipolan[®] TERRA is helping to reduce the carbon footprint associated with making and transporting latex foam – see page 20.

Innovating our processes to deliver SyNovus[®] products

Our Asia Innovation Centre has launched a process innovation programme designed to further improve the way we make NBR nitrile grades – see page 23.

LITEX[®] Shield XSBR technology – supporting construction

Our LITEX[®] Shield XSBR technology supports builders by improving the technical benefits they can claim in products such as gravel tyre and roofing felt – see page 13.

Tidal Wave[®] – helping marine upholsterers combat 'pinkie'

Our new Tidal Wave[®] helped keep marine upholstery stain-free – see page 23.

Suncryl[®] – bio-based and circular

Our new Suncryl[®] HR 114 water-based polymer contains more than 50% bio-based raw material – see page 23.

Synthomer specialist polymers in liquid or dry form provide binding or bonding properties in a broad range of industrial and consumer construction applications. From mortar modification to liquid-applied waterproofing membranes, ceramic tile adhesives to flooring adhesives, our SBR and acrylic dispersions deliver excellent performance across the various technologies in use in the construction market.

Business foundations

A sustainable agenda for a growing business

This has been an important year for Synthomer and our sustainability agenda.

'As a speciality chemicals company we recognise that we have a role to play in meeting society's expectations for a more sustainable future. The launch of our new Vision 2030 roadmap in 2021 is an important step. It will help guide our actions over the next decade as we work towards our net zero ambitions.'

Tim Hughes

President, Corporate Development

For many years, our speciality water-based polymers have helped replace solvent-based products that contain harmful volatile organic compounds. However, if last year's COP26 event proved anything, it is that society's expectations of businesses like ours continue to grow.

As a speciality chemicals company, we recognise the role we must play, which is why in 2020 we announced our commitment to reach net zero by 2050. We've since launched our Vision 2030 roadmap as our starting point for realising that commitment. This roadmap sets out a series of sustainability targets, aligned with the UN's Sustainable Development Goals, and reflects the issues we know matter most to our stakeholders. Many of these targets are underpinned by short-term objectives, so that we can track and report progress over the coming decade.

Taking action – and making progress

Targets must be backed by action, and I'm pleased to say we've put a lot of wheels in motion this year. For example, we've established a new sustainability governance structure, introduced new sustainability champions across key operations and functions, and launched new scorecards to assess all new product development and large-scale capital projects against sustainability criteria. And so that stakeholders can better understand our financial and non-financial performance side-by-side, we've integrated our sustainability reporting into our Annual Report. To coincide with the publication of this Annual Report, we will also publish a data pack on our website, giving our stakeholders easier, faster, more transparent access to our sustainability data.

Meanwhile, we've also hit our interim renewable electricity objective ahead of schedule, published externally assessed Scope 3 emissions for the first time, and established a new diversity and inclusion steering committee, led by our Chair, Caroline Johnstone. I am also particularly pleased that our commitment to sustainable products and services was externally recognised with an LSE Green Economy mark in July 2021. This is awarded to companies who earn more than 50% of their revenue from environmental solutions.

0.153

tonnes of CO₂e Scope 1 and 2 GHG emissions per sales production tonne

34% reduction

vs 2019 baseline

Putting safety first – and responding to COVID-19

Of course, as a chemical manufacturing business, safety must always be our first priority and sits at the centre of our core values (see page 55). We're proud of our long-term record and know we must maintain our focus as we grow. We anticipate some short-term fluctuation in our safety, health and environment (SHE) performance when integrating new businesses like OMNOVA. We allow three years from the date of a new acquisition to help our new businesses to meet our SHE standards and align with our sustainability goals. We are now almost two years into that process with OMNOVA and are starting to see their efforts show in our results. This is thanks to the excellent work our SHE teams have done to help our new colleagues introduce our tools and processes.

It's impossible to talk about health and safety and not mention the ongoing COVID-19 pandemic. Demand for our products has remained high and I would like to thank everyone for continuing to protect one another while keeping our sites running safely. I believe the dedication and care they've shown are clear expressions of all our core values in action.

We have continued to adapt to local regulations throughout the pandemic, including having fewer people on site and closing labs when needed. Our customers have faced similar challenges. This is likely to have a short-term impact on our innovation pipeline – but we've made progress nonetheless. In 2021, we launched 19 new products, of which 43% include a defined sustainability benefit. We also introduced new innovation awards, which include a sustainability category.

Going further on diversity and inclusion

We also continued to embed our people agenda, with a growing focus on key areas such as diversity and inclusion, career development and employee engagement.

We're particularly pleased that we met our 2021 objective of 20% of women in senior leadership roles. In February 2022, Ana Perroni Laloe was appointed President, Industrial Specialties, joining our Executive Committee. The appointment of Lily Liu as our Chief Financial Officer will further accelerate our progress. Once Lily is officially on board, women will make up 44% of our Board.

We have a good gender and ethnic split at a graduate level. And the global Engender women's network had a busy first year. We also reviewed our recruitment processes to keep improving representation on our candidate lists.

Of course, diversity must be backed by a sense of belonging. I think the speed with which we completed the OMNOVA integration is an example of our commitment to this, with many OMNOVA leaders taking up senior positions in Synthomer.

But we have a lot more to do, and my Executive Committee colleagues and I are personally committed to encouraging greater diversity across Synthomer and to creating an environment where people see opportunities to grow their career with us.

Driving down emissions

We've done a lot of work over the past few years to address our Scope 1 and 2 emissions. In 2021, we took a big step forward when we installed new gas boilers to allow closure of our only coal-fired power station, and ensured that 90% of the electricity we use at our sites came from certified renewable sources. These are fantastic achievements, but our teams remain busy finding further ways to improve our energy efficiency, source long-term renewable electricity and manage our water and waste levels.

Meanwhile, we started work this year to report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This work focused on our governance, assessing our climate

risks and developing one scenario analysis. During 2022, we will develop further scenario analyses in our key operations and supply chains to develop our understanding of our climate opportunities and risks.

We're now building on our TCFD work to determine science-based targets, due for completion in the coming year. See page 77 for our TCFD report.

Starting the next decade from a strong platform

Our teams have achieved a great deal this year, including ongoing work to integrate OMNOVA in the face of COVID-19 travel bans and operational restrictions. Once our proposed acquisition of Eastman's Adhesive Resins is complete, and we create our new Adhesive Technologies division, we'll realign our baseline sustainability metrics. This will be a big task, but it's also an opportunity to embed our sustainability agenda into our new division from day one.

Working in partnership to build a more sustainable world

This next decade will be crucial for the world's ability to limit temperature rises and meet the commitments set out under COP26. And, integrations aside, we will have our own challenges to address. Many of our chemical processes require heat, which we typically generate with natural gas. And most of our raw materials are made from fossil fuels. Indeed, more than 90% of our Scope 3 emissions come from our supply chain.

So, while we continue to invest in our own sites and processes, we know that we can't solve all these challenges on our own. We're going to need to forge new partnerships to change the way we use energy and find more sustainable ways to select our raw materials.

We're already working with our customers to create innovative new products with better sustainability credentials. Now, we want to increase the number of suppliers we work with who can provide the most sustainable products and services, so that we can help drive down emissions across the whole supply chain.

Through our speciality chemicals, we can and do make a meaningful contribution to society. Our growing stature gives us the chance to play an even greater role in helping the world tread a more sustainable, fairer path. We've done a lot of work over the past couple of years to put strong foundations in place. There will be challenges as we move through this next decade, but there are also opportunities. I know that our people will rise to both.

Our approach to sustainability

We want to embed sustainability into every aspect of our business, to help us play a greater role in creating a fairer, more sustainable future and respond to the climate emergency.

Our commitment to net zero

We made a public commitment in 2020 to reach net zero by 2050, in line with the Paris Agreement. To achieve this, we are:

- Using our innovation skills to develop new products made with lower-carbon raw materials and more efficient manufacturing processes
- Ending coal use at our operations (see page 59 in our Operations section for more information on how we achieved this in 2021)
- Starting work to define new science-based targets
- Using new sustainability scorecards to assess our innovation programmes and capital expenditure
- Establishing internal life cycle assessments to assess the viability and resource needs of our products
- Establishing partnerships with suppliers to drive down emissions across our supply chain
- Addressing end-of-life product management across our markets
- Working to incorporate a carbon price into our capital planning.

And, as we grow and acquire new businesses, this approach is part of how we look to integrate them into Synthomer. We introduce our tools and processes into new acquisitions to help them meet our sustainability objectives, which we expect them to do within three years of acquisition.

In considering our approach, we concentrate on the issues where we can have the most impact and that are most material to our stakeholders. This year, we reorganised our priorities, moving from our six pillars to three key areas:

1. Products
2. Operations
3. People

Vision 2030: our roadmap to a more sustainable future

We have developed our Vision 2030 roadmap to help guide our decisions over the next decade and set us on the path to net zero. It contains a series of targets across our three key areas:

1. Products

We will continue to increase the number of products we make that have sustainability benefits, and source more raw materials with suppliers who have a sustainability rating and who share our ethical standards:

- At least 60% of new products with enhanced sustainability benefits
- 80% procurement spend with suppliers with a sustainability rating.

2. Operations

While aiming for zero harm, we will achieve top quartile performance for personal and process safety. We will also drive down emissions and minimise our broader environmental impact:

- Recordable injury case rate of no more than 0.20 per 100,000 hours for employees and contractors
- Process safety event rate of no more than 0.10 per 100,000 hours
- 40% reduction in Scope 1 and 2 greenhouse gas emissions intensity (vs 2019)
- 10% reduction in Scope 3 emissions intensity (vs 2019)
- 80% of our electricity from renewable sources, plus improving energy efficiency in all our operations
- Manage and minimise water consumption, and introduce water management plans in water-stressed areas and at the sites where we use most water.

3. People

We will become a more diverse and inclusive company, find new ways to listen to our employees, and increase our support for local communities:

- 50% gender diversity in leadership, management and professional new hires
- 70% participation in our employee engagement surveys at global and country levels
- Provide volunteer support and financial contributions in excess of £1 million a year for local education, public health, diversity and environmental projects.

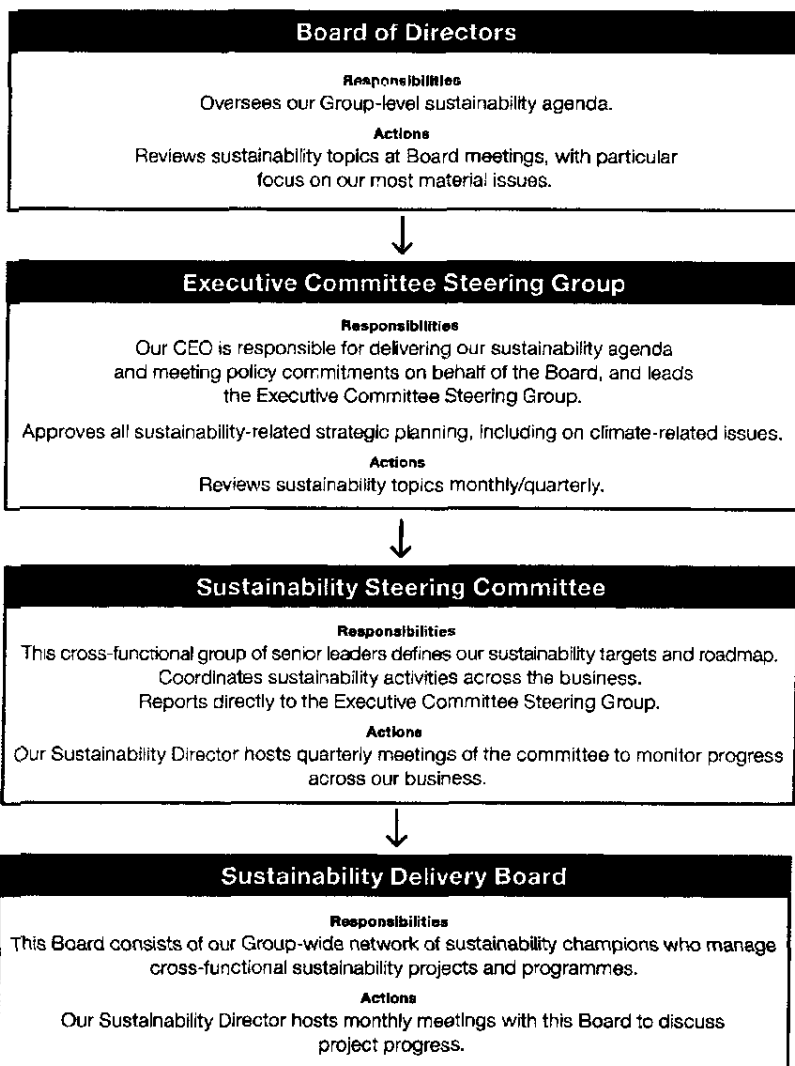
The UN's SDGs most relevant to our Vision 2030 goals

Our targets are underpinned by a series of short term objectives and are aligned with the UN's Sustainable Development Goals (SDGs) that are most material to our business. We outline these objectives and describe our approach to each of our material issues across pages 48 to 68. Over time, and where appropriate, we will look to update and add new short-term objectives as we move towards 2030.

Governing our sustainability approach

How we oversee progress

Over the past three years, we have evolved our governance structure to ensure sustainability is discussed at the highest levels of the company, and to help further embed sustainability into every aspect of our business.



Membership of industry associations

We work closely with the main sector groups in our industry, including the Chemical Industries Association (CIA) in the UK, 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 within these groups.

'Our commitment to sustainability can be seen at all levels of Synthomer – from engagement with our Board and Executive Committee, to our frontline employees. Finding ways to help our business and the products we make creates a positive impact on the world around us. And our team of dedicated sustainability specialists is growing across our global business, too.'

Susana Carvalho
Group Sustainability Director

Synthomer and sustainability continued

Approach to sustainability continued

Our materiality assessment

We assess our material issues every two years to ensure we report on those that matter most to our stakeholders.

We carried out our latest assessment in April 2021, speaking to a range of stakeholders, including customers, employees, shareholders and legislators. During this process we:

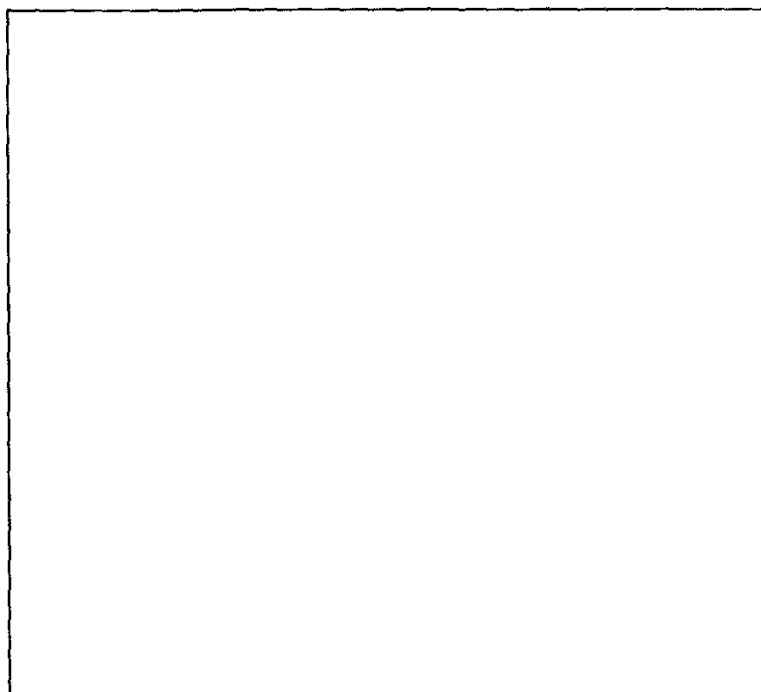
- Incorporated 'Quality' into 'Customer satisfaction and engagement' and added three new topics
- Focused on 'Communication and training', to ensure clear understanding of our procedures, targets and achievements during our integration with OMNOVA
- Introduced 'Digitalisation' to reflect new opportunities to use digital technology to reduce our carbon footprint
- Incorporated product life cycle into a new 'Circular economy' topic.

We sent an online sustainability survey to 400 people from our main stakeholder groups. We received feedback from 37%, which confirmed that these topics remain material. Our Sustainability Steering Committee reviewed concerns and suggestions raised by the survey to identify potential areas for action. While we have made no significant changes, we will give greater attention to 'Community engagement' and 'Circular economy'.

Understanding our climate-related risks and opportunities

Climate-related risks have always been embedded in the principal risks of our Group risk framework. During the last quarter of 2021, we expanded the framework to consider a broader scope of climate-related risks as a result of the work carried out to report against TCFD. This helps us better understand what impact the climate emergency might have on our business and ensure we remain resilient to climate change. See our Risk report on pages 69 to 76.

In 2021, we met our objective, set out in our Sustainability Report 2020, to begin reporting against TCFD. This will help us assess any future impact on our business arising from technology changes and the financial impact of carbon pricing. See pages 77 to 80 for our TCFD report.



Materiality assessment

Products	
1 Sustainable procurement	page 51
2 Technology and innovation	page 48
3 Manufacturing excellence	page 54
4 Product safety	page 50
5 Customer satisfaction and engagement	page 50
6 Circular economy	page 48
Operations	
7 Occupational health and safety	pages 54 and 55
8 Process safety	page 56
9 Energy management and reduction	page 59
10 Water stewardship	page 60
11 Greenhouse gas emissions reduction	page 60
12 Waste generation and minimisation	page 61
People	
13 Ethics and integrity	page 66
14 Communication and training	pages 65 and 66
15 Employee conditions	page 63
16 Diversity and Inclusion	pages 63 and 64
17 Talent development	page 65
18 Community engagement	pages 67 and 68
Strategy and governance	
19 Sustainable growth	pages 26 to 40
20 Risk management	pages 69 to 76
21 Digitalisation	page 66
22 Responsible and involved management	from pages 83 to 129
23 Stakeholder involvement and engagement	pages 96 and 97
24 Compliance	pages 83 to 129

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 by reviewing our ratings on several recognised indices such as ISS ESG.

We engage with, and are assessed by, key sustainability ratings organisations:

We have reported our climate change performance to CDP since 2013 and water management performance since 2015. In 2021, we retained our B- score in both categories.

CDP – D to A (maximum)

We submit annual data to the EcoVadis platform and use its assessment to identify ways to improve. In 2021, we improved our score from 58 to 63 and retained our silver status. We also use the platform to understand the sustainability rating of existing and future suppliers.

EcoVadis – scale 0-100, medals, bronze to platinum

We have been a member of this organisation since 2004. In 2021, our overall score was 3.6. We remain committed to our membership and aim to improve our overall rating as we grow.

FTSE4Good – scale 0 to 5

ISS Corporate Solutions uses a data-driven scoring system and screening analysis to evaluate our sustainability agenda. Our 2021 overall score was C-. This is the same as our 2020 score and continues to place us well above average in our peer group.

ISS – D- to B- (maximum for our industry sector)

MSCI measures our resilience to long-term, financially relevant sustainability risks. In 2021, we scored an 'A'. This reflects our growing commitment to continuously improve our sustainability practices.

MSCI – CCC to AAA (maximum)

We were recognised with a London Stock Exchange Green Economy mark in July 2021. This is awarded to companies who earn more than 50% of their revenue from environmental solutions. It is designed to recognise both green technology companies and businesses across all industries that are making a significant contribution to the transition to a more sustainable, low-carbon economy.

Our approach to reporting and assurance

In past years, we have published a separate Sustainability Report – the most recent being that for the fiscal year 2020, published in July 2021. Given the importance of sustainability issues, and their relevance to our overall business performance, this year we decided to incorporate our Sustainability Report into the Annual Report, with supporting technical information published as data downloads on our website.

This Annual Report, together with those downloads, meet 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 184 and 185.

Products

Delivering products that meet the ever-changing needs of our customers and the markets they serve is essential for the success of our business. It has always been our goal to make them using efficient manufacturing processes and in ways that ensure they are safe for people and the environment.

Now more than ever we strive to design products and processes that are less energy intensive, generate fewer carbon emissions, use fewer resources, eliminate substances of concern, and support a more circular economy. And we want to source the raw materials that we use to make those products from more sustainable sources. It is what our customers are asking for, and our other stakeholders expect. Increasingly, sustainability will become the benchmark by which we assess every aspect of our product pipeline and supply chain.

'We made good progress in our innovation pipeline in 2021, despite ongoing challenges related to COVID-19 and global supply chain problems. For example, we're making new products to replace additives that contain volatile organic compounds.'

Marshall Moore
Chief Technology Officer

Innovating sustainable products

As a leading supplier of water-based polymers, we have always been proud of our ability to make products that have sustainability benefits built into them. Our speciality chemical products provide essential building blocks to support modern life. For decades, we have made most of them in a way that uses water rather than solvents in their manufacturing and in their end-use. This helps keep harmful volatile organic compounds (VOCs) out of the atmosphere. It is testament to the talent in our innovation team that we continue to find ways to adapt our existing portfolio while designing new products with even greater benefits.

Product sustainability performance in 2021

In July 2021, we received the London Stock Exchange's Green Economy Mark, which acknowledges the fact that more than 50% of our revenues come from environmental solutions. We are proud of this recognition, but we know there is plenty more to do. It is our aim to deliver an ever-more sustainable portfolio, so we have set a product sustainability target as part of our Vision 2030 roadmap.

We made good progress in our innovation pipeline in 2021, launching 19 new products, of which 43% included a defined sustainability benefit. We also introduced new innovation awards, including a sustainability category.

See page 33 for more information on our Shield XSBF technology, which won this award in 2021 by reducing exposure to substances of concern.

Our central innovation team also introduced a sustainability scorecard to assess new product ideas, and is developing in-house capabilities to conduct life cycle assessments on existing and new products. This will help us improve the way we report on the profile of our products and allow us to develop new products with reduced carbon emissions.

Our progress against 2030 targets

- At least 60% of new products with defined sustainability benefits

Our short-term objectives 2022

- Technology platform to develop products that contain no harmful or PBT raw materials that come from our carbon sources

Setting a new baseline to track our progress

Innovation is one of our five core values and is an essential part of our plans to achieve our 2030 targets. To track our progress over the next decade, we need to understand our baseline. So we used our new sustainability scorecard to assess all our existing products and our development pipeline.

This exercise showed that across our business, 67% of all the new products in our pipeline today will deliver a net positive sustainability benefit. Of those, 50% will improve carbon emissions or have a positive impact on the environment, 35% will reduce the use of hazardous ingredients, and 15% will help create a more circular economy. Many of these products will offer more than one sustainability benefit.

We know we will need to move at rapid pace to meet our 2030 target. Ongoing COVID-19 restrictions and global supply chain problems affected scheduling of the scale-up of new products in our plants and the ability of our customers to evaluate them during 2021, resulting in a slower pace of commercialisation that will carry into 2022.

But these delays have not halted progress altogether. We have a strong base on which to build, and our integration with OMNOVA has increased our capacity to design new products by 50%.

Innovative products for a more sustainable future

We continued to progress our innovation pipeline in 2021, designing and making products that replace ingredients of concern, have a lower carbon footprint, and help support a more circular economy.

For example, we continued developing new products for water-based paints that remove the need for certain additives. While these additives help paint spread across a surface, they typically produce VOCs. Replacing those additives therefore means we can prevent even more VOCs from entering the atmosphere.

We are also making products that help support a more circular economy, such as our new SyNovus™ Plus product line, which is helping to recycle rubber gloves into new applications, including soles for safety shoes. See page 12 for a case study.

In addition, our central innovation group carried out initial research in 2021 to evaluate a broad range of low-carbon-impact raw materials. This led to a shortlist of raw material candidates with potential for further development. Our divisional innovation teams are now exploring technically and commercially viable opportunities.

Introducing our new product sustainability scorecard

In 2021, we rolled out a new sustainability scorecard to assess our innovation pipeline against nine sustainability criteria (see box). The scorecard is designed to give us a qualitative indication of the net impact that a product may have on our overall sustainability performance. Products are scored on a scale from -5 to +5 (with +5 indicating a highly positive impact) in each area. Projects that have a negative sustainability impact score are re-assessed to identify approaches to improve the score.

As well as helping us set the baseline for our 2030 target, we are now using the scorecard to identify opportunities to improve the sustainability credentials of existing and new products, compare them against alternatives, and share their benefits with our customers. We have also introduced a similar scorecard to help our sites assess the potential environmental impact of large-scale capital projects (see page 42 for more information on this scorecard).

Our sustainability scorecard criteria

We now assess all the products in our Innovation pipeline under four key areas:

Raw materials	Eliminating 'ingredients of concern' (listed as high hazard or of regulatory concern)
	Using raw materials from lower-carbon sources
Manufacturing processes	Ability to reduce energy consumption
	Ability to reduce water consumption
	Ability to reduce waste in our manufacturing processes
Product safety and support for circular economy	Product hazard classification (whether a product contains regulated hazardous ingredients)
	End-of-life management (e.g. longer product life cycle, better recycling or biodegradable properties)
Benefit to supply chain and customers	Customers able to eliminate ingredients of concern or lower their product hazard classification
	Helping customers use less energy or water, lower carbon emissions or waste, support the circular economy, or otherwise meet their sustainability goals.

Developing in-house life cycle assessment

We run our major product lines and strategic new products through external life cycle assessment to help us understand their sustainability benefits and identify areas for improvement. In 2020, for example, the European Polymer Dispersion and Latex Association's cradle-to-grave life cycle assessment showed that our key emulsion polymers (typically used to make a wide range of products, including coatings, adhesives, construction and non-wovens) perform better than the benchmark in all categories. Bureau Veritas has also carried

out a cradle-to-grave life cycle assessment on our SyNovus™ Plus products.

These external assessments are useful, but the cost and time needed make them impractical for evaluating each product of interest. We have begun a project to develop new in-house life cycle assessments, starting with a handful of our biggest-selling products. These assessments will improve our own understanding so we can report against our products' sustainability credentials on an ongoing basis and continue to develop new products with even greater benefits.

Synthomer and sustainability continued

Products continued

Product safety

The majority of our products are not classified as hazardous, in accordance with the Globally Harmonised System of Classification and Labelling, as they do not have any components or additives that require labelling at the concentration in which we use them. However, a small proportion of what we sell contains hazardous materials, including acrylic monomers. We provide customers with up-to-date, legally compliant safety data sheets for all products in all the markets where we operate. In 2021, 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 high concern at a concentration higher than 0.1%. Wherever possible, we look for ways to avoid using them at all. For example, in 2021 we completed the reformulation of our sustainable coated fabric product line typically used in healthcare, office and hospitality furniture, to eliminate ingredients that we know regulators are increasingly concerned about. To maintain our focus in this area, eliminating ingredients of concern is one of the nine criteria in our product innovation sustainability scorecard.

Our statement on substances of very high concern can be found at www.synthomer.com

Following the UK's transition out of the European Union, Synthomer UK has completed the grandfathering of its existing EU REACH registrations into the UK programme. We submitted more than 500 downstream user import notifications to the UK Health and Safety Executive before its 28 October 2021 deadline. The products that we make and/or import into the UK now comply with UK REACH.

We also conducted a due diligence exercise to ensure the products we make in the UK comply with EU REACH. This process confirmed that all the ingredients in these products are either sourced directly from the European Economic Area or are registered by Synthomer's Only Representative.

All legal requirements regarding provision of safety information have been complied with, and we have had no reported incidents of non-compliance regarding product safety information, labelling or marketing.

Customer satisfaction

Our innovation and manufacturing technology teams and sales teams work closely with our customers to understand the technical and sustainability challenges they face in their own manufacturing processes. This helps us keep improving the products we make for them. For example, we worked with a USA label manufacturer to develop grades for clear filmic labels for use in the USA. We also helped them expand their business into

Bio-based and circular: Suncryl® HP-114

"Our Suncryl® HP 114 water-based polymer contains more than 56% bio-based raw materials, making it a fantastic example of how we can replace chemicals made from fossil fuels with lower-carbon options. Suncryl® HP 114 is used in water-based release coatings on paper or plastic packaging tape (to create a non-adhesive surface that means the tape can be easily pulled free) and replaces traditional solvent-based release coatings. In other applications, it can be used to replace release coatings that traditionally contain silicone. This makes the final product, such as a self-wound adhesive label,

more recyclable. In certain applications like paper tape, it can even be re-pulped and reused in new paper products. So, it has real potential to help support a more circular economy. We're so excited about that potential that we're now exploring its use in other applications, like variable information print labels, which can be customised on demand for fast food orders or warehouse shipments."

Dr Carla McBain
Vice President of Innovation
for Functional Solutions

Europe, evaluating a new coating line and transferring our technology from the USA to our Sokolov site in the Czech Republic.

We track customer complaints as a measure of our reputation and success in the market. In 2021, we defined a new 'customer complaint rate' baseline, to include our legacy OMNOVA sites within our Group and divisional performance metrics.

While the COVID-19 pandemic and global supply chain difficulties continued to challenge our manufacturing teams, we significantly improved our customer complaint performance (number of complaints per 1,000 deliveries). We achieved this thanks to several improvement programmes, including adopting new hygiene best practice guidance and performing specific process confirmations for critical-to-quality steps at some of our sites. As a result, our global complaint rate in 2021 was 4.1. This is more than 30% lower when compared to 2020.

We also assess our manufacturing effectiveness via a 'right-first-time' rate and scored 97.4% in 2021. This represents the percentage of products that are made to their correct specification in the first instance. Here, too, we set new baselines in 2021 to include our legacy OMNOVA sites in our performance metrics.

We introduced several measures to improve performance at some of our sites. For example, we rolled out our 'problem grade methodology' to all our new sites. This helps sites fix the root causes of recurrent product or process quality issues.

We also established a 'site-supported' model for sites that need specific help. This increased support from our central functions that helps sites understand the root causes of specific issues and provides more frequent monitoring of site performance and progress against agreed corrective actions. This model has helped improve one site's right-first-time percentage by 10%, and an overall Group-level improvement of 0.4%.

Sustainable procurement

We are part of a global, highly complex supply chain. We rely on our suppliers to provide high-quality raw materials, goods and services, such as petrochemical monomers (including styrene, butadiene, butyl acrylate and acrylonitrile), additives, packaging, machinery parts, gas and electricity to run our plants and ensure our products meet the standards our customers expect.

Our progress against 2030 targets

- 100% of our procurement spend covered by a rating – some way ahead of our 2022 objective. This is the first time we have been able to assess our spend in this way.



Our short-term objectives 2022

- To ensure 100% of our procurement spend is covered by a rating by the end of 2022.
- To ensure 100% of our procurement spend is covered by a rating with a minimum requirements score by the end of 2022.
- To ensure 100% of our procurement spend is covered by a rating with a minimum requirements score by the end of 2022.

2025

- To ensure 100% of our procurement spend is covered by a rating with a minimum requirements score by the end of 2025.

Our specialist procurement teams around the world work with thousands of suppliers, and in 2021 we spent approximately £1.5 billion with third parties.

In order to move these supplies, as well as our products, around the world, we have to buy a range of logistics services across all forms of transport, including shipping, rail and road. As well as the large, bulk shipments, we also buy and sell many raw materials and products at different quantities, including what is known as intermediate bulk, or in drums and small packaging.

Our factories rely on machinery to operate safely and we need spare parts and site services to keep them in good working order. As a large, multinational business we also need to buy corporate services such as travel, IT, financial and, where necessary, we appoint specialist partners to help us.

Our progress in 2021

This year, we have achieved our commitment to buy renewable electricity through a combination of having renewable sources in new supply contracts, on-site or off-site power purchase agreements (PPAs), and through the purchase of certificates. As a result, 90% of all the electricity our manufacturing sites and offices use comes from renewable sources, marking a significant step forward in driving down our operational greenhouse gas emissions (GHG).

See page 59 in Operations for more information on why we expect to see some fluctuation in our renewable electricity statistics over the next decade.

We also set important new sustainable procurement targets and short-term objectives as part of our Vision 2030 roadmap.

For the purposes of disclosure and reporting, we gather our Scope 1, 2 and 3 emissions data together in our Operations section on page 60. We provide more detailed information on the work our procurement team did in 2021 to achieve 90% of our sites being supplied by renewable electricity on page 60.

Tracking supplier sustainability ratings with new tools

In the past two years, we have taken steps to strengthen our focus on sustainability within our procurement processes, including our sustainable procurement policy, launched in 2020, and our conflict minerals policy.

This year, we invested in a sustainability rating platform to help us identify sustainability risk in our supply chain and we have started to track and report how much of our procurement spend is covered by a sustainability rating. We have also revised our supplier risk assessment processes to include sustainability risk so that we can use the platform in the most effective way. We began using the platform in

2021, and now have 26% of our spend covered by a rating – some way ahead of our 2022 objective. This is the first time we have been able to assess our spend in this way.

The platform also gives us an important new tool to assess potential suppliers during a competitive tender process and review our existing suppliers against externally recognised sustainability criteria.

In future, we plan to use the sustainability ratings platform to help influence and encourage our important suppliers to identify areas to improve their performance and sustainability rating. It will also help us identify suppliers who do not meet our minimum requirements.

In the same way, our customers are using similar ratings platforms to assess us and we are currently looking for opportunities to keep improving our business.

Addressing the carbon footprint of our raw materials

One of the most significant ways in which we can address the climate change impact of our products is through the raw materials that we use to make them. But this is also one of our toughest challenges, since many of these are derived from oil and natural gas. As a result, more than 90% of all our GHG emissions come from our upstream supply chain. However, we are looking for ways to identify and source more sustainable raw materials.

For example, our innovation and procurement teams are working together to identify and source alternative raw materials that have a lower carbon footprint. These could be made from renewable sources, such as wood waste, be manufactured in a more energy efficient way, be sourced closer to our factories or contain recycled content.

We can introduce some of these raw materials without significant investment. One of the first steps we can take is to track the amount of raw materials with a lower impact in our supply chain using accounting principles and external auditing. For example, if we buy 10% of a raw material with a lower carbon footprint, we can state that 10% content in our products. This is often referred to as a 'mass balance' approach.

This is becoming an area of increasing innovation, with growing interest from our customers and society in general, and it is something that our teams are working on closely with our suppliers and customers.

One example of using this mass balance approach is the opportunity to buy a certain amount of butadiene made from recycled or bio-based sources, instead of virgin, fossil-fuel-based sources. We plan to use this butadiene to manufacture our HSSBR polymers, to make foam for bedding.

Synthomer and sustainability continued

Products continued

This process is monitored and certified by the International Sustainability and Carbon Certification for Biomass and Bioenergy, under its ISCC PLUS programme.

Once in full production, our customers will be able to declare a lower carbon footprint for their own products, using the same or similar certification programme.

It will take some years for alternative lower-carbon raw materials to become available at the required scale and cost to transform our supply chains. And it is likely that governments will introduce further legislation, taxation and incentives to drive future innovation and growth, for example carbon pricing.

Updating our policies to set clear expectations

We will only work with suppliers who act in accordance with our new 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 sub-contractors do the same.

Our Supplier Code of Conduct sets out our minimum acceptable standards on issues such as conflicts of interest, bribery and doing business in sanctioned countries. We recognise that our position in our supply chains means that we have the opportunity and responsibility to work in partnership with suppliers, peers and customers to create a more sustainable supply chain. And as we continue to grow, we will use our global scale and increased influence to make an even greater impact and reduce risk further.

As well as our Supplier Code of Conduct, we have also published a sustainable procurement policy, which we developed after completing our last materiality assessment. The policy brings together our expectations and targets in important sustainability areas that are directly relevant to our suppliers, such as safety, health and environmental management, diversity and inclusion, and quality management. It also sets out a series of objectives, such as communicating the policy to our procurement team and stakeholders, which we have achieved.

In October 2021, our procurement leadership team took part in a dedicated sustainable procurement workshop to reassess the policy and set new performance measures that will help us realise our Vision 2030 targets.

Read our full sustainable procurement policy online at https://www.synthomer.com/fileadmin/files/company/group_policies/English/Synthomer_Procurement_Strategy.pdf

Understanding the risks and opportunities in our supply chain

As Synthomer continues to grow in a dynamic environment, we need to stay alert to changes in the risks and opportunities in our supply chain. Every year, we carry out due diligence to manage the risks related to bribery and corruption when working with third parties.

In 2020, we asked external advisers to carry out an independent assessment of our most material sustainability risks. The assessment identified carbon emissions and energy use, waste generation, and logistics (e.g. road transport, rail and shipping) as our top three material sustainability risks. Our existing measures and tools systematically identify, control and mitigate these risks. For example, we have processes in place to ensure we have alternative suppliers or substitute materials should we face any issues with existing orders. When a supply risk occurs we identify it as an incident and manage our responses appropriately. We then apply any lessons learned from the incident to help reduce the risk of it occurring again. We have integrated the assessment's findings into our existing risk governance processes by incorporating our largest waste and logistics suppliers into our sustainability ratings.

We also started using a sustainability risk-scanning tool in 2021 that helps us identify existing supply chain risks using criteria such as geography and industry type. This tool helps us spot broader sustainability risks in our supply chain, such as exposure to bribery and corruption and human rights risk.

We want to continue to improve our risk assessment process and are exploring ways to create stronger connections between our Group and local site risk assessments. This will allow us to better understand the supply chain risks we face at a local level, and our central procurement team is now working closely with our sites on this issue.

Taking a lead on sustainability issues in our supply chain creates competitive advantage. Like us, our customers are looking for suppliers who are committed to sustainability. That is why our innovation, manufacturing and procurement teams are focusing on areas where we can increase our product sustainability and energy efficiency, and lower our carbon footprint. The improvements we are making in the way we collect and analyse our sustainability data and use that information to make decisions will help us demonstrate progress and build our reputation.

Upholding human rights in our supply chain

We believe everyone has the right to be treated with dignity and we respect and recognise human rights for all as outlined in the International Bill of Human Rights. We are also committed to acting in a way that meets the UN Guiding Principles on Business and Human Rights. Our Group-wide diversity, human rights and equal opportunity policy is aligned with the UN's Sustainable Development Goal 8.

We work in parts of the world where the risk of human rights abuses is higher than others. These risks are also higher in certain sectors, such as road transport logistics, construction and temporary site work.

We do not tolerate modern slavery and human trafficking in any part of our business or supply chain, as outlined in our 2021 Modern Slavery statement. 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 that are relevant to their activities. These include:

- Not using forced or slave labour, or any other form of involuntary labour
- Complying with all child labour laws, and beyond that, not employing anyone under the age of 15
- Not allowing any activity that restricts free movement.

In 2020, we rolled out an updated due diligence process to a small number of our suppliers in China. In future, all new suppliers in China will have to complete this due diligence in order to work with us.

As part of our ongoing work to standardise the way we qualify new suppliers, we moved our North America processes onto our global qualification platform in 2021. This platform contains a standard set of qualification and due diligence questions plus supporting evidence that the procurement team can use to review and qualify suppliers. In all, 31 sites now use the platform, and we have plans for the remaining seven to join within the next two years.

Read our Modern Slavery statement online at https://www.synthomer.com/fileadmin/files/company/group_policies/English/Modern%20Slavery%20Statement%202020.pdf

'The steps we are taking will make sustainability part of everything we do in the procurement function. This is transforming the way we do business and will help to lower the carbon impact of our supply chain on the planet.'

Dr Steve Blackburn

North America Chief Procurement Officer

Our commitment to avoid using conflict minerals

Our conflict minerals policy commits us to avoiding the use of conflict minerals in all our activities. This is relevant for gold, tin, tantalum and tungsten, known as 3TG minerals, which can be mined in parts of the world where armed conflict and human rights abuses are known to take place.

We continually assess our 3TG minerals. This includes tin, which we use in one of our manufacturing processes and is also present in other materials that we use, such as catalysts.

Our policy also outlines our expectations of our 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/fileadmin/files/company/group_policies/English/Conflict%20Minerals%20Policy%20Statement%20Dec%202019.pdf

Operations

We strive to make our products in ways that keep our employees, contractors and communities safe. Our ultimate goal is to have zero accidents and no adverse impact on the health of our employees or the people who live near our sites. It is also our goal to minimise the environmental burden of our activities and to reduce the consumption of resources.

As the world responds to the climate emergency, it is more urgent than ever that we play our part and address the environmental impact of our operations. So, while we continue to use our innovation skills to make ever more sustainable products, we are also optimising our manufacturing processes to lower our carbon, water and waste footprint.

We took an important step in 2020 when we announced our commitment to reach net zero by 2050, in line with the Paris Agreement. Now, our Vision 2030 roadmap, launched in 2021, sets out the path we will take to turn that commitment into a reality. The roadmap is made of a series of targets and short-term objectives, and our SHE-specific targets can be found in their relevant sections.

Embedding SHE at every level of the business

At Synthomer, everyone is responsible for SHE and we want everyone who works with us to feel able to speak up if they see unsafe or harmful behaviour. All our sites must align their processes and policies with our Group-wide Safety, Health and Environment Management System (SHFMS).

Our President, Operations is responsible for internal SHE performance and management at an executive committee level. He is supported by a Global SHE Director and a small global team, as well as a SHE network that includes heads for each division. This network also supports site leaders and local SHE teams.

Working with suppliers to meet operational SHE standards

We expect our suppliers to work in a way that complies with our Group SHE policy and requirements, as set out in our sustainable procurement policy. This includes making sure suppliers have effective health, safety and environment management systems in place that are appropriate to the nature and scale of their business. We are also starting to gather data that will help us consider the carbon footprint of suppliers' products and processes when making our procurement decisions.

Read our full sustainable procurement policy online at https://www.synthomer.com/fileadmin/files/company/group_policies/English/Synthomer_Procurement_Strategy.pdf

See page 51 for more information on working with suppliers.

Our SHE management systems

We certify our management systems against several externally recognised standards and initiatives:

- **ISO 14001:** today, all our operating sites are either covered by the Group's ISO 14001 certification or have site-specific certificates in place.
- **ISO 50001 Energy Management System:** our UK, German, Czech and Le Havre, France sites are accredited to this standard. We continue to apply the lessons we have learned from this structured approach to other sites around the world.
- **ISO 45001:** two of our sites in Italy and one in the Czech Republic comply with this standard to meet legal requirements.
- **ISO 9001:** 93% of our sites are covered by the Group's ISO 9001 certification.

Our SHE management systems, including those aspects linked to ISO 9001 and ISO 14001, cover common areas found within ISO 45001. Given that our internal audit processes look at all aspects of SHE management and the confidence we have in these processes, we do not intend to certify the Group to the ISO 45001 standard.

We align our management systems with the global chemical industry's voluntary Responsible Care® programme to drive continuous improvement in safe chemicals management. In addition, seven sites in the US are conforming to the requirements of the American Chemistry Council's RCMS®. We are also a long-term signatory of the UK Chemical Industries Association's (CIA) sustainable development guiding principles.

Health and safety

Keeping our people and contractors safe is our highest priority. It is enshrined in our core SHE value that states 'we always have time to work safely'. And it is the most mature aspect of all our sustainability activities: our global employee survey tells us that employees understand our safety messages and their responsibilities (see page 65 for more on employee engagement). We have incorporated occupational health and process safety targets within our Vision 2030 roadmap.

Our progress against 2030 targets

Recordable accident case rate

Our recordable accident case rate (RCR) is a key metric for measuring our safety performance. It is calculated as the number of recordable accidents per 100,000 hours of work.



Process safety event rate (PSER)

Our process safety event rate (PSER) is a key metric for measuring our process safety performance. It is calculated as the number of process safety events per 100,000 hours of work.



Our short-term objectives 2022

- Reduce our recordable accident case rate (RCR) to 0.25
- Reduce our process safety event rate (PSER) to 0.30

Continuing to support our employees through COVID-19

Throughout 2021 we adapted to living with COVID-19, managing occupational health by continuing to operate in line with local guidelines. In countries where employees could return to our offices, we put in additional measures, such as one-way systems at our sites, temperature screening, limits on the number of people in common areas and more frequent cleaning of common contact points, such as door handles. At our operational sites, we continued to carry out COVID-19 risk assessments and routine testing.

This was particularly important in Malaysia, where infection rates rose quickly across the country and at our sites. We introduced weekly PCR testing at all our sites and distributed face masks to all employees every Friday for use outside work. We also provided extra disinfection and hygiene products on site, and every two weeks handed out products to take home. As a result, our COVID-19 infection numbers in Malaysia fell steadily throughout the year.

Later in the year, we participated in the government's national vaccination programme, and 100% of our Malaysia employees were fully immunised. This allowed us to increase employee capacity at our sites, in line with ongoing national rules.

Occupational safety

We want our employees to go home safely at the end of every day. While we have reduced the number and severity of injuries over

recent years, we must continue to improve to reach our ultimate aim of 'zero'.

In 2021, our recordable injury case rate (RCR) fell to 0.31. This is largely due to improved performance at our former OMNOVA sites, which saw RCR fall from 0.64 in 2020 to 0.47. In all, we recorded 34 injuries in 2021, versus 37 in 2020.

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 occupational safety performance

Recordable accident case rate
Accidents per 100,000 hours

We track our recordable accident case rate (RCR) for injuries that need more than first aid treatment. Our figures include employees and contractors working at our sites, as well as short-stay visitors, such as truck drivers and cleaners. While our metrics are in line with the USA OSHA standard, we report our RCR per 100,000 working hours, instead of the OSHA standard of 200,000. This is for historical reasons linked to UK HSE reporting metrics.

Synthomer and sustainability continued Operations continued

Integrating a new business during a pandemic

"Integrating a new business under normal circumstances involves a lot of time and care. It's not just about introducing new policies and processes, although that is an important part of the process. We also want to help our new colleagues understand why our standards are so important to us so that we can create a drumbeat of safety and a consistent culture across our sites, so that everyone is working towards our 2030 target for top-quartile performance.

This work has been even more challenging during our integration with OMNOVA, since it has taken place in the middle of the COVID-19 pandemic. Ordinarily, our teams

would be working on site with our new colleagues to help embed our SHE culture. Throughout the year, the corporate team delivered hundreds of hours of virtual training and support to sites globally, and in November we held a global 'virtual' SHE conference with well over 150 attendees to share good practice and improvement goals for 2022. It has been a challenge for everyone, but I think we've achieved a huge amount under very difficult circumstances."

Phil Wrigley
President, Operations and SHE

Process safety

It is essential that we keep our equipment and plants in good working order to help prevent process safety related incidents. We also strive to prevent the unexpected release of dangerous chemicals in our manufacturing processes. To that end, we carry out routine inspections and maintenance at all our sites that help us spot warning signs so we can address problems before they occur.

Our process safety event rate (PSER) rose to 0.16 in 2021 (versus 0.10 in 2020). In our legacy Synthomer businesses, our PSER rose to 0.13 (2020: 0.11) and at our former OMNOVA sites we saw a rate of 0.23.

All of our reportable PSEs this year were releases which we contained on site. None of them caused injury, damage or environmental harm. One-third of our PSEs occurred at one site in the USA. In 2022, we will introduce a transformation project to help the site rapidly improve its performance.

Synthomer monitors, reports and investigates all spills, ranking any loss against the associated hazard of the material involved, as well as quantity spilled, where the spill occurs and its actual impact.

Preventing and managing the loss of any material (hazardous or otherwise) is an important part of our SHE approach, which is why we include it in our key performance indicators. We analyse the root causes, such as human factors or types of mechanical failure, to identify appropriate site, business or Group-level actions to reduce the potential for recurrence.

In 2021, we recorded 23 spills in our top two tiers (covering reportable PSEs, high-scoring loss of containment and reportable environmental losses). None of these spills had an impact on the environment.

Throughout 2021, we used our process safety confirmation routines to help assure ourselves that employees who carry out critical operations have the correct knowledge and understanding of what they should be doing and how to respond to abnormal situations. We ran Group process safety training courses at our legacy OMNOVA sites in the USA and Portugal, to explain the fundamentals of our process safety standard, principles and golden rules. We also worked with site teams to identify the barriers they have in place to prevent, control and mitigate identified potential major accident scenarios.

We also carried out a review of our data relating to flammable losses of containment and tracked what are known as 'weak signal' PSEs, including reports of mischarge, high pressure, loss of cooling and failed reactions. These signals indicate weaknesses in our barriers that could lead to a significant PSE.

After analysing mischarge events in 2021 within one business division, we developed a self-assessment questionnaire tool. This is now being used by all our sites to identify possible weaknesses in engineering, organisational or procedural controls that increase the risk of mischarge and action plans are being developed to close these gaps.

Our 2021 process safety performance

Process safety event rate
Events per 100,000 hours

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'.

Tracking and auditing SHE performance

We collect, analyse and report on industry-recognised leading and lagging indicators, such as recordable injuries, reportable process safety events and near misses. We record all incidents in our Group-wide accident and incident management system database. And we track our near misses on a monthly basis. This is a standard measure in our industry and one we use to identify occupational and process safety issues before they become significant events so that we can continue to improve our processes and barriers.

While COVID-19 made it difficult to carry out in-person site audits, we were able to carry out remote auditing at eight sites, using digital collaboration tools to work with sites and review their systems and documentation. Towards the end of 2021, we reintroduced face-to-face audits at three of our sites.

Sharing lessons learned across Synthomer

Our 2021 global employee survey continued to demonstrate that our safety messages are well understood across the business. (See page 65 in our People section for more on our 2021 Your Voice survey).

Sharing knowledge, tools and processes is an essential part of how we make sure we continuously improve in safety. That includes creating an open culture in which our employees feel able to discuss data and progress.

In 2021, we introduced new measures to help our leaders and operational teams learn from one another. We introduced new regional process safety networks which meet on a monthly basis to discuss performance and exchange good practices. Additionally, we have rolled out our 'Yellow Book' of common injuries across all our sites and continue to share root causes of high-profile incidents internally, as well as lessons learned from major industry incidents.

Other regular knowledge-sharing activities include 'code red' calls for site leadership teams which take place after any significant incident or series of related events, and our annual global health and safety conference.

We also look for opportunities to share good practice with our industry peers. For example, we shared some of the tools we have developed to manage the COVID-19 pandemic, such as on-site lateral flow testing programmes, with Chemical Industry Association members via their weekly COVID-19 operational calls.

Maintaining our focus as we grow

As we grow and integrate new businesses, we want to ensure that we continue to embed consistent, high-quality safety standards and processes across the Company. But this takes time, and we expect our metrics to fluctuate over the next few years as we carry out this work. While our Vision 2030 targets represent top-quartile industry performance, they also reflect this expectation.

We have seen this most recently during the OMNOVA integration. While our 2021 SHE incident rates are higher than expectations, we have reduced the gap, thanks to our SHE experts and legacy OMNOVA colleagues. Together, they have fast-tracked gap analysis and action plans and introduced a new dashboard, which we will complete in 2022, to track progress against nine core safety elements, including competence, legal compliance, employee engagement and process safety. We also carried out site leadership competency assurance for two-thirds of our new leaders to ensure they have the knowledge and understanding of the major hazard risks and required controls to keep our plants safe while we keep improving our performance. We will assess the rest of our new site leaders during 2022.

Managing health and safety with strong systems and behaviours

Safe operations rely on clear processes and systems, and responsible behaviours. Everyone at Synthomer is accountable for keeping themselves and others safe – from our leaders to our site operators – and anyone can lead by example, regardless of seniority. The combination of our SHEMS, safety leadership training and employee engagement help us stay vigilant:

Action	Our expectations	What we did in 2021
1. A strong SHEMS	Every site must align their standards and policies against SHEMS. We conduct Group SHEMS audits over a three-year cycle and expect sites to self-assess against changes and report non-conformance.	Carried out 11 Group SHE audits, 8 remotely due to travel restrictions and 3 in person. Two SHE audits were carried out on our behalf in China by a third party.
2. Great leaders who are accountable for people, equipment and the environment	Our leaders must commit to our targets, demonstrate key safety behaviours and be open to change.	To increase our focus on safety we carried out competence assurance for two-thirds of our new site leaders.
3. Employee engagement and training	Everyone is accountable for safety at Synthomer and we expect our employees to identify and address specific risks and adopt key behaviours. Employees must follow our 10 SHE principles and our golden rules. Site leaders must host quarterly safety committee meetings with employees to discuss local safety issues.	We introduced two new shopfloor engagement tools at our sites: Workplace engagement checklist to identify and address specific on-site occupational health hazards. Embedded process safety confirmation routines to provide assurance that procedural and organisational barriers against major accident hazards remained robust.

We are particularly pleased with progress at one of our sites in Portugal, which had the worst occupational safety performance anywhere in Synthomer, with eight recordable injuries in 2020 alone. As well as the dashboard and training, we established a dedicated SHE transformation team, deploying on-site resources to help develop and introduce 90-day targeted improvement plans. These plans cover all aspects of occupational and process safety, and included implementing new systems for permit to work and management of change, carrying out process hazard assessments and reviewing risk assessments. The team also strengthened existing workplace engagement activities and introduced new ones. As a result, the site experienced one recordable injury in 2021.

We are now using the lessons we have learned from Portugal and our broader integration work to create a more structured safety programme to help new and existing sites that require specialist support. This will be important in the coming months as we integrate the Eastman's Adhesive Resins acquisition and begin the process of embedding all our SHE standards and processes into our newest sites.

Environment

2021 environment highlights

- Installed new gas boilers to allow closure of the coal-fired power station
- 90% of total electricity used at our sites is now renewable
- Total CO₂ equivalent emissions decreased by 34% vs 2019

Our progress against 2030 targets

40% reduction in Scope 1 and 2 GHG emissions intensity (vs 2019)



10% reduction in Scope 3 emissions intensity (vs 2019)

Externally assessed Scope 3 emissions data for 2021 was not available at time of publication, but our data pack can be downloaded via our website. For baseline Scope 3 emissions data, please see our 2020 Sustainability Report, which can also be accessed on our website.



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 2%
- 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

Our water-based polymers help keep harmful volatile organic compounds (VOCs) out of the atmosphere. However, the raw materials and manufacturing processes we use to make them can have a negative impact on the environment – with more than 90% of all our emissions coming from our supply chain.

We rely on monomers to make our products. These molecules are traditionally made from fossil fuels, which requires a significant amount of energy in the conversion process. As the energy still mainly comes from non-renewable sources, our monomers carry associated carbon emissions along the value chain. We also use a lot of water in our products and processes and require energy to transport our products around the world.

We must find ways to address all these areas if we are to realise our net zero ambitions. It is also good business: our customers are increasingly interested in the sustainability benefits of our products.

More information on how we are improving the sustainable benefits of our products can be found on pages 48-53.

Defining our ambitions

This year, we set new environmental targets in areas where we can make the biggest impact, which includes water as well as carbon. These targets are part of our Vision 2030 roadmap and are supported by short-term objectives to help us track our progress (details can be found in the relevant sections). In 2022, we will also complete the work to determine new science-based targets in line with the objectives we set ourselves in our 2020 Sustainability Report.

We laid a lot of groundwork in 2021 to improve how we track and report our environmental data, as well as continuing to develop projects that help tackle our environmental footprint. For example we:

- Met our objective to introduce a new sustainability scorecard to help sites assess the potential environmental impact of large-scale capital projects
- Launched a new environmental dashboard to provide more accurate, frequent environmental data at Group, divisional and site levels
- Began assessing options to develop our own internal product life cycle assessment (LCA) programme.

Introducing our project sustainability scorecard

Following on from the successful roll out of our product sustainability scorecard (see page 49), we have introduced a similar scorecard to assess capital projects. We will now review new projects against six criteria, including energy, emissions and water, scoring each criteria -5 to +5 (+5 representing the biggest positive impact). Projects with higher scores will be considered more favourably during our screening and approval processes. In 2022, we will also look at incorporating a carbon price into this process to help align our projects with our Vision 2030 targets and net zero ambition.

Updating our reported environmental data

This year, we are reporting metered electricity instead of primary electricity.

We have amended our 2019 baseline values to reflect changes in our Company. In the first quarter of 2021, we sold one site, stopped production at a second and closed an office. We have removed associated data from our calculations to provide a more accurate comparison. We have also made some minor modifications due to reporting mistakes during 2019 and 2020. The impact is limited (between 1-3% depending on the KPI).

Our energy use and carbon footprint

Our absolute and specific energy consumption rose this year by 4.7% and 2.4% respectively versus our 2020 numbers. While our energy performance is not yet where we would like to be, we have, however, made excellent progress in reducing our GHG emissions. At the end of the year, we completed the installation of new highly efficient gas boilers at our plant in Sokolov, Czech Republic. Commissioning began in December 2021 with full operation in February 2022, allowing us to close our coal-fired power station. This eliminates coal as an energy source from all our global operations and will significantly reduce our Scope 1 emissions in 2022.

Our second milestone saw a dramatic fall in our Scope 2 emissions – testament to the work from our procurement teams to buy certified renewable electricity. We now have 90% of renewable electricity usage in our sites. This is well ahead of our short-term 2022 target to reach 50%.

The increase in both absolute and specific energy consumption compared with the previous year is related in part to changes in product mix, with increased production of some higher-energy-intensive products. Several of these products have downstream sustainability benefits for our customers. Meanwhile, our laminates and films sites saw increased demand, which led to higher energy consumption, and on the Group-wide intensity metric, a poorer performance.

Other factors also affected our 2021 performance, including higher than average demand for our products in some countries. Keeping our plants full can typically lead to greater energy efficiency. However, the need to maximise production at one of our sites meant we had to introduce more intensive cooling, and, therefore, higher relative energy use, to reduce cycle times in our reactors. Meanwhile, our operations were affected by ongoing COVID-19 restrictions in countries such as Malaysia and Vietnam and the Texas power crisis in February 2021, which led to supply chain difficulties and stop/start operations.

As well as our project to install new gas boilers at our plant in Sokolov, we expect several other projects to help reduce our energy use by at least 3% during 2022. We are also planning to carry out detailed energy diagnostic work and develop site-level decarbonisation roadmaps, both of which will help us identify further opportunities for improvement.

In future, we will expect our suppliers to provide us with carbon metrics associated with their products so that we can report on the carbon footprint we are passing on to our customers.

See pages 51-53 in our Products section for more information on the work our procurement teams are doing to help us address Scope 3 emissions and support a more sustainable supply chain.

While we no longer include VOCs in our GHG calculations, we do continue to monitor them. We aggregate our number on a Group basis and convert them to a carbon dioxide equivalent (CO₂e), using a factor of 11 – a figure used by UK CIMA member companies since 2005. CO₂e emissions associated with VOCs in 2021 were 6,548 tonnes (18% increase vs 2020).

We collect data on the release of refrigerant gases and aggregate these to create a Group total. We convert each reported release into a CO₂e value using the relevant DEFRA GHG factor for the refrigerant in question. These are included as Scope 1 emissions. In 2021, they accounted for 1,805 tonnes, a 7% increase versus 2020 and 30% reduction versus our 2019 baseline.

Total metered energy use

Gigajoules (GJ) per sales production tonne

'This year has been about setting ourselves new environmental targets and laying important foundations. Now we must get to work to achieve those targets.'

Guy Scudder

See annex on pages 182-183 for our UK-specific energy use data.

Metered energy use by division
GJ/tonne

Strategic report

Governance

Group financial statements

Company financial statements

Other information

Synthomer and sustainability continued Operations continued

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.

Scope 1 and 2 emissions by division tonnes CO₂e/per sales production tonne

Scope 1 and 2 – location-based and market-based – GHG emissions have been verified by a third party.

See page 183 for information on our reporting methodology.

Scope 3 emissions

In 2021, we worked with a third-party specialist to establish our Scope 3 emissions for the whole Group. This involved analysing 15 categories that contribute to these emissions. Given the diversity in application and end markets for our products, we do not have sufficient visibility of the emissions associated with processing our products and their end-of-life treatment.

Preliminary data from this assessment indicates that, overall, in 2021, our Scope 3 emissions were up to 10%* lower versus our 2019 baseline. This is largely due to reduced carbon intensity in the mix of monomers we used during the year.

Scope 3 emissions account for more than 90% of Synthomer's total emissions and of those, more than 90% come from the goods and services we buy. Which means that upstream categories are most relevant to our business. Our innovation and procurement teams are actively looking for alternatives that could help rapidly reduce our Scope 3 emissions.

Read our full Scope 3 emissions report in our online data pack.

* The actual percentage will be subject to change when presented in the data pack.

Changing our approach to energy to address future emissions

Renewable energy attribute certificates (EACs) are traded on the open market and help companies like ours prove that our electricity is made from renewable sources. While buying certificates in this way is a well-established process, it is just one of the

ways in which we are increasing the amount of renewable electricity at our sites. We have also set up new supply contracts and on- and off-site power purchase agreements (PPAs), with solar panels installed at several of our sites around the world and a long-standing PPA at our site in Stallingborough, UK.

EACs are a significant part of our short-to medium-term energy plans but, as a traded commodity, their price may rise and it may become more difficult to buy them in future as more companies enter the market. Fluctuations in the EAC market mean that while we hit our 2030 target this year, we anticipate seeing this figure rise and fall between now and 2030. That is why, in the longer term, PPAs will become increasingly important to our energy management approach. But they will take time to set up.

Replacing natural gas is harder, since we need it to generate the heat required to power some of our chemical processes.

We do have an advantage, since our processes run at relatively modest temperatures. Here, too, we have the option in future to switch to renewable electricity. Some options, such as electric boilers, could involve significant capital investment, however.

In the meantime, we are exploring possible options that could help us capture and use more of the excess heat that is a by-product in our exothermic reaction processes, and setting up projects to improve our energy efficiency. For example, at our largest site in Malaysia, projects are underway to optimise the way we use our chillers through improved data monitoring and process control, with the aim of making them 5-10% more energy efficient.

We also have an opportunity to become much more energy efficient as we grow. Integration allows us to improve production processes or upgrade equipment at new sites, while introducing our standard tools, policies and processes to embed Synthomer's culture of manufacturing excellence. All our existing sites in the USA have signed up to the Department of Energy's 'Better Climate' pledge to reduce emissions and improve energy efficiency by 25% over the next 10 years.

Water

We need a significant amount of water to make our polymers, which help avoid more harmful solvents entering the atmosphere. We also use a lot of water in our manufacturing processes, such as cooling and steam generation. Given our considerable reliance on water, we have a particular responsibility to use this natural resource carefully.

Our progress against 2030 targets

- Maintained our 2030 target for water withdrawal at 100% of our 2019 baseline, with a 13% increase in specific water use in 2021.

Our short-term objectives 2022

- Maintain water withdrawal at 100% of our 2019 baseline.
- Reduce water consumption and effluent monitoring and audit at key sites.

We agreed a new Group-wide water policy with our Sustainability Committee, which was approved by our Board in December 2021.

Our water policy can be found online at <https://www.synthomer.com/company/corporate-responsibility/group-policies/>

To address present and future challenges, we carried out third-party-assisted assessments at two of our seven sites located in water-stressed areas. These assessments explored the potential to introduce more extensive water and automated metering and infrastructure monitoring, as well as options to assess the sites against the Alliance for Water Stewardship framework.

We will continue this work throughout 2022, exploring options at some of our other key sites, as well as developing upgrade proposals and assessing water balances and opportunities to reduce and reuse water.

Our water performance in 2021

Overall, we saw an 8.6% increase in total water withdrawal at our sites. Overall production rose 2.2%, which led to a 6.2% increase in specific water use in 2021 versus 2020, and 8.6% versus our 2019 baseline. Our water withdrawal statistics rose in 2021, with our most significant increases occurring because of specific events at some of our Synthomer sites. For example, in France and the UK, we saw rises at two of our sites due to the impact of low rainfall on our reserves and the need to ensure we had water available for water treatment and effluent dilution. We saw our most significant increase at one of our German sites, which is currently using river water for 'once-through' cooling. A 13% rise in production combined with relatively warm temperatures meant the site had to increase its water withdrawal by 25% to meet its cooling needs. The site has now set up a project to assess alternative, more efficient options for cooling.

At our legacy OMNOVA sites, a combination of higher production (compared with 2020) meant that our absolute volume increased. However, some sites saw a double-digit improvement in their specific water use. As a whole, these sites saw a 4.9% improvement in water withdrawal compared to 2020.

We estimate that leaks in our water lines accounted for 10-15% of our net additional water withdrawal this year. As part of our commitment to our new water policy, we are looking to improve the way we monitor sites and establish more effective leak management programmes. Together, this should help reduce the risk of leaks as well as minimising their impact in future.

Total water withdrawal
m³ per sales production tonne

Water withdrawal and consumption by division
m³ per sales production tonne

Waste
Our sites look for ways to reduce waste at source. For example, our site in Le Havre, France, reduced material out of specification by more than 350 tonnes compared to 2020. Sites also look for opportunities to support a more circular economy, by recycling and recovering waste where possible or finding potential buyers for waste streams. We are also developing several projects to identify ways in which we might reduce and treat the three most significant hazardous waste streams within our Industrial Specialties division, which account for more than one-third of our Group total.

Our waste performance in 2021

We made changes to our 2019 baseline and our 2020 numbers to remove waste figures from sites that have been closed and sold in the first quarter of 2021. This resulted in a reduction of about 1.1%. Our 2019 baseline and 2020 data also reflect corrections to reported data. This includes one significant waste stream in China, which we previously reported as waste but was, in fact, recycled at our site. This reduced our waste figure by a further 1.7%.

Our total waste in 2021 was higher than 2020, due, in part, to a 2.2% increase in production across the Group. We saw a particular rise in total hazardous waste because of two one-off events – the disposal of old contaminated soil and raw materials, and the disposal of used solvent from one of our sites after we were unable to identify a secondary buyer. We also saw an increase at one of our sites in the USA after we identified gaps in our historical waste tracking amounting to 850 tonnes total waste and 500 tonnes of additional landfill waste.

With more robust measurement, tracking and analysis of our data now in place, we do not expect to identify errors of this kind in future.

Overall, the outlook against our 2019 baseline remains positive, with total waste around 15% lower on an absolute and per tonne intensity basis. Meanwhile, waste to landfill is down 17% per tonne ahead of our 2022 objective of 12%. This overall trend reflects product quality improvements at a number of sites, as well as greater re-use of by-products that we would previously have disposed, and projects to reduce solid waste generated by our wastewater treatment plants.

Total waste
Kg per sales production tonne

Our short-term objective to reduce waste:

2022

• Total waste to landfill by division
Kg per sales produced tonne

Waste disposal to landfill
Kg waste per sales production tonne

Total waste and waste to landfill by division
Kg per sales produced tonne

People

Our success relies on our talented employees. We will need plenty more of their skills and experience as we continue to grow, integrating new businesses like OMNOVA and Eastman's Adhesive Resins.

These acquisitions are changing Synthomer's scope and scale. Indeed, once the transaction with Eastman is complete, 25% of all our sales will be based in the USA and our global workforce will be three times larger than it was just six years ago.

If we are to take full advantage of our new scope and scale, we need to ensure we have a consistent culture across the Company –

one with a clear set of shared values; where every employee feels engaged, empowered and valued, and sees opportunities to develop their career. We are focused on building a diverse talent pipeline, developing leadership skills, creating efficient and effective organisational structures and processes, and creating a winning culture. This will take time, and to support our work we have incorporated two of our employee targets into our Vision 2030 roadmap.

At the same time, we want to take a more strategic approach to our community engagement, applying lessons learned from our Synthomer Foundation to the way in which we provide funding and support for local community activities. Here, too, we have set a community-based target as part of Vision 2030.

'Our goal is to establish an inclusive culture where our people feel valued, engaged, empowered and able to use their strengths to help Synthomer to thrive. Our core values are our guiding compass: they describe what we aspire to as a company and what is expected of each of us.'

Matt Freeland
Group HR Director

People at a glance

4,632

employees

1.21%

turnover

13.2%

new hires

67%

under collective bargaining agreements

60

number of years the Synthomer Foundation has supported local communities

Our values

In 2020, we launched our five core values, designed to support our purpose

Safety, health and environment
– we always have time to work safely

Innovation
– we welcome change and new ideas

Teamwork
– we are stronger as one team

Integrity
– we act with integrity and show respect

Accountability
– we deliver on our promises

To help teams get to know the core values, we have rolled out a structured workshop and discussion guide across Synthomer. And our values are now embedded in our annual performance cycle, with all employees expected to assess their work against them.

Our employees

This was another busy year for our employees. Demand for our products was high, especially in healthcare. And once again, our teams worked tirelessly to protect themselves and each other, and keep our sites running safely throughout the COVID-19 pandemic (see page 55 for more on our COVID-19 safety and health measures).

Nevertheless, we continued to make progress against our longer-term employee agenda, including the ongoing roll-out of our diversity and inclusion vision and action plan, and the launch of our second Your Voice global employee survey.

We also introduced new tools and processes to create a more structured approach to career development – focusing particularly on early careers, functional career paths, and leadership skills to help develop our leaders of the future. And to ensure we have robust succession plans in place at all levels of the business, we continued to develop our global talent toolkit and review process.

Supporting employee wellbeing during the pandemic

COVID-19 has challenged everyone's physical and mental health over the past two years. Whether working from home or on site at one of our plants, our employees have had to juggle everything from family care to health worries to feelings of isolation. We are aware that all these issues can have repercussions on individual performance.

To continue supporting our employees' mental health in 2021, we set up a number of country-specific programmes, including a new well-being hub for UK employees located on our Syntranet. The hub provides information on Company-led programmes and resources, including our Employee Assistance Programme, as well as advice on issues like resilience, healthy shift working and asking for help.

Also in the UK, we ran a well-being calendar of monthly activities to highlight issues such as fighting fatigue, personal fitness and hydration. In Malaysia, we marked mental health month with a series of talks to help employees identify ways to deal with stress, anxiety and burnout in the workplace. Almost 100 employees attended the sessions. We also offered employees who came into contact with the virus access to counselling to talk to professionals about the challenges they faced, and get medical advice and emotional support.

Our core employee objectives

1. Build a sustainable, diverse talent pipeline

Continuously improve our development programmes and ensure we have the right people with the right skills in the right job at the right time.

2. Strengthen leadership capability at all levels

Help our leaders become role models, coach and develop their teams and lead the way in successfully driving our business strategy.

3. Drive organisational effectiveness

Strengthen our ability to manage business transformation in an agile way.

4. Establish a winning workplace culture

Where our people feel valued, engaged and empowered to use their strengths to help Synthomer thrive.

We have learned a great deal throughout the past two years and are now developing a long-term supportive workplace programme to take us beyond the pandemic. This includes assessing employee data and employee feedback on their needs and expectations, examining our current resources and identifying gaps, and benchmarking our approach against our competitors.

Building a diverse, inclusive workplace

Building a more diverse and inclusive business is key to our growth ambitions and our ability to attract and retain the best people. In 2020, we launched our diversity and inclusion vision, and this year incorporated our gender target as part of our Vision 2030 roadmap. This year has been about raising awareness to help employees understand why it matters and the role they have to play.

We had an early opportunity to do this in March 2021 with a series of events around the world to mark International Women's Day. In June, we celebrated Pride month and have since set up a new LGBT employee group. And in December, we marked International Day of Persons with Disability, publishing new guidance on our Syntranet to help employees support their disabled colleagues, and sharing two new videos from managers living with disabilities.

In November, our executive sponsor for diversity and inclusion, Rob Tupker, and Group HR Director, Matt Freeland, launched a new global awareness campaign, hosting a series of calls with our top 100 leaders to discuss their role in supporting our vision.

Our progress against 2030 targets

- Gender diversity in senior management
- Gender diversity in the workforce
- Environmental impact

Our short-term objectives:

2022

- Increase gender diversity in senior management

2025

- Increase gender diversity in the workforce
- Increase environmental impact

Synthomer and sustainability continued

People continued

Engender: our first employee group

"I'm proud to be part of Synthomer's first employee group. We set up **ENGENDER** – our women's network – to create a safe environment for discussion on issues that women face in the workplace and to help support one another through our careers. We're delighted with the support received in organising a number of events on topics such as imposter syndrome, and voice and power for women in business. We are equally happy to have some men join our sessions, too.

Our first year was very busy, with regional groups starting activities in the US and Asia, catering for local discussions and face-to-face networking opportunities.

One of our highlights was having Caroline and Holly, Synthomer's Chair and one of our female Non-Executives respectively, attend one of our panel sessions. It was a fantastic opportunity for our network to hear about their career stories first hand. We hope more people will sign up and help us spread the word."

Ana Perroni Laloe
President, Industrial Specialties

Our diversity and inclusion vision

We value the difference everyone brings to work and are committed to creating a diverse and inclusive workplace, where people are supported to make their best contribution in creating a vibrant and successful business.

'We know that diverse thinking and inclusive cultures create tremendous business value. It powers innovation and performance and it will drive Synthomer's success in the future.'

Caroline Johnstone
Chair of Synthomer's Diversity and Inclusion Steering Committee

As part of the campaign we also shared additional tools and materials on topics such as unconscious bias and self-awareness via a Syntranet hub to help leaders support their work to share our diversity and inclusion vision.

Meanwhile, we have started using a new diversity and inclusion dashboard to track progress, spot gaps and improve succession planning. And we have established a new diversity and inclusion governance structure to ensure we stay on course and embed accountability for diversity and inclusion across all levels of the business. The structure includes a steering committee comprising Synthomer's Chair of the Board, diversity and inclusion Executive Committee sponsor and Group HR Director, as well as a regional network of diversity and inclusion champions.

Looking ahead, our plans for 2022 include new interviewing skills and inclusive recruitment training for hiring managers, inclusive leadership training and a new ambassador programme designed to create opportunities for employees to share their personal diversity and inclusion stories. Our Board and Executive Committee will be involved and will regularly review progress.

Our diversity and inclusion performance in 2021

We are pleased that we met our 2021 objective of 20% of women in senior leadership roles, finishing the year at 20.4%. In all, we saw a 5% rise in the number of women in senior leadership versus 2020. We also appointed Lily Liu as our new Chief Financial Officer who will join Synthomer no later than 1 July 2022. Once Lily is officially on board, women will make up 44% of our Board. In February 2022, we also appointed Ana Perroni Laloe as President, Industrial Specialties and she has now joined our Executive Committee. We also met the expectations laid out in the Parker Report, by having at least one Board member from an ethnically diverse background.

Gender diversity

Female	976
Male	3,656
Total	4,632

Gender diversity

Female	3
Male	6
Total	9

Gender diversity

Female	10
Male	39
Total	49

Employee engagement

Listening to our employees helps us understand what is working well and tells us where we have more to do. But we need to hear from everyone, so, as part of our Vision 2030 roadmap, we set a 70% target for participation in our global Your Voice survey. We introduced our first survey in 2019. With 63% taking part, it revealed areas of strength, such as our commitment to safety, and areas for improvement, such as communication and knowledge sharing.

Good communication has become even more important over the past two years with the pandemic keeping many people at home, and restricting our numbers on site. To help people feel connected and ensure they understand our priorities, we launched new quarterly (virtual) global townhalls during 2021 hosted by senior leaders. Around 1,000 employees attended each townhall. We ensured employees could ask questions before and during the calls and submit those questions anonymously if they wished. Employees were keen to hear more on a number of issues, including our sustainability agenda, diversity and inclusion plans, and flexible working. While our leaders answered questions during the calls, we also intend to feed some of these topics into future communications to continue raising awareness.

We also relaunched our internal Syntranet site, creating one global site for all our employees. It contains news and key information on important areas such as our strategy, Code of Conduct and policies to help ensure everyone has access to a consistent set of messages and guidelines.

What we heard from employees in 2021

Our second Your Voice survey ran in December 2021. We were very pleased that we exceeded our 2030 target at a global level, with an overall response rate of 73% from our employees. This was achieved by an extensive multi-channel communication campaign delivered across the business, which included manager briefings, messaging via our Syntranet and poster campaigns. Not all countries achieved a 70% response rate and that will remain a focus for future surveys. The survey included some new questions on topics such as our core values, to help us learn how well employees understand them.

We saw a rise in positive responses in many areas, including diversity and inclusion, (12%), career progression (9%) and communication (7%). We also continued to see strong results in health and safety, ethics, and values. All these results reflect the work we have done in the past few years to raise awareness on these important issues.

Our employees told us that they want to hear more about the Your Voice results and what we plan to do in response to their feedback. To this end, we are working with leaders in our divisions and functions to provide relevant data so that they can share and discuss specific topics with their teams.

As part of our Board employee voice activities, one of our Non-Executive Directors, Alexander Catto, met groups of employees personally in the UK and by video conference in Germany and the USA throughout the year. Discussions and feedback covered a range of topics such as Company strategy, leadership, COVID-19, flexible working, diversity and communication issues.

We look for other opportunities to hear from our employees. For example, we ran a survey in March and December 2021 asking our UK employees what they thought of our support for them during the pandemic. Most feedback was positive: 65% said they had attended one of our resilience workshops, and more than half said they would do something different based on what they had learned. However, a minority told us that they want us to do more on flexible working. This is something we are assessing as part of our supportive workplace programme.

Career development and training

We have a good record of attracting new talent. Fairness in progression and promotion is essential, so at a corporate level we are introducing new digital tools and processes, including a new global HR information system. We also continued our global talent review in 2021. As part of that review, we introduced a new 'talent toolkit' to help our leaders and managers assess gaps and opportunities in areas such as succession planning and personal development plans. We want to do more to help retain a larger percentage of our graduates and address Your Voice feedback, which tells us employees want to see more opportunities in career planning and development. We are currently focusing on three key areas to help our people make progress: early careers, functional excellence and leadership.

Our progress against 2030 targets

Early careers: helping graduates flourish at Synthomer

Since 2018 we have expanded and improved our graduate recruitment programme, looking at everything from when we recruit to how we make an offer. In that time, we have hired around 50 new graduates, largely in Europe and Asia, with a 50:50 gender split and a variety of ethnic backgrounds.

We have also created a blended development plan, providing graduates with a combination of mentoring programmes, and on-the-job and workshop-style training in areas such as networking, managing others and business acumen.

Functional excellence: consistent pathways for all

Our Group HR team is also working with our functions to develop new 'excellence' frameworks that set out clear career pathways through each of the functions and the standard of skills we expect. A new Functional Excellence Steering Committee is coordinating this work across the Company. Our manufacturing and commercial functions were the first to launch their frameworks in 2021. Our commercial function appointed a dedicated excellence director and ran its first training sessions on contract management via a new academy.

Synthomer and sustainability continued

People continued

Leadership: training the leaders of tomorrow

Because we are growing so quickly and integrating new acquisitions, different leadership styles, approaches, and even language, can become part of daily business life. This can make it difficult for newer leaders to know what is expected of them. To address this, in 2019 we introduced six leadership attributes, including inspiring vision and purpose, setting standards and dealing with ambiguity, to provide a common language and consistent behaviours for all leaders at every level of our business. Alongside our core values, we are also using our leadership attributes as a way of assessing potential new recruits.

Embracing digital resources to support leadership development

"We believe in continuous conversations as a key driver for employee engagement. In that spirit, we expect our leaders to become coaches for ongoing staff development, providing regular feedback opportunities to their teams. We have launched a new leadership development portal, which contains a wealth of useful resources and tools. The next generation of Synthomer leaders will particularly benefit from our 'first-time leader' roadmap, which provides practical guidance on coaching others. Our learning and development team held a series of global briefing calls to help leaders at all levels start using the portal."

Christoph Bartels
Director Talent Development

Ethics and compliance

We published our current Code of Conduct in 2018. It is available in 14 languages, both online and in print. We plan to review and refresh the Code later in 2022 and launch an updated version in 2023.

Our 2021 Your Voice survey showed that 87% of employees understand how the Code applies to their job, while 81% know how to report suspected unethical and/or unlawful business practices.

We promote our Ethics Helpline across the business, including through our Code. In 2021, we launched a new 'protection from retaliation' policy to continue encouraging an open and transparent culture within Synthomer. We also updated the investigation process that supports our helpline to ensure clear lines of responsibility and that reports are followed up in an appropriate manner.

Continuing to provide compliance training

During 2021, we continued to develop our e-learning offer, which included the launch of refreshed modules on anti-bribery and corruption and anti-competitive practices. Our Learning Management System helps us track training completion and escalate instances when required training is not completed in a timely manner. In 2022, we plan to introduce new e-learning modules for our Code of Conduct and GDPR/data protection, which will replace our existing face-to-face and online training.

Our short-term ethics and compliance objectives:

2022

- Develop option to print and easily improve our compliance framework
- Enhance our risk assessment processes
- Further enhance our compliance training
- Review our Code of Conduct for clarity and relevance

Our anti-bribery, corruption and competition law policies are important parts of our Code and the scenario-based workshops and e-learning that we run as part of our Code of Conduct training. We will continue to support employees who are more exposed to competition law risk with additional, specific e-learning modules and face-to-face/online workshops.

In 2021, we launched a short campaign to remind employees of our policy on gifts and hospitality as set out in our Code. As part of this, we rolled out revised standard-form gifts and hospitality registers.

We also published new Internal guidance on how to respond to, and manage, unannounced inspections from regulators (so-called 'dawn raids'), which will be supported by a phased roll-out of training, starting in 2022. And we ran our first campaign on the United Nations Anti-Corruption Day, which included an article on our Synternet and on social media.

Making changes to support our compliance programme

We appointed a Global Compliance Manager in 2021 to help us navigate the changing regulatory landscape as we grow. The manager will lead our Group legal and compliance team's compliance work. Their initial focus in 2022 will be to enhance our risk assessment and third-party due diligence processes.

In December 2021, we established a new compliance brand called 'Syntegrity', which aligns with our value of integrity. We are now using the brand to support our compliance initiatives. This includes a new quarterly compliance blog for all senior leaders that will aim to communicate new compliance initiatives, remind employees about existing policies and requirements and share lessons learned from recent reported cases. The blog will also provide compliance topics for discussion at team meetings.

See page 51–53 for more information on how we work with our suppliers to ensure high ethical standards, including respecting human rights.

Our communities

We want the local communities who live near our sites to see us as a good neighbour. While we have always looked for ways to support local projects, our acquisition of OMNOVA has given us the opportunity to reassess our approach to community engagement.

Since 1961, the Synthomer Foundation (formerly the OMNOVA Foundation) has acted as an independent endowment, providing essential funding for local community projects, primarily in Ohio, USA. Over the years, the Foundation has broadened its remit to support projects across the USA.

Our progress against 2030 targets

- **Target 1:** By 2030, we will have established a global network of community champions at each of our sites, as well as three regional coordinators who meet quarterly to discuss project proposals. Funding is approved by our executive sponsor after a proposal from our Sustainability Director. In this first year, the coordination group identified site-level champions and aligned activities around our priority themes, developing the tools to support the network of volunteers and capture their activities with neighbouring communities.
- **Target 2:** By 2030, we will have established a global network of community champions at each of our sites, as well as three regional coordinators who meet quarterly to discuss project proposals. Funding is approved by our executive sponsor after a proposal from our Sustainability Director. In this first year, the coordination group identified site-level champions and aligned activities around our priority themes, developing the tools to support the network of volunteers and capture their activities with neighbouring communities.

In the 60 years since it was first created, the Foundation has changed hands – and name – several times, but its mission remains the same: to support non-profit organisations who provide programmes and services that enhance the quality of life for those in need. At least 50% of annual funding is dedicated to education initiatives, with the rest supporting arts, civic, health and human service organisations.

Since acquiring OMNOVA, the Foundation has sparked a lot of interest from our employees in other parts of the world who want to be more involved in their local communities. With more than 40 sites and sales offices across the globe today – and more to come as we continue to grow – Synthomer has an opportunity, therefore, to draw on the Foundation's experience to expand our community engagement.

And we want to take a more strategic approach to reflect our growth ambitions. So, we have set a community target as part of our Vision 2030 roadmap.

Supporting communities – growing our network in 2021

To help us take a more strategic approach, we used the Foundation's governance structure to set up a new Synthomer-wide global volunteering network in February 2021. That network includes a community champion at each site, as well as three regional coordinators who meet quarterly to discuss project proposals. Funding is approved by our executive sponsor after a proposal from our Sustainability Director. In this first year, the coordination group identified site-level champions and aligned activities around our priority themes, developing the tools to support the network of volunteers and capture their activities with neighbouring communities.

In 2022, the network will prioritise local projects that support education. For example, in Vietnam we are collaborating with several partners, including the Ministry of Labour and Vietnam Bank for Social Policies, to help poor and disabled children continue their education. In Portugal, some of our employees are running 'lessons' at local schools to help children learn more about our business. And in the UK, we took part in British Science Week, hosting workshops for schoolchildren to help inspire an interest in chemistry from an early age. Synthomer Foundation will continue to support more than 10 universities and colleges such as the University of Akron and the University of Wisconsin.

Synthomer Foundation support in 2021

Of the £930,000 that the Synthomer Foundation gave in 2021, 56% of the funds went to education programmes. The rest was split between projects that support arts and culture, civic activities, and health and human services.

'Sixty years is an amazing, notable achievement; and we look forward to continuing this great legacy of supporting our communities for many years to come.'

Theresa Carter

One of the Foundation's largest single donations went to the American Institute of Chemical Engineers, which will receive around £70,000 over the next four years. This money will help two students attend a Historically Black College or University and participate in a leadership development programme.

Our annual highlight: Synthomer Cares week

This year, we ran our first Synthomer Cares week in May 2021, based on a concept first developed by our OMNOVA colleagues. During the week, employees around the world get involved in activities to raise funds, support local communities and feel connected to one another.

In the USA, for example, employees in Ohio helped sort donated clothes and pick up litter for a homeless shelter, while in South Carolina, employees donated personal care items to a women's shelter. And employees in Pennsylvania donated just under 230kg of food to a local food bank.

In Malaysia, 43 employees took part in a charity run during Synthomer Cares week to raise money for COVID-19 care kits for 20 less fortunate families. Support for the runners was so positive that in the end they raised enough to buy kits for 30 families. The top five runners were also given a donation to share with the charity of their choice.

Employees in Italy and Portugal maintained that sense of connection later in the year, during a two-week exercise challenge. Individuals recorded the time they spent running, walking or cycling via an app which Synthomer then converted into donations. Participating employees could then choose which social organisation would receive the funds. The winning team was given a 25% bonus to donate to their organisation. In all, the two teams completed 1,093 hours of exercise and travelled a total of five million steps, raising £1,560 in the process.

Synthomer and sustainability continued

People continued

A snapshot of community activities at our sites

While the COVID-19 pandemic meant we were unable to run community activities in some countries, such as Vietnam and China, many of our community teams around the world have continued to support local projects and organisations, while our employees have helped raise essential funds.

Location	Activity
UK	In December 2021, the operational team donated Christmas presents to a local school.
Germany – Marl	In November 2021, our site team provided volunteer support to help cleaning and rebuilding houses following devastating floods across Germany earlier in the year.
Czech Republic – Sokolov	Members of the operational team participated in Open Doors Days to help students understand more about our work at Sokolov. This included an on-site session for careers counsellors and chemistry teachers.
France	Three sites each donated €1,000 to Fondation de France to help families and schoolchildren particularly affected by the pandemic.
Portugal	We continued to play a role on the board of Grace, a non-profit association that promotes social responsibility and sustainability within companies. We also participated in working groups for the Portuguese Charter for Diversity and Inclusion, including helping to develop a social responsibility good practice guide.
Malaysia – Pasir Gudang	Employees auctioned their skills, such as baking and painting, to their colleagues to raise money for Calvary Homes, an organisation that helps people who have been abused and abandoned by their families or face serious disadvantages. Together with matched funding from Synthomer, they raised £1,000.
Malaysia – Kuala Lumpur	Our community team ran activities to raise awareness about food waste and to support The Lost Food Project. As well as a talk from the organisation's chief executive, employees took part in a challenge to reduce their own food waste. With matched funding from Synthomer, they also helped raise just over £1,000 for the project.
USA – Akron and Mogadore	38% of the employees from these two sites have joined the initiative 'Candy gram fundraiser', raising more than \$300 and providing 266 meals to people in need around the site.
USA – Auburn	Our colleagues in Auburn held an internal 'corn hole' throwing tournament to raise funds for Haven Heroes, a local organisation that supports educational success in primary schoolchildren.
USA – Beachwood	A colleague through the Employee Community Leadership Award raised funds for Pink Ribbon Girls who provide a range of support for breast and gynaecological cancer patients and their families. In total we donated \$500.

Building our volunteer network in Asia

"In 2021, we took our first steps to making our communities network presence in Asia more prominent. There is still so much to do, but we have put some strong foundations in place to continue on our journey of giving and contributing to the communities who live near our sites. Our position as a market leader in Asia allows us to be closely engaged with the communities, especially at the sites in Malaysia. I am grateful to everyone who has helped us get this far, but this is only the beginning and we will aim to go further in future!"

Emidiyana Ahmad
Talent Development Executive and Asia
CSR coordinator

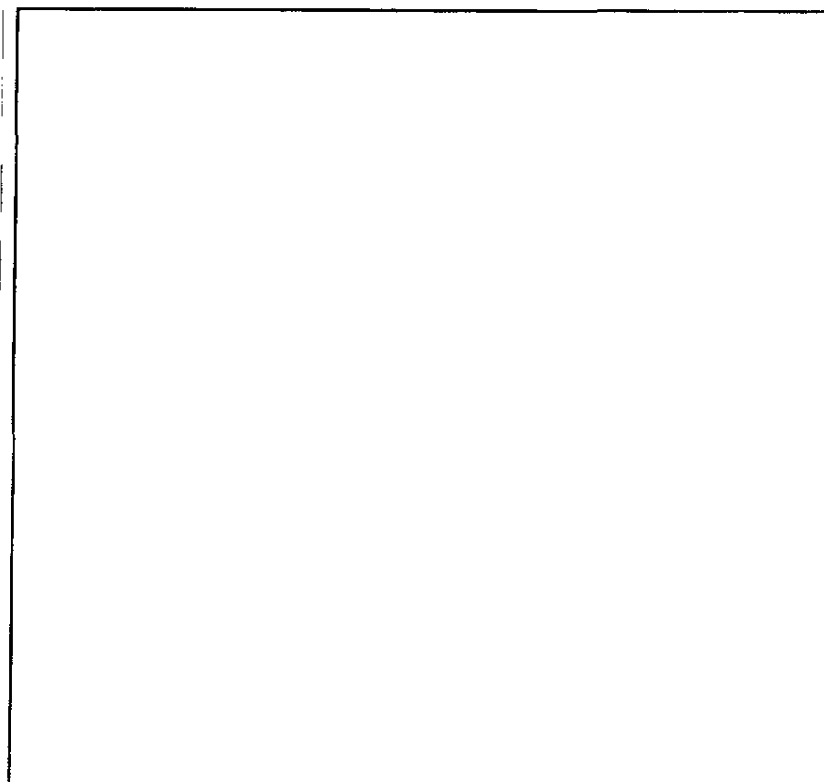
Risk report

Synthomer's strategic objectives can only be achieved by taking an appropriate level of risk in accordance with our risk appetite.

How we manage risk

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

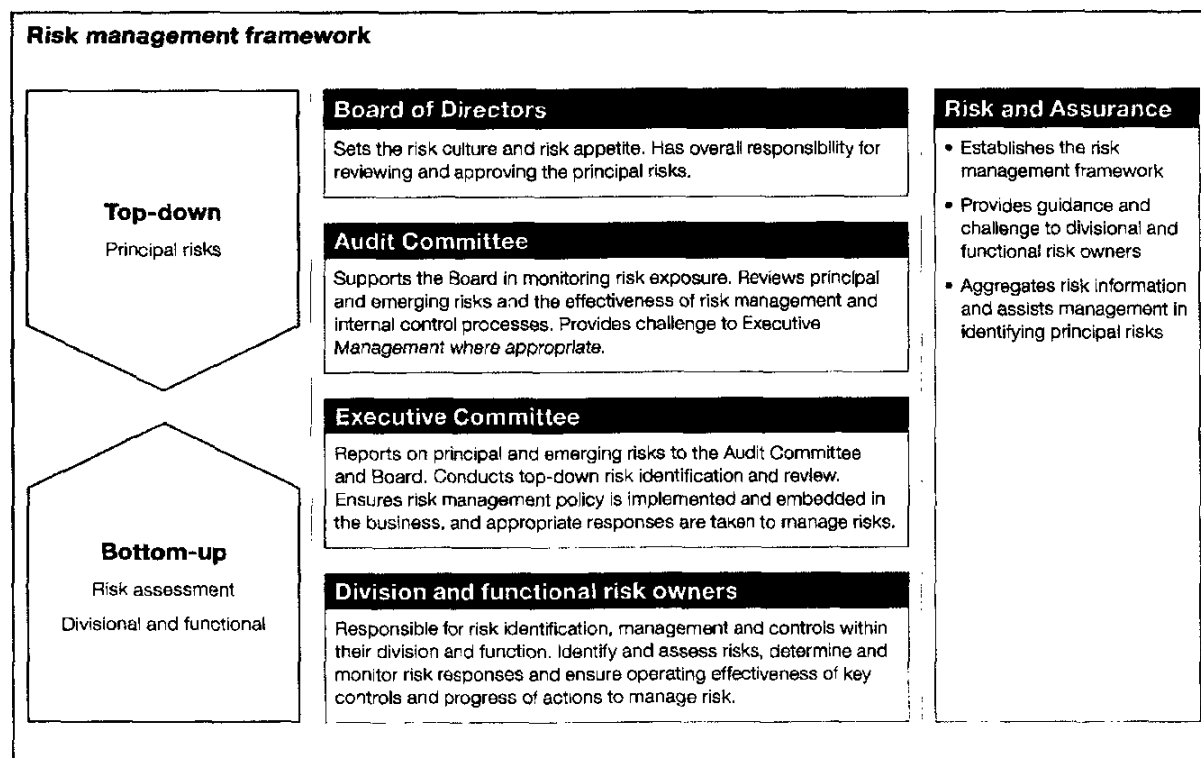
	Principal risk	Trend	
	Volatility and competition	→	see page 72
	Innovation & intellectual property	→	see page 72
	Change programmes	→	see page 73
	Mergers & acquisitions	→	see page 73
	People & talent	→	see page 73
6	Loss or failure of a Synthomer site	→	see page 74
7	IT security	→	see page 74
8	Safety, health & environment	→	see page 75
9	Security of supply	↑	see page 75
10	Ethics and regulatory compliance	→	see page 76
11	Financial risks	→	see page 76



The heatmap illustrates the relative positioning of our principal risks. This is based on the residual (net) ratings after taking into account any mitigating controls in place. The heatmap illustrates our principal risk positioning based on the three dimensions we use to assess our risks: the likelihood of the risk materialising; its potential impact; and its velocity – the time between the risk crystallising and the impact being felt. Pages 72 to 76 provide more detail on our principal risks, activities undertaken in 2021 and planned for 2022, and the risk movement in the year.

Risk management continued

Risk report continued



Risk governance and oversight Synthomer plc Board

The Board has overall responsibility for ensuring that risk is effectively managed across the Group and for creating the framework for the Group's risk management to operate effectively. The Board continues to set the risk culture and the risk appetite it is prepared to accept to achieve the Group's objectives, and the wider risk tolerance within which it empowers the Executive Committee to manage the business. In 2021, the Board completed a review and refresh of its appetite by mapping its principal risks against a sliding scale from 'risk-averse' to 'risk-neutral', to 'risk-taking'. This is now embedded in our risk management framework.

Audit Committee

On behalf of the Board, the Audit Committee reviews and assesses the effectiveness of the Group's risk management and internal control processes and monitors the Group's risk exposure. In 2021, the Audit Committee continued its programme of deep dives into our risk management process, giving management the opportunity to explain directly to the Audit Committee the assessed risks, associated controls in place, and any further planned mitigating actions. The Audit Committee carried out deep dive risk reviews for each of the Group's divisions. Specialist functional risk

reviews were also undertaken, these included IT & Cyber Security, Innovation & Intellectual Property, Plant Control Systems, Business Continuity Planning, and Pensions. The Audit Committee also reviews summaries of the work undertaken by the Internal Audit team, which operates a risk-based audit plan.

The risk management system, Audit Committee deep dives, and associated assurance work are designed to ensure that risk is managed within Synthomer's risk appetite, rather than to eliminate risk completely, and the Audit Committee and other assurance reviews provide reasonable assurance in line with good practice.

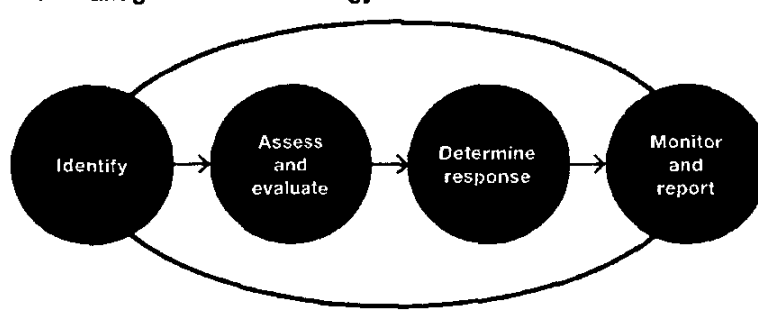
Executive Committee

The Executive Committee is responsible for the identification and management of our strategic, operational, compliance and financial risks using the risk management framework, and for ensuring risk management policy is implemented and embedded in the business.

Division and functional risk owners

We have a structured risk management framework operated at division and Group functional level. We use a standard methodology to quantify risk, with a risk assessment matrix to ensure risks are assessed consistently.

Risk management methodology



Our risk management methodology was reviewed and refreshed this year. The risk matrix previously considered two risk dimensions: the likelihood of the risk materialising, and its potential impact. In 2021, we updated the matrix to include a third dimension: risk velocity. Risk velocity considers the time between the risk crystallising and the impact being felt.

Divisions and functional departments conduct their own bottom-up assessment of risks 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, taking into account the mitigating controls in place. Risk owners also identify any additional activities that could further mitigate the risk in line with our risk appetite, accepting that some level of risk-taking is necessary.

Three lines of defence – assurance

Synthomer operates a 'three lines of defence' assurance model. As our first line of defence, our operational management and employees have a responsibility to manage day-to-day risk in their own areas, guided by Group policies, procedures and control frameworks. Our second line of defence includes our Group Risk function, who develop and manage the risk management framework and engage with management to identify, agree and update risk information. It also includes other compliance and assurance functions, for example Group Safety, Health and Environment (SHE), Regulatory Affairs and ISO audits, who review the effectiveness of mitigating actions and controls.

Our Internal Audit team provides our third line of defence, providing independent assurance on internal controls and risk management processes. External assurance is provided by our statutory auditors, in respect of the financial statements, and also by an external specialist in respect of ISO standards.

Assessment of 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. Management is also empowered and actively manages and reacts to risks as part of normal day-to-day decision making. We use the Group's risk methodology to assess the risks in all significant projects, including change programmes and the integration of acquisitions. These reviews, together with our three lines of defence model, enable us to establish effective controls to manage these uncertainties.

Our key risks

We categorise our risks, taking into account the effectiveness of mitigating actions and controls, in the following areas:

- Strategic risks that could prevent us from achieving our strategic objectives.
- Operational risks which, 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, and reputational risk that may affect our standing in the investor and wider community in a disproportionate manner to the size of the event leading to such damage.
- Financial risks relating to the funding and fiscal security of the Group.

During 2021, the Executive Committee and the Board carried out a robust assessment of Synthomer's principal risks and uncertainties. Following this review, we can confirm there are no changes proposed to our principal risks.

The table on pages 72 to 76 provides more detail on our principal risks identified at the end of 2021. Our Board and management consider that these pose the greatest threats to our business and they score highest on our risk assessment matrix. They fall into categories that relate closely to our business model. Not all risks facing Synthomer are listed and the risks are not listed in any order of priority.

The nature of risk changes over time with new risks emerging and the impact 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, and therefore cannot provide absolute assurance against misstatement or loss.

Emerging risks

In addition to known risks, we identify and analyse emerging risks and the need for mitigation as part of our existing risk management processes. Emerging risks are events that present uncertainty. They may potentially affect us in the longer term, but we do not currently have sufficient information to understand and assess the likelihood, impact or velocity of the risk, or to define an appropriate risk response. We continue to embed emerging risks in our risk programme to ensure they are appropriately considered and monitored. In some cases, emerging risks are superseded by others or cease to be relevant as the environment in which we operate evolves and changes. We continue to review and identify new emerging risk trends to evaluate the impact and effect they would have, including any changes to our principal risks.

Climate change

COVID-19

At the time of writing, the COVID-19 pandemic continues to impact the global economic, social and political landscape. We will continue to remain agile in managing the risks that this presents.

We have reviewed the impact of the pandemic on our principal risks to identify new opportunities or material changes to existing principal risks. As with our assessment of climate risks, our review concluded that COVID-19 would be more appropriately managed by including its impact within existing principal risks rather than defining a separate COVID-19 risk. We also took this approach in 2020. We will keep this risk under review.

Risk management continued

Risk report continued

Strategic risks

Principal risks and uncertainties

This table shows the most significant risks that affect our business. There are other, lower-level risks that can have an impact on the Group's performance: these are also actively managed through our risk management framework.

Volatility and competition in chemicals and polymers market

The markets we operate in are inherently volatile due to global macroeconomic and political uncertainty, and we expect this volatility to continue in 2022. Such volatility may affect our raw material costs, volumes and margins, potentially adversely affecting the results of the Group. The introduction of a carbon tax could further affect margins.

The Group could lose market share to other producers of speciality chemicals if we fail to remain competitive.

Link to strategy

Change in risk

No change

2021 response

- The Group continued to maintain a largely differentiated portfolio of products serving a wide range of diverse global end markets. The successful integration of OMNOVA significantly increased our presence in key North American and China markets.
- Segment performance at business unit level is closely monitored and we take corrective actions as necessary to mitigate the risk as far as reasonably practicable.
- We continued to review costs in our key sites to ensure we can price our products competitively.

2022 plans

- New product development and our acquisition strategy will continue to further diversify the Group's risk, including:
 - The completion of the acquisition of Eastman's Adhesive Resins business, which will further add to our differentiated portfolio of products and global end markets
 - The roll out of SyNovusTM Plus will enhance our competitive advantage in the NBR market.

Innovation and intellectual property

The Group could lose market share to other producers of speciality chemicals if we fail to innovate new products that meet market needs and stakeholder expectations with respect to differentiated performance or sustainability. Shareholder value is also dependent on our ability to identify and protect our own intellectual property and ensure we do not breach third parties' intellectual property rights, which could lead to reputational damage and additional costs.

Link to strategy

Change in risk

No change

2021 response

- We enhanced our entrepreneurial, customer-focused approach to innovation by implementing a Group-wide portfolio management process focused on alignment to business strategy, value delivery, and sustainability goals.
- The global pandemic and supply chain disruptions posed a challenge to the launch of new products. In the face of this challenge, our teams learned new ways of working remotely and in hybrid work environments which has strengthened collaboration between our innovation centres around the world.
- A new central team was formed with the charter to investigate new product chemistries focused on climate change, sustainability, step-change performance enhancement, and inherently safer and more efficient processes.
- We implemented new policies and enhanced procedures to ensure new innovations and trade-secret knowledge is protected and readily accessible for future innovation.

2022 plans

- We will implement new elements of our Innovation Excellence Framework which establishes best practices for opportunity identification, employee development, intellectual property and knowledge management, teamwork, product stewardship and laboratory safety.
- We will increase our focus on new processes with the formation of an Advanced Process Innovation team which will investigate step changes in process efficiency and sustainability.
- Through these initiatives, we aim to increase the success rate of innovation programmes, accelerate the time to market, and deliver new levels of product performance alongside sustainability improvements in both products and processes.

Strategic risks

Mergers and acquisitions (M&A)

The Group's strategic plan continues to include significant M&A to further grow, differentiate and diversify our business. There is a risk that we fail to identify and secure any targets or identify the wrong targets, pay too high a price, fail to integrate acquired assets and drive planned synergies, or encounter performance, funding, cash flow, or climate-related and environmental issues and potentially unknown liabilities.

Link to strategy

Change in risk No change

2021 response

- We successfully completed the central integration activities related to the OMNOVA transaction in Q3 2021, delivering synergies ahead of plan and properly incorporating 'the Synthomer Way' into processes and culture.
- In October 2021, we announced the proposed acquisition of Eastman's Adhesives Resins business and have begun working through the carveout separation to facilitate a close in Q1 2022. Integration planning for this acquisition is underway.

2022 plans

- The Group's M&A activity and the completion of the Eastman's Adhesives Resins acquisition and subsequent integration will continue to be closely scrutinised by the Board.
- External advice will continue to be used to help identify targets, prepare bids, conduct due diligence, and assess progress against integration plans and synergies.

Change programmes

Poor execution of change programmes, including capacity expansion projects, the delivery of streamlined and efficient standardised processes through our Pathway programme, the rollout of our shared service centres, and our ESG programmes, could affect our ability to deliver our strategy.

Link to strategy

Change in risk No change

2021 response

- Continued commitment to our Project Excellence methodology and robust capital appraisal process have delivered a well-controlled portfolio of capital investments.
- We have begun the migration of local entity transactional finance activities into centralised shared services and are developing our business partnering talent to meet business needs.
- We have successfully deployed our Pathway global template processes and systems at our wave 1 sites in 2021.
- We have developed a mechanism to monitor progress against our ESG agenda and goals.

2022 plans

- We will complete our NBR capacity increase expansion in Q1 2022 in Malaysia and continue to develop our plans for further NBR expansion in South East Asia and other territories.
- We will complete the migration of all local entity transactional finance activities to centralised shared services.
- We will roll out our Pathway solution to further sites according to our deployment strategy.
- As part of our ESG agenda, we will develop science-based targets and track delivery against published goals.

People and talent retention

People are a key asset for Synthomer in driving our Company strategy to grow and enabling us to operate in our diverse markets while complying with regulations and corporate responsibility. If we are unable to attract, retain and build our people resources, this could adversely affect the delivery of the Group's strategic priorities.

Link to strategy

Change in risk No change

2021 response

- We deployed a standardised global talent management process, and held talent and succession reviews at division, function, Executive Committee and Board level.
- We implemented Workday as a new global HR Information System including recruitment, learning, and talent management modules with enhanced employee data reporting and analysis capability.
- We rolled out our Your Voice employee survey.
- We launched an internal communication improvement plan and recognition scheme to drive increased employee engagement.
- Our long-term incentive plan was extended to former OMNOVA employees.
- A single global LinkedIn contract was implemented with enhanced career page, functionality and recruitment tools, and a globalised talent acquisition process.

2022 plans

- We will launch a standardised global performance management process to improve the consistency and quality of performance management, coaching and development.
- Work will continue on functional excellence with a specific ongoing focus on commercial excellence.
- We will deploy the 2022 Diversity and Inclusion (D&I) global action plan with a range of initiatives and workstreams designed to increase D&I and therefore our ability to attract and retain talent.
- We will use the results of the 2021 Your Voice survey to develop and deliver an action plan.

Operational risks

Loss or failure of a Synthomer site

Risk events, including natural disasters (physical chronic or acute climate change or environmental factors), pandemics (including COVID-19), safety incidents, failure of key suppliers or the supply chain, sabotage and cyber-attack, would have an adverse impact on operations and business unit profitability. There is a risk that our response does not ensure the site is able to return to its operational capacity in the planned time frame and that we suffer losses and reputational damage.

Link to strategy

Change in risk

No change

2021 response

- We have continued to use our crisis management procedures and COVID-19 response protocols to operate consistently across our 37 manufacturing sites throughout 2021, despite the ongoing pandemic.

2022 plans

- We expect to continue our COVID-19 protocols into 2022.
- Crisis management procedures are maintained throughout our operating network and we will implement them on day one of our Eastman's Adhesive Resins acquisition.
- Continue to enhance business continuity plans.

IT security

An IT security breach that has an adverse impact on our systems, including Enterprise Resource Planning (ERP), SHE databases, communications and Industrial control systems, may affect our ongoing operations and result in a loss of intellectual property or regulatory fines which might undermine our competitive position and cause reputational damage.

Link to strategy

Change in risk

No change

2021 response

- We have continued to enhance our IT security defences, including:
 - End of Life/unsupported hardware replacement
 - Multi-factor authentication with increased security standards
 - USB mass storage device controls embedded to prevent data loss
 - Upgraded password standards
 - Anti phishing/fraud awareness campaign enhancing user awareness and response to phishing and social engineering attacks
 - Enhanced back-up and recovery standards across the Group
 - SAP disaster recovery testing programme executed
 - Firewall roll-out programme completed
 - Integration and standardisation of IT security across the enlarged Group.

2022 plans

- We will continue to enhance our security defences through further security investment and the ongoing implementation of the Group security risk reduction plan. Planned activities include:
 - Further enhancements to privileged account management (PAM)
 - Training programme to increase awareness of upgraded Group Acceptable Use Policy
 - Enhanced reporting against IT security key risk indicators
 - Additional crisis response plan scenario simulation and testing
 - Rolling out our DMARC anti-fraud email tool to authenticate email traffic.

Operational risks

Safety, Health and Environment (SHE)

Our industry is inherently dangerous, involving the transport, storage and manufacture of hazardous chemicals. There is a risk that a significant accident or environmental incident leads to injury to staff or local communities, reputational damage, fines and loss of permissions to operate

Link to strategy

Change in risk No change

2021 response

- We have continued to develop a central safety audit function dedicated to SHE issues and provided support, advice and monitoring of all global sites. Three additional specialist resources have been recruited into the central team to support the organisation's growth.
- We have completed nine SHE audits in 2021 using a mixed model of site visits and remote review due to COVID-19 restrictions.
- The OMNOVA site integration has progressed throughout the year with the majority completing the integration process and moving towards normal operation.
- SHE improvement plans have been completed with all 290 major actions completed.
- The Group has continued to improve its SHE performance with a 11% reduction in injuries.

2022 plans

- We have specific 2022 SHE improvement plans for the Group, for each business, and for all sites and labs.
- As part of an updated SHE strategy, we will implement a further detailed approach to operational safety with increased focus and transparency of major risk controls at key sites.
- We will launch an annual Site Health Check process to assess key SHE performance and processes at each site. This will be linked to a new Group Site Recognition Award to encourage world-class achievement.
- We will deliver a SHE integration of our new Adhesives Technologies division, with planned actions to deliver a top quartile SHE performance within three years.

Security of supply of raw materials goods and services

A disruption in the supply of key raw materials or services to a manufacturing site could potentially affect our ability to make and deliver products to customers, leading to interruption in supply, lost revenue and damage to our reputation as a reliable supply partner. Potential factors which could contribute to such an impact include market shortages, short-term and/or long-term physical climate-related disruption of upstream supply chains, or disruption due to global events.

Link to strategy

Change in risk Increase

2021 response

- Our programme to diversify our supply base and reduce supply chain risk has enabled us to respond to the challenges presented by very high demand for many of our key raw materials and supply chain disruption, and meant we could frequently approve and access alternative sources when required. An active risk-based approach to diversifying our supply base remains a strategic priority for our procurement team.
- We have standardised and strengthened our supply risk tools for our important raw materials, prioritised based on EBIT impact at site level. In addition, we have integrated the findings of a sustainability materiality assessment, to ensure that we now include impacts such as climate change, and adopted the use of a full supply base scanning tool for sustainability risk.
- We completed awareness training on our sustainable procurement policy and strategy within the procurement team.
- We have started to use a sustainability ratings tool to assess our high sustainability risk suppliers.

2022 plans

- We will use our risk assessment tools to continue the programme to diversify our supply base and reduce supply chain risk. We will increase our focus on, and approval of, alternative sources of raw materials.
- Continuous review and improvement of the risk assessment process and adoption of the sustainability risk ratings tool.
- Develop a strategy for supplier audit and assessment, and consider the adoption of any industry programmes and best practices.
- Focus on Vision 2030 goal of ensuring 80% of procurement has a sustainability rating.

Risk management continued

Risk report continued

Ethics and regulatory compliance risks

Ethics and regulatory compliance

A failure to prevent anti-competitive practices, personal data breaches, bribery, tax evasion, product regulatory violations, other regulatory breaches or unethical behaviour could lead to substantial penalties, withdrawal of operating licences and reputational damage that could adversely affect the Group's ability to pursue its strategy.

A failure to proactively address ESG goals, mandates and regulations may result in future penalties, loss of competitiveness and reduced shareholder value.

Link to strategy

Change in risk

No change

2021 response

- We have continued to enhance our ethics and regulatory compliance through:
 - Starting to implement the action plan agreed in response to the 2021 internal audit of Synthomer's compliance framework, including the appointment of a Global Compliance manager.
 - Further publicising our Ethics Helpline, refreshing the procedure for conducting corporate investigations and updating the process to reflect EU Whistleblowing Directive changes.
 - Publishing a new Protection from Retaliation Policy.
 - Completing the integration of OMNOVA into the Synthomer compliance framework.
 - Corporate support for UN Anti-Corruption Day – including a news article on our intranet and social media activity.
 - Developing our compliance key risk indicators.
 - Launching our new compliance e-learning content and face-to-face training, and our escalation policy for managing non-completion.
 - The creation and communication of our new Dawn Raid Policy on how to respond to an unannounced inspection from a regulator.
 - Continued development of our approach to modern slavery compliance.
 - The creation of new gift and hospitality registers, and communicating these to our business areas.
 - Enhancing our global capability in product stewardship and regulatory compliance by integrating a global team with stronger regional presence which includes new dedicated resources on regulatory intelligence, trade compliance and toxicology.
 - Establishing an ESG Governance framework, setting our Vision 2030 goals and 2022 targets, increasing external communications on our achievements, and implementing a project sustainability assessment tool to guide priorities.

2022 plans

- Deliver a compliance plan, including continued implementation of the 2021 audit recommendations.
- Develop a compliance brand to support continuous communications and awareness of compliance areas.
- Implement our compliance integration plan for newly acquired businesses.
- Enhance our risk assessment processes, incorporating third-party due diligence.
- Migrate our compliance training to a new learning management system, and create new compliance training offerings including GDPR and Code of Conduct training.
- Commence the review and refresh of our Code of Conduct.
- Report against TCFD in 2021 and develop science-based targets.
- Increase our focus on product and process innovations that deliver sustainability benefits.
- Further strengthen product regulatory governance through quantitative performance management of regulatory work processes.

Financial risks

Financial risks

As a UK-registered Group with a diverse presence across the world, we continue to be exposed to financial volatility from foreign exchange risks, credit markets, and also funding risks relating to our defined benefit pension plans. These risks could significantly affect the results of the Group. They have been heightened by global economic uncertainty resulting from COVID-19 and may be further affected by the potential introduction of a carbon tax.

Link to strategy

Change in risk

No change

2021 response

- The Group hedges significant foreign exchange exposure, borrowing a proportion of its funding in overseas currencies to hedge net assets held in those currencies.
- The Group swapped the proceeds of the £203m share placing into US dollars on the day of the placing in anticipation of the acquisition of the Eastman's Adhesive Resins business in Q1 2022.
- The implementation of global and regional Pension and Benefits Governance Committees to enhance pension risk oversight and management.

2022 plans

- Currency risks will continue to be hedged in line with Group policy.
- Our global pensions team will continue to monitor pension risks through active scheme management, including the implementation of investment strategies in line with the maturity of each of our pension schemes.
- The Group's funding arrangements will continue to be reviewed in light of market conditions and tenure of existing financing facilities.

TCFD report

Climate change, with its many associated environmental impacts, is one of the biggest and most urgent challenges facing the world today. It poses risks for all of us, and Synthomer is no different in that respect.

But where we are different is in the opportunities it presents us as a speciality chemicals company, a producer of water-based polymers, whose benchmark for new products is their sustainability (see pages 48).

The new requirement to report against the Task Force on Climate-related Financial Disclosures (TCFD) this year has been a catalyst for further action. It made us think in a more collective, joined-up and holistic way about what climate change and the transition to a low-carbon world may bring for Synthomer, and to accelerate the development of a Group-wide approach to integrating climate thinking into our business at every level in the short, medium and long term. To this end, in April 2021, we engaged a specialist adviser to analyse our current position against the requirements of TCFD and to work with us to develop and implement a plan, including qualitative and quantitative scenarios, that would ensure we are taking climate change properly into account in our planning and operations.

With this being our first report against TCFD, we felt it would be most useful for stakeholders to include it as a standalone section within our Annual Report. To avoid unnecessary repetition, however, we have summarised our approach and progress under each of the four categories of TCFD here – governance, strategy, risk management, and metrics and targets – with cross-references to more details elsewhere in the report as appropriate.

In summary

Overall, we are pleased with the work we have done, and how it has contributed to our understanding of climate risk and opportunities, and that it has enabled us to report our compliance against all 11 requirements of TCFD. The enhancements to governance and risk management we have made give us confidence that we are in a good position to embed an understanding of climate change in our decision making, both at Group level and across the business.

The qualitative and quantitative scenario analysis we have carried out so far, modelled on one of our product lines from one of our European Functional Solutions sites, has given us useful insights into the potential impacts – both positive and negative – we may see from the transition to a low-carbon economy, and the reality of living in a warmer world. However, we have more to do, by modelling further product lines in other geographies, to ensure the scenario analysis is thorough and robust enough to be representative of Synthomer as a whole.

On metrics and targets, we are already in a good position with our existing environmental reporting, and with our 2030 environmental targets (including applying for their verification as science-based, due in 2022). We are also looking at possibilities for building on these targets to help us manage climate risk and opportunity as the world evolves.

In the coming year, we have four priorities for developing our understanding of climate risk and opportunity which we will report on in 2022:

- Review our 2030 GHG targets and apply for them to be confirmed as science-based;
- Extend our quantitative scenario analysis beyond Europe to include products from sites in Asia and the USA;
- Develop our climate-related metrics and targets, including setting an internal carbon price to stress test the resilience of key product lines and investment projects;
- Develop decarbonisation plans for our key sites and longer-term renewable energy arrangements to reduce our climate-related risks.

What really matters, though, is what all this means in practice for developing the products the world needs for a low-carbon, circular economy – and, indeed, creating the environment that will enable such an economy to evolve. There is no immediate technological solution that will switch the world over from a fossil fuel economy. Moving to renewable energy through the supply chain is one of the big transitions that must occur. Decarbonising industrial processes and products is another challenge. And these can only be achieved by working in a collaborative way with consumers, customers and suppliers, with technical partners, with the wider industry, and with policy makers. This partnership approach will be the real focus for us in the coming years.

Governance

- **Principle 1:** Describe the Board's oversight of climate-related risks and opportunities
- **Principle 2:** Describe management's role in assessing and managing climate-related risks and opportunities

Climate change has been a key focus for the Board, which has been actively involved in considering the business approach to climate-related opportunities and roles during the year. Nonetheless, the 2021 review revealed opportunities for improving governance at executive level, so during the year we determined that the CEO would be responsible for climate change on behalf of the Board. We also established an Executive Sustainability Steering Committee, chaired by the CEO, which now meets quarterly (as of January 2022) and is attended by the full Executive Committee and the Group Sustainability Director. 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. Overall, the Committee will enable the CEO to carry out his responsibility on behalf of the Board by:

- Ensuring that our plans for climate change are aligned across the Group, and are properly resourced and coordinated.
- Ensuring that our climate-related metrics and targets are managed effectively.

For more on governance, see our **Governance report, pages 84-129.**

Including climate-related targets in remuneration

We have reflected the importance of making progress on climate-related targets in our Executive Committee's remuneration. As of 2020, 10% of executives' annual Performance Share Plan award has been based on the reduction of Scope 1 and Scope 2 carbon dioxide equivalent emissions.

For more on remuneration, see our **Remuneration report, pages 112-126.**

Next steps

To improve our governance still further, we are looking at developing new roles throughout the business dedicated to assessing and managing climate-related risks and opportunities.

Strategy

- **Principle 3:** Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term
- **Principle 4:** Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning
- **Principle 5:** Describe the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Our strategy for a robust, resilient growth business has been built on how we can differentiate our products through their impact on the environment. Over the years, through our water-based polymers, we have helped customers avoid the use of considerable amounts of carbon and solvents, and our 2030 targets include that at least 60% of new products launched each year must have enhanced sustainability benefits, and that 80% of procurement spend must have a sustainability rating. During that time, we have also focused on manufacturing and operational efficiency, namely minimising resources for maximum output.

In the past year, the world has become increasingly aware of the risks posed by climate change, with more frequent severe weather events affecting more parts of the world. And, in the run-up to COP26 in November 2021, we have seen greater urgency to address those risks. This also presents us with opportunities, because people are increasingly looking for products that will help to mitigate the negative impacts of climate change – namely those like ours with lower carbon emissions that eliminate the use of solvents and encourage a circular economy.

For more on our business strategy, see page 15.

Determining our climate-related risks and opportunities under 1.5°C, 2°C and 3°C scenarios

Reporting against TCFD has given us the impetus to quantify the opportunities and risks presented by climate change, such that we can use real data to help us focus our strategy.

To understand the potential opportunities and impacts of physical climate risks and the transition to a low-carbon economy, our specialist adviser carried out qualitative and quantitative analyses for three different climate scenarios: a rise in temperature of 1.5°C, 2°C and 3°C over short- (to 2025), medium- (to 2035) and long-term (to 2050) horizons. In determining financial materiality, we used the same approach as we do for all financial risks – the likelihood of the hazard occurring and the nature and magnitude of its impact on the business.

To perform their analysis, our adviser looked at the impact of these scenarios on one product line – styrene acrylic water-based emulsion, a Functional Solutions product made in our Worms, Germany plant. We chose this product with the aim of covering as many variables as possible. The product uses two of our top raw materials, styrene and butyl acrylate; it is used in many applications from coatings to industrial textiles to construction; and it travels by water and by road.

We recognise that the results from this single product are not sufficient to enable us to extrapolate the financial impact of the various climate scenarios on the Group as a whole. Indeed, doing so would no doubt be misleading. We will therefore be expanding the scenarios beyond Europe to include a wider range of products from the USA and Asia. Nonetheless, the results from this year's work are a useful indication of the risks and opportunities we should consider.

Potential physical and transition risks

The physical risks identified by the study were determined as being more frequent extreme weather events such as floods or droughts which could affect our plants' ability to operate efficiently, and which could increase costs from our supply chain. The transition risks were determined as being the potential of global or regional carbon taxes, and market and environmental policy changes.

Both types of risk were present in all temperature scenarios and under all timeframes, but their relative severity and impact on our business, and our resilience, is likely to vary between timeframes, as discussed below.

Potential opportunities

The opportunities for Synthomer, under all temperature scenarios and timeframes, were determined as:

- 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
- Our network of sites across the world makes us a more reliable supplier: it is seen as a competitive advantage, meaning we are more resilient to physical operational risks, since we can service customers from a variety of plants.

The potential impact of these opportunities on the strategy and performance of the business is discussed below.

Results by temperature scenario

To summarise: in both the 1.5°C and 2°C futures, the biggest risks come from the transition to a low-carbon, circular economy, but this transition also presents significant opportunities for Synthomer. Under a 3°C future, while the opportunities remain, the physical risks are much more severe, primarily the impacts on our sites of drought and flooding.

- If we see globally coordinated carbon pricing, we may achieve a 1.5°C future: in this scenario, Synthomer could face higher prices from transition costs. However, demand for low-carbon and 'circular' products could increase, leading to new, low-carbon market opportunities, while government purchasing agreements could put pressure on consumers in our end markets to decarbonise, leading to greater demand for our products.
- Without globally coordinated carbon pricing, a 1.5°C future becomes far less likely, and, under a 2°C future, Synthomer could face different operating costs in different markets, for example, high carbon costs in the EU, and a patchwork of regulations across USA states. This kind of lack of coordination drives market volatility, so it could also result in erratic changes in costs in the supply chain. All of Synthomer's operational sites would be more vulnerable to the physical risks of climate change under this than under the 1.5°C scenario.
- Should a 3+°C future become a reality, due to the greater physical risks, our river-based sites could flood regularly, while our coastal locations in Asia and North America could be affected by storm surges, and it could be difficult to find alternatives given that a significant number of sites would 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.

Business resilience: considering the impact of climate-related risks and opportunities over all timeframes

In the short to medium term (to 2025 and 2035), transition risks, particularly global or regional carbon taxes, are most likely to affect us. The physical risks of climate change, while already starting to occur in the form of more frequent extreme weather in more parts of the world, are likely to increase and therefore become more costly over the medium to long term (2035 and 2050).

More specifically, in the short term (to 2025), under a 1.5°C temperature rise scenario, from our analysis we estimate that around 75% of the impact of the risks from climate change will come from transitioning to a low-carbon, circular economy (notably higher costs), with just 25% coming from physical risks (more extreme weather events affecting our operations). In that context however, in the event that there is global coordination of carbon pricing and environmental taxes then it is likely that we would be able to pass most climate-related cost through to our customers. At the same time, with increasing awareness of climate-related issues, we expect to see growing demand from our customers and their consumers for products like ours which offer lower carbon or circularity benefits. Both of these give a considerable measure of resilience to our business.

It is difficult to look beyond 2025 with any degree of certainty, because much depends on the political will to act now in accordance with the conclusions reached at COP26, to bring in the measures such as coordinated carbon taxation and environmental regulation that would enable the world to constrain the temperature increase. Should these measures occur, in the short term Synthomer would face higher carbon pricing as noted above, but should be able to pass the costs on; however such measures should mean a 1.5°C temperature rise remains possible and therefore the physical risks to Synthomer in the medium to long term would decrease.

Should these measures not occur, or occur too slowly, then a 2°C or even 3+°C temperature rise becomes increasingly likely, and with it an increase in physical risks over the medium to longer term. We are, however, in a relatively strong position to withstand the impact of these risks, because our network of manufacturing sites across the world is wider, meaning we can supply customers from an alternative site if one is affected by extreme weather. Moreover, our strategy is to broaden our footprint in speciality chemicals through organic and acquisitive growth, which means that in the future, our network is likely to be wider still, thus rendering us more resilient to climate change.

Next steps

To embed climate thinking more deeply in our business strategy, in the coming year we will:

- Develop a plan for how scenario analysis will feed into our annual strategy-setting process
- Extend our quantitative scenario analysis to include products from sites in Asia and the USA.

Risk management

- **Principle 6:** Describe the Company's processes for identifying and assessing climate-related risks
- **Principle 7:** Describe the Company's processes for managing climate-related risks
- **Principle 8:** Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management

Our philosophy, approach and processes relating to risk management are set out in our Risk report on pages 69-76.

Given the wide-ranging potential impacts of climate change, during 2021 we considered all our principal risks in that context, and revised them where necessary to take into account the physical and transition risks of climate change. We also established in our analysis the timeframe over which we expect these risks to occur. The principal risks that now include the impact of climate change are as follows – for more details see pages 72-76:

- Volatility and competition in chemicals and polymers market
- Innovation and intellectual property
- Mergers and acquisitions
- Change programmes
- Loss or failure of Synthomer site
- Security of supply of raw materials goods and services
- Ethics and regulatory compliance
- Financial.

From 2022, we will review the risks associated with climate change every six months as part of our regular risk management process.

Next steps

In the coming year, we will continue to develop our understanding of climate-related risks and their potential impact on our

financial performance. Aside from the further scenario analysis described above under Strategy, we will develop our understanding of potential financial impact of the physical and transition risks and opportunities of climate change.

Metrics and targets

- **Principle 9:** Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management processes
- **Principle 10:** Disclose Scope 1, Scope 2, and, if appropriate, Scope 3, greenhouse gas (GHG) emissions, and the related risks
- **Principle 11:** Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets

The metrics we use to assess climate-related risks and opportunities are:

- The proportion of new products we make that have sustainability benefits (see page 48)
- Proportion of raw material procurement spend covered by a sustainability rating and improvement plan (see page 51)
- Energy consumption and usage of renewable energy (see page 58)
- GHG emissions, including Scopes 1 and 2 and related risks (see page 58); for Scope 3 emissions, (see page 58)
- Water usage (see page 61)

Our Vision 2030 sustainability metrics and targets, which we aim to have certified as science-based during 2022, have a strong focus on climate. We have published our ambition to reach net zero by 2050, and our 2030 targets towards this aim include:

- At least 60% of new products with enhanced sustainability benefits (see page 48)
- 80% procurement spend with suppliers with a sustainability rating (see page 51)
- 40% reduction in Scopes 1 and 2 GHG emissions intensity, vs 2019 (see page 58)
- 10% reduction in Scope 3 GHG emissions intensity, vs 2019 (see page 58)
- 80% of electricity from renewable sources, plus improving energy efficiency in all our operations (see page 58)
- Manage and minimise water consumption, and introduce water management plans in water-stressed areas and at the sites where we use most water (see page 60).

Achieving our Scope 1 and 2 emission targets is factored into Executive Committee annual Performance Share Plan awards, as described in the remuneration section above.

For more on our sustainability metrics and targets, including performance, see the Sustainability section on pages 42-68.

Next steps

We are looking into defining further metrics and targets, aligned with TCFD's recommendations of October 2021, that would help us better measure climate risk and our resilience to it. This will include setting an internal carbon price to stress test the resilience of key product lines.

Viability statement

In accordance with the requirements of the UK Corporate Governance Code ('the Code'), the Directors have assessed the viability of the Group over a five-year period to December 2026, 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 time frame.

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 strong financial position, including the existing and future committed financing facilities, which have been assumed to be refinanced at maturity.

A sensitivity analysis has been undertaken, focusing on the impact of the principal risks (detailed above on pages 72-76) 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
- Delays in project delivery
- Failure to successfully commercialise new products
- The temporary loss of a major manufacturing site
- Significant foreign exchange rate appreciation against sterling.

None of these scenarios individually, or when combined, threaten the Group, and the combined impact of these scenarios has been evaluated as the most severe stress scenario. No mitigating actions have been included for any of the scenarios and, should it need to, 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.

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 disclosures and section 172 statement

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	<ul style="list-style-type: none"> • Code of Conduct • Group SHE Policy • Sustainable Procurement Policy and Strategy • Taskforce on Climate-related Financial Disclosures (TCFD) 	<ul style="list-style-type: none"> • Risk assessment page 69 to 71 • Health and safety page 55 • Sustainable procurement page 51 • TCFD report pages 77-80
Employees	<ul style="list-style-type: none"> • Our values • Code of Conduct • Group SHE Policy 	<ul style="list-style-type: none"> • Our values page 62 • Gender pay gap page 113 • Section 172 page 97 • Health and safety page 55
Social matters	<ul style="list-style-type: none"> • Responsible Care Principles • Synthomer Cares 	<ul style="list-style-type: none"> • Section 172 page 97 • Our communities page 67
Respect for Human Rights	<ul style="list-style-type: none"> • Code of Conduct • Modern Slavery Act Statement • Conflict Minerals Policy Statement • Sustainable Procurement Policy and Strategy 	<ul style="list-style-type: none"> • Upholding human rights page 62 • Ethics and compliance page 66 • Sustainable procurement page 51
Anti-corruption and anti-bribery	<ul style="list-style-type: none"> • Code of Conduct • Ethics Helpline • Core values 	<ul style="list-style-type: none"> • Ethics and compliance page 66 • Our values page 62
Our business model	<ul style="list-style-type: none"> • How it links to strategy and delivers value to stakeholders 	<ul style="list-style-type: none"> • Our business model page 15
Principal risks and uncertainties	<ul style="list-style-type: none"> • Risk assessment 	<ul style="list-style-type: none"> • Managing risk page 69 to 76
Non-financial KPIs	<ul style="list-style-type: none"> • Relevant key performance indicators 	<ul style="list-style-type: none"> • Key performance indicators page 17

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 96-97. 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.

R Atkinson
Company Secretary
3 March 2022

Governance

Synthomer offers an extensive range of binders specifically developed to meet the performance and regulatory requirements of the architectural and industrial coatings market. Our acrylic and vinyl copolymer dispersions are low VOC, low odour and APEO free to meet the increasingly demanding environmental standards without compromising application properties or durability.

Strategic report

Governance

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Company financial statements

Other information

Our Board of Directors

Caroline A Johnstone

Chair



Nationality: British

Position and date of appointment

Chair of the Board and the Nomination and 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 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 which owns Portakabin Limited. She has an honorary role on the board of the University of Manchester.

Skills and experience

Caroline has nearly 40 years' experience of working with large global organisations in the chemicals sector and other industries. Her experience includes delivering value from M&As, 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 Oyl (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, Zurich, (now Bystronic AG), a global industrial company listed on the SIX Swiss exchange. Prior to Conzzeta, Michael spent 18 years with Clariant, leading its global Industrial & Consumer Specialities division from 2010 to 2015. This followed 13 years in leadership roles in Asia Pacific, based in Hong Kong, Canada and Turkey.

Stephen G Bennett

Chief Financial Officer



Nationality: British

Position and date of appointment

Chief Financial Officer since May 2015; member of the Disclosure Committee.

Key appointments

No external appointments.

Skills and experience

Stephen was previously at INEOS where he had been chief financial officer at Petroineos Refining since 2006. Stephen was also CFO of INEOS Upstream Limited, a start-up oil and gas exploration business, and of INEOS Olefins and Polymers South and INEOS Phenol. He joined Coopers & Lybrand in 1986 and is a qualified chartered accountant. He was at Full Circle Industries plc as company secretary and group controller before moving to PricewaterhouseCoopers (PwC) in 1997 as a Director in transaction services.

Board committee key

- A** Audit Committee
- R** Remuneration Committee
- N** Nomination Committee
- D** Disclosure Committee
- Committee Chair

The Hon. Alexander G Catto

Non-Executive Director

N

Nationality: British

Position and date of appointment

Non-Executive Director since 1981. Member of Nomination Committee and designated Non-Executive Director to lead workforce engagement.

Key appointments

Alexander is managing director of CairnSea Investments Limited, a private investment company, and a Non-Executive Director of several early stage companies that have been backed by CairnSea.

Skills and experience

Prior to the establishment of CairnSea, Alexander was a Director of Morgan Grenfell & Co and then Lazard Brothers & Co.

Brendan WD Connolly

Senior Independent Director

A R N D

Nationality: British

Position and date of appointment

Independent Non-Executive Director since January 2014; Chair of the Remuneration Committee; member of the Audit, Disclosure and Nomination Committees. Senior Independent Director since April 2015.

Key appointments

Brendan is a Non-Executive Director of Victrex PLC, Pepco Group NV and Applus, and two private equity backed companies, one of which he chairs.

Skills and experience

Brendan has over 30 years' experience in the oil and gas industry. Until June 2013 Brendan was a senior executive at Intertek Group plc and had previously been chief executive officer of Moody International (which was acquired by Intertek in 2011). Prior to Moody, he was managing director of Atos Origin UK, and spent more than 25 years of his career with Schlumberger in senior international roles over three continents. Brendan has previous experience as chairman of the remuneration committee of a UK-listed company.

Cynthia S Dubin

Independent Non-Executive Director

A R N

Nationality: American and British

Position and date of appointment

Independent Non-Executive Director since July 2020; Chair of the Audit Committee and a member of the Nomination and Remuneration Committees.

Key appointments

Cynthia is a Non-Executive Director of the Competition and Markets Authority, where she is chair of the audit, risk and assurance committee, an independent Non-Executive Director and member of the audit committee of Hurco Companies Inc, an independent Non-Executive Director, and member of the audit and risk committee of ICE Futures Europe, a subsidiary of Intercontinental Exchange, and an independent Non-Executive Director, chair of the audit committee and a member of the compensation committee of Franchise Group, Inc.

Skills and experience

Cynthia has served in senior finance and business roles in the power, oil, gas and broader clean energy technology sector, having started her career in the banking industry in New York specialising in advising and lending to large energy projects before relocating to London in 1992.

Our Board of Directors continued

Roberto Gualdoni

Independent Non-Executive Director



Nationality: German and Italian

Position and date of appointment

Independent Non-Executive Director since July 2021; member of the Audit, Remuneration and Nomination Committees.

Key appointments

Roberto is chair of CABB Group and a member of the board of directors of Aerogel Corporation.

Skills and experience

Roberto has over 25 years' chemical sector experience at BASF where he held senior operational roles covering international sales, marketing, procurement and M&A 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 a joint venture as Styrolution, and which Roberto led as chief executive for three years until 2014. Roberto has previous board-level experience in Saudi Arabia, Finland and Belgium.

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 Nomination Committee.

Key appointments

Hau Hian is a Director of Kuala Lumpur Kepong Bhd and is the president of the Perak Chinese Maternity Association. He also serves as a Director of Yayasan De La Salle.

Skills and experience

Hau Hian is the Managing Director of Batu Kawan Bhd, a listed Malaysian investments holding company, with interests in plantations and chemicals manufacturing. He has experience in organisational transformations, acquisitions, chemical and manufacturing operations and sustainability issues.

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, Nomination and Remuneration Committees.

Key appointments

Holly is a Non-Executive Director of Kimball Electronics Inc, where she chairs the Compensation & Governance Committee. She serves as a Non-Executive Director of Albermarle Corporation and as a member of the Executive Compensation and 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 over 25 years and held senior positions across North America, Europe and Asia. In addition, Holly has since 2006 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

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- D Disclosure Committee
- Committee Chair

Richard Atkinson

Chief Counsel and Company Secretary

Position and date of appointment

Company Secretary since 1998; Group Chief Counsel.

Key appointments

No external appointments.

Other Executive responsibilities

Member of the Executive Committee Sustainability Steering Group; deputy chair of the boards of the Group's Middle Eastern joint venture companies; trustee of the UK pension scheme.

Skills and experience

Richard qualified as a solicitor in 1988 and worked in private practice as a corporate and banking lawyer before moving into industry as an in-house lawyer working in the USA and UK. He has extensive M&A experience and led on the legal aspects of all the Group's acquisitions over the last 20 years. He has a law degree from the University of Birmingham.

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.

Dato' Lee Hau Hian is the Board's representative for our largest shareholder, Kuala Lumpur Kepong Bhd (21.3%) which provided financial support for our recent acquisitions, via share placing and a rights issue with his extensive leadership experience in chemical manufacturing. He offers the Board and Executive Committee invaluable insights when making business decisions as well as a perspective on the Malaysian and southeast Asian business landscape.

The Hon. Alexander Catto is a member of Synthomer's founding family. Today, the Catto family owns a 5% shareholding. Some of our investors continue to vote against Alexander's Board membership, but we believe he provides deep knowledge of Synthomer's past 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, Stephen Bennett and Richard Atkinson can be found on pages 84 and 87.

Rob Tupker

President,
Functional Solutions and Europe

Nationality: Dutch

Position and date of appointment

President, Functional Solutions and Europe since September 2018.

Other Executive responsibilities

Executive sponsor of Diversity and Inclusion Leadership Committee, Member of Executive Committee Sustainability Steering Group, and Pathway programme Steering Committee.

Skills and experience

Rob was previously with Honeywell, where he held a variety of senior business leadership positions in the performance materials and home and building technologies divisions. Prior to Honeywell, he worked with Süd Chemie (now Clariant) and Unilever's/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 chemical engineering degree from Eindhoven Technical University, an MSc from MIT and an MBA from INSEAD.

Neil Whitley

President,
Performance Elastomers Asia

Nationality: British

Position and date of appointment

President, Performance Elastomers Asia since January 2021. President, Global HR since 2015.

Other Executive responsibilities

HR, member of the Executive Committee Sustainability Steering Group and the Pathway programme Steering Committee.

Skills and experience

Since joining Synthomer in 2015, Neil has had responsibility for the Industrial Specialties and Acrylate Monomers divisions and led the integration of the OMNOVA acquisition. Neil was previously with Johnson Matthey where he was a member of their executive management committee and division director of the process technologies catalyst and chemicals refining divisions. Prior to Johnson Matthey, Neil worked in business, finance and HR roles at ICI. He is an economics graduate from Leeds University and an alumnus of INSEAD's Advanced Leadership Programme.

Ana Perroni Laloe

President,
Industrial Specialties

Nationality: Brazilian

Position and date of appointment

President, Industrial Specialties since February 2022.

Other Executive responsibilities

Ana is the driving force in the team that founded and have been leading our ENGENDER women's network.

Skills and experience

Ana joined Synthomer in March 2018 as Global Business Development Manager in our IS Division. She holds a BSc in Chemical Engineering from IMT in São Paulo. She started her career at Ciba Specialty Chemicals in Brazil, followed by commercial roles in the UK, Brazil again and Switzerland. She then took a career break and founded and ran a small business as she started a family before joining Synthomer.

Board committee key

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- D Disclosure Committee
- Committee Chair

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

Chairman 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 of experience in polymers and speciality chemicals, working with Borden Chemicals, GE Plastics and Chemtura, prior to joining OMNOVA in 2015. Assignments have included 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.

Philip Wrigley

President, Operations and SHE.

Nationality: British

Position and date of appointment

President Operations and SHE since May 2021.

Other Executive responsibilities

Member of the Executive Committee Sustainability Steering Group.

Skills and experience

Phil joined Synthomer in March 2019 and was previously Vice President, Operations for Functional Solutions. Prior to Synthomer, Phil worked in the chemical industry for more than 30 years across speciality and commodity sectors for Venator, Huntsman, Rio Tinto Alcan, Rohm and Haas, Hickson and Welch and ICI. He has significant experience of global operational and SHE improvement programmes. He is the operational lead for due diligence, integration and synergy delivery for several large acquisitions at Synthomer. Phil is also a chartered engineer and member of I.Mech.E.

Tim Hughes

President, Corporate Development

Nationality: British

Position and date of appointment

President, Corporate Development since 2018. Tim joined Synthomer in June 2009 and became a member of the Executive Committee in 2013.

Other Executive responsibilities

Member of the Executive Committee Sustainability Steering Group.

Skills and experience

Tim was previously group managing director, Urethane Technologies, Chemtura Inc having previously led the Urethane Speciality Chemicals joint venture between Chemtura and Croda plc since 1998. Prior to Chemtura, Tim spent 14 years with Courtaulds plc in business leadership and marketing roles in the speciality chemicals and fibres divisions. During his career at Synthomer he has been responsible for the Industrial Specialities division and the Americas, Middle East and Africa region.

Introduction from the Chair

Even for a business as dynamic as Synthomer, 2021 was notable as a year in which the Board oversaw Executive and Board appointments, major strategic activity and monitored significant progress against our key priorities.

Overseeing ambition, supporting growth

The Executive changes saw us welcoming Michael Willome as our new Group Chief Executive Officer and Lily Liu, who will join us by July 2022, as our new Chief Finance Officer. We describe the search processes that led to their recruitment – along with that of our new Independent Non-Executive Director, Roberto Gualdoni – on page 107. Here, I would like to repeat the Board's warm welcome to them, and to say how pleased we are to have found people whose skills, mindsets and personalities will add huge value and diversity to Synthomer.

Scrutinising decisions and monitoring progress

As well as guiding strategic recruitment, in 2021 the Board oversaw two significant decisions that will shape the future of our business for years to come. The first, in the Board priority area of environment, society and governance (ESG), was the development and launch of Synthomer's Vision 2030 sustainability roadmap. The Board engaged in detailed discussions of the appropriate targets for Vision 2030, taking a long-term view of the interests of the business and its ability to deliver on our purpose. We were pleased to approve the final version which gives us a clear direction to steer in the decade ahead. We will continue to review Synthomer's ESG targets and challenge the Executive team to ensure they remain as stretching as possible. For more detail on Vision 2030, see page 18.

The second significant decision concerned our proposed acquisition of Eastman's Adhesive Resins business. This very significant transaction – the largest in our history – was the subject of detailed Board oversight, planning and discussion over much of 2021.

As well as discussions with Synthomer teams, we sought expert inputs on market dynamics, prospects and pricing, the acquisition process, and the likely transition. We considered the impact of the acquisition on our full range of stakeholders through a detailed section 172 process, concluding that the transaction served all their interests – and strengthened our ability to offer a broader portfolio of products with sustainability benefits.

We also continued to ensure that Synthomer's approach to risk evolved with the changing circumstances we face. As part of this effort, led by our Group Internal Audit and Risk Director and following discussion with external consultants, we made important adaptations to our risk management framework. We re-assessed our Board appetite for our significant business and strategic risks. In addition, the Board will now consider the speed at which a risk might occur, as well as its probability and impact. For more details, see our Audit Committee report on page 98.

In a year of growth and high performance, the Board was also closely involved in a wide range of major projects, receiving regular updates on ongoing programmes such as Synthomer's capacity expansion in nitriles, the OMNOVA integration, the new Asian Innovation Centre in Malaysia, and the business process and system transformation Pathway programme.

Continuous improvement for the Board

We continued to act on, and benefit from, the learnings of our external 2020 Board evaluation. As the Board continues to evolve to serve the business, we focused on our priorities in the crucial areas of succession planning and diversity and inclusion. Having compared our skills with those of other leading companies in 2020, we concluded that we have a strong blend of skills and experience, but wanted to add to our industry, innovation and European experience – and this guided us in our NED recruitment in 2021. Recently, we undertook a deeper review of skills and experience of the Board moving into 2022 and this guided our succession planning. We have very strong international representation, for instance, and will look to deepen our UK public company experience in future recruitment.

We also made progress in our drive to have a more diverse and inclusive leadership team; setting a goal of 50% gender diversity in new hires to senior roles by 2030. We got off to a good start by reaching our first milestone – 20% of women in such positions – by the end of 2021. More details on our succession planning are on page 106.

I am also developing the Board agenda with the help of my Board colleagues. We have included thematic deep dives for the Board to strengthen focus on strategic priorities. We had sustainability as a Board meeting standing item in 2021, to drive our progress in this area. During the year, we expanded the opportunities for strategic discussion, debate and expert input at Board meetings – for example, by hearing from external specialists on our ESG priorities while we considered Vision 2030. This is something we want to do more of. We also intend to increase our engagement with stakeholders, now that COVID-19 restrictions are lifting. I am particularly keen to heighten our engagement with employees at former OMNOVA sites, which have been difficult to visit during the pandemic.

Following our 2020 external evaluation of the Board and Committees, this year we conducted an internal review. The feedback suggests that we have made good progress on all our 2021 priorities.

Having had two closed Annual General Meetings due to COVID-19, I am particularly looking forward to meeting more shareholders than I was able to during 2021 at our coming AGM. We aspire towards making our AGMs more inclusive by adopting virtual attendance mechanisms. However, for the time being, we will monitor how market practice develops and this coming meeting will be solely physical. We will continue to invite questions to be submitted in advance of the meeting.

Caroline Johnstone

Chair of the Board

3 March 2022

Changes to our governance reporting

We have changed the way in which we report on governance this year to make the information more accessible. The main body of the report (see 'The Board's year') sets out key activities that our Board members have undertaken during 2021.

We have also developed a new, separate compliance section, set out on pages 109-110, which describes how we have complied with UK Corporate Governance Code (2018 version), with emphasis on how we have applied its principles.

I hope that I will meet shareholders at the AGM and I am always happy to hear from and speak with shareholders at any time.

Strategic report

Governance

Group financial statements

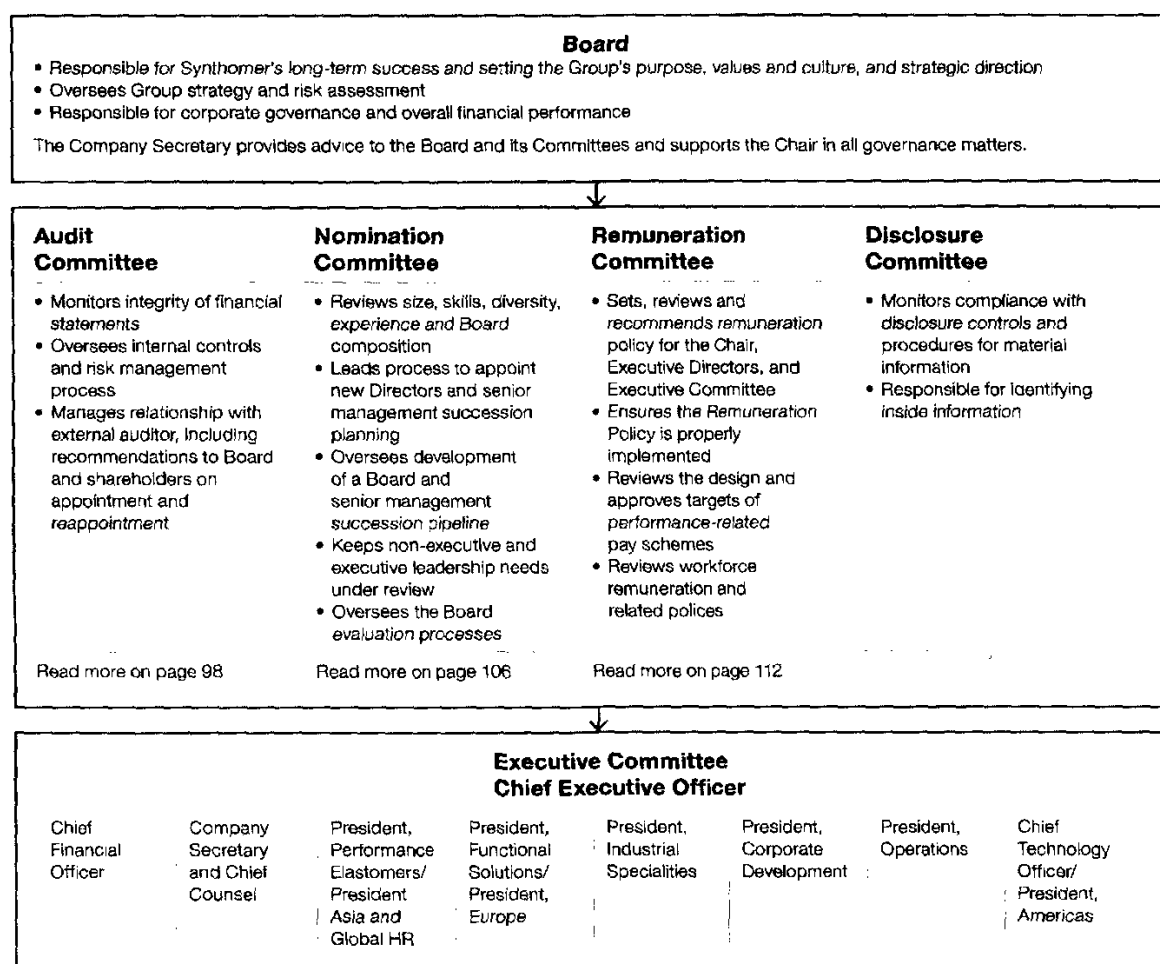
Company financial statements

Other information

Introduction to corporate governance continued

Our governance structure

The governance structure is designed to ensure that the Board focus is on strategy, monitoring performance and ensuring appropriate risk appetite, risk management and controls.



In 2016, Synthomer formed a cross-functional Sustainability Committee comprising representatives from all the key functions and businesses, as well as divisional presidents. The Committee meets quarterly and is chaired by the Group Sustainability Director who reports directly to the Executive Committee. This ensures Synthomer's sustainability agenda is aligned with Group strategy and helps to embed sustainability issues within our businesses.

See page 42 for more information on our approach to sustainability including sustainability governance.

See page 111, Compliance with the Code, for more information on the division of responsibilities.

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	20	10	6	5	5
Members	Attended	Attended	Attended	Attended	Attended
Caroline Johnstone	20	10			5
Calum MacLean – stepped down in November 2021	18 (18)				4 (4)
Michael Willome – joined Synthomer in November 2021	2 (2)				1 (1)
Stephen Bennett	19				5
Brendan Connolly	19	10	6	5	5
Lee Hau Hian – joined the Nomination Committee in March 2021	19	8 (8)			
Alexander Catto – joined the Nomination Committee in March 2021	20	8 (8)			
Holly Van Deursen – joined the Nomination Committee in March 2021	20	8 (8)	6	5	
Cynthia Dubin	18	10	6	5	
Roberto Gualdoni – joined Synthomer in July 2021	7 (7)	3 (3)	3 (3)	3 (3)	
Just Jansz – joined the Nomination Committee in March 2021, stepped down in September 2021	13 (13)	7 (7)	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

This has been an exceptional year for Synthomer with a heavier than usual workload for the Board. Due to COVID-19, the majority of its 20 meetings were held online. In December 2021, the Board held its first full face-to-face meeting, with only one Non-Executive Director attending virtually due to illness. In light of changing work practices, the Board will now hold two of its scheduled meetings virtually from 2022.

As well as the major areas highlighted below, we established longer-term succession planning for key roles and were therefore well prepared when our Chief Financial Officer (CFO), Stephen Bennett, announced his decision to step down in August 2021. The Board also approved ongoing site transformation projects, including closing our only coal-fired power station at our site in Sokolov, Czech Republic (see page 59 in our Sustainability report for more information). It also approved the financial plan to transfer production from our Marl 3 site in Germany, which we are closing, to our location in Austria.

"The induction process was very thorough and comprehensive and helped me to get under the skin of the business."

Michael Willome, CEO

Transition to a new management team

This year, we carried out an extensive recruitment process to hire a new Chief Executive Officer (CEO), a new Chief Financial Officer (CFO) and a new Independent Non-Executive Director (NED).

We appointed recruitment specialists Egon Zehnder to help us search for our CEO and NED. Meanwhile, we hired Spencer Stuart to help us recruit a new CFO. Both agencies helped us create clear role and candidate specifications. They were asked to consider diversity in its widest sense when developing long- and shortlists of candidates for all roles.

As stated in our Annual Report 2020, Egon Zehnder led our Board skills review and an external evaluation of Synthomer's Board and Committees in 2020. This work aside, the Company and its Directors do not have any connection with Egon Zehnder nor Spencer Stuart.

CEO: comprehensive selection process and induction

We selected Michael Willome as our new CEO following a comprehensive search across more than 100 companies in a range of sectors, including speciality chemicals and other industrial businesses.

Michael joined Synthomer in November 2021 and brings established public market experience and a strong performance track record, including in M&A. He also has a deep understanding of speciality chemicals and our end markets.

We created a comprehensive induction programme for Michael, which is set out in our Nomination Committee report on page 108. Details of Michael's reward package are set out on page 112 of our Remuneration Committee report.

CFO: selecting a candidate with a strong record in growth

To help us identify our new CFO, we carried out a thorough search across several key candidate groups, including sitting CFOs in other FTSE 250 companies. We announced Lily Liu's appointment in November 2021, and she will join the Company no later than July 2022. For more information on Lily's appointment, see page 107 in our Nomination Committee report and pages 112 to 113 in our Remuneration Committee report.

NED: bringing wide experience of the chemical sector and board membership

We appointed Roberto Gualdoni as a new Non-Executive Director to replace Just Jansz, who retired in 2021 having completed his nine-year tenure. Roberto has extensive knowledge of the international chemical industry and a wealth of board-level experience. Information about Roberto's induction can be found in our Nomination Committee report on page 108.

Eastman's Adhesive Resins acquisition

We met regularly throughout 2021 to discuss progress, due diligence and our own business core assessment of the proposed acquisition. The Board worked with both Calum and Michael to ensure we considered all opportunities and risks of the transaction and that everyone was aligned. We carefully considered the timing of the proposed acquisition alongside the senior management transaction – the whole of the executive team joined the Board discussions and showed, with their experience, support and planning for the integration of the acquisition.

Knowing that our new CEO was in place and supportive, and given the compelling business case, we concluded that his acquisition was in the interests of all stakeholders.

Training and development

We are committed to providing relevant, ongoing training for our Board members to help them strengthen their understanding of key governance issues. Every year, our Remuneration Committee asks an external specialist to provide updates on market practice, remuneration trends and corporate governance developments at its August meeting. That meeting is attended by the whole Board. In 2021, the Board also undertook workshops and training on reporting requirements under the TCFD and the UK's Department for Business, Energy and Industrial Strategy (BEIS) white paper Restoring Trust in Audit and Corporate Governance. See our Audit Committee report

on page 102 for more information on the actions we have taken as a result of the white paper. The Board also received refresher training on Directors' duties and responsibilities as part of our Eastman's Adhesive Resins acquisition work.

Outcomes of our 2021 internal Board review

We hold external evaluations of the Board every three years, with internal reviews in the intervening years. In 2021, we held an internal evaluation, with the main points for follow up relating to enhancing our strategy process; maintaining our culture of learning lessons from past experiences; and further development of our stakeholder engagement and succession plans. We have a clear action plan for 2022.

Making progress against our 2020 Board evaluation

We implemented actions from our latest external Board and Committee evaluation in 2020 (facilitated by Egon Zehnder) reviewing key areas such as Board processes and composition, succession planning, stakeholder relationships and quality of discussion.

Key recommendations from our 2020 evaluation	Actions we took in 2021
Strengthen focus on Board agenda priorities	A series of special topics and deep dives were agreed as part of the Board annual planner.
Enhance learning opportunities	We increased the number of externally supported workshops and training sessions that the Board receives.
Further develop Board dynamics	We increased the regularity of our Chair's one-to-one discussions with our Non-Executive Directors and Executive Directors.
Drive progress in sustainability	We added sustainability as a standing item at each Board meeting.

Board engagement: strengthening stakeholder connections

Understanding the needs and expectations of our stakeholders is an important part of ensuring Synthomer's success. The Board has a role to play in this and members make themselves available to stakeholders throughout the year. Our Executive Directors play an important role in engaging with our shareholders and report back to the Board after results presentations. Our brokers provided insights and feedback from shareholders throughout the year and as we announced our acquisition of Eastman's Adhesive Resins business.

Our employees are one of our most important stakeholder groups. In 2021, the Board assessed its employee engagement approach against FRC guidance.

This demonstrated that we have important strengths, such as a clearly designated Non-Executive Director who acts as the Board's 'employee voice'; and a flexible structure that allows employees to raise issues. It also showed we have more work to do in some areas, such as in letting employees know how the Board has used their feedback to make decisions.

Ways that we take the pulse of our culture

Employee engagement is one of the key ways the Board fulfils its responsibilities to set Synthomer's cultural tone and assess and monitor adherence to our values. The Board is particularly aware that it needs to increase its engagement with employees at former OMNOVA sites – which has proved difficult during the pandemic – and has plans to do so in 2022. The Board will also engage with employees transferring from the Eastman's Adhesive Resins acquisition once it has completed.

During the year, although COVID-19 restrictions hampered plans for face-to-face contact, Alexander Catto, our designated Non-Executive Director for workforce engagement, was able to meet employees at our site in Harlow, in the UK. Holly Van Deursen, one of our Independent Non-Executive Directors, is now supporting Alexander in his engagement role. During the year, they joined employees in Germany and the USA in virtual meetings. Their findings were discussed by the Board at our December meeting.

Board members also took part in other employee activities. For example, Caroline Johnstone and Holly Van Deursen engaged with Synthomer's new Engender women's network. Brendan Connolly also hosted two employee sessions on executive compensation. The Board continued to assess employee opinions by drawing on such inputs as employee survey data, the use of our ethics helpline, progress against environmental targets, and health and safety data.

See page 97 for more information on Board engagement, in our section 172 statement.

Strengthening our focus on sustainability

In 2021, Synthomer introduced its new Vision 2030 roadmap, outlining a series of sustainability targets in three key areas: products, operational health, safety and environment, and people.

The Board held numerous discussions with the Executive Committee to agree these targets, which are supported by a series of short-term objectives to guide the Company through the next decade. Those conversations ensured that our new commitments provide Synthomer with a clear direction for the next decade while recognising that there will be more to do along the way. We appointed Deloitte to help us prepare to report on TCFD requirements. As part of that work, the firm interviewed all our Non-Executive Directors to get their views on the subject. Deloitte also provided progress reports on this work at several Board meetings throughout the year. Meanwhile, the Board continues to receive reports on Synthomer's occupational health and safety, and process safety performance for discussion at every Board meeting.

See pages 42-68 in the Strategic report for more information on our sustainability agenda and targets.

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 and 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 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 70-71. Risks associated with safety, health and the environment are, by the nature of the Group's business, always of the utmost concern and the sustainability report on pages 55-57 reviews the Group's current year 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 2021.

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 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 on 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 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.

When making decisions, the Board and its Committees consider the interests of our employees. We primarily engage with employees via Alexander Catto, our designated Non-Executive Director for workforce engagement. However, other Board members met with employees during 2021 to discuss executive pay and diversity and inclusion. More information about how we engage with employees can be found in our sustainability report on pages 62-68.

Board members make themselves available to investors. In 2021, however, most direct engagement was carried out by our CEO and CFO and reported back to the Board.

We recognise that it is not always possible to provide a positive outcome for most 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, as well supporting 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 2021

There were no changes to the Board's identified key stakeholders, as listed in the table opposite. 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.

The pandemic continued to have an impact on the Board's engagement with stakeholders in 2021. For example, the full Board was unable to carry out site visits and physical meetings with employees. Instead, members received regular updates on how employees across the Group were coping and how Synthomer helped them manage the ongoing operational, physical and mental demands associated with running our plants and businesses under COVID-19-related constraints. Management provided feedback on how teams met strong demand from our customers, particularly those involved in the manufacture of nitrile latex gloves. We were, however, able to go ahead with our twice-yearly materiality assessment, when we appraise what sustainability issues matter most to our stakeholders. During the April 2021 assessment, we spoke to a range of stakeholders, including customers, employees, shareholders and legislators. Their feedback led us to make a number of revisions to our approach. For more details, see page 46 of the strategic report.

For the second year running, it was necessary to hold our AGM as a closed meeting, due to the UK Government's COVID-19 regulations which prevented shareholders from attending a physical meeting. We did, however, put measures in place that allowed shareholders to submit questions in advance of the meeting.

Principal decisions in 2021

This was a particularly busy year for the Board, with several changes in Synthomer's Executive Committee, our proposed acquisition of Eastman's Adhesive Resins business and the launch of the Company's new Vision 2030 sustainability roadmap and targets. Below we set out two examples of the Board's principal decisions in 2021 and how it considered section 172 matters in the process.

Acquiring Eastman's Adhesive Resins business

To carry out our acquisition of Eastman's Adhesive Resins business, we had to raise additional finance. We canvassed opinion from key shareholders to ensure we had their support and determined that it was in the best interests of the business and our investors to raise both our borrowing restriction from £1.5 billion to £2 billion and additional equity through a £200 million equity placing. That placing was heavily oversubscribed. The Board also considered the acquired business's impact on the environment, requesting appropriate information from Eastman's management. The acquisition aligns with our sustainability roadmap, with many of its products being used in the making sustainable adhesives.

For our employees the Board was of the view that the acquisition would bring a number of career and training advantages and opportunities.

In December 2021, we put the borrowing restriction to a vote at an Extraordinary General Meeting and received 99.80% approval. We also put the proposed acquisition to a vote at the same meeting and received 99.98% approval. We are very pleased with the level of support from investors, including Kuala Lumpur Kepong Bhd.

Vision 2030

The Board spent several months engaged in detailed discussions with the Executive Committee to set appropriate targets as part of the Vision 2030 roadmap. (See page 18 for more details.) During these discussions, the Board interrogated and challenged the planned targets and considered the views and expectations of a range of stakeholders, including our employees, shareholders, customers and suppliers. It also took a long-term view of the business and its ability to deliver on our purpose. The Board reviewed the short-term objectives which were put forward by the Executive Committee to underpin the delivery of the 2030 targets. They considered their alignment with matters of most concern to our stakeholders and most material to our business – carbon and climate change, diversity and inclusion, and supply chain assurance.

Stakeholder groups

How the Board engaged in 2021

Customers

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.

Employees

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.

Communities

We want the communities who live near our sites to see us as a good neighbour.

Suppliers

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.

Shareholders

As a public company listed on the London Stock Exchange and included in the FTSE 250 index, we have a responsibility to deliver value for our shareholders.

Governments and authorities

As a member of the chemical industry and scientific community, it is important we engage on issues such as policy, compliance and collaboration.

- The Executive Committee attended all scheduled Board meetings with divisional Presidents providing additional customer-related context when needed.
- The Board discussed the exceptional demand from our nitrile glove customers, including managing supply and pricing and considering the next phase of our nitrile capacity expansion.
- The Board received three presentations on employee engagement in 2021, including a proposal for a second Your Voice survey and initial survey findings later in the year. The Board received a full report on the survey results and follow-up action plans in Q1 2022.
- The Board continued to monitor the impact of COVID-19 at every Board meeting, receiving statistics on employee infection rates, testing regimes, number of employees isolating and working from home and the subsequent impact on operations.
- In September, the Board approved a proposal to adapt the Synthomer Foundation's governance model to create a new global volunteering network. See page 67 of our sustainability report for more information.
- In January and March, the CEO reported to the Board on the impact that the end of the Brexit transition period had on our operations, including on freight and logistics.
- Our Vice President of Procurement and the Director of Procurement Excellence presented their work to create a more sustainable supply chain, including a new global procurement excellence network and sustainable procurement policy.
- The CEO and CFO provide updates on their meetings with investors, and our President of Corporate Development shares investor relations developments at every Board meeting.
- Our Chair of the Board corresponded with the Financial Reporting Council (FRC) to answer questions about closing our Sokolov coal-fired plant following the FRC's thematic review of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.
- Since all areas of the business have seen very strong demand, the Board has stayed abreast of operational issues, such as plant capacity and shift planning to meet the additional demand.
- Historically, the Board receives ad hoc reports on product quality. However, it has asked for a more formal process of regular, periodic reporting from 2022.
- The Board reviewed plans for 2021 Employee Voice engagement in April, although these had to be amended because of the pandemic. Nonetheless, Alexander Catto visited employees at our Harlow, UK, site in Q2 and held two virtual meetings with Holly Van Deursen for employees in Germany and the USA in Q4. The Board received feedback on these meetings in December 2021.
- In future, the Board will receive regular reports from the Executive Committee on progress against our Vision 2030 targets.
- In June, the Vice President of Procurement and the Procurement Director for Strategic Raw Materials presented to the Board on supply challenges over the past 18 months caused by exceptional supply and demand volatility and extremely high demand for our products. The presentation demonstrated how the procurement team had overcome these challenges, using the Group's expertise and relationships with its suppliers. See page 51 of our sustainability report for more information on how we work with suppliers.
- Each Board pack includes analysts' forecasts and consensus for financial performance, as well as a summary of the externally prepared shareholder analysis report. This 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.
- The Board indirectly engaged with the FRC's waiver of the non-audit fee cap via our auditor, PwC.
- The Board received reports on the changing regulatory landscape, including the BEIS consultation, TCFD reporting and corporate governance.
- The Board receives a report three times a year on legal compliance with operational laws and regulations at our sites.
- During the year, Synthomer's previous CEO chaired a committee of the Chemical Industries Association which engaged with the Cabinet Office on post-Brexit issues affecting the UK chemical industry.

Audit Committee: an introduction from the Chair

My first full year as Chair of Synthomer's Audit Committee has been a busy one, with new arrivals, a major acquisition and developments in the way we track and manage our risks.

As a Board member, I have a fundamental duty to help recruit new members of the management team. And, as Audit Committee Chair, I was particularly keen to ensure we recruited a new chief executive who understands that, done well, risk management and audit are essential tools to help a business make better decisions. I am pleased we have found that person in Michael.

A year of progress

I was also personally very pleased that Synthomer began rolling out the new Pathway business transformation programme to our first sites in 2021. This has been a big capital-intensive project that will help standardise and digitalise the way we manage core business processes, such as inventory management, invoicing and procurement.

During the year, the Audit Committee focused on several key areas, including testing the financial robustness of our new acquisition from Eastman, strengthening our risk management framework and reviewing our Internal Audit function and environmental reporting methodology. We also considered more routine, but important, areas such as responding to regulatory changes and adjusting our approach to Committee meetings to make best use of everybody's time.

Oversight of our proposed acquisition

The announcement of Synthomer's plans to acquire Eastman's Adhesive Resins business in October 2021 marked a big step forwards in our growth ambitions. I am pleased with how well we have worked with our auditor, PwC, this year. The level of diligence exercised on the reporting accountant work for the Eastman deal, for example, was exceptional and I am particularly grateful to our new lead audit partner, David Beer, and his team for their hard work.

The proposed acquisition required PwC to request the Financial Reporting Council (FRC) for a second waiver to allow them to breach their cap on fees to auditors for non-audit-related services. While the FRC approved our request, they made it clear they would not approve a further waiver request for at least two years. I am, however, satisfied that we did everything possible to avoid making the request and, on page 105, we explain our reasoning and the steps we're taking to avoid a recurrence.

Improving our risk and audit processes

External consultants worked with us on important changes to our risk management framework. In particular, they helped the Board and management team understand good practice when defining risk appetite. As part of that work we have added a third dimension to our risk framework: we now consider the speed at which a risk might occur as well as its probability and impact.

Our Group Internal Audit and Risk Director, Ginette Grant, has made great progress in her first full year at Synthomer. As well as reviewing our risk management strategy, processes and team structure, Ginette has been very proactive with the Board, interviewing individual members to understand their audit priorities for 2022.

Supporting Synthomer's sustainability agenda to meet stakeholders' expectations

To reflect the growing significance of sustainability and the need to track progress against our Vision 2030 targets, our Internal Audit team will begin reviewing aspects of Synthomer's environmental reporting methodology. We, as a Board, are now reviewing all our capital allocation plans with sustainability in mind.

Responding to regulatory developments and reviews

Addressing sustainability is just one way we can meet society's expectations of us as a responsible business. We must remain proactive in other key areas, such as public trust, which regulators are looking at very closely. In 2021 the UK's Department for Business, Energy and Industrial Strategy (BEIS) held a consultation on this subject and, while final recommendations are due in 2022, with companies expected to implement them in the coming years, the direction of travel is clear: businesses like ours must be prepared for the introduction of some new Sarbanes-Oxley-like regulation. We have begun building a roadmap that will put us in a good position whatever the outcomes. Synthomer has a distinct advantage since our acquired OMNOVA business, being originally an American company, has an internal control environment and processes which were compliant with Sarbanes-Oxley.

The FRC's May thematic review on interim reporting was another of this year's regulatory developments. We moved quickly, mapping our 2021 half-year results work against the review and applying the lessons learned to this Annual Report.

I started this introduction by saying that this has been a busy year – it's also been a rewarding one. As a committee we've continued to work well, albeit virtually, and I am pleased with how we adapted some of our meetings to enable thematic deep dive sessions with more time for questions and answers.

It's been a pleasure to work with colleagues across Synthomer who bring diverse thinking, respect and even passion for risk management and audit to the table. I would like to thank everyone for their dedication in such a busy year. I look forward to continuing that work in 2022 and beyond.

Cynthia Dublin
Chair

3 March 2022

Audit Committee: How the committee operates

Audit Committee role

We assist the Board's oversight of 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 until July 2021 when Roberto Gualdoni joined the Committee (and the Board) bringing it up to five members. The Committee reverted to four members on the resignation of Just Jansz in September 2021. Roberto undertook a rigorous induction on his appointment, meeting with members of the Executive Committee, senior members of the finance team, Group Internal Audit and Risk Director, and the lead external audit partner.

The Board considers that each member is independent within the definition of the Code. Our Committee Chair, Cynthia, has recent and relevant financial experience in line with Provision 24 of the Code. She has had a long career in finance, including having been CFO of a premium-listed LSE company and a member and chair of audit committees at both Nasdaq- and NYSE-listed companies. 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 pages 84-87.

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, the CFO, Group finance team members, the Group Internal Audit and Risk Director and PwC, to develop the Committee's programme of work and to review progress in 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 December 2020 the FRC advised us that Synthomer had been selected for the thematic review into IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' in the Annual Report and Accounts for the year ended 31 December 2020.

Subsequently, in October 2021 the FRC asked us to explain whether we were obliged to decommission our coal-fired utility plant in the Czech Republic and to confirm the amount was included in provisions for the expected outflows. We clarified that the restructuring charge and provision included the estimated cost to meet the legal obligation to decommission the plant. We explained that the amount was not material to the Group but acknowledged, with hindsight, that the disclosure would have been improved if it had stated that the restructuring charge and provision included the decommissioning costs.

Activities during the year

To address our core remit in 2021, we:

Integrity of corporate and financial reporting, significant judgements and estimates	<ul style="list-style-type: none"> 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 2021 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 2021 Annual Report and Accounts, when taken together, is fair, balanced and understandable Regularly reviewed the Group's material litigation and concluded, in the February 2022 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	<ul style="list-style-type: none"> Approved the external audit plan for 2021; discussed the experience and expertise of the key members of the engagement team, in the light of a mainly remote audit; and approved the audit fee Carried out a review of the auditor's reports, including PwC 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 (for detail, see page 106) Considered and confirmed PwC's independence (see page 104). Monitored PwC's work as reporting accountants on the acquisition of Eastman's Adhesive Resins business and the subsequent year-end audit, to ensure there was no impact on their independence Reviewed and assessed the performance of PwC and our lead audit partner 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	<ul style="list-style-type: none"> Reviewed risk processes across the business to identify and mitigate risks Implemented changes to our risk management framework, adding an additional dimension of 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, Functional Solutions, Industrial Specialities and Acrylate Monomers, we also considered pensions, tax, Group-wide cyber security, the security and reliability of our industrial automation and control systems, and strategic sourcing operations Drafted a detailed delivery plan to build the content of the Audit and Assurance Policy and developed a high-level assurance map Received updates at each meeting on ongoing and completed internal audits and actions arising Considered the results of the 2021 controls assurance internal audits and IT audits, the self-assessment process and the adequacy and speed of management's response to matters raised Reviewed and approved the 2022 internal audit plan and ensured there is sufficient resource to deliver it
Governance	<ul style="list-style-type: none"> Reviewed the corporate governance reporting and whether, as part of the Annual Report, it was fair, balanced and understandable Reviewed the effectiveness of the Group's anti-bribery and anti-fraud procedures <ul style="list-style-type: none"> Discussed the effectiveness of the Group's Code of Conduct and Ethics Helpline Received reports on the independent investigations conducted in response to concerns raised under the whistleblowing policy and reported to the Board that we were satisfied with the outcomes Met with Group Internal Audit and Risk Director and the external auditor without management on several occasions Undertook a Committee effectiveness review, assessed the results and concluded that the Committee was operating effectively Reviewed the Committee's terms of reference to ensure our role and responsibilities are aligned with the Code.

Audit Committee: How the committee operates continued

BEIS consultation paper

The Board received a presentation from external consultants at its June meeting, outlining the key topics raised in the BEIS consultation paper, Restoring Trust in Audit and Corporate Governance, and rating each topic on the impact on the Group and its urgency.

Executive management assessed how the Group could best respond to each topic and presented its findings to the Committee in August. A number of projects were initiated, in line with the likely outcomes of the consultation, each with a project lead/owner. We receive updates on project progress at each Committee meeting.

The largest project relates to internal controls. This aims to ensure that our control environment is sufficiently robust to be audit-ready, for any new regulation, and for Directors to be able continue to attest to its effectiveness. Our acquisition of OMNOVA brought us a business which was Sarbanes-Oxley (SOX) compliant and had never reported a material deficiency. The former Chief Accounting Officer and his deputy, who have remained with us, have experience of SOX implementation and of maintaining and reporting on a SOX environment. They will lead this project.

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 proposed acquisition of Eastman's Adhesive Resins business and the expected reduction in Performance Elastomers' 2022 profitability. The process – conducted by management, and reviewed by the Committee 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
- 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 2022 Committee meeting and recommended that the Board provide the statement set out on page 128 and page 81, 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 Group people 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 proof-reading the Annual Report
- Ensuring that the FRC's October 2021 guidance, along with other relevant guidance, were taken into account
- 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
- An audit trail being completed by the VP, Group Finance for material data underpinning non-financial information in the Annual Report
- Circulating drafts of the Annual Report to PwC, the Committee and the Board for review
- Discussing material disclosures at their February 2022 Committee meeting

The Committee discussed the fair, balanced and understandable statement at their February 2022 Committee meeting and, in light of the above, recommended that the Board provide the statement as set out on page 129.

Significant areas of judgement and estimate

Taxation

The Group holds total tax provisions of £23.7 million relating to matters raised by tax authorities in several jurisdictions. Significant judgement has to be exercised by management, with advice from tax advisers, to determine tax provisions, as the final tax outcome is uncertain and may not be known for several years. The scale of the Group's uncertain tax provisions has reduced significantly over recent years as various long outstanding tax matters have been settled, both for and against the Group.

Pensions

The Group operates a number of defined benefit schemes (predominantly in the UK, USA and Germany) which have significant liabilities, as outlined in note 26 to the Group financial statements. Although the UK and USA schemes are closed to new entrants and to future accrual, the assessment of liabilities of each of the schemes is sensitive to changes in actuarial assumptions.

Other areas of judgement

Alternative performance measures – Special Items

The Group discloses Special Items separately, to provide a clearer indication of underlying performance. Special Items are either irregular, and therefore their inclusion in the assessment of a segment's performance would distort trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS, but do not reflect the year's operating performance; or both. 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 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.

European Commission investigation

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 and will continue to fully cooperate with the Commission during its investigation. 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 disclosed in each set of financial statements. Now based on the information available and the resulting assessment of the expected outcome of the investigation a provision of £57.2 million has been made in relation to this case.

The Committee's review, challenge and conclusion

The Group Tax Director presented to the Board and the Committee during the year. In assessing the year-end judgements for 2021, she reported on the basis for calculating the effective tax rate of 22.5% and the reconciliation to the statutory tax rates of the Group. She provided regular updates on interactions with tax authorities that regulate the jurisdictions in which we operate, setting out management's detailed rationale and judgement for each current tax liability. The Committee challenged management's judgements to ensure that they were aligned with our Group tax strategy. The Committee concluded that the estimates and disclosures were appropriate. PwC presented its findings on management's judgements, using tax specialists as required, and provided the Committee with its assessment of their appropriateness.

Our Group Pensions and Benefits Director regularly attended the Committee in 2021 to provide updates on our pension arrangements. The Group continues to review our pension scheme investment advisers and investment strategies to ensure we have a lower risk, liability-driven investment approach, as well as undertaking a review of major scheme documentation to ensure it is up to date.

We received a report from management setting out the key assumptions and rationale in valuing the liabilities of the main plans in the UK, USA and Germany. The Group uses appropriately qualified external actuarial advisers to help establish the assumptions used in the valuation of the Group's pension liabilities. PwC evaluated the assumptions and methodologies used by our actuarial advisers and management and assessed whether their assumptions were appropriate and not materially different from external benchmarks for similar schemes.

The Committee reviewed the assumptions and methodology used by management, including comparisons to those of other companies, and concurred with the conclusions.

PwC reported that they were satisfied with the assumptions used and the way the schemes had been accounted for.

The Committee regularly challenges management on what is considered Special Items. It reviews in detail every such item which is excluded or separated from reported Underlying profit and takes into consideration guidance from the FRC and the external auditors. 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.

During the course of this ongoing investigation the Committee received from management regular updates on the facts and circumstances in relation to this investigation along with the associated accounting analysis. PwC reported that they were satisfied with the judgements and related disclosures made by management. The Committee discussed the matter and concurred with the conclusions made.

Audit Committee: How the committee operates 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 set out on page 95. At its February 2022 meeting, the Committee reviewed management's assessment of the key elements of these systems and confirmed their overall effectiveness. Their conclusion drew on the following:

- The internal audit programme completed during 2021 and progress in implementing 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 in accordance with our accounting policies and that all relevant information has been provided for the preparation of the Group's Annual Report and Accounts. These representations are made twice each 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 our internal control and risk management processes' effectiveness; highlights key issues; makes recommendations; and monitors implementation of mitigations and recommendations. We have a dedicated in-house Internal Audit function, which draws on specialist resources as required. 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. Developments in our internal audit arrangements are set out in my introduction on pages 98 to 99.

External audit

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 2021 audit process at its December 2021 and February 2022 meetings. 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 2022 Committee meeting. No significant issues were raised.

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. All engagements for non-audit services with an external audit firm must be pre-approved by the Committee to ensure 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 2021 are set out in note 7 on page 149.

PwC produced a report setting out how they assessed themselves as independent. This referred to reporting accountant work undertaken as part of the acquisition of Eastman's Adhesive Resins business. PwC confirmed that they remained independent in respect of the 2021 audit.

The Committee concluded that PwC's independence and objectivity were not compromised by providing these services and that, due to their 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 their independence and the approach to non-audit services set out above, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

December 2021**Outcome/action taken by the Committee**

PwC's audit risk assessment – set out on pages 131 to 132

PwC undertook a detailed risk assessment, setting out their view of the significance of key risks and the potential risk of material mis-statement. Following discussion, the Committee agreed with PwC that climate change, whilst not an area of significant risk, should be considered in the overall context of their audit opinion.

Materiality level for the audit (page 133)

PwC proposed an audit materiality level of £11.6 million, based on 5% of Underlying profit before tax of the average Underlying profit before tax for the last three years, rather than just for the year ended 31 December 2021. It did so on the basis that current year profits were above a 'normal' recurring level. After debating this with PwC and Executive Management, the Committee felt it was an appropriate methodology for 2021.

PwC's audit plan

We reviewed the audit coverage and agreed scope (set out on page 131 to 134) in detail and agreed they were appropriate. We asked PwC to perform work on the cut-over procedures used in implementing the Pathway programme and to perform on-site fraud assessment work in some smaller entities where they are not the statutory auditor. 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 their audit partners in our key overseas territories. The Chair and Executive Management interviewed the proposed audit partner for Malaysia, where the existing partner had completed their tenure.

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 £1.6 million, compared to £1.8 million in 2020.

February 2022**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 132 to 133)	These were discussed with PwC and management – the work of the Committee is set out on the previous pages.
Management representation letter	The Committee reviewed and approved this.
PwC's independence and objectivity and quality control procedures	The Committee evaluated and confirmed PwC's independence, objectivity and quality control procedures.

Audit quality – how we reviewed PwC's performance

During the year, the Committee evaluated the performance and effectiveness of the external auditor, PwC and our audit partner, David Beer in the following ways:

External evidence	The Committee reviewed the FRC's 2020 Audit Quality Inspection Report covering its conclusions from a review of a selection of PwC audits which showed an improvement year on year. David Beer 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 with PwC teams. The feedback was positive to all questions asked and indicated that PwC had performed their audit well with particularly high ratings were for planning and quality of people and service.
Audit Committee evidence	David Beer attended all Committee meetings during the year and was involved as the Group undertook the acquisition of Eastman's Adhesive Resins business acting in the capacity of Reporting Accountant. He has demonstrated in Committee meetings how he has challenged management in relation to significant accounting judgements and estimates and also worked with management to ensure that the relevant guidance from the FRC issued in the year was incorporated into both the Interim and Annual Reports.

Use of PwC as reporting accountants for the acquisition of Eastman's Adhesive Resins business**Reasoning**

The Group was in a bilateral negotiation with Eastman in relation to its Adhesive Resins business, in an exceptionally buoyant M&A market and the timetable set by the seller was short. As PwC performed similar work for the Company in respect of the OMNOVA acquisition in 2019, and in respect of the issue of a S144a bond in June 2020, they have a strong understanding of our processes, systems and people. However, we proactively sought to engage another audit firm to undertake this work. Other large and challenger firms were approached but were conflicted due to other work they carry out for the Group, or did not have the skills or resources available to meet our timetable.

Steps to avoid a recurrence

As part of the planning for a Group audit tender in 2025 we are monitoring all non-audit work given to the large and challenger audit firms. We will seek, as far as is practicable, to concentrate all work that would impact these firms' ability to bid for the audit, or provide other independent assurance services, into as few firms as possible to ensure we have the biggest selection available from which to choose. We will select a firm as a potential partner for future reporting accounting work that includes those areas of work subject to the Ethical Standards fee cap and invest in making the chosen firm familiar with the Group to allow them to operate as our reporting accountant on any future acquisition.

How we assured independence

The Committee challenged judgements made by management and asked PwC to confirm that they complied with their commitment to the FRC by having the work on the 2021 audit reviewed by an internal technical panel. The Committee also confirmed with management and PwC that all fees relating to the reporting accountant work were paid before the audit opinion on the 2021 financial statements was signed.

Nomination Committee: introduction from the Chair

This has been a significant year for Synthomer – and the Nomination Committee – with a new CEO starting on 1 November, a new CFO being appointed shortly afterwards, and a new Non-Executive member joining the Board in July.

The Committee – which expanded this year to include all our Non-Executive Directors – was closely involved with each of these appointments and in planning inductions for our new Directors. Committee members have also been involved in discussions around Synthomer's gender target and in further strengthening our succession planning.

Succession planning for continued growth

Ensuring that we have future leaders with the right skills, experience and mindset is as important as having the right people in place today. Succession planning continued to be a strong focus throughout the year for the Nomination Committee and the wider Board, as we worked to embed the ongoing development of a strong talent pipeline into the way we operate.

In late 2021, we built on the previous year's independent skills review – which assessed our Board's capabilities against other plc companies to help identify and address gaps – by looking at the functional skills the Board will need to stay competitive in the future.

The crucial skills identified included marketing, digitalisation and sustainability.

As part of this process, all Board members assessed themselves against these skills.

We will feed the intelligence gained, and those from our Board evaluation, into short-term recruitment and longer-term succession planning for the Board, as well as emergency succession planning for the CEO and CFO.

Our succession planning draws not only on necessary skills but also on our strategy and direction, which we discussed at length in January 2021 in setting the scene for the 2021 CEO and NED searches, in alliance with Egon Zehnder. Our ability to move fast to recruit a new CFO in November 2021, when Stephen Bennett announced his intention to step down in August, reflected the proactive work we were already doing in long-term executive succession planning with search experts Spencer Stuart.

The Board and Nomination Committee's succession planning focus extends to Executive Committee members. Our new CEO started reviewing the skills and scope of the Executive team soon after he joined. We are supporting him as he develops a blueprint to strengthen and support the current team and will develop longer-term succession plans for each of the Executive roles.

Setting the tone on diversity and inclusion from the top

Diversity is as fundamental as skill and experience in a strong leadership team.

Reflecting the society in which we operate is both the right thing to do and – research shows – the best thing for business.

Diversity of thought and inclusive cultures drive innovation and lead to better business outcomes. For all these reasons, in 2021 we strove to ensure that our current and future leaders are truly diverse.

The process for appointing our new CEO and NED.

	CEO	CFO	NED
Setting role requirements	Following Calum's decision to step down, the Nomination Committee and the Board worked closely with the Senior Independent Director, HR President and Group HR Director, and recruitment specialists Egon Zehnder to develop a clear role and person specification for our new CEO.	We implemented succession planning for key roles, including the CFO, early in 2021 and that allowed us to accelerate our recruitment process, working on this occasion with search company Spencer Stuart. We wanted someone with an impressive track record and experience of working in a complex, international business.	Following the retirement of Just Jansz in 2021, with the completion of his nine-year tenure, the Nomination Committee, the Board, our Senior Independent Director, HR President and Group HR Director worked with Egon Zehnder to develop a clear role and person specification for our new Non-Executive Director.
Identifying candidates	In January 2021, the Board confirmed its strategy of organic and inorganic growth and that set a backdrop to the CEO recruitment. Egon Zehnder then interviewed all members of the Board, and the Nomination Committee debated and agreed a detailed candidate specification, with clear skills, experience and attributes against which to assess potential candidates.	Early in 2021, we appointed Spencer Stuart to develop our succession planning for key roles, including the CFO. They developed a role specification, with input from all members of the Board.	Egon Zehnder developed long and shortlists lists of NED candidates. In doing so, they considered the broadest definition of diversity.
Process	A significant number of internal and external candidates were initially assessed by Egon Zehnder against the agreed criteria. They presented the most suitable candidates through a process of interview, discussion and assessments. Five candidates met with all members of the Board and, after detailed debate and further discussions with the final two candidates, the Nomination Committee unanimously agreed to recommend Michael Willome.	Spencer Stuart considered over 300 candidates and reduced this to a shortlist of seven internal and external candidates who were assessed by Spencer Stuart against the required criteria, and then interviewed by the Chair and incoming CEO. Three candidates were taken forward for further assessment by members of the Nominations Committee and two final candidates were interviewed by all members of the Board. The Nominations Committee reflected and debated the feedback and unanimously agreed to recommend Lily Liu.	Egon Zehnder interviewed and assessed some 20 candidates and the Chair met with seven potential candidates. The most suitable candidates were then presented to the Senior Independent Director and then all other members of the Board. Having reviewed the process and evaluated the candidates, the Nominations Committee unanimously agreed to recommend Roberto Gualdoni.
Recruitment	After an extensive search process, we announced Michael Willome's appointment in July 2021.	In November, we announced that Lily Liu would be our new CFO, joining us no later than July 2022.	Roberto Gualdoni joined the Board in July 2021 and is a member of our Audit, Remuneration and Nomination Committees.

Board diversity and tenure at a glance

Setting a new 2030 gender target

In 2021, Synthomer took an important step by setting a target of 50% gender diversity in new hires in leadership, management and professional roles as part of our Vision 2030 roadmap. Agreeing our Vision 2030 targets involved a great deal of discussion between the Executive Committee and Board during the first half of 2021. Diversity is particularly important for Nomination Committee discussions around succession planning, and we pushed the Executive Committee to set the bar high. It's important to get the right balance between challenge and delivery and I think we achieved that. (See page 44 in the Strategic report for more information on the Vision 2030 roadmap.)

Our target is underpinned by several short-term objectives, including 20% of women in senior roles by the end of 2021. I am pleased to see that we met this objective, finishing the year at 20.4%. In all, we saw a 5% rise in the number of women in senior leadership versus 2020. One-third of Board members are now women and one member is from an ethnically diverse background, in line with the Hampton-Alexander and Parker reviews respectively.

Encouraging greater diversity beyond gender

Nevertheless, Synthomer needs to do a lot more to address diversity across the business, including making more progress on ethnic diversity. Here, too, we have set a short-term objective to have 20% of senior leaders from ethnically diverse backgrounds by 2025.

New governance to track our progress on diversity and inclusion

As Chair of Synthomer's new Diversity and Inclusion Steering Committee, it was also my pleasure to host panel sessions, alongside Holly Van Deursen, organised by Synthomer's Engender women's network.

For more information on the progress

Synthomer has made and our plans to continue focusing on diversity and inclusion, see pages 62-65 of the Strategic report. We have the vision, processes and tools in place. We must now embed diversity and inclusion into our everyday thinking.

A comprehensive induction programme

An induction programme is an essential part of a new Director's first weeks and months at Synthomer. It is a structured way of ensuring they receive the information and support they need to take on their new role quickly and confidently. I know from my own experience of joining Synthomer and then stepping up as Chair of the Board how helpful this process is.

The Committee designed a tailored induction for Michael that included:

- Working with Calum, the Committee designed a two-week programme of introductions to help Michael get up to speed quickly on our most important activities
- Meetings with the Executive Committee for briefings on their businesses and functions
- Meetings with external advisers and our top institutional shareholders to hear their views on Synthomer
- A workshop hosted by a partner from both KPMG and Herbert Smith Freehills on Directors' duties and the UK listing regime. Roberto also attended this workshop
- First site visits to meet employees in the UK, Germany and the USA.

While Roberto hasn't yet been able to make any site visits, he plans to do so in 2022.

Our priorities for 2022

Our priorities for the coming financial year include identifying a suitable successor for Brendan Connolly when he steps down as our Senior Independent Director and Remuneration Committee Chair at our 2023 Annual General Meeting. We will also be developing emergency succession plans for our new CEO and CFO and embedding long-term succession planning for their roles for the future. As Michael develops his team, we will also be reviewing the skills, balance and experience of the Executive Committee. Another important priority will be establishing a comprehensive, bespoke induction programme for Lily, and continuing to support Michael's immersion in the business.

A year of progress

I am pleased with the progress we've made as a Committee this year. We have continued to work well despite ongoing COVID-19 restrictions. We've had some challenging conversations along the way, but challenge is how we help the Company make progress. I look forward to working alongside our new Directors as well as my fellow Committee members to support Synthomer as it grows in size and ambition.

Caroline Johnstone

Chair of the Nomination Committee

3 March 2022

Compliance with the Code

For the year ended 31 December 2021, we are pleased to report that we have applied the principles and complied with the provisions of the 2018 UK Corporate Governance Code (the Code). The full Code is available on the FRC's website, www.frc.org.uk.

1. Board leadership and Company purpose

A. Board's role

The Board sets the Company's purpose, values and standards, establishes overall policies 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 establishes, communicates and reviews the corporate governance framework under which the Company operates. 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.

For more details about 2021 activity see The Board's year section on page 94.

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.

Management have rolled out a programme to embed our new Core Values since their launch in 2020, with alignment with our culture being monitored and assessed by the Board using the tools described on page 62. The Board was mindful of maintaining the Company's strategic direction in the appointment process for our new CEO.

C. Resources and controls

Strategic projects and priorities are considered and monitored at each Board meeting with, as part of that process, members receiving and considering reports on developments and progress against plans and resourcing. Financial and operational performance against budget and KPIs is 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 chair of the Executive Committee (which includes the CFO, the Chief Counsel and Company Secretary, and operational and functional Group presidents), and meets once a month. The CFO shares a monthly management report with all Directors, containing business, financial, and health, safety and environmental reviews.

D. Stakeholder engagement

The Board fully consider shareholders' and wider stakeholders' views when making strategic decisions. Further information can be found on pages 96 and 97.

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 NEDs. Other workforce engagement is undertaken directly by the Board, such as via our new Engender women's network.

2. Division of responsibilities

F. Role of the Chair

The Chair's responsibilities include:

- Leading an effective Board
- Promoting a culture of openness and debate
- Coordinating performance evaluation of the CEO and individual Non-Executive Directors
- Holding meetings with and without Executive Directors present
- Leading on all aspects of corporate governance
- Setting the agenda and managing meeting timetables and encouraging open and constructive dialogue and challenge.

G. Composition of the Board

The composition of the Board is set out in Our Board of Directors section on page 84. Half of the Board, excluding the Chair, are independent NEDs, with that independence being assessed annually. This ensures no one person or group of interests can dominate Board decision making or debates.

We document the roles of the Board, Board Committees, Chair and CEO in the Introduction to corporate governance on page 92. We have a clear division of responsibilities between the Board and Executive leadership, with a list of matters reserved for the Board.

2. Division of responsibilities continued**H. Role of the non-executive directors**

The main responsibilities of our NEDs 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.

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 feed back on the Chair's performance, and provides constructive challenge, strategic guidance and specialist advice.

We assess on appointment whether a candidate has sufficient time to be a NED, with any proposed significant external appointment requiring the Board's agreement.

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 and to ensure it 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**

Our Nomination Committee is responsible for assessing the composition of the Board, making recommendations for new appointments, and 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 in the execution of our strategy. For more details, see our Nomination Committee report on page 106.

K. Skills, experience and knowledge of the Board

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. This year we built on our 2020 skills review – which assessed our Board's capabilities against other plc companies to help identify and address gaps – by looking at the functional skills we will need to stay competitive. All Board members assessed themselves against the crucial skills, which included marketing, digitalisation and sustainability. We will feed the intelligence gained, and those from our Board evaluation, into short-term recruitment and longer-term succession planning for the Board, along with emergency succession planning for the CEO and CFO.

L. Board evaluation

Our last external Board evaluation, facilitated by Egon Zehnder, was undertaken during 2020. An internal review, focusing on recommendations stemming from the 2020 evaluation, was carried out in 2021. See page 91 for actions taken.

4. Audit, risk and internal control**M. Internal and external audit**

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. In 2021, the Committee oversaw Synthomer's granted application to the FRC for a second waiver to breach the cap on fees to auditors for non-audit related services, to progress our plans to buy Eastman's Adhesive Resins business. For more details see page 98.

N. Fair, balanced and understandable

The Board considers this 2021 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. We enabled this by such means as having a dedicated working group overseeing drafting; ensuring that FRC guidance was observed; requiring key contributors to confirm the accuracy of their information; and circulating drafts to PwC, Committee chairs and the Board for review.

O. Risk management and internal control framework

The Board sets the company's risk appetite and annually reviews the effectiveness of the company's risk management and internal control systems. A description of the principal risks facing the company is set out on pages 69-76.

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. The policy was last approved by investors at our 2020 AGM. A summary of the latest Executive Director Remuneration Policy can be found on page 114.

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 112 to 126.

Division of responsibilities

The table below provides a summary of the main responsibilities of our Board and CEO.

Position:	Responsibilities include:
Chair	<ul style="list-style-type: none"> • Leading an effective Board • Promoting a culture of openness and debate • Coordinating performance evaluation of the CEO and individual Non-Executive Directors • Holding meetings with and without Executive Directors present • Leading on all aspects of corporate governance
Chief Executive Officer	<ul style="list-style-type: none"> • Operational management of the Group • Developing, preparing and implementing Group strategy, as approved by the Board • Communicating Group culture and values • Communicating Group financial performance to investors alongside the CFO • Keeping the Board informed on material issues
Senior Independent Director	<ul style="list-style-type: none"> • Being a sounding board to the Chair • Alternative contact for the other Directors and shareholders • Leading an annual meeting process to evaluate and feed back on the Chair's performance • Providing constructive challenge, strategic guidance and specialist advice
Non-Executive Directors	<ul style="list-style-type: none"> • Constructive challenge and scrutiny to hold management and individual Executive Directors to account against agreed performance objectives • Employee engagement
Company Secretary and Chief Legal Counsel	<ul style="list-style-type: none"> • Advising the Board on all governance and compliance matters • 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

Remuneration Committee: introduction from the Chair

While 2021 was a busy year for the Remuneration Committee, much of our attention was focused on two key issues: agreeing remuneration for our new CEO and CFO and completing our work to align Executive Directors' pensions with that of the UK workforce.

Agreeing the right packages for our new CEO and CFO

Designing a new Director's remuneration package is one of this Committee's more important tasks. It involves working closely with the Group HR Director to create an offer that rewards a new recruit's skills and experience while remaining consistent with the terms of our Directors' Remuneration Policy. It must also reflect the fact that Synthomer is growing, and will continue to grow, in size and complexity.

CEO: higher base salary plus covering relocation costs

The package we have designed for Synthomer's new CEO, Michael Willome, takes all of this into account. So while it is in line with previous CEO arrangements, it includes a 9% higher base salary at £650,000. This figure is lower than Michael's salary was at Bystronic AG (formerly Conzzeta AG) and takes into account the larger Group size following the acquisition of Eastman's Adhesive Resins business. Michael will be eligible for a maximum annual bonus of 150% of base salary and a PSP award of 200% of salary per year. He will also be required to build a shareholding equal to 220% of his annual basic salary.

Since Michael has moved from Switzerland to the UK, Synthomer also agreed a monthly relocation allowance for the next four years.

We paid Michael a one-off payment of £100,000 for the loss of pension-related compensation he would have received had he served out his full notice period at Bystronic. This amount is no greater than that he forfeited. He also received a pro-rated Performance Share Plan (PSP) award for 2021. Given that he joined towards the end of the financial year, Michael did not receive a bonus in 2021.

In my introduction to last year's report, I said we intended to align our new CEO's pension with the workforce rate of 7%. And we have done exactly that with Michael's pension. We will do the same in 2022 for Lily Liu as our incoming CFO.

CFO: higher salary to reflect growing ambitions

While Lily does not officially join us until the 2022 financial year, we announced her appointment and remuneration package at the end of November 2021. As such, Lily will receive a base salary of £440,000. This is 16% higher than the previous CFO salary, in line with Synthomer's policy and growing stature, taking into account the

future additional size and complexity of the organisation and the increasing regulatory environment. Lily will be eligible for a maximum annual bonus of 150% of base salary and a PSP award of 150% of salary per year. Lily will participate in both plans, in line with our policy. She will be required to build a shareholding that is equal to 200% of her annual basic salary. This exceeds the guideline for the current CFO of 175% of salary. For more details see page 122.

Arrangements for Synthomer's departing CEO

Of course, new arrivals mean the Committee also has a role in agreeing terms with departing directors. While Calum stepped down as CEO at the start of November 2021, as he provided a full handover to Michael, he did not formally leave Synthomer until January 2022. This meant he was entitled to an annual bonus for 2021. 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 31 December 2021. Though not subject to post-employment shareholding, as he resigned prior to the implementation of the policy Calum will still hold shares due to past and current bonus and PSP plans. For more details, see page 123.

Fee increase for Synthomer's Chair to reflect a more complex landscape

As of 1 January 2022, we increased Caroline Johnstone's fee to £235,000 a year to reflect the greater time the role requires, and the fact that both Synthomer and the external governance landscape are becoming more complex. We also found that Caroline's fee was below the lower market quartile. In future, she will be eligible for increases in line with our employees.

Near-maximum bonuses paid in 2021 but a mixed LTIP outcome

Both the CEO and CFO achieved 95% of maximum bonus outcomes in 2021 as did the wider organisation, in an extraordinary year with exceptional results on the back of the Covid-related lift in Nitrile latex (Performance Elastomers) serving the medical gloves industry. Even without this uplift to performance, and normalising the results, the full financial goal (Adjusted PBT) would have been achieved. The Committee therefore considered that this payout level was appropriate. The only shortfall against targets set was the SHE process safety metric which was missed by 0.03 while the recordable injury case rate (RCR) metric was met, as were the strategic goals. No discretion has been exercised in relation to incentive outcomes. For the 2019 PSP, Relative TSR was at the median level, reflecting the end of year share price volatility, but EPS growth was fully achieved. As with the PBT, on a normalised basis the EPS would have been fully met irrespective of the Nitrile latex uplift. The strategic measures were broadly met.

The overall vesting was therefore 64% of the maximum. The Committee considered that this outcome was a fair reflection of performance and the shareholder experience and therefore no discretion has been exercised.

The Committee discussed the £57.2 million provision recognised in respect of the European Commission Styrene Investigation. The Committee will consider the implications of the outcome of the investigation once it has been concluded.

Performance measures for variable elements of executive pay in 2022

The Committee aims to ensure that executive remuneration matches Synthomer's underlying performance. We set annual bonuses using three measures – Underlying profit before tax (80%), safety, health and environment targets (10%), and strategic personal targets (10%). Our 2022 measures will reflect the above and those for 2021.

For the 2022 PSP awards, the measures will be split as follows:

- 30% – relative total shareholder return
- 30% – earnings per share (EPS) growth
- 20% – cost efficiencies as a result of the Eastman's Adhesive Resins acquisition
- 20% – strategic, of which half will be a sustainability measure.

EPS is an important part of our PSP, since it acts as a performance incentive for our executives and the 80 or so participants in the PSP. It remains a useful tool for retaining senior talent in a currently very competitive market. In 2021, Synthomer delivered a record EPS of 75.2p, due to an exceptional increase in margins in its Nitrile latex business servicing the medical gloves industry. Holding senior executives to that level in 2022 would make the 2022-24 PSP unachievable. For the purpose of setting targets for the 2022 PSP award the Committee therefore considered that it was appropriate to re-base EPS performance for 2021 to remove the impact of the exceptional margins experienced during the year. The target growth ranges applied to this rebased EPS remain unchanged, with 4.5% per annum growth required for threshold vesting and 10% per annum growth required for maximum vesting.

Applying these growth rates to the re-based EPS for 2021 of 40.9p gives an EPS target for 2024 of 46.7p for threshold performance and 54.4p for maximum performance. The Committee considers that these targets are stretching for a normalised price environment. The intention is that this rebasing will apply for one year only and we will return to our normal methodology in 2023.

As I reported last year, we added a new sustainability measure to the PSP in March 2021, which is a 25% reduction in CO₂.

This will continue to be a feature of our PSP going forward, with a 40% reduction target for the 2022 PSP.

Discussing executive pay with employees

While there is considerable interest in remuneration, it is, in my experience, a misunderstood subject, particularly around executive liabilities and responsibilities. So, in December 2021, we held two virtual employee events, open to everyone, to explain how it works and to ask for people's opinions. I was pleased to note that many of the employees who joined the sessions are aware that executive pay is publicly available information and we received no suggestions on how to do things differently.

Staying on top of key stakeholder issues

To help the Committee stay informed on the remuneration issues that matter to our stakeholders, I ask our remuneration adviser to provide the Committee with training every August. This year, we focused on the policies and approaches disliked by institutional investors, and to consider any new guidance from investors, the Investment Association and proxy agencies.

Continuing to address our gender pay gap

We were pleased to show a reduction in both our mean and median pay gaps in our 2021 UK gender pay gap report, with our median pay gap having consistently improved over the last three years. We recognise that our continuing gender pay gaps are primarily related to the lower number of women than men in our senior leadership population and we set out how we are addressing this in the sustainability section of the strategic report.

Extra Committee meetings and adjusting to a post-pandemic world

Given the amount of work involved in arranging pay for two Incoming Directors, the Committee held two extra sessions in 2021. Meetings remained mainly virtual in 2021 due to the ongoing COVID-19 pandemic.

Preparing for changes in 2023

My tenure as Senior Independent Director and, therefore, Chair of this Committee, will end at the 2023 AGM when I will retire from the Board. I am now working with Caroline to identify my replacement and ensure we have a smooth handover plan in place. And, of course, we will need to update and share our new Remuneration Policy in time to put it to a shareholder vote at the 2023 AGM. I look forward to sharing more details on both issues in what will be my final report next year.

My sincere thanks to all involved in the Remuneration Committee in 2021. It has indeed been a busy year.

Brendan Connolly

Chair of the Remuneration Committee

3 March 2022

At a glance

Policy for Executive Directors

The table below summarises the policy approved by the shareholders at the AGM on 29 April 2020. This is valid until a new policy is approved at the 2023 AGM.

Synthomer's full remuneration policy can be found online – https://www.synthomer.com/fileadmin/files/ir/governance/Synthomer_plc_Remuneration_Policy_2019.pdf

This includes reference to our joiners and leavers policy, which has been particularly relevant this year due to Executive Director changes.

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 annually. Following the appointment of the new CEO and CFO for 2022, Executive Director salaries are as follows:

CEO £650,000

(no increase in 2022 on 2021 salary of £650,000)

Incoming CFO £440,000

pro-rated (no increase as joining the Company during 2022).

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 new CEO and incoming 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%	50%	100%
of maximum for threshold	of maximum for target performance	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, for 2022 annual maximum awards are 200% of base salary for the CEO and 150% for the CFO.

Vesting based on performance of three years, with at least 80% based on financial measures and up to 20% on performance measures linked to the delivery of 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.

For 2022 awards, performance measures will be:

30%	30%	20%	20%
relative TSR	EPS	cost efficiencies related to the Eastman's Adhesive Resins business	strategic, of which half is a sustainability measure

Maximum of 25% for each element will vest for threshold performance.

Shareholding requirements


CEO 220% and incoming CFO 200% of base salary.

Requirements to be built up over five years.

2021 performance



Annual bonus

Actual performance against the three elements of the annual bonus are set out below. As noted in the Chair's introduction, Michael Willome was not awarded a bonus during 2021 as he did not start until the beginning of November 2021.

	Weighting	Threshold	Target	Maximum	Actual
Underlying PBT	80%				£453.0m
SHE (recordable injuries)	10%		0.33 or less		0.31
SHE (process safety)	10%		0.33 or less		0.16
Individual strategic and operational goals	10%	See page 117			10%
Total outcome	100%				95%

Performance share plan (PSP) – 2019 award

Actual performance against the three elements of the annual bonus are set out below. Michael Willome did not receive a 2019 award as he did not start until the beginning of November 2021.

	Weighting	Threshold	Target	Actual
Relative TSR	40%			50th percentile
EPS growth	40%		41.0p	75.2p
Strategic measures	20%	See page 118		14.0%
Total outcome	100%			64.0%

Annual report on remuneration

Single figure of remuneration for Executive Directors (audited)

	Year	Base salary £	Benefits £	Pension £	Total fixed remuneration £	Annual bonus £	Long-term incentives** £	Total variable remuneration £	Total £
Executive Directors									
M Willome ¹	2021	108,333	31,692	107,583	247,608	—	—	—	247,608
	2020	—	—	—	—	—	—	—	—
CG MacLean ²	2021	495,627	11,000	114,909	621,536	706,268	703,638	1,409,906	2,031,442
	2020	558,735	13,200	137,891	709,826	838,103	257,518	1,095,621	1,805,447
SG Bennett	2021	378,052	13,349	75,610	467,011	538,724	381,851	920,575	1,387,586
	2020	355,158	13,530	71,032	439,720	532,737	128,711	661,448	1,101,168

Notes:

1. M Willome joined Synthomer as CEO on 1 November 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 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.
2. CG MacLean stepped down as a Director on 1 November 2021. His remuneration disclosed here has been pro-rated to reflect this period.
3. For 2021 the values relate to awards granted under the 2011 PSP in 2019 which vest on 11 March 2022. Further information about the level of vesting is provided in this report. As these awards have not yet vested they have been valued based on the average share price for the period 1 October 2021 to 31 December 2021 of 466.3p, along with accrued dividends from the date of grant. There was no share price appreciation that affected the value of the award and so Remuneration Committee did not exercise discretion in respect of the share price changes.
4. 2018 PSP awards vested on 8 March 2021. For the purpose of the 2020 single figure these awards were valued based on the average share price for the period 1 October 2020 to 31 December 2020 of 403.8p. These awards have been re-valued based on the share price on the date of vesting of 459.6p. The values disclosed in the 2020 single figure were: CG MacLean, £241,326 and SG Bennett, £120,617. The share price used to value the awards on the date of grant of 8 March 2018 was 488.4p. The share price used to value the PSP for single figure purposes of 459.6p represents a decrease of 28.8p per share. The proportion of the PSP value disclosed in the single figure attributable to share price movement was therefore a reduction of 5.3%. The Remuneration Committee did not exercise discretion in respect of the share price changes.

Additional information for single figure remuneration

Benefits

	Car expenses/ benefit £	Others £	Total £
M Willome ¹	2,200	29,492	31,692
CG MacLean	11,000	—	11,000
SG Bennett	12,500	849	13,349

Note:

1. Since M Willome has moved from Switzerland to the UK, he will receive a monthly relocation allowance for the next four years. This allowance will be £7,800 per month for the first year then £5,000 per month for the following three years, and will be grossed up for tax.

Annual bonus

2021 award

For 2021 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 CG MacLean 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 2021

Executive Directors	Maximum bonus as a % of salary	Total bonus as a % of maximum	Total bonus £
CG MacLean	150	95	706,268
SG Bennett	150	95	538,724

2021 saw performance that was ahead of financial targets and meaningful progress and achievements against individual strategic and operational goals. The recordable injury portion of the SHE target was met but the process safety portion was missed.

This 2021 bonus outcome of 95% of maximum is reflected across the wider organisation. 2021 was an extraordinary year, partly due to the Covid-related lift in nitrides margins. Even without this uplift to performance, the full PBT target would have been achieved. The Committee therefore considered that this payout level was appropriate.

Further information on the three elements of the bonus is as follows:

1. Underlying profit before tax (80%)

The Underlying profit before tax targets set and achievement are set out below:

	Threshold	Target	Maximum	Achieved ²
Level of award (% of element)	0%	50%	100%	261%
Underlying profit before tax ¹	£165.0m	£173.7m	£191.1m	£453.0m

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	0.33 or less	0.13 or less
Level of award	0% for a rate greater than 0.33 5% for a rate less than 0.33	0% for a rate greater than 0.13 5% for a rate less than 0.13
Rate achieved	0.31	0.16
Award outcome	5%	0%

Further details of the definition and measurement of the recordable injury rate and the process safety event rate are given on page 55.

3. Individual strategic and operational goals (10%)

Individual goals and achievements against them considered by the Remuneration Committee with an aggregate weighting of 10% included:

	Chief Executive Officer	Chief Financial Officer
Target	<ol style="list-style-type: none"> 1. Drive development of a five-year NBR investment plan 2. Review profitability at site level and create an action plan 3. Develop and lead business-wide ESG strategy 	<ol style="list-style-type: none"> 1. Review and make recommendations in respect of the control environment 2. Roll out planned implementation phases of the Pathway programme 3. Oversee tax review of the OMNOVA acquisition and NBR investment plan
Level of award	Up to 10%	Up to 10%
Performance against targets	<p>Chief Executive Officer</p> <p>Drive development of a five-year NBR investment plan</p> <ul style="list-style-type: none"> The CEO led a team through 2021 which considered all aspects of this potential investment, including demand and supply, location comparatives and options and timing. The team reported to the Board regularly through 2021, which had detailed discussions on various aspects of the potential investment and agreed further work to be undertaken. The CEO guided the team and advised the board on the strategic aspects and personally led some specific aspects of the thinking as well as leading discussions with potential partners and investors. <p>Review profitability at a site level and create an action plan</p> <ul style="list-style-type: none"> In 2021, there were a number of projects where the CEO oversaw substantial progress in planning for transformation, including the closure of Marl 3 (and transformation of the Marl site generally), the Le Havre site transformation, the Sokolov site transformation (and closure of the site's coal-fired power station) and Outu site closure. A strong team was guided and led in addressing the various aspects and considerations – the complexity of product and site interactions was particularly important to address. The team presented to the Board on several occasions and addressed the Board's questions and suggestions, leading to approval of the proposals. <p>Develop and lead business-wide ESG strategy</p> <ul style="list-style-type: none"> The business had undertaken a lot of work "under the radar" ahead of 2021, and Calum led the team in developing Vision 2030 and debating and proposing key targets in the main ESG priorities for Synthomer. He empowered the team to develop the plan and showed leadership in debating some quite new areas of focus for the business. His investor communications instilled a level of confidence in Synthomer's sustainability position in water based polymers. 	<p>Chief Financial Officer</p> <p>Review and made recommendations in respect of the control environment</p> <ul style="list-style-type: none"> The CFO led his team in reflecting on the changing environment, the growth in the scale of the Group as well as the potential changes which might arise from the 2021 audit and assurance BEIS consultation. As well as Board training sessions in April and June 2021, the CFO and the team engaged KPMG to advise on implementing an Audit and Assurance Policy and developing a plan for putting in place an Assurance Map. He also engaged Deloitte to advise on climate change and TCFD reporting. His team then developed plans to ready the controls environment for any Sarbanes Oxley type audit requirements leveraging the skills of members of the former OMNOVA Finance team. A clear assessment of impact and urgency of actions was produced. <p>Roll out planned implementation phases of the Pathway programme</p> <ul style="list-style-type: none"> The Pathway programme was realigned in 2020, during the pandemic and the CFO has overseen the team as they worked through to the successful go-live of the first sites in 2021. The business is now moving forward with the next phase. <p>Oversee tax review of the OMNOVA acquisition and NBR investment plan</p> <ul style="list-style-type: none"> The CFO oversaw significant progress was made in tax matters and investment in tax resources during 2021. The Board received regular updates on the potential tax implications of the proposed NBR investment.
Award outcome	10%	10%

Additional information for single figure remuneration (audited)**Long-term incentives - Performance share plan**

The awards made on 11 March 2019 for CG MacLean and for 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	EPS condition ¹		
Company relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over a three-year period ended 31 December 2021	EPS for the 2021 financial year	Percentage of award that vests	Performance achieved
Upper quartile	41.0p or more	40%	EPS of 75.2p gives full 40% vesting of the award. TSR performance at the 50th percentile gives vesting of 10.0% of award.
Between median and upper quartile	Between 35.2p and 41.0p	On a straight-line basis between 10% and 40%	
Median	35.2p	10%	
Below median	Less than 35.2p	0%	

Note:

1. The targets have been adjusted to take account of the bonus factor of 1.0713 for the rights issue in 2019 and additional OMNOVA earnings from 1 April 2020.

A further 20% of the award was subject to three equally weighted strategic measures:

- Percentage of Group sales (by volume) in the 2021 financial year derived from new products launched in the last five years and patented products.

New product percentage ²	Percentage of award that vests	Percentage achieved
< 15%	0%	24% gives full vesting of 6.6% of award.
15% - 20%	1.65% - 6.6%	
> 20%	6.6%	

Note:

1. Excluding volume attributable to Monomers, where there is no scope for new product development.

- Cumulative Underlying profit before tax (PBT) added through acquisitions for the three years ended 31 December 2021.

Cumulative PBT added through acquisitions	Percentage of award that vests	Percentage achieved
< £30.0m	0%	£39.4m gives vesting of 3.2% of award.
£30.0m - £60.0m	1.65% - 6.6%	
> £60.0m	6.6%	

- Return on Invested Capital (ROIC) target tracks three growth projects commissioned in 2019 that were expected to impact the Group in the 2021 financial year. The three projects selected were JOB5 in Malaysia, Worms in Germany and Roebuck in the USA. An overall ROIC threshold was set at 18.3%, based on the weighted average of the three individual project targets. Given the greater importance of the larger projects, the ROIC part of the award was weighted at 50% for JOB5, 25% for Worms and 25% for Roebuck. The award started to vest for each individual project at 80% of the anticipated ROIC, based on the original investment cases that were brought before the Board at the time the projects were approved. The overall ROIC on these projects was 57.0% which exceed the threshold of 18.3%. Of the individual projects, JOB5 and Roebuck reached the vesting threshold attaining 523.3% and 85.9% of their targets. This led to 61.7% vesting of the ROIC portion and therefore 4.2% of the overall award.

In aggregate, 64.0% of the 2019 award vested, and the Committee did not exercise any discretion with the level of vesting.

The 2019 award will vest for CG MacLean and SG Bennett in March 2022 as follows:

	No. of shares in original award ¹	No. of shares that lapse ²	No. of shares that vest	Estimated value of shares that vest
CG MacLean	235,069	94,097	140,972	£703,638
SG Bennett	119,536	43,033	76,503	£381,851

Note:

1. Number of shares in original award were adjusted to take account of the bonus factor of 1.0713 for the rights issue in July 2019.

2. CG MacLean left Synthomer on 13 January 2022 triggering a time-apportioned lapse of 14,800 shares.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2021 and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

Pension entitlements (audited)

Both Executive Directors receive a cash allowance in lieu of pension contributions as outlined above. No additional benefit is receivable in the event of a Director retiring early.

Single figure of remuneration for Non-Executive Directors (audited)

Non-Executive Directors		Base fee	Committee membership fee	Committee Chair fee	Total
CA Johnstone	2021	189,500	–	–	189,500
	2020	46,367	15,000	4,783	66,150
The Hon. AG Catto	2021	43,500	–	–	43,500
	2020	41,571	–	–	41,571
BWD Connolly ¹	2021	48,500	15,000	5,000	68,500
	2020	45,731	15,000	5,000	65,731
Cynthia Dubin	2021	43,500	15,000	5,000	63,500
	2020	18,965	6,935	217	26,117
RC Gualdoni ²	2021	20,815	7,177	–	27,992
	2020	–	–	–	–
Dr JJC Jansz ³	2021	32,625	11,250	–	43,875
	2020	40,742	15,000	–	55,742
Dato' Lee Hau Hian	2021	43,500	–	–	43,500
	2020	41,849	–	–	41,849
HA Van Deursen	2021	43,500	15,000	–	58,500
	2020	40,742	15,000	–	55,742

Notes:

1. Base fee includes an amount of £5,000 per annum for role as Senior Independent Director.
2. Appointed to the Board on 8 July 2021.
3. Resigned on 29 September 2021.

Directors' shareholding and share interests (audited)

Directors	Interests in Company shares 31 December 2021	Vested unexercised performance related options 31 December 2021	Total unfettered interests in shares and vested options 31 December 2021	Unvested performance related options 31 December 2021 ¹	Share options exercised during 2021	Share ownership requirements (% of salary) ²	Interests in shares at 31 December 2021 (% of salary)
M Willome	–	–	–	198,295	–	220%	0%
CG MacLean ³	1,060,347	–	1,060,347	512,067	56,031	n/a	n/a
SG Bennett	195,817	–	195,817	426,467	36,660	175%	209%
The Hon. AG Catto	1,649,239	–	–	–	–	–	–
	7,072,441 ⁴	–	–	–	–	–	–
BWD Connolly	6,000	–	–	–	–	–	–
CS Dubin	–	–	–	–	–	–	–
RC Gualdoni	20,000	–	–	–	–	–	–
Dato' Lee Hau Hian	148,453	–	–	–	–	–	–
CA Johnstone	24,131	–	–	–	–	–	–
Dr J J C Jansz ⁴	12,500	–	–	–	–	–	–
HA Van Deursen	11,000	–	–	–	–	–	–

Notes:

¹ Non-beneficial interest.

1. Unvested performance related options comprise: (i) the awards made under the PSP in 2018, which were adjusted to take account of the bonus factor of 1.0713 for the rights issue in 2019 and (ii) the awards made under the PSP in 2020 and 2021. Details of the performance conditions attaching to the 2019 awards are set out on page 118; 2020 and 2021 awards are set out 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) toward compliance with the share ownership guidelines.
3. The figures for CG MacLean reflect his shareholding and time pro-rated share interests on 1 November 2021, the date that he stepped down as a Director.
4. The figure for JJC Jansz reflect his shareholding on 29 September 2021, the date that he stepped down as a Director.

There have been no changes in the interests of the Directors in shares between 31 December 2021 and 3 March 2022.

Annual Report on Remuneration continued

2020 award (audited)

The awards made on 12 March 2020 to CG MacLean and SG Bennett were as follows:

	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
CG MacLean	PSP – nil-cost options	150% of salary	321,524	£827,346	25%	31/12/2022
SG Bennett	PSP – nil-cost options	120% of salary	163,500	£420,718	25%	31/12/2022

The face value of the awards was calculated using a share price of 257.32p per share, the average share price on the five dealing days prior to the date of grant.

Further awards were made on 6 May 2020 to CG MacLean and SG Bennett, following the approval of the Directors' Remuneration Policy at the AGM held on 29 April 2020, as follows:

	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
CG MacLean	PSP – nil-cost options	25% of salary	49,780	£137,891	25%	31/12/2022
SG Bennett	PSP – nil-cost options	15% of salary	18,985	£52,588	25%	31/12/2022

The face value of the awards was calculated using a share price of 277p per share, the average share price on the five dealing days prior to the date of grant.

Therefore, the total awards for CG MacLean and SG Bennett in 2020 was:

	Scheme	Basis of award	Number of shares	Face value	Percentage vesting at threshold performance	Performance period end date
CG MacLean	PSP – nil-cost options	175% of salary	371,304	£965,237	25%	31/12/2022
SG Bennett	PSP – nil-cost options	135% of salary	182,485	£473,306	25%	31/12/2022

1. CG MacLean left Synthomer on 13 January 2022 triggering a time-apportioned lapse of 150,006 shares leaving a balance of 221,299 shares.

The 2020 awards under the PSP are subject to the following performance conditions:

Relative TSR condition	EPS condition	Synergies delivered from the OMNOVA acquisition	
Company-relative TSR performance against the FTSE 250 index (excluding investment trusts and financial services companies) over three-year period ending 31 December 2022	EPS for the 2022 financial year	Synergy delivery run rate by 31/12/2022	Percentage of award that will vest
Upper quartile	33.8p or more	\$29.6m or more	30%
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%
Median	29.0p	\$25.0m	7.5%
Below median	Less than 29.0p	Less than \$25.0m	0%

1. The targets were adjusted to take account of the additional OMNOVA earnings from 1 April 2020.

A further 10% of the award is 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.

2021 awards (audited)

The awards made on 11 March 2021 to CG MacLean and SG Bennett were as follows:

	Scheme	Basis of award	Number of shares ¹	Face value	Percentage vesting at threshold performance	Performance period end date
CG MacLean	PSP – nil-cost options	200% of salary	261,039	£1,189,476	25%	31/12/2023
SG Bennett	PSP – nil-cost options	150% of salary	124,446	£567,063	25%	31/12/2023

1. CG MacLean left Synthomer on 13 January 2022 triggering a time-apportioned lapse of 190,540 shares leaving a balance of 70,499 shares.

The face value of the awards was calculated using a share price of 455.67p per share, the average share price on the five dealing days prior to the date of grant.

The award made on 8 November 2021 to M Willome was 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	198,295	£1,011,106	25%	31/12/2023

The face value of the awards was calculated using a share price of 509.9p per share, the average share price on the five dealing days prior to the date of grant. This award was time-apportioned from M Willome's starting date.

Relative TSR condition	EPS condition	Percentage of award that will vest
Company-relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over three-year period ending 31 December 2023	EPS for the 2023 financial year	
Upper quartile	38.5p or more	40%
Between median and upper quartile	Between 33.0p and 38.5 pence	On a straight-line basis between 10% and 40%
Median	33.0p	10%
Below median	Less than 33.0p	0%

A further 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 to come from new products launched in the five years to December 2023.

Annual Report on Remuneration continued

Annual Report on Remuneration for the year ended 31 December 2021**Operation of the Executive Director Remuneration Policy for 2022**

The current policy has been in force since 29 April 2020. The specific remuneration arrangements for 2022 are described below.

Base salary	<p>A salary increase was awarded with effect from 1 January 2022 of 3.0% for the current Chief Financial Officer in line with that for the average of the UK workforce. The Chief Executive Officer did not receive a salary increase for 2022. 2022 salaries are as follows:</p> <ul style="list-style-type: none"> • M Willome: £650,000 • SG Bennett: £389,394 • L Liu: £440,000
Pension and benefits	<p>Pension contributions for new directors are aligned with that of the UK workforce. Executives 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 the next four years. This allowance will be £7,800 per month for the first year then £5,000 per month for the following three years, and will be grossed up for tax.</p> <p>2022 cash allowances in lieu of pension contributions are:</p> <ul style="list-style-type: none"> • M Willome: 7% of salary • SG Bennett: 20% of salary • L Liu: 7% of salary
Annual bonus	<p>For 2022, performance under the annual bonus will be measured on the following basis:</p> <ul style="list-style-type: none"> • 80% subject to performance against Underlying profit before tax targets • 10% subject to performance measures against key SHE targets • 10% subject to performance against individual strategic and operational goals <p>Targets and objectives for 2022 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> <p>2022 maximum award opportunity:</p> <ul style="list-style-type: none"> • M Willome: 150% of salary • SG Bennett: 150% of salary • L Liu: 150% of salary
Performance share plan	<p>For awards to be made in 2022, performance will be measured as follows:</p> <ul style="list-style-type: none"> • 30% 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% vesting 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 – 2021 EPS has been rebased for target setting purposes, to take account of the exceptional margins in Nitrile latex. See page 115. • 20% based on cost efficiencies as a result of the Eastman's Adhesive Resins business • 20% based on strategic targets, of which half will be a sustainability measure linked to a reduction in CO₂ emissions of up to 40% from the 2019 baseline and half will be linked to the introduction of new and protected products. <p>2022 maximum award opportunity:</p> <ul style="list-style-type: none"> • M Willome: 200% of salary • SG Bennett: 150% of salary • L Liu: 150% of salary
Shareholding guidelines during employment	<p>The Chief Executive Officer and the current Chief Financial Officer are expected to build interests in shares of at least 220% and 175% of salary respectively. L Liu will be expected to build interests in shares of at least 200% of salary.</p>
Chair and Non-Executive Directors	<p>The fees to be paid in 2022 to the Chair and the Non-Executive Directors were reviewed in December 2021 and as a result:</p> <ul style="list-style-type: none"> • The Chair's fee was increased from £189,500 to £235,000 per annum with effect from 1 January 2022 to reflect the greater time commitment that the role requires and its increased complexity. • The fees for Non-Executive Directors were increased in line with the average pay increase for the Group's UK workforce with effect from 1 January 2022.

Payments to past directors (audited)

While CG MacLean stepped down as CEO at the start of November 2021, his agreed formal leaving date was 13 January 2022, meaning he was entitled to an annual bonus for 2021. 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 2022.

The Remuneration Committee determined that, taking into account the circumstances of the departure, the transition between the leadership of the Company and CG MacLean's contribution to the business during his tenure, he would be treated as a 'good leaver' for the purpose of his unvested awards under the Performance share plan. In line with the approved policy, the awards will be reduced on a time-apportioned basis, which will be calculated to 31 December 2021. Awards will be subject to the relevant performance conditions which will be measured at the normal time.

Award date	Number of shares subject to award	Pro-rated maximum number of shares which could vest	Vesting date
2019	235,069	220,269	11 March 2022
2020	371,304	221,299	12 March 2023
2021	261,039	70,499	11 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 CG MacLean in 2019 together with all other remuneration paid to CG MacLean in 2021 are contained in this report.

The Synthomer post-employment shareholding guidelines which came into effect in April 2021 have not been applied as CG MacLean gave notice of termination 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
6,311 shares deferred from 2019 bonus paid in March 2020	26 March 2022
17,316 shares from vesting of 2017 PSP award in May 2020	4 May 2022
31,979 shares deferred from 2020 bonus paid in March 2021	26 March 2023
56,031 shares from vesting of 2018 PSP award in March 2021	8 March 2023

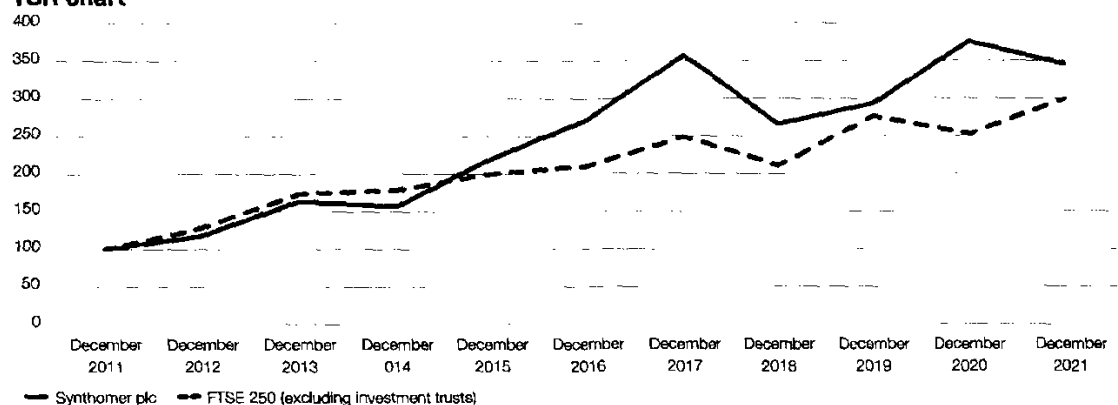
Payments for loss of office (audited)

No payments for loss of office were made during the year.

Annual Report on Remuneration continued

Performance graph and table

The graph and table below allow comparison of the TSR of the Company and the Chief Executive Officer remuneration outcomes over the last 10 years.

TSR chart

The graph 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.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Chief Executive Officer total single figure of remuneration (£'000)	1,487	923	967	1,246	1,218	2,516	1,807	893	1,805	2,279
Bonus (% of maximum awarded)	27.0	0.0	57.3	96.7	100.0	100.0	76.5	20.0	100.0	95.0
PSP (% of maximum vesting)	100.0	50.0	0.0	n/a	n/a	96.3	86.2	10.0	31.8	64.0

The Chief Executive Officer total single figure of remuneration includes salary, benefits and pension contributions paid in the year, together with bonuses and long-term incentive awards which vested based on performance in the year.

The 2021 single figure comprises the figure for CG MacLean, which covers the period to 31 October and the figure for M Willome, which covers the period from 1 November to 31 December 2021.

Chief Executive Officer to all employee pay ratio

The following table provides pay ratio data in respect of the Chief Executive Officer's total remuneration compared to the 25th, median and 75th percentile employees.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option B	54:1	44:1	31:1
2020	Option B	37:1	28:1	22:1
2019	Option B	26:1	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 2021 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.

Option B is considered to be the most simple and 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 increased for 2021 chiefly due to the increase in the PSP outcome.

The definition of pay used included the following:

- 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
2021	Salary	36,394	43,425	57,756
	Total remuneration	42,277	52,342	72,622

Our Chief Executive Officer 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 Chief Executive Officer total compensation.

The Board have 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

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, taking into account geographical location and remuneration structure.

	2021			2020		
	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
CG MacLean	2.5	–	1.1	1.3	–	507.8
SG Bennett	2.5	(1.3)	1.1	1.3	(24.1)	560.7
CA Johnstone	2.5	n/a	n/a	n/a	n/a	n/a
The Hon. AG Catto	5.6	n/a	n/a	0.9	n/a	n/a
BWD Connolly	5.4	n/a	n/a	1.1	n/a	n/a
C Dubin	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
Dr JJC Jansz	3.8	n/a	n/a	1.3	n/a	n/a
Dato' Lee Hau Hian	2.8	n/a	n/a	1.6	n/a	n/a
HA Van Deursen	3.6	n/a	n/a	1.3	n/a	n/a
Average change for employees	2.6	3.2	36.5	1.4	(4.4)	622.7

Note:

1. M Willome and R Gualdoni were appointed to the Board in 2021.

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.

	2021 £m	2020 £m	% change
Dividends paid	73.5	12.8	474.2
Total employee remuneration	243.7	211.3	15.3

Dividends are the dividends paid in the year. The final 2019 dividend was cancelled at the onset of COVID-19 in March 2020. 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 EUR 38,000 in 2021. M Willome has sat on European subsidiary boards of Indutrade AB since 2013 and received a board membership fee of CHF 30,000 in 2021.

SG Bennett does not currently hold any external appointments.

Remuneration Committee

Remuneration Committee membership since 1 January 2021:

Brendan Connolly (Chair)

Cynthia Dubin

Roberto Gualdoni (from 8 July 2021)

Just Jansz (to 29 September 2021)

Holly A Van Deursen

Attendance at Committee meetings is set out on page 93.

Key duties of the Committee

During 2021 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.

Advisers

The Chief Executive Officer, Company Secretary and Group HR Director 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 was appointed as the Committee's independent remuneration adviser in April 2013.

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 £13,000 for advice in 2021. The Committee is comfortable that the Deloitte engagement team that provides remuneration advice to the Committee do 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 on implementation of 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 AGM

The table below sets out the results of the votes on the Directors' remuneration at the 2021 AGM (Annual Report on Remuneration) and the 2020 AGM (Directors' Remuneration Policy).

	Votes for		Votes against		Votes withheld Number
	Number	% of vote	Number	% of vote	
2021 Annual Report on Remuneration	341,442,799	96.53	12,278,209	3.47	26,045
2020 Directors' Remuneration Policy	322,152,827	91.98	28,090,122	8.02	28,501

By order of the Board

R Atkinson

Company Secretary

03 March 2022



Directors' report

The Directors submit their Annual Report and the audited consolidated financial statements for the year ended 31 December 2021. None of the matters required to be disclosed by Listing Rule 9.8.4R apply to the Company, except for the following:

- The amount of capitalised interest – see Financial statements note 2
- Details of long-term incentive programmes – see Directors' Remuneration report on pages 112-126
- Shareholder waiver of dividends – see Financial statements note 31.

The Directors' report is covered on pages 126-128 as well as in the following sections of the Annual Report:

Item	Location in Annual Report
Statement of Directors' responsibilities	Page 129
Financial risk management	Financial statements – note 22
Present Board membership	Pages 84-87
Corporate Governance report	Pages 90-97
Strategic report (including principal activities)	Inside front cover to page 82
Management of risk and viability statement	Pages 69-81
Employee engagement	Pages 62-66
Directors' remuneration report	Pages 112-126
Share capital	Financial statements – note 27
Greenhouse gas emissions	Pages 182-183
Sustainability report	Pages 42-68

Results and dividends

The profit attributable to shareholders for the year was £208.7 million. An interim dividend of 8.7 pence per share was paid on 4 November 2021. The total dividend paid for the year was £73.5 million. The Directors recommend a final ordinary dividend of 21.3 pence per share payable on 5 July 2022 to those shareholders registered at the close of business on 6 June 2022. A dividend reinvestment plan is available to shareholders and this alternative will continue to be offered until further notice.

Acquisitions and disposals

On 7 April 2021 the Company completed the sale of Synthomer Thailand Limited to Rimrise FZE. On 28 October 2021 the Company agreed to acquire Eastman's Adhesive Resins business for \$1 billion.

Directors

All the Directors will retire and seek election or re-election at the forthcoming AGM.

None of the Directors seeking re-election has a service contract except Michael Willome and Stephen Bennett, who both have a service contract that contains a 12-month notice period. Stephen Bennett gave notice of termination on 4 August 2021 and has agreed a termination date with the Company of 4 November 2022.

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.

Share capital and control

On 28 October 2021 the Company completed a placing of 42,485,080 new ordinary shares of 10 pence each. This represented approximately 10% of the Company's issued share capital immediately before the placing and was connected to the financing of the acquisition of Eastman's Adhesive Resins business, which was announced that day. During 2021 no shares were purchased. A total of 99,927 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 upon 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 of 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.

Directors' report continued

Major shareholdings

Other than the shareholdings disclosed as Directors' interests in the Directors' remuneration report as at 18 February 2022, the Company had been notified under Section 5 of the Disclosure and Transparency Rules of the UK Listing Authority 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 Bhd	99,745,012	21.34	Direct interest
Jupiter Fund Management plc	24,965,862	5.34	Indirect interest
Ameriprise Financial Inc	21,103,757	4.52	Direct and indirect interest
Aegon Asset Management UK PLC	12,425,941	2.66	Direct and indirect 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 are in operation throughout the Group. Alexander Catto is the designated Non-Executive Director responsible for gathering the views of the workforce. Further information on the Board's workforce engagement methods can be found on pages 95 to 97. The Group's approach to diversity and inclusion is explained on pages 42 and 63-65.

Authority to purchase own shares

The Company has a general authority to make market purchases of not more than 42,485,096 of the Company's ordinary shares, in accordance with the terms of the special resolution passed at the 2021 AGM. This expires at the conclusion of the 2022 AGM. A resolution will be tabled at the 2022 AGM to renew this authority for an amount representing approximately 10% of the Company's issued share capital as at 2 March 2022.

Political donations

No political donations were made in the year.

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.

Subsidiaries

All the Group's subsidiaries, joint ventures and related undertakings are listed on pages 179-180.

Statement as to disclosure of information to auditor

Each Director of the Company confirms that, to the best of their knowledge, the Company's auditor is 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 auditor. For these purposes, relevant audit information means information needed by the Company's auditor in connection with preparing its report on pages 131-136. 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 taken into account factors that include:

- A \$260 million term loan and a €460 million revolving credit facility with five-year terms ending on 3 July 2024
- A €620 million bond due 2025
- The new committed \$300 million term loan facility entered into on 28 October 2021 in connection with the financing of the acquisition of Fastman's Adhesive Resins business.

After making enquiries and taking account of 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.

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 auditor will be proposed at the next AGM.

Annual General Meeting

The AGM will be held at the offices of the Company at 45 Pall Mall, London SW1Y 5JG on 28 April 2022 at 11.00 am.

By order of the Board



Richard Atkinson
Company Secretary

3 March 2022

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). The Group has also prepared the financial statements in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable UK-adopted IFRSs and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and 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. 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, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- 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

SG Bennett

Chief Financial Officer

Group financial statements

Our specialist high
solid SBR and SA and SBR
compounded products provide
high performance binders for the
backing of carpet and artificial turf and
as gel foam elastomers for floor
coverings, footwear and mattresses.
In all types of carpet (from wovens to
automotive) and artificial turf we provide
compounded products with technical
service and support to optimise
the performance of the
floor covering.

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 2021 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising 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, which comprise: the Consolidated balance sheet and Company statement of financial position as at 31 December 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement, the Consolidated and Company statements of changes in equity, and 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. In August 2021, we applied to the FRC for a one-year waiver in respect of the UK non-audit services fee cap for our audit of Synthomer Plc's financial period ending 31 December 2021. The waiver was in respect of fees relating to private reporting in relation to the Eastman's Adhesive Resins business acquisition and followed a similar waiver request in 2020. The application was approved as the exceptional circumstances test was met, with mitigations put in place by us and the Company to manage the risks to auditor independence.

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

Context

In planning and executing our audit we have considered the Group's climate risk assessment process (as described in the Sustainability report and TCFD report). This, together with discussions with our own climate change specialists, provided us with a good understanding of the potential impact of climate change on the financial statements. Management consider that the impact of climate change does not give rise to a material financial statement impact. We used our knowledge of the Group to evaluate management's assessment. The Group is targeting net zero carbon emissions by 2050, and with Vision 2030 they are working on their pathway towards this. The Group has started to quantify some of the impacts that may arise on this pathway and we have discussed with management and the Audit Committee that the estimated financial impacts of climate change will need to be frequently reassessed and our expectation that climate change disclosures will continue to evolve as greater understanding of the actual and potential impacts on the Group's future operations are obtained. We considered how climate change risks would impact the assumptions made in the forecasts prepared by management used in their impairment analyses and going concern. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit.

Overview

Audit scope

- Audit procedures provide coverage of 84% of revenue and 93% of underlying operating profit.
- Audit scope covers 8 countries, performing procedures over 14 components.
- Financially significant components in the USA, Germany and Malaysia.

Key audit matters

- Uncertain Tax Provisions (Group)
- Valuation of defined benefit pension liabilities and level 3 assets (Group)
- Presentation and quantum of Special Items (Group)
- Recoverability of investment in, and amounts owed by, Group undertakings (Company)

Materiality

- Overall Group materiality: £11,605,000 (2020: £7,900,000) based on approximately 5% of three-year average of underlying profit before taxation (2020: underlying profit before taxation).
- Overall Company materiality: £10,444,500 (2020: £18,660,000) based on 1% of total assets capped at 90% of Group materiality.
- Performance materiality: £8,703,000 (2020: £5,925,000) (Group) and £7,830,000 (2020: £2,250,000) (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.

Independent auditors' report continued

to the members of Synthomer plc

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.

Presentation of special items is a new key audit matter this year.

The impact of the COVID-19 pandemic and OMNOVA acquisition accounting, which were key audit matters last year, are no longer included because of the ability of the Group to continue to generate profits and operate despite disruption related to the COVID-19 pandemic, and the accounting related to the OMNOVA acquisition being finalised in the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Uncertain Tax Provisions (Group)</p> <p>The Group has a wide geographical footprint and is subject to a range of tax laws in a number of different tax jurisdictions. As set out in Note 10, the Group has a number of uncertain tax provisions totalling £23.7m (2020: £45.9m) as at 31 December 2021. By nature, uncertain tax positions require a significant element of judgement to determine an appropriate provision. As such, we have assessed that a significant risk exists in relation to valuation and presentation and disclosure assertions to ensure that provisions made are appropriate.</p>	<p><i>In order to assess the valuation and appropriateness of presentation and disclosure we:</i></p> <ul style="list-style-type: none"> Engaged our tax specialists (including transfer pricing specialists) to assess the level of provision held against various tax exposures was materially appropriate. In our assessment we had regard to the nature of individual exposures, including their origin, and any developments in the year to assess the rationale for their continued validity at the current year end. Inspected correspondence with tax authorities and the Group's tax advisors to evaluate valuation and completeness of provisions. Challenged judgements made by management by assessing individual provisions against our expectations of potential exposures, having regard to the facts of each case. Considered the adequacy of disclosure in the annual report. <p>No significant issues arose from this work to suggest that the judgements made, amounts provided or disclosures were inappropriate.</p>
<p>Valuation of defined benefit pension liabilities and level 3 assets (Group)</p> <p>As set out in note 26, the Group had £122.4m (2020: £221.4m) net liabilities as at 31 December 2021 in relation to defined benefit pension schemes. These primarily represent the Yule Catto Group retirement benefits scheme in the UK, the OMNOVA Solutions Consolidated Pension Plan in the US and an unfunded scheme in Germany, which account for £4.6m, £27.7m, and £74.7m respectively of the net pension deficit. The Group uses third party actuaries to calculate the 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.</p> <p>The pension asset also contains level 3 and other complex assets (complex PIVs where assets are not traded on Recognised Investment Exchanges (RIE)) totalling £266m as at 31 December 2021 (31 December 2020: £320m), which are complex in nature to value and therefore we deem there to be a risk with respect to the valuation of these assets.</p>	<p><i>In order to assess the identified risks we:</i></p> <ul style="list-style-type: none"> 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 commissioned by the Group 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. 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 controls 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. <p>We found management's assumptions to be within an acceptable range. We identified no concerns over their competency or objectivity.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Presentation and quantum of Special items (Group)</p> <p>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.</p> <p>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.</p> <p>Description of the amounts presented as Special items are included in note 4 to the financial statements.</p>	<p>We considered the appropriateness of amounts classified as Special items. To do this we considered:</p> <ul style="list-style-type: none"> • The Group's accounting policy on special items; and Pronouncements by the Financial Reporting Council on this matter. • 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 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 elements of the Special items, and the estimates underpinning some of them, including discussions with the Group's legal advisors where appropriate. <p>Our work highlighted certain items that management had classified as special items which were judgemental. 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 2021 is appropriate.</p>
<p>Recoverability of investment in, and amounts owed by, Group undertakings (Company)</p> <p>As disclosed in Note 3 of the Parent Company financial statements, the Company held an investment in subsidiaries of £536.7m (2020: £370.5) and amounts owed by Group undertakings of £1,275m (2020: £1443.4m) at 31 December 2021.</p> <p>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.</p> <p>As changes to these judgements and estimates could have a material impact on the Company financial statements, we consider this to be a key audit matter.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Evaluating management's assessment of whether any indicators of impairment existed. • 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. • Verifying that the recoverable values of the investment was consistent with the recoverable value of the CGU tested for goodwill impairment purposes, leveraging the audit work undertaken as part of the Group audit. <p>Based on the procedures performed, we noted no material issues from our work.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

As set out in note 5 'Segmental analysis', the Group reports its results as four segments: 'Performance Elastomers', 'Functional Solutions', 'Industrial Specialties' and 'Acrylate Monomers'. The Group financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and operating companies, across 24 countries. Three countries, being the USA, Germany and Malaysia, account for the majority of the Group's results. We accordingly focused our work on three 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 84% of the Group's revenue, 93% 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 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.

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 determine the scope of our audit and the nature, timing and extent of our audit procedures on 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.

Independent auditors' report continued

to the members of Synthomer plc

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	£11,605,000 (2020: £7,900,000).	£10,444,500 (2020: £18,660,000).
How we determined it	approximately 5% of three-year average of underlying profit before taxation (2020: underlying profit before taxation).	Based on 1% of total assets capped at 90% of Group materiality.
Rationale for benchmark applied	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.	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 at 90% of the Group overall materiality.

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 £10,706,500. 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% (2020: 75%) of overall materiality, amounting to £8,703,000 (2020: £5,925,000) for the Group financial statements and £7,830,000 (2020: £2,250,000) 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 £580,000 (Group audit) (2020: £395,000) and £522,000 (Company audit) (2020: £395,000) 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 2021 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 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 directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The 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, tax legislation and equivalent local laws and regulations applicable to significant component teams, 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. 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;

Independent auditors' report continued

to the members of Synthomer plc

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to provisions for uncertain tax positions, the European Commission provision 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 10 years, covering the years ended 31 December 2012 to 31 December 2021.

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

3 March 2022

Consolidated income statement

for the year ended 31 December 2021

	Note	2021			2020		
		Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Revenue	5	2,329.5	–	2,329.5	1,644.2	–	1,644.2
Company and subsidiaries operating profit before Special Items		448.3	–	448.3	188.4	–	188.4
Amortisation of acquired intangibles	4	–	(36.2)	(36.2)	–	(30.9)	(30.9)
Restructuring and site closure costs	4	–	(29.7)	(29.7)	–	(42.5)	(42.5)
Acquisition costs and related gains	4	–	(11.9)	(11.9)	–	(14.6)	(14.6)
Sale of business	4	–	(7.4)	(7.4)	–	(6.6)	(6.6)
Regulatory fine	4	–	(57.2)	(57.2)	–	–	–
Impairment charge	4	–	–	–	–	(36.6)	(36.6)
Company and subsidiaries		448.3	(142.4)	305.9	188.4	(131.2)	57.2
Share of joint ventures	18	2.6	–	2.6	1.2	–	1.2
Operating profit/(loss)	6	450.9	(142.4)	308.5	189.6	(131.2)	58.4
Interest payable	9	(27.9)	–	(27.9)	(25.5)	–	(25.5)
Interest receivable	9	1.0	–	1.0	1.2	–	1.2
Fair value gain/(loss) on unhedged interest rate derivatives	4	–	6.2	6.2	–	(3.6)	(3.6)
Loss on extinguishment of financing facilities	4	–	–	–	–	(4.9)	(4.9)
Net interest expense on defined benefit obligations	9	(2.4)	–	(2.4)	(3.7)	–	(3.7)
Interest element of lease payments	9	(1.5)	–	(1.5)	(1.6)	–	(1.6)
Finance costs		(30.8)	6.2	(24.6)	(29.6)	(8.5)	(38.1)
Profit/(loss) before taxation		420.1	(136.2)	283.9	160.0	(139.7)	20.3
Taxation	10	(94.5)	20.6	(73.9)	(37.4)	15.6	(21.8)
Profit/(loss) for the year		325.6	(115.6)	210.0	122.6	(124.1)	(1.5)
Profit/(loss) attributable to non-controlling interests		0.4	0.9	1.3	(0.3)	(4.3)	(4.6)
Profit/(loss) attributable to equity holders of the parent		325.2	(116.5)	208.7	122.9	(119.8)	3.1
		325.6	(115.6)	210.0	122.6	(124.1)	(1.5)
Earnings per share							
– Basic	13	75.2p	(26.9)p	48.3p	28.9p	(28.2)p	0.7p
– Diluted	13	74.9p	(26.8)p	48.1p	28.8p	(28.1)p	0.7p

Strategic report

Governance

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Company financial statements

Other information

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	2021			2020		
		Equity holders of the parent £m	Non-controlling interests £m	Total £m	Equity holders of the parent £m	Non-controlling interests £m	Total £m
Profit/(loss) for the year		208.7	1.3	210.0	3.1	(4.8)	(1.5)
Actuarial gains/(losses)	26	66.8	-	66.8	(7.6)	-	(7.6)
Tax relating to components of other comprehensive income	10	(11.8)	-	(11.8)	3.5	-	3.5
Total items that will not be reclassified to profit or loss		55.0	-	55.0	(4.1)	-	(4.1)
Exchange differences on translation of foreign operations	27	2.8	(0.2)	2.6	(37.5)	(0.3)	(37.8)
Exchange differences recycled on sale of business	27	0.3	-	0.3	-	-	-
Fair value gain/(loss) on hedged interest derivatives	27	3.4	-	3.4	(0.8)	-	(0.8)
Gains on net investment hedges taken to equity	27	3.3	-	3.3	15.9	-	15.9
Total items that may be reclassified subsequently to profit or loss		9.8	(0.2)	9.6	(22.4)	(0.3)	(22.7)
Other comprehensive income/(expense) for the year		64.8	(0.2)	64.6	(26.5)	(0.3)	(26.8)
Total comprehensive income/(expense) for the year		273.5	1.1	274.6	(23.4)	(4.9)	(28.3)

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total equity £m
		£m	£m	£m	£m	£m	£m	£m	£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	1,018.3	13.7	1,033.0

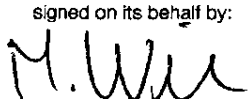
	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total equity £m
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2020		42.5	421.1	0.9	(19.5)	204.4	649.4	21.1	670.5
Profit/(loss) for the year		-	-	-	-	3.1	3.1	(4.6)	(1.5)
Other comprehensive expense for the year		-	-	-	(22.4)	(4.1)	(26.5)	(0.3)	(26.8)
Total comprehensive expense for the year		-	-	-	(22.4)	(1.0)	(23.4)	(4.9)	(28.3)
Dividends	12	-	-	-	-	(12.8)	(12.8)	(3.1)	(15.9)
Share-based payments		-	-	-	-	1.8	1.8	-	1.8
At 31 December 2020		42.5	421.1	0.9	(41.9)	192.4	615.0	13.1	628.1


Consolidated balance sheet

as at 31 December 2021

	Note	2021 £m	2020 £m
Non-current assets			
Goodwill	14	487.0	493.4
Acquired intangible assets	15	297.6	341.0
Other intangible assets	16	46.4	36.6
Property, plant and equipment	17	508.3	521.8
Deferred tax assets	11	29.2	23.8
Investment in joint ventures	18	7.4	6.6
Total non-current assets		1,375.9	1,423.2
Current assets			
Inventories	19	253.7	170.3
Trade and other receivables	20	312.8	262.4
Cash and cash equivalents	21	505.3	201.8
Derivative financial instruments	22	3.2	1.4
Total current assets		1,075.0	635.9
Total assets		2,450.9	2,059.1
Current liabilities			
Borrowings	21	–	(20.1)
Trade and other payables	24	(414.2)	(334.1)
Lease liabilities	23	(8.8)	(10.6)
Current tax liabilities	10	(45.2)	(58.5)
Provisions for other liabilities and charges	25	(85.2)	(25.7)
Derivative financial instruments	22	(10.1)	(19.4)
Total current liabilities		(563.5)	(468.4)
Non-current liabilities			
Borrowings	21	(619.5)	(643.9)
Trade and other payables	24	(2.3)	(3.7)
Lease liabilities	23	(34.7)	(44.4)
Deferred tax liabilities	11	(57.5)	(43.3)
Retirement benefit obligations	26	(122.4)	(221.4)
Provisions for other liabilities and charges	25	(18.0)	(5.9)
Total non-current liabilities		(854.4)	(962.6)
Total liabilities		(1,417.9)	(1,431.0)
Net assets		1,033.0	628.1
Equity			
Share capital	27	46.7	42.5
Share premium	27	620.0	421.1
Capital redemption reserve		0.9	0.9
Hedging and translation reserve	27	(32.1)	(41.9)
Retained earnings	27	383.8	192.4
Equity attributable to equity holders of the parent		1,019.3	615.0
Non-controlling Interests		13.7	13.1
Total equity		1,033.0	628.1

The financial statements on pages 137 to 172 were approved by the Board of Directors and authorised for issue on 3 March 2022. They are signed on its behalf by:


M Willome
 Director


S G Bennett
 Director

Consolidated cash flow statement

for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Operating			
Cash generated from operations	28	387.5	232.2
Interest received		1.0	1.2
Interest paid		(27.1)	(13.6)
Interest element of lease payments		(1.5)	(1.6)
Net interest paid		(27.6)	(14.0)
UK corporation tax paid		-	-
Overseas corporate tax paid		(86.4)	(31.4)
Total tax paid		(86.4)	(31.4)
Net cash inflow from operating activities		273.5	186.8
Investing			
Dividends received from joint ventures	18	1.9	1.9
Purchase of property, plant and equipment and intangible assets		(82.2)	(53.8)
Purchase of business		-	(314.0)
Proceeds from sale of business		1.7	0.1
Net cash outflow from investing activities		(78.6)	(365.8)
Financing			
Dividends paid	12	(73.5)	(12.8)
Dividends paid to non-controlling interests		(0.5)	(3.1)
Proceeds on issue of shares	27	203.1	-
Settlement of equity-settled share-based payments		(0.9)	(0.2)
Repayment of principal portion of lease liabilities		(9.7)	(9.7)
Repayment of borrowings		-	(718.3)
Repayment of borrowings on acquisition		-	(273.6)
Proceeds of borrowings		-	1,290.9
Net cash inflow from financing activities		118.5	273.2
Increase in cash, cash equivalents and bank overdrafts during the year		313.4	94.2
Cash, cash equivalents and bank overdrafts at 1 January	21	191.3	103.6
Foreign exchange and other movements	21	0.6	(6.5)
Cash, cash equivalents and bank overdrafts at 31 December	21	505.3	191.3

Reconciliation of net cash flow from operating activities to movement in net debt

for the year ended 31 December 2021

	Note	2021 £m	2020 £m
Net cash inflow from operating activities		273.5	186.8
Add back: dividends received from joint ventures	18	1.9	1.9
Less: net capital expenditure		(82.2)	(53.8)
Less: purchase of business		-	(587.6)
Add back: proceeds from sale of business		1.7	0.1
		194.9	(452.6)
Ordinary dividends paid	12	(73.5)	(12.8)
Issue of shares	27	203.1	-
Dividends paid to non-controlling interests		(0.5)	(3.1)
Settlement of equity-settled share-based payments		(0.9)	(0.2)
Repayment for principal portion of lease liabilities		(9.7)	(9.7)
Foreign exchange and other movements	21	34.6	(4.5)
Decrease/(increase) in net debt		348.0	(482.9)

Notes to the consolidated financial statements

31 December 2021

1 General information

Synthomer plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on page 188. 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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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.

The financial statements have been prepared on 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. This scenario does not threaten the Group's ability to operate within the level of its current facilities. No mitigating actions have been included for any of the scenarios and, should it need to, 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.

Having assessed the principal risks and the other matters discussed in connection with the viability statement (see page 81), the Directors 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.

The results of joint ventures are accounted for using equity accounting.

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 to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Notes to the consolidated financial statements continued

31 December 2021

2 Significant accounting policies continued

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 and Acrylate Monomers.

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

Operating profit represents profit 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 15 years

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 15 years
Other intangibles	– up to 10 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.

Notes to the consolidated financial statements continued

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2 Significant accounting policies continued

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.

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 appropriate.

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 (FVOCI).

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, 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 investments 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.

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 in its consolidated income statement.

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.

Notes to the consolidated financial statements continued

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2 Significant accounting policies continued

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 impact the carrying value of the obligation.
- **Valuation of goodwill and intangible assets on acquisition:**
In a business combination, intangible assets are identified and recognised at fair value. The assumptions involved in valuing these intangible 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.
- **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

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 and will continue to fully cooperate with the Commission during its investigation. 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 disclosed in each set of financial statements. Now based on the information available and the resulting assessment of the expected outcome of the investigation a provision of £57.2 million has been made in relation to this case.

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.

3 Adoption of new and revised standards

No new or revised accounting standards were adopted in the year.

In April 2021, the IFRS Interpretations Committee issued a new interpretation in relation to accounting for customisation and configuration costs of cloud computing arrangements. Following a detailed review, it was confirmed that the new interpretation does materially impact the accounting treatment for costs incurred on the Group's Pathway programme.

There are a number of other amendments and clarifications to IFRS, effective in future years, which are not expected to significantly impact the Group's consolidated results or financial position.

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 a 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.

Special Items comprise:

	Note	2021 £m	2020 £m
Amortisation of acquired intangibles	15	(36.2)	(30.9)
Restructuring and site closure costs		(29.7)	(42.5)
Acquisition costs and related gains		(11.9)	(14.6)
Sale of business		(7.4)	(6.6)
Regulatory fine		(57.2)	-
Impairment charge		-	(36.6)
Total impact on operating loss		(142.4)	(131.2)
Finance costs			
Fair value gain/(loss) on unhedged interest rate derivatives	9	6.2	(3.6)
Loss on extinguishment of financing facilities	9	-	(4.9)
Total impact on profit before taxation		(136.2)	(139.7)
Taxation Special Items	10	8.8	(4.9)
Taxation on Special Items	10	11.8	20.5
Total impact on profit for the year		(115.6)	(124.1)

Amortisation of acquired intangibles increased in 2021, reflecting the first full year charge since the acquisition of OMNOVA Solutions Inc on 1 April 2020. The fair value of the intangible assets arising on the acquisition of OMNOVA amounting to £330.1 million are being amortised over a period of 9–11 years mainly dependent on the characteristics of the customer relationships.

Restructuring and site closure costs in 2021 comprise:

- A £13.2 million charge in relation to the substantially completed integration of the OMNOVA acquisition net of a £1.2 million pension curtailment credit in relation to the French business;
- A £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 for the completion of the rationalisation of the Group's European Performance Materials network.

Restructuring and site closure costs in 2020 comprised £19.5 million for integration of OMNOVA, £20.9 million for the rationalisation of the Group's European Performance Materials network and £2.1 million to rationalise the Acrylate Monomers site.

Acquisition costs and related gains are for the acquisition of Eastman's Adhesive Resins business and comprise £15.0 million of costs, mainly professional adviser fees, offset by a £3.1 million gain on a foreign exchange derivative entered into in October 2021 to hedge the acquisition price. Acquisition costs in 2020 related to the acquisition of OMNOVA.

Sale of business mainly comprised a further £7.1 million loss on the onerous contract for the disposal of Synthomer's European Tyre Cord business as production is relocated to Gaojing (China) to enable the Marl 3 asset (Germany) to be fully closed. This is incremental to the charge taken in 2020.

During 2018, the European 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 and will continue to fully cooperate with the Commission during its investigation. Based on the information available and the resulting assessment of the expected outcome of the investigation a provision of £57.2 million has been made in relation to this case.

In 2020, a £36.6 million impairment charge was booked relating to four sites.

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 at 31 December 2021 in excess of the Group's current borrowings.

Following the Group's successful refinancing in 2020, capitalised debt costs relating to the 2018 refinancing and the 2019 bridge to bond were written off, leading to a loss on extinguishment of £4.9 million.

Taxation Special Items comprised the release of uncertain tax provisions in relation to historical tax issues in France and Malaysia.

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

Notes to the consolidated financial statements continued

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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, paper, carpet, compounds 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 water-based acrylic and vinyl based dispersions products.

Industrial Specialities

Industrial Specialities is focused on speciality chemical additives and non-water-based chemistry for a broad range of applications from polymer additives, coated fabrics, laminates and films 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.

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.

	2021					
	Performance Elastomers £m	Functional Solutions £m	Industrial Specialities £m	Acrylate Monomers £m	Corporate £m	Total £m
Revenue						
Total revenue	951.5	900.3	382.5	110.3	–	2,344.6
Inter-segmental revenue	–	–	–	(15.1)	–	(15.1)
	951.5	900.3	382.5	95.2	–	2,329.5
EBITDA	320.7	139.2	47.6	35.3	(20.6)	522.2
Depreciation and amortisation	(25.8)	(28.1)	(13.7)	(0.8)	(2.9)	(71.3)
Operating profit/(loss) before Special Items	294.9	111.1	33.9	34.5	(23.5)	450.9
Special Items	(8.0)	(41.3)	(14.1)	(5.2)	(73.8)	(142.4)
Operating profit/(loss)	286.9	69.8	19.8	29.3	(97.3)	308.5
Finance costs						(24.6)
Profit before taxation						283.9
	2020					
	Performance Elastomers £m	Functional Solutions £m	Industrial Specialities £m	Acrylate Monomers £m	Corporate £m	Total £m
Revenue						
Total revenue	680.3	646.7	264.9	64.4	–	1,656.3
Inter-segmental revenue	–	–	–	(12.1)	–	(12.1)
	680.3	646.7	264.9	52.3	–	1,644.2
EBITDA	142.5	96.6	41.2	(2.4)	(17.5)	259.4
Depreciation and amortisation	(25.7)	(26.5)	(12.2)	(3.2)	(2.2)	(69.8)
Operating profit/(loss) before Special Items	116.8	69.1	29.0	(5.6)	(19.7)	189.6
Special Items	(36.0)	(38.0)	(10.2)	(20.7)	(26.3)	(131.2)
Operating profit/(loss) – IFRS	80.8	31.1	18.8	(26.3)	(46.0)	58.4
Finance costs						(38.1)
Profit before taxation						20.3

Finance costs for the period include a £6.2 million gain in Special Items (2020: £8.5 million loss) as set out in note 4.

Geographical information

The Group's revenue from external customers and its non-current assets (excluding deferred tax) by geographical location are detailed below:

	Revenue by destination		Non-current assets	
	2021 £m	2020 £m	2021 £m	2020 £m
UK	103.6	75.6	154.8	140.6
Germany	257.2	183.2	189.4	194.6
Italy	102.9	63.2	33.9	52.7
Netherlands	81.4	57.5	10.9	15.1
France	97.2	64.6	99.2	111.4
Belgium	49.2	36.0	62.3	70.2
Other Europe	389.6	293.4	75.8	78.8
Malaysia	392.4	304.5	170.5	162.7
China	145.9	93.3	22.3	22.3
Other Asia	205.5	144.2	22.5	30.3
USA	399.6	254.8	497.5	514.1
Rest of World	105.0	74.1	7.6	6.6
	2,329.5	1,644.2	1,346.7	1,399.4

6 Operating profit

	Note	2021 £m	2020 £m
Revenue		2,329.5	1,644.2
Cost of sales		(1,620.3)	(1,206.8)
Gross profit		709.2	437.4
Sales and marketing costs		(55.8)	(53.9)
Administrative expenses		(133.8)	(125.3)
Share of joint ventures	18	2.6	1.2
EBITDA		522.2	259.4
Depreciation and amortisation – Underlying performance		(71.3)	(69.8)
Operating profit – Underlying performance		450.9	189.6
Special items		(142.4)	(131.2)
Operating profit – IFRS		308.5	58.4

	Note	2021 £m	2020 £m
Operating profit is stated after charging the following:			
Amortisation of acquired intangibles	15	36.2	30.9
Amortisation of other intangibles	16	7.1	4.9
Depreciation of property, plant and equipment	17	54.4	54.0
Depreciation of right of use assets	17	9.8	10.9
Research and development expenditure		28.9	25.8
Net loss/(gain) on foreign exchange		0.7	(1.0)

7 Auditors' remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's auditors for:		
audit of the Company's annual financial statements and the consolidated annual financial statements	332	222
Fees payable to the Company's auditors and their associates for other services to the Group:		
audit of the Company's subsidiaries' annual financial statements	1,291	1,594
Total audit fees	1,623	1,816
Audit related assurance services	42	40
Other assurance services	1,582	567
Total non-audit fees	1,624	607

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditors were used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance report on page 101. No services were provided pursuant to contingent fee arrangements.

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8 Staff costs

	2021	2020
The average monthly number of employees during the year by segment was:		
Performance Elastomers	944	893
Functional Solutions	1,826	1,656
Industrial Specialties	1,176	963
Acrylate Monomers	344	351
Corporate	324	321
	4,614	4,184
	2021	2020
	£m	£m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	243.7	211.3
Social security costs	26.5	25.6
Other pension costs	13.9	14.0
Share-based payments	2.1	2.0
	286.2	252.9

Directors' emoluments are disclosed in the Directors' Remuneration report on pages 112 to 126.

9 Finance costs

	2021	2020
	£m	£m
Interest payable on bank loans and overdrafts	27.9	25.5
Less: interest receivable	(1.0)	(1.2)
Net interest expense on defined benefit obligations	2.4	3.7
Interest element of lease payments	1.5	1.6
Underlying finance costs	30.8	29.6
Fair value (gain)/loss on unhedged interest derivatives	(6.2)	3.6
Loss on extinguishment of financing facilities	-	4.9
Finance costs	24.6	38.1

10 Taxation

	2021	2020
	£m	£m
Current tax		
UK corporation tax	0.3	-
Overseas tax	89.0	39.9
	89.3	39.9
Deferred tax		
Origination and reversal of temporary differences	5.2	(2.5)
	94.5	37.4
Special items		
Current tax:		
Historical issues	(8.8)	4.9
Purchase and sale of business	(0.2)	(0.2)
Restructuring and site closure costs	(4.2)	(0.2)
Deferred tax:		
Restructuring and site closure costs	(6.1)	(10.5)
Amortisation of acquired intangibles	(6.9)	(10.7)
Acquired tax attributes	5.6	-
Other deferred tax on acquisition of business	-	1.1
	(20.6)	(15.6)
Total tax on profit before taxation	73.9	21.8

UK corporation tax is calculated at 19.0% (2020: 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 expense to profit before taxation

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2021 £m	2020 £m
Profit before taxation	283.9	20.3
Tax on profit before taxation at standard UK corporation tax rate of 19.0% (2020: 19.0%)	53.9	3.9
Effects of:		
Expenses not deductible for tax purposes	16.7	5.8
Tax incentives and items not subject to tax	(0.6)	(3.6)
Higher tax rates on overseas earnings	16.6	6.0
Other deferred tax asset not recognised less amounts now recognised	(7.6)	7.2
Adjustments to tax charge in respect of prior periods	(7.5)	3.3
Effect of change of rate on deferred tax	2.4	(0.8)
Tax charge for year	73.9	21.8

Tax relating to components of other comprehensive income

	2021 £m	2020 £m
Current tax credit in respect of actuarial losses	1.4	1.3
Deferred tax (charge)/credit in respect of actuarial movements	(13.2)	2.2
Total tax (charge)/credit in respect of actuarial movements	(11.8)	3.5

Current tax liabilities

	2021 £m	2020 £m
Current tax liabilities	(45.2)	(58.5)

The expenses not deductible for tax purposes includes a disallowance of the £57.2 million in relation to the European Commission Styrene investigation.

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

2021

	Accelerated tax depreciation £m	Acquired intangibles £m	Sub-total £m	Right of Offset £m	Total £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)

2020

	Accelerated tax depreciation £m	Acquired intangibles £m	Other £m	Sub-total £m	Right of Offset £m	Total £m
At 1 January	(17.9)	(11.8)	(1.1)	(30.8)	—	(30.8)
Purchase of business	(10.0)	(76.0)	—	(86.0)		
(Charged)/credited to income statement	(5.2)	10.7	1.1	6.6		
Exchange adjustment	0.3	(4.5)	—	(4.2)		
At 31 December	(32.8)	(81.6)	—	(114.4)	71.1	(43.3)

Deferred tax liabilities not recognised

No deferred tax liability has been recognised on temporary differences relating to unremitted earnings of overseas subsidiaries of £71.7 million (2020: £30.5 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.

Notes to the consolidated financial statements continued

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11 Deferred taxation continued**Deferred tax assets****2021**

	Losses £m	Pension £m	Restructuring £m	Other £m	Sub-total £m	Right of Offset £m	Total £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	18.1	16.2	78.4	(49.2)	29.2

2020

	Losses £m	Pension £m	Restructuring £m	Other £m	Sub-total £m	Right of Offset £m	Total £m
At 1 January	2.2	18.7	-	1.9	22.8	-	22.8
Purchase of business	26.5	18.9	-	10.1	55.5		
Credited/(charged) to income statement	2.9	(1.9)	10.5	4.5	16.0		
Credited to statement of other comprehensive income	-	2.2	-	-	2.2		
Exchange adjustment	(2.6)	(0.7)	-	1.7	(1.6)		
At 31 December	29.0	37.2	10.5	18.2	94.9	(71.1)	23.8

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:

	2021 £m	2020 £m
Tax losses	53.4	110.3
	53.4	110.3

All of the unrecognised tax losses set out above can be carried forward indefinitely.

12 Dividends

	2021 Pence per share	2021 £m	2020 Pence per share	2020 £m
Interim dividend	8.7p	36.9	3.0p	12.8
Proposed final dividend	21.3p	99.5	8.6p	36.6
	30.0p	136.4	11.6p	49.4

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

Dividends paid

	2021 £m	2020 £m
Interim dividend	36.9	12.8
Prior year final dividend	36.6	-
	73.5	12.8

The proposed final 2019 dividend was suspended and subsequently cancelled to preserve cash, liquidity and balance sheet strength at the onset of COVID-19 in March 2020.

13 Earnings per share

		Underlying performance	2021 Special Items	IFRS	Underlying performance	2020 Special Items	IFRS
Earnings							
Profit/(loss) attributable to equity holders of the parent	£m	325.2	(116.5)	208.7	122.9	(119.8)	3.1
Number of shares							
Weighted average number of ordinary shares — basic	'000			432,290			424,843
Effect of dilutive potential ordinary shares	'000			1,854			2,505
Weighted average number of ordinary shares — diluted	'000			433,944			427,348
Earnings per share							
Basic earnings per share	pence	75.2	(26.9)	48.3	28.9	(28.2)	0.7
Diluted earnings per share	pence	74.9	(26.8)	48.1	28.8	(28.1)	0.7

14 Goodwill

	2021 £m	2020 £m
Cost		
At 1 January	508.8	338.5
Measurement period adjustment	2.1	-
Purchase of business	-	180.2
Exchange adjustments	(8.5)	(9.9)
At 31 December	502.4	508.8
Accumulated impairment losses		
At 1 January	15.4	14.1
Impairment charge	-	1.3
At 31 December	15.4	15.4
Net book value		
At 31 December	487.0	493.4

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 2020 £m	Purchase of business £m	Impairment £m	Exchange adjustments £m	Net book value at 31 December 2020 £m	Measure- ment period adjustment £m	Exchange adjustments £m	Net book value at 31 December 2021 £m
Performance Elastomers	119.0	-	-	4.2	123.2	-	(5.9)	117.3
Functional Solutions	180.0	138.0	-	(11.6)	306.4	1.9	(1.4)	306.9
Industrial Specialities	24.1	42.2	-	(2.5)	63.8	0.2	(1.2)	62.8
Acrylate Monomers	1.3	-	(1.3)	-	-	-	-	-
Total	324.4	180.2	(1.3)	(9.9)	493.4	2.1	(8.6)	487.0

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 revised 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 and geography of operation. A pre-tax discount rate of 10.2% has been used in the above calculations for each CGU (2020: 9.7%).

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% and 2.0% for Performance Elastomers, Functional Solutions and Industrial Specialities respectively (2020: 1.7%, 1.6% and 1.6% for Performance Elastomers, Functional Solutions and Industrial Specialities respectively). These rates do not exceed average long-term growth rates for relevant markets.

A sensitivity analysis has been undertaken on these impairment tests, with scenarios covering increased cost of capital, the impact of potential carbon taxes, reduced margins and reduction in customer demand. For each CGU, 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.

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15 Acquired intangible assets

	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
Cost			
At 1 January 2020	71.3	9.1	80.4
Purchase of business	316.9	13.2	330.1
Derecognition of fully amortised assets	(0.9)	–	(0.9)
Exchange adjustments	(14.1)	(0.7)	(14.8)
At 31 December 2020	373.2	21.6	394.8
Accumulated amortisation and impairment			
At 1 January 2020	20.8	2.8	23.6
Amortisation charge for the year	29.0	1.9	30.9
Impairment charge	0.1	–	0.1
Derecognition of fully amortised assets	(0.9)	–	(0.9)
Exchange adjustments	(0.2)	0.3	0.1
At 31 December 2020	48.8	5.0	53.8
Net book value			
At 31 December 2020	324.4	16.6	341.0

16 Other intangible assets

	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
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
	Other intangible assets £m	Assets under construction £m	Total £m
Cost			
At 1 January 2020	8.2	17.9	26.1
Additions	1.4	12.4	13.8
Purchase of business	5.7	-	5.7
Transfer	0.2	(0.2)	-
Disposals	(0.8)	-	(0.8)
Exchange adjustments	0.1	(0.2)	(0.1)
At 31 December 2020	14.8	29.9	44.7
Accumulated amortisation and impairment			
At 1 January 2020	4.1	-	4.1
Amortisation charge for the year	4.9	-	4.9
Impairment	0.1	-	0.1
Disposals	(0.8)	-	(0.8)
Exchange adjustments	(0.2)	-	(0.2)
At 31 December 2020	8.1	-	8.1
Net book value			
At 31 December 2020	6.7	29.9	36.6

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 £12.9 million in its Pathway programme (2020: £12.2 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 2021	181.4	8.7	739.4	25.1	36.9	29.4	1,020.9
Additions	8.0	-	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
	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 2020	106.1	8.7	636.7	13.4	21.5	24.4	810.8
Additions	7.9	-	9.0	19.8	1.6	2.9	41.2
Purchase of business	68.2	-	87.2	8.2	15.0	5.9	184.5
Disposals	(0.1)	-	(10.3)	-	(0.9)	(4.5)	(15.8)
Transfer from assets under construction	1.5	-	14.1	(15.6)	-	-	-
Exchange adjustments	(2.2)	-	2.7	(0.7)	(0.3)	0.7	0.2
At 31 December 2020	181.4	8.7	739.4	25.1	36.9	29.4	1,020.9
Accumulated depreciation and impairment							
At 1 January 2020	40.5	4.9	353.5	-	2.4	4.6	405.9
Depreciation charge for the year	7.7	0.2	46.1	-	4.5	6.4	64.9
Impairment	9.7	-	23.1	-	-	0.7	33.5
Disposals	(0.1)	-	(9.1)	-	(0.9)	(0.8)	(10.9)
Exchange adjustments	1.2	-	4.2	-	-	0.3	5.7
At 31 December 2020	59.0	5.1	417.8	-	6.0	11.2	499.1
Net book value							
At 31 December 2020	122.4	3.6	321.6	25.1	30.9	18.2	521.8

Freehold land is not depreciated and is held at historical cost. At 31 December 2021, the Group's freehold land was recognised at £50.4 million (31 December 2020: £54.3 million).

At 31 December 2021 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £18.8 million (2020: £18.9 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%	Manufacture and sale of acrylic and vinyl resin emulsions	Functional Solutions
Synthomer Functional Solutions FZCO	UAE	49%	Trading in adhesives and oilfield chemicals	Functional Solutions
Synthomer FZCO	UAE	49%	Sales and marketing support for Synthomer companies	Functional Solutions
Super Sky Ltd	UK	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.

Summarised financial information in respect of the joint ventures is set out below. This information represents amounts in the joint ventures' financial statements prepared in accordance with IFRS.

Summarised balance sheet (100%)

	2021 £m	2020 £m
Non-current assets	6.4	4.6
Cash and cash equivalents	2.6	4.2
Other current assets	24.5	14.6
Total current assets	27.1	18.8
Other current liabilities	(18.5)	(9.9)
Total current liabilities	(18.5)	(9.9)
Net assets	15.0	13.5
Group share:	2021 £m	2020 £m
Total assets	18.5	11.5
Total liabilities	(9.1)	(4.9)
Net assets	7.4	6.6

Summarised statement of comprehensive income (100%)

	2021 £m	2020 £m
Revenue	61.8	39.4
Operating profit	5.4	2.7
Taxation	-	(0.2)
Profit for the year	5.4	2.5
Exchange differences on translation	0.2	(0.4)
Total comprehensive income	5.6	2.1
Dividends paid	(3.9)	(3.8)
Movement in retained earnings	1.7	(1.7)
Group share:		
Profit for the year	2.6	1.2
Exchange differences on translation	0.1	(0.2)
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 ventures

	2021 £m	2020 £m
At 1 January	6.6	7.5
Profit from continuing operations	2.6	1.2
Exchange differences on translation	0.1	(0.2)
Dividend paid	(1.9)	(1.9)
At 31 December	7.4	6.6

19 Inventories

	2021 £m	2020 £m
Raw materials and consumables	120.4	78.9
Finished goods	133.3	91.4
	253.7	170.3

Stock written off during the year	5.9	0.5
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Cost of inventory recognised as an expense and included in cost of sales	1,338.4	926.2
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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

	2021 £m	2020 £m
Trade receivables	275.1	229.3
Other receivables	25.4	23.6
Prepayments	12.3	9.5
	312.8	262.4

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.

2021	Trade receivables – days past due				Total £m
	Not yet due £m	< 60 £m	61–120 £m	> 120 £m	
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

2020	Trade receivables – days past due				Total £m
	Not yet due £m	< 60 £m	61–120 £m	> 120 £m	
Gross carrying amount	214.1	15.1	0.3	1.7	231.2
Expected credit loss rate					0.12%
Lifetime expected credit loss					(1.9)
Total					229.3

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:

	2021 £m	2020 £m
At 1 January	1.9	0.9
Exchange adjustments	(0.1)	(0.1)
Acquisition of business	-	1.4
Transfer (from)/to credit impaired	(0.2)	0.1
Uncollectable amounts written off or recovered	(0.1)	(0.4)
At 31 December	1.5	1.9

21 Cash and borrowings

	1 January 2021 £m	Cash inflows/ outflows £m	Exchange and other movements £m	31 December 2021 £m
Bank overdrafts	(10.5)	10.5	-	-
Current borrowings	(9.6)	-	9.6	-
Current liabilities	(20.1)	10.5	9.6	-
Bank loans	(186.2)	-	(1.7)	(187.9)
€520m 3.875% senior unsecured loan notes due 2025	(457.7)	-	26.1	(431.6)
Non-current liabilities	(643.9)	-	24.4	(619.5)
Total borrowings	(664.0)	10.5	34.0	(619.5)
Cash and cash equivalents	201.8	302.9	0.6	505.3
Net debt	(462.2)	313.4	34.6	(114.2)

Capitalised debt costs shown in the tables above, which have been recognised as a reduction in borrowings in the financial statements, amounted to £9.9 million at 31 December 2021 (31 December 2020: £11.2 million).

Analysis of net debt by currency:

	2021		2020	
	Cash and cash equivalents £m	Total borrowings £m	Cash and cash equivalents £m	Total borrowings £m
Sterling	211.5	-	12.5	-
Euro	50.7	437.3	38.8	484.7
US dollar	124.8	192.1	54.1	190.5
Malaysian ringgit	51.0	-	61.0	-
Other	67.3	-	35.4	-
Total	506.3	629.4	201.8	675.2

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. The Group also has a \$300 million term loan with a term ending in October 2024 and €520 million 3.875% unsecured senior loan notes due in June 2025.

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows are classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	1 January 2021 £m	Financing cash outflows £m	Non cash changes Acquisitions £m	Exchange and other movements £m	31 December 2021 £m
Borrowings	(653.5)	-	-	34.0	(619.5)
Lease liabilities	(55.0)	9.7	-	1.8	(43.5)
Total	(708.5)	9.7	-	35.8	(663.0)

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22 Financial instruments

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

	Valuation category in accordance with IFRS 9 ¹	Fair value hierarchy level	2021			2020		
			Carrying amount £m	within scope of IFRS 7 £m	Fair value £m	Carrying amount £m	within scope of IFRS 7 £m	Fair value £m
Trade receivables	AC	Level 2	275.1	275.1	275.1	229.3	229.3	229.3
Other receivables	AC	Level 2	25.4	15.0	15.0	23.6	13.9	13.9
Cash and cash equivalents	AC	Level 2	505.3	505.3	505.3	201.8	201.8	201.8
Derivatives – no hedge accounting	FVTPL	Level 2	3.2	3.2	3.2	1.4	1.4	1.4
Total assets			809.0	798.6	798.6	456.1	446.4	446.4
Borrowings	AC	Level 2	(619.5)	(619.5)	(629.4)	(664.0)	(664.0)	(675.2)
Trade and other payables	AC	Level 2	(416.5)	(404.6)	(404.6)	(337.8)	(324.9)	(324.9)
Derivatives – no hedge accounting	FVTPL	Level 2	(10.1)	(10.1)	(10.1)	(19.4)	(19.4)	(19.4)
Total liabilities			(1,046.1)	(1,034.2)	(1,044.1)	(1,021.2)	(1,008.3)	(1,019.5)

Note:

1 AC: amortised cost; 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 2021 was £629.4 million (31 December 2020: £675.2 million).

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 (2020: none).

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 2021 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 fair value 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 2021 was:

	2021			2020		
	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Euro	–	437.3	437.3	10.3	474.4	484.7
US dollar	192.1	–	192.1	190.5	–	190.5
Total	192.1	437.3	629.4	200.8	474.4	675.2

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 2021 and 31 December 2020 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.

	2021			2020		
	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%	2.1	-	-	-	-	-
Euro interest rate +/- 1.0%	0.5	4.4	-	0.4	4.4	-
US interest rate +/- 1.0%	0.7	-	-	1.4	-	-
Foreign currency sensitivity analysis						
Sterling +/- 10%	19.9	19.9	23.0	3.4	3.4	31.3
Euro exchange rate +/- 10%	1.0	1.0	10.0	2.8	2.8	7.6
US dollar exchange rate +/- 10%	19.6	19.6	11.6	1.0	1.0	21.5
Malaysian ringgit exchange rate +/- 10%	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.

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.

Notes to the consolidated financial statements continued

31 December 2021

22 Financial instruments continued

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.

	2021			2020		
	Amount due within 1 year £m	between 1 and 2 years £m	between 2 and 5 years £m	Amount due within 1 year £m	between 1 and 2 years £m	between 2 and 5 years £m
Overdrafts	-	-	-	(10.5)	-	-
Financial liabilities in trade and other payables	(402.3)	(1.5)	(0.8)	(321.2)	(2.0)	(1.7)
Bank loans – principal	-	-	(192.1)	-	-	(190.2)
€520m 3.875% senior unsecured loan notes due 2025	-	-	(437.3)	-	-	(464.9)
Interest payments on borrowings	(20.5)	(20.5)	(27.5)	(22.1)	(22.0)	(60.0)
Total non-derivative financial liabilities	(422.8)	(22.0)	(657.7)	(353.8)	(24.0)	(716.8)
	2021			2020		
	Amount due within 1 year £m	between 1 and 2 years £m	between 2 and 5 years £m	Amount due within 1 year £m	between 1 and 2 years £m	between 2 and 5 years £m
Currency forwards	3.2	-	-	1.4	-	-
Total derivative financial assets	3.2	-	-	1.4	-	-
Interest rate swaps	(4.0)	(4.0)	(7.1)	(4.2)	(4.3)	(11.5)
Currency forwards	(1.2)	-	-	(0.8)	-	-
Total derivative financial liabilities	(5.2)	(4.0)	(7.1)	(5.0)	(4.3)	(11.5)

The financial covenant at 31 December 2021 for the RCF is that net debt must be less than 4.0 times EBITDA. At 31 December 2021 the actual covenant for the net debt was 0.3 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 undrawn committed bank facilities as follows:

	2021		2020	
	Expiring between 2 and 5 years £m	Total £m	Expiring between 2 and 5 years £m	Total £m
Unsecured €460m multi-currency RCF expiring 3 July 2024	373.3	373.3	397.0	397.0
Unsecured \$300m Term Loan Facility expiring 28 October 2024	221.7	221.7	-	-
	595.0	595.0	397.0	397.0

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
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
2020				
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	from 01/04/2020	1.08 – 1.15
Net investment	Currency	Up to \$370m	from 01/04/2020	1.23 – 1.37

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 2021 a gain of £3.4 million (2020: £0.8 million loss) was recognised in the cash flow hedge reserve in respect of these derivatives.

At 31 December 2021 the cash flow hedge reserve includes a cumulative loss of £10.0 million (2020: loss of £13.4 million), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2022 and 2025.

In the year, the Group's borrowings fell below the total of the interest rate derivative contracts, leading to a reduction in the balance 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 £6.2 million (2020: loss of £3.6 million) which was recognised in the income statement within finance costs as a Special Item.

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 to 3.0, with deleveraging within 12-24 months.

As at 31 December 2021 the net debt to EBITDA ratio was 0.3 times (2020: 1.8 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.

23 Lease liabilities

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:

	2021 £m	2020 £m
Payments for the principal portion of lease liabilities	9.7	9.7
Payments for the interest portion of lease liabilities	1.5	1.6

Notes to the consolidated financial statements continued

31 December 2021

23 Lease liabilities continued

Lease liabilities included in the balance sheet are as follows:

	31 December 2021 £m	31 December 2020 £m
Current	8.8	10.6
Non-current	34.7	44.4
	43.5	55.0

The following table details the maturity of contractual undiscounted cash flows for lease liabilities:

	2021 £m	2020 £m
Less than one year	9.4	11.2
Between one and two years	8.1	10.5
Between two and five years	11.3	17.1
More than five years	17.0	19.0

24 Trade and other payables

	2021 £m	2020 £m
Amount due within one year		
Trade payables	264.0	204.6
Other payables	50.8	40.5
Accruals	99.4	89.0
	414.2	334.1
Amount due after one year		
Accruals	2.3	3.7
	2.3	3.7

Average trade payable days in 2021 was 60 (2020: 64). 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.

25 Provisions for other liabilities and charges

	Restructuring & site closure £m	Regulatory fine £m	Total £m
At 1 January 2021	31.6	-	31.6
Charged to the income statement	26.9	57.2	84.1
Utilised during the year	(10.5)	-	(10.5)
Exchange adjustments	(2.0)	-	(2.0)
At 31 December 2021	46.0	57.2	103.2

Analysis of provisions

	31 December 2021 £m	31 December 2020 £m
Non-current	18.0	5.9
Current	85.2	25.7
	103.2	31.6

Analysis of charge to the income statement

	2021 £m	2020 £m
Underlying performance	-	-
Special items	84.1	27.0
	84.1	27.0

The closing balance includes £57.2 million for the European Commission fine, £15.8 million and £1.0 million in relation to the rationalisation of the Group's European Performance Materials network in Marl and Oulu respectively and £10.6 million in relation to the onerous contract arising on the disposal of the European Tyre Cord business. In the year, a £5.1 million provision was recognised for the closure of OMNOVA's administrative and R&D site in Villejust (France). A £11.6 million provision was recognised to demolish and rationalise assets at a small number of sites, to bring them into line with our ESG strategy.

26 Retirement benefit obligations

The Group operates a variety of retirement benefit arrangements, covering both defined contribution and defined benefit schemes.

Defined contribution schemes

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 2021 were £10.9 million (2020: £9.2 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 £2.4 million to the scheme in 2022.

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 2021 there is no indication of any commitment for additional deficit contributions in excess of regular contributions.

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 is in the process of being finalised by the trustees of the scheme and the Company.

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 2021.

Notes to the consolidated financial statements continued

31 December 2021

26 Retirement benefit obligations continued**Retirement benefit risks**

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:

	2021					2020				
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	USA £m	Germany £m	Other £m	Total £m
Service cost	0.9	1.7	0.4	-	3.0	1.6	1.6	0.6	1.0	4.8
Net interest expense	0.6	1.0	0.6	0.2	2.4	1.0	1.4	1.0	0.3	3.7
	1.5	2.7	1.0	0.2	5.4	2.6	3.0	1.6	1.3	8.5

Amounts recognised in the statement of comprehensive income are set out below:

	2021					2020				
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	USA £m	Germany £m	Other £m	Total £m
Return on plan assets excluding amounts included in interest expense	(3.1)	19.5	-	(0.8)	15.6	32.0	33.1	-	0.6	65.7
Gains/(losses) from changes in assumptions	34.5	7.2	6.9	2.8	51.2	(43.3)	(20.8)	(7.6)	(1.6)	(73.3)
Actuarial gains/(losses)	31.4	26.7	6.9	1.8	66.8	(11.3)	(2.3)	(7.6)	(1.0)	(7.6)

Amounts included in the Group's consolidated balance sheet arising from the Group's defined benefit scheme obligations are:

	2021					2020				
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	USA £m	Germany £m	Other £m	Total £m
Present value of defined benefit obligations	(410.1)	(206.2)	(77.6)	(24.9)	(718.8)	(456.4)	(220.3)	(91.0)	(30.0)	(797.7)
Fair value of schemes' assets	405.5	178.5	2.9	9.5	596.4	404.1	158.5	3.2	10.5	576.3
Net liability arising from defined benefit obligations	(4.6)	(27.7)	(74.7)	(15.4)	(122.4)	(52.3)	(61.8)	(87.8)	(19.5)	(221.4)

Fair value of the schemes' assets are set out below:

	2021					2020				
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	USA £m	Germany £m	Other £m	Total £m
At 1 January	404.1	158.5	3.2	10.5	576.3	366.5	-	3.1	9.0	378.6
Interest income	5.7	2.4	-	-	8.1	7.2	2.8	-	-	10.0
Amounts recognised in income in respect of defined benefit schemes	5.7	2.4	-	-	8.1	7.2	2.8	-	-	10.0
Remeasurement:										
Return on plan assets excluding amounts included in interest income	(3.1)	19.5	-	(0.8)	15.6	32.0	33.1	-	0.6	65.7
Amounts recognised in the statement of comprehensive income	(3.1)	19.5	-	(0.8)	15.6	32.0	33.1	-	0.6	65.7
Contributions:										
Employers	16.9	10.0	-	0.6	27.5	16.5	0.4	-	0.7	17.6
Payments from plans:										
Benefit payments	(16.1)	(13.9)	-	(0.2)	(32.2)	(18.1)	(11.5)	-	(0.8)	(30.4)
	(1.2)	(3.9)	-	0.4	(4.7)	(1.6)	(11.1)	-	(0.1)	(12.8)
Plan assets from acquired entities	-	-	-	-	-	-	148.6	-	0.5	149.1
Exchange adjustments	-	2.0	(0.3)	(0.6)	1.1	-	(14.9)	0.1	0.5	(14.3)
At 31 December	405.5	178.5	2.9	9.5	596.4	404.1	158.5	3.2	10.5	576.3

Plan assets for the principal schemes comprised:

	2021			2020		
	UK £m	USA £m	Germany £m	UK £m	USA £m	Germany £m
Hedge funds	17.5	-	-	20.8	-	-
Equities	96.5	97.2	1.5	107.2	88.8	1.6
Debt instruments	270.1	56.8	1.4	258.3	49.1	1.6
Property	9.2	24.5	-	8.8	20.6	-
Annuity assets	3.1	-	-	5.2	-	-
Cash	9.1	-	-	3.8	-	-
Fair value of schemes' assets	405.5	178.5	2.9	404.1	158.5	3.2

All investments in equities, bonds and property are quoted.

Present value of defined benefit obligations comprised:

	2021					2020				
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	USA £m	Germany £m	Other £m	Total £m
At 1 January	(456.4)	(220.3)	(91.0)	(30.0)	(797.7)	(422.2)	-	(79.3)	(17.1)	(518.6)
Current service cost	(0.9)	(1.7)	(0.4)	(1.2)	(4.2)	(0.8)	(1.6)	(0.5)	(1.0)	(3.9)
Past service cost	-	-	-	1.2	1.2	(0.8)	-	(0.1)	-	(0.9)
Interest expense	(6.3)	(3.4)	(0.6)	(0.2)	(10.5)	(8.2)	(4.2)	(1.0)	(0.3)	(13.7)
Amounts recognised in income in respect of defined benefit schemes	(7.2)	(5.1)	(1.0)	(0.2)	(13.5)	(9.8)	(5.8)	(1.6)	(1.3)	(18.5)
Remeasurement gains/(losses) from:										
changes in financial assumptions	14.3	10.9	7.0	-	32.2	(43.3)	(19.6)	(7.6)	(1.8)	(72.3)
changes in demographic assumptions	6.4	(0.3)	-	1.1	7.2	-	-	-	0.3	0.3
experience adjustments	13.6	(3.4)	(0.1)	1.5	11.6	-	(1.2)	-	(0.1)	(1.3)
Amounts recognised in the statement of comprehensive income	34.5	7.2	6.9	2.6	51.2	(43.3)	(20.8)	(7.6)	(1.6)	(73.3)
Contributions:										
Employers	0.9	-	2.2	0.6	3.7	0.8	2.0	2.1	0.3	5.2
Payments from plans:										
Benefit payments	18.1	13.9	-	0.2	32.2	18.1	11.5	-	0.8	30.4
	19.0	13.9	2.2	0.8	35.9	18.9	13.5	2.1	1.1	35.6
Scheme liabilities from acquired entities	-	-	-	-	-	-	(228.7)	-	(10.2)	(238.9)
Disposals of subsidiary	-	-	-	0.2	0.2	-	-	-	-	-
Exchange adjustments	-	(1.9)	5.3	1.7	5.1	-	21.5	(4.6)	(0.9)	16.0
At 31 December	(410.1)	(206.2)	(77.8)	(24.9)	(718.8)	(456.4)	(220.3)	(91.0)	(30.0)	(797.7)

The Group remains committed to funding the deficits for the UK and US defined benefit schemes.

Following the 2018 triennial valuation of the UK scheme, which completed in 2019, the Company committed to paying contributions for the period to 5 April 2023, increasing from £16.4 million in the year commencing 6 April 2019 to £18.2 million for the year commencing 6 April 2022. Contributions from the sponsoring companies are expected to be £17.9 million in 2022. The 2021 triennial valuation will be completed in 2022.

The defined benefit obligation of the US scheme was £73.4 million on acquisition. This has reduced to £27.7 million at 31 December 2021. The Group is currently contributing \$6 million per annum to help reduce this deficit.

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.

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26 Retirement benefit obligations continued**Actuarial assumptions**

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2021				2020			
	UK %	USA %	Germany %	Other %	UK %	USA %	Germany %	Other %
Rate of increase in pensions in payment	3.20	0.00	1.00	2.00-3.40	2.80	0.00	1.00	1.90-2.75
Rate of increase in pensions in deferment	2.90	0.00	2.50	2.00-3.40	2.20	0.00	2.50	1.50-2.75
Discount rate	1.80	2.66	1.20	0.27-2.48	1.40	2.19	0.70	(0.80)-1.94
Inflation assumption	3.40	0.00	1.75	1.20-2.00	2.90	0.00	1.75	1.00-2.00

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:

	2021						2020					
	Retiring today			Retiring in 20 years			Retiring today			Retiring in 20 years		
	UK	USA	Germany	UK	USA	Germany	UK	USA	Germany	UK	USA	Germany
Male	87.2	86.4	85.5	88.8	87.4	88.2	87.3	86.4	85.3	88.9	87.3	88.1
Female	89.5	87.5	88.9	90.9	88.5	91.1	89.5	87.4	88.8	91.4	88.4	91.0

The weighted average duration of the benefit obligation at the end of the reporting period is 14.9 years for the UK scheme (2020: 16.2 years), 10.7 years for the US scheme (2020: 11.3 years) and 17.2 years for the German schemes (2020: 18.4 years).

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 in scheme liabilities		
	UK £m	USA £m	Germany £m
Discount rate (decrease of 1%)	72	23	14
Future mortality rate (one year increase in expectancy)	19	7	3

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**

	2021 Number	2020 Number	2021 £m	2020 £m
Ordinary shares of 10 pence				
Shares in issue at 1 January	424,850,961	424,850,961	42.5	42.5
Issued in year	42,485,080	-	4.2	-
Shares in issue at 31 December	467,336,041	424,850,961	46.7	42.5

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

	2021 £m	2020 £m
Balance at 1 January	421.1	421.1
Premium arising on issue of shares	201.7	-
Expenses of issue of shares	(2.8)	-
Balance at 31 December	620.0	421.1

The share premium account represents the difference between the issue price and the nominal value of shares issued.

Retained earnings

	2021 £m	2020 £m
Balance at 1 January	192.4	204.4
Dividends paid	(73.5)	(12.8)
Net profit for the year	208.7	3.1
Actuarial gains/(losses) recognised in other comprehensive income	66.8	(7.6)
Tax relating to components of other comprehensive income	(11.8)	3.5
Charge to equity for equity-settled share-based payments	1.2	1.8
Balance at 31 December	383.8	192.4

Hedging and translation reserve

	Cash flow hedging reserve £m	Translation reserve £m	Total £m
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 difference recycled on sale of business	-	0.3	0.3
Balance at 31 December 2021	(10.0)	(22.1)	(32.1)
Balance at 1 January 2020	(12.6)	(8.9)	(19.5)
Exchange differences on translation of foreign operations	-	(37.5)	(37.5)
Gains on net investment hedges taken to equity	-	15.9	15.9
Loss recognised on cash flow hedges:			
Interest rate swaps	(0.8)	-	(0.8)
Balance at 31 December 2020	(13.4)	(28.5)	(41.9)

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 impacts 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.

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28 Reconciliation of operating profit to cash generated from operations

	2021 £m	2020 £m
Operating profit – continuing operations	308.5	58.4
Less: share of profits of joint ventures	(2.6)	(1.2)
	305.9	57.2
Adjustments for:		
Depreciation of property, plant and equipment	54.4	54.0
Depreciation of right of use assets	9.8	10.9
Amortisation of other intangibles	7.1	4.9
Share-based payments	2.1	2.0
Special Items	142.4	131.2
Cash impact of restructuring and site closure costs	(17.8)	(25.3)
Cash impact of acquisition costs and related gains	(6.6)	(7.4)
Pension funding in excess of service cost	(27.0)	(18.8)
Movement in working capital	(82.8)	23.5
Cash generated from operations	387.5	232.2
Reconciliation of movement in working capital		
(Increase)/decrease in inventories	(87.7)	17.1
(Increase)/decrease in trade and other receivables	(64.8)	19.1
Increase/(decrease) in trade and other payables	69.7	(12.7)
Movement in working capital	(82.8)	23.5

29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. 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.

A summary of the key management compensation relates to the Directors and members of the Executive Committee, is set out below:

	2021 £m	2020 £m
Key management compensation		
Short-term employee benefits	8.3	9.1
Pension costs	0.5	0.4
Share-based payments	2.1	2.0
	10.9	11.5

30 Contingent assets, contingent liabilities and guarantees

Guarantees and contingent liabilities of the Group amount to £2.5 million (2020: £2.7 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.

31 Share-based payments

Performance Share Plan

The Group's Performance Share Plan is described in the Directors' Remuneration report on pages 112 to 126. 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: 2021 number	Weighted av. exercise price (£) 2021 number	Options 2020 number	Weighted av. exercise price (£) 2020 number
Outstanding at 1 January	2,551,622	-	1,936,998	-
Granted during the year	875,330	-	1,134,333	-
Exercised during the year	(214,389)	-	(40,146)	-
Lapsed during the year	(821,270)	-	(479,563)	-
Outstanding at 31 December	2,391,293	-	2,551,622	-
Exercisable at 31 December	22,367	-	49,554	-

The outstanding share options were all issued under the Performance Share Plan. As at 31 December 2021 the following options were outstanding:

	Number
Exercisable between 2016 and 2023	8,316
Exercisable between 2017 and 2024	6,945
Exercisable between 2018 and 2025	7,106
Exercisable between 2022 and 2029	729,704
Exercisable between 2023 and 2030	954,432
Exercisable between 2024 and 2031	684,790
	2,391,293

The total exercise price for all the above grants is £nil.

For options outstanding as at 31 December 2021, the exercise price was £nil and the weighted average remaining contractual life was 4.95 years (2020: 5.16 years).

The weighted average share price at the date of exercise was £4.64 (2020: £2.83).

The weighted average fair value of the options at the measurement date granted during the year was £3.60 (2020: £1.94). The valuation was based on the following inputs and assumptions, using a Monte Carlo simulation model:

	2021	2020
Weighted average share price (£)	4.68	2.59
Option price (£)	-	-
Value of optionality	nil	nil
Vesting assumption	77%	75%

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 Group also operates a cash-settled share-based payment scheme for which there was an expense in the year of £1.8 million (2020: £2.4 million) and for which there was a liability at the year end of £4.0 million (2020: £2.9 million).

The Synthomer Employee Benefit Trust

The Company established a trust, formerly 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 2020, the Trust held 2,547 (2020: 8,939) ordinary shares in the Company with a market value of £0.0 million (2020: £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.

32 Share price information

The middle market value of the listed ordinary shares at 31 December 2021 was 399.6 pence (31 December 2020: 449.6 pence). During the year, the market price ranged between 388.6 pence and 564.0 pence. The latest ordinary share price is available on the Group's website, www.synthomer.com

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33 Audit exemptions

The following subsidiaries have taken advantage of the exemption from an audit for the year ended 31 December 2021 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 2021.

Company	Company registration
Dimex Limited	01763129
Ecatto Limited	00978441
Harlow Chemical Company Limited	00778831
OMNOVA Performance Chemicals Limited	03734749
OMNOVA UK Holding Limited	07682224
PolymerLatex Limited	03439041
Revertex Limited	00873653
Super Sky Limited	02021871
Synthomer Overseas Limited	06349474
Temple Fields 510	01415496
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

Synthomer is a global leading supplier of Acrylonitrile Butadiene Rubber (NBR latex) for glove dipping and associated healthcare industries.

These products are designed to meet the highest performance requirements of medical and industrial glove manufacturers, providing high flexibility and comfort as well as a high barrier protection for the end user. Gloves manufactured from Synthomer's speciality NBR latex ensure a combination of high tensile strength, good elongation and relaxation to cater to the specific needs of medical, examination, clean room, food handling, medical drug handling and chemical laboratory applications

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Company statement of financial position

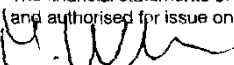
as at 31 December 2021

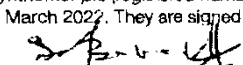
	Note	2021 £m	2020 £m
Non-current assets			
Property, plant and equipment	4	4.4	5.6
Other intangible assets	5	41.5	–
Investment in subsidiaries and joint ventures	3	537.9	370.8
Deferred tax assets		1.8	–
Total non-current assets		585.6	376.4
Current assets			
Other debtors	6	1,278.7	1,445.6
Cash and cash equivalents		248.9	42.6
Derivative financial instruments	9	3.0	1.4
Total current assets		1,531.6	1,489.6
Current liabilities			
Borrowings	8	(10.4)	(44.0)
Other payables	7	(180.8)	(164.8)
Provisions		(57.2)	–
Derivative financial instruments	9	(9.1)	(18.8)
Lease liabilities		(0.7)	(0.7)
Total current liabilities		(258.2)	(228.3)
Net current assets		1,273.4	1,261.3
Total assets less current liabilities		1,859.0	1,637.7
Non-current liabilities			
Borrowings	8	(619.5)	(643.9)
Lease liabilities		(1.7)	(2.3)
Total non-current liabilities		(621.2)	(646.2)
Net assets		1,237.8	991.5
Equity			
Share capital	10	46.7	42.6
Share premium	10	620.0	421.1
Revaluation reserve		0.8	0.8
Capital redemption reserve		0.9	0.9
Retained earnings		569.4	526.2
Total equity		1,237.8	991.5

As disclosed in note 2, the Company's profit for the year was £112.1 million (2020: £193.5 million).

The notes on pages 176 to 180 are an integral part of these financial statements.

The financial statements of Synthomer plc (registered number 98381) on pages 174 to 180 were approved by the Board of Directors and authorised for issue on 3 March 2022. They are signed on its behalf by:


M Willome
 Director


S G Bennett
 Director

Company statement of changes in equity

for the year ended 31 December 2021

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
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
At 31 December 2021	46.7	620.0	0.8	0.9	569.4	1,237.8

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2020	42.5	421.1	0.8	0.9	344.6	809.9
Profit for the year	-	-	-	-	193.5	193.5
Total comprehensive income for the year	-	-	-	-	193.5	193.5
Dividends	-	-	-	-	(12.8)	(12.8)
Share-based payments	-	-	-	-	1.8	1.8
Fair value loss on hedged interest rate derivatives	-	-	-	-	(0.9)	(0.9)
At 31 December 2020	42.5	421.1	0.8	0.9	526.2	991.5

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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 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 for the year

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 £112.1 million for the year ended 31 December 2021 (2020: profit of £193.5 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 Investment in subsidiaries and joint ventures

	2021			2020		
	Subsidiaries £m	Joint ventures £m	Total £m	Subsidiaries £m	Joint ventures £m	Total £m
Cost						
At 1 January	370.5	0.5	371.0	264.3	0.5	264.8
Additions	167.1	–	167.1	106.2	–	106.2
At 31 December	537.6	0.5	538.1	370.5	0.5	371.0
Provisions						
At 1 and 31 December January	–	(0.2)	(0.2)	–	(0.2)	(0.2)
Net book value						
At 31 December	537.6	0.3	537.9	370.5	0.3	370.8

Details of the Group's subsidiaries and joint ventures are included in note 12 on pages 179 and 180.

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.

4 Property, plant and equipment

	2021				2020			
	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	0.6	7.7	4.1	3.0	–	7.1
Additions	–	–	0.1	0.1	–	–	0.6	0.6
Transfers to other intangible assets	–	–	(0.6)	(0.6)	–	–	–	–
At 31 December	4.1	3.0	0.1	7.2	4.1	3.0	0.6	7.7
Accumulated depreciation								
At 1 January	1.2	0.9	–	2.1	0.6	0.9	–	1.5
Charge for the year	0.7	–	–	0.7	0.6	–	–	0.6
At 31 December	1.9	0.9	–	2.8	1.2	0.9	–	2.1
Net book value								
At 31 December	2.2	2.1	0.1	4.4	2.9	2.1	0.6	5.6

Freehold land amounting to £1.8 million (2020: £1.8 million) has not been depreciated.

5 Other intangible assets

	2021 £m	2020 £m
Cost		
At 1 January	–	–
Additions	2.1	–
Transfers from Group undertakings	40.9	–
Transfers from property, plant and equipment	0.6	–
At 31 December	43.6	–
Accumulated depreciation		
At 1 January	–	–
Charge for the year	2.1	–
At 31 December	2.1	–
Net book value		
At 31 December	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.

In April 2021, the IFRS Interpretations Committee issued a new interpretation in relation to accounting for customisation and configuration costs of cloud computing arrangements. Following a detailed review, it was confirmed that the new interpretation does materially impact the accounting treatment for costs incurred on the Group's Pathway programme.

6 Debtors

	2021 £m	2020 £m
Amounts owed by Group undertakings	1,275.0	1,443.4
Other receivables	0.6	1.1
Prepayments and accrued income	4.1	1.1
	1,279.7	1,445.6

Amounts owed by Group undertakings are valued at fair value at inception and are repayable on demand.

Of the Company's amounts owed by Group undertakings, £149.0 million is impaired (2020: £149.0 million). Future expected credit losses on amounts receivable from subsidiaries are immaterial.

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7 Other creditors

	2021 £m	2020 £m
Amounts owed to Group undertakings	142.5	148.2
Other creditors	3.5	4.2
Accruals and deferred income	34.8	12.4
	180.8	164.8

Amounts owed to Group undertakings are valued at fair value at inception and are repayable on demand.

8 Borrowings

	2021 £m	2020 £m
Current borrowings		
Overdrafts	10.4	34.4
Current borrowings	—	9.6
	10.4	44.0
Non-current borrowings		
Bank loans	187.9	186.2
€520m 3.875% senior unsecured loan notes due 1 July 2025	431.6	457.7
	619.5	643.9

Details of borrowings are provided in note 21 to the consolidated financial statements.

9 Financial instruments

The fair value of the financial instruments disclosed in the Company's statement of financial position are as follows:

	Valuation category in accordance with IFRS 9 ¹	Fair value hierarchy level	2021 Carrying amount within scope of IFRS 7 £m	2021 Fair value £m	2020 Carrying amount within scope of IFRS 7 £m	2020 Fair value £m
Other receivables	AC	Level 2	1,279.7	1,275.6	1,445.6	1,445.6
Cash and cash equivalents	AC	Level 2	248.9	248.9	42.6	42.6
Derivatives – no hedge accounting	FVTPL	Level 2	3.0	3.0	1.4	1.4
Total assets			1,531.6	1,527.5	1,489.6	1,489.6
Borrowings	AC	Level 2	(629.9)	(629.9)	(687.9)	(687.9)
Trade and other payables	AC	Level 2	(180.8)	(180.6)	(164.8)	(164.0)
Derivatives – no hedge accounting	FVTPL	Level 2	(9.1)	(9.1)	(18.8)	(18.8)
Total liabilities			(819.8)	(819.6)	(871.5)	(870.7)

1. AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss

Further disclosures on financial instruments are included in note 22 of the consolidated financial statements.

10 Share capital and share premium

Details of the Company's share capital and share premium are shown in note 27 of the consolidated financial statements.

11 Guarantees and other financial commitments

The Company has provided financial guarantees amounting to £20.1 million (2020: £31.9 million) in respect of bank and other facilities of subsidiaries and joint ventures.

12 Subsidiaries and joint ventures

Country of incorporation and registered address	Principal activity	Ownership %
United Kingdom		
Central Road, Harlow, Essex, CM20 2BH		
Dimex Limited	Holding Company	100
Ecatto Limited	Holding Company	100 ³
Harlow Chemical Company Limited	Holding Company	100 ²
OMNOVA Performance Chemicals Limited	Dormant	100
OMNOVA UK Holding Limited	Dormant	100
PolymerLatex Limited	Holding Company	100
Revertex Limited	Dormant	100 ³
S.A. (300) Limited	Holding Company	100 ³
Star Pharma Limited	Dormant	100
Super Sky Limited	Holding Company	50 ^{1,3}
Synthomer (UK) Limited	Trading	100
Synthomer Holdings Limited	Holding Company	100 ³
Synthomer Overseas Limited	Holding Company	100 ³
Temple Fields 510	Dormant	100
Temple Fields 514 Limited	Holding Company	100 ³
Temple Fields 515 Limited	Holding Company	100
Temple Fields 522 Limited	Holding Company	100 ³
Temple Fields 523 Limited	Holding Company	100 ³
Temple Fields 530 Limited	Holding Company	100
William Blythe Limited	Trading	100
45 Pall Mall, London, SW1Y 5JG		
Synthomer Trading Limited	Trading	100
44 Esplanade, St Helier, Jersey, JE4 9WG		
Synthomer Jersey Limited	Dormant	100 ³
Australia		
58 Glpps Street, Collingwood, Victoria, 3066		
Synthomer Australia Pty Limited	Trading	100
Austria		
Industriepark, Pischelsdorf, 3435		
Synthomer Austria GmbH	Trading	100
China		
Building 53-55, 1000 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai, 201203		
Shanghai Synthomer Chemicals Co Ltd	Trading	100
8 Hua Jing Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131		
OMNOVA Performance Chemicals Trading (Shanghai) Co Ltd	Trading	100
210 Zhou Gong Road, Shanghai Chemical Industry Park, Shanghai 201507		
OMNOVA Shanghai Co Ltd	Trading	100
308 Jiangbin Road, Xiaogang United Development Zone, Ningbo Economic & Technical Development Zone, Ningbo, 315803		
OMNOVA Ningbo Co Ltd	Trading	100
55 Xi Li Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131		
Eliokem Trading (Shanghai) Co Ltd	Trading	100
Czech Republic		
Tovární 2093, Sokolov, 356 01		
Synthomer AS	Trading	100
V Celnici 1031/4, Prague, 110 00		
Synthomer Holdings (CZE) SRO	Non-Trading	100

Country of incorporation and registered address	Principal activity	Ownership %
Egypt		
Industriel Zone 1-B, 10th of Ramadan City, Sharkiya		
Synthomer SAE	Trading	88
Finland		
PO Box 175, Oulu, FI 90101		
Synthomer Finland Oy	Dormant	100
France		
14 avenue des Tropiques, Z.A. de Courtaboeuf 2, Villejust, 91955		
OMNOVA Solutions France Holding SAS	Holding Company	100
OMNOVA Solutions International SAS	Holding Company	100
OMNOVA Solutions SAS	Trading	100
704 rue Pierre et Marie Curie, Ribécourt-Dresaincourt, 60170		
Synthomer France SAS	Trading	100
6 Place de la Madeleine, Paris, 75008		
Yule Catto International SA	Non-Trading	100
Germany		
Werrastrasse 10, Merl, 45768		
Synthomer Deutschland GmbH	Trading	100
Temple Fields GmbH	Non-Trading	100
Yule Catto Holdings GmbH	Holding Company	100
India		
1001, Meadows, Sahar Plaza, Andheri-Kurla Road, Andheri East, Mumbai 400058		
OMNOVA India Trading LLP	Trading	100
Italy		
Via delle Industrie 9, Filago, BG, 24040		
Synthomer S.r.l.	Trading	100
Via Morozzo 27, Sant'Albano Stura, CN, 12040		
Synthomer Specialty Resins S.r.l.	Trading	100
Piazza Cavour 3, Milano, MI, 20121		
UQUIFA Italia S.r.l.	Non-Trading	100
Malaysia		
Unit 16-2, Wisma Uoa Damansara II, 6 Changkat Semantan, Damansara Heights, Kuala Lumpur, 50490		
Desa Baiduri Sdn Bhd	Property Letting	70
Kind Action (M) Sdn Bhd	Trading	70
PolymerLatex Sdn Bhd	Trading	100
Quality Polymer Sdn Bhd	Trading	70
Revertex (Malaysia) Sdn Bhd	Trading	70
Rexplas Sdn Bhd	Dormant	70
Synthomer Sdn Bhd	Trading	100
Terra Simtoni Sdn Bhd	Holding Company	100
Mauritius		
c/o Citco (Mauritius) Limited, Tower A, 1 Cybercity, Ebene		
OMNOVA Asia Pacific Corp	Holding Company	100
Standard Chartered Tower, 19 Cybercity, Ebene		
OMNOVA Holding Limited	Holding Company	100

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12 Subsidiaries and joint ventures continued

Country of incorporation and registered address	Principal activity	Ownership %	Country of incorporation and registered address	Principal activity	Ownership %
Netherlands			Thailand		
IJsselstraat 41, Oss, 5347 KG			111/7 Moo 2, Nikompattana District, Rayong, 21180		
Synthomer BV	Trading	100	OMNOVA Engineered Surfaces (Thailand) Co Ltd	Trading	100
Yule Catto BV	Non-Trading	100	UAE		
Yule Catto Nederland BV	Non-Trading	100	Building 2101, Office S10122A2, Jabel Ali Free Zone, Dubai		
Speeldijk 15704RJ Helmond			Synthomer Functional Solutions FZCO	Trading	49 ¹
Xyntra Investments BV	Non-Trading	33	East Wing 2, Office 201, Po Box 54645, Dubai Airport Free Zone, Dubai		
Portugal			Synthomer FZCO	Trading	49 ¹
Rua Francisco Lyon de Castro, 28, 2725-397 Mem Martins			USA		
OMNOVA Solutions Portugal SA	Trading	100	1201 Peachtree Street NE, Atlanta, GA, 30361		
Lyon28 - Imobiliario SA	Non-Trading	100	Synthomer LLC	Trading	100
Saudi Arabia			Yule Catto Inc	Non-Trading	100
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	Trading	100
Singapore			25435 Harvard Road, Beachwood, Ohio 44122-6201		
Ocean Financial Centre, 10 Collyer Quay, 049315			Decorative Products Thailand Inc	Holding Company	100
OMNOVA Performance Chemicals Singapore Pte Ltd	Trading	100	OMNOVA Overseas Inc	Non-Trading	100
Spain			OMNOVA Solutions Inc	Trading	100
Camino de Sangroniz 8, Sondika, 48150			OMNOVA Walkcovering (USA) Inc	Holding Company	100
Synthomer Asua SL	Trading	100	Synthomer NBR Solutions LLC	Dormant	100
Paseo de la Castellana 177, Madrid, 28046			Vietnam		
OMNOVA Solutions (Espana) SL	Non-Trading	100	8, 6th Street, Song Than Industrial Park, Di An		
Rambla de Catalunya 53, Barcelona, 08007			Synthomer Vietnam Co Ltd	Trading	60
Yule Catto Spain SL	Non-Trading	100	Notes		
Sweden			1. Joint ventures.		
Tostarpavagen 11, Kävlinge, 244 32			2. Harlow Chemicals Company Limited is incorporated in UK but is resident in Netherlands.		
Synthomer Specialty Additives AB	Trading	100	3. Shares directly held by Synthomer plc.		

Other information

Synthomer's Laminates & Films business provides decorative laminates for residential and commercial interior environments. The products include innovative, durable surfaces for a wide range of applications from kitchen to bathroom, retail to recreational vehicles, and performance films for luxury flooring, signage and industrial applications.

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Environment performance summary¹⁰

	2021	2020	2019	2021 vs 2020 ^a	2021 vs 2019 ^a
Energy consumption – metered (GJ)¹					
Total					
Enlarged Group	5,662,464	5,410,255	5,466,905	4.66%	3.58%
UK only	338,554	340,477	329,741	-0.56%	2.67%
Energy consumption by source					
Gas	2,574,818	2,422,543	2,479,253	6.29%	3.65%
Light and Heavy Oils	28,297	26,364	30,354	-0.26%	-13.37%
Steam and hot water (metered)	892,030	838,485	933,895	6.39%	-4.48%
Electricity (metered)	1,418,872	1,426,718	1,420,687	-0.55%	-0.13%
Coal	750,448	696,145	602,716	7.80%	24.51%
Specific energy consumption (GJ/tonne production)					
Enlarged Group	3.16	3.09	3.08	2.36%	2.67%
UK only	4.31	3.95	4.22	9.00%	2.13%
Refrigerant Releases – HCFC and others					
Total refrigerant releases (tonne)	1,805	1,687	2,581	7.01%	-30.08%
Specific refrigerant releases (kg/tonne production)	0.0010	0.0010	0.0015	4.66%	-30.69%
Greenhouse Gas emissions (tonne CO₂e)^{2,3,4,5}					
Total Scope 1 emissions					
Enlarged Group	211,205	200,856	198,786	5.15%	6.25%
UK only	12,721	12,867	12,429	-1.13%	2.35%
Total Scope 2 emissions – Hybrid approach					
Enlarged Group	63,352	178,017	213,258	-64.41%	-70.29%
UK only	5,893	6,266	5,308	-5.96%	11.01%
Total Scope 2 emissions – Market Base					
Enlarged Group	69,914	182,701	227,400	-61.73%	-69.26%
UK only	5,893	6,266	5,308	-5.96%	11.01%
Total Scope 2 emissions – Location Base					
Enlarged Group	211,059	222,317	225,542	-5.06%	-6.42%
UK only	7,826	8,785	8,367	-10.91%	-8.46%
Total GHG emissions					
Enlarged Group	274,557	378,873	412,044	-27.53%	-33.37%
UK only	18,613	19,133	17,737	-2.72%	4.94%
Specific GHG emissions (tonne CO₂e/tonne production)					
Enlarged Group	0.153	0.216	0.232	-29.12%	-33.95%
UK only	0.237	0.222	0.227	6.64%	4.39%
Greenhouse Gas emissions by source (tonne CO₂e)					
From energy ⁶	269,536	373,984	403,570	-27.93%	-33.21%
From refrigerant releases	5,021	4,887	8,474	2.72%	-40.76%
Other emissions to air					
Sulphur Dioxide (SO ₂) (tonne)	122,202	132,312	126,322	-7.64%	-3.26%
Kilos SO ₂ /tonne production	0.068	0.076	0.071	-9.67%	-4.11%
Nitrous Oxides (NO _x) (tonne) ⁸	239,822	236,186	207,396	1.54%	15.63%
Kilos NO _x /tonne production	0.134	0.135	0.117	-0.69%	14.63%
Volatile Organic Compounds (VOCs) (tonne)	595,286	504,932	515,008	17.89%	15.59%
Kilos VOCs/tonne production	0.332	0.288	0.290	15.31%	14.58%

	2021	2020	2019	2021 vs 2020 ^a	2021 vs 2019 ^a
Water Usage					
Total water withdrawal (m³)	7,862,459	7,241,228	7,177,835	8.58%	9.54%
Water usage by source (m³)					
Public Potable Supply	1,712,967	1,683,337	1,811,592	1.76%	-5.44%
Raw Water from River	3,357,138	2,978,227	2,791,844	12.72%	20.25%
Raw Water from Borehole	1,358,196	1,172,020	1,200,902	15.89%	13.10%
Raw Water from Canal	115,771	106,553	107,642	8.65%	7.55%
Raw Water from Other	1,318,387	1,301,091	1,265,856	1.33%	4.15%
Specific water withdrawal (m³/tonne production)					
Enlarged Group	4.39	4.13	4.04	6.20%	8.58%
Waste Management					
Total Hazardous Waste (tonne)	24,110	22,116	23,909	9.01%	0.84%
Hazardous waste by source (tonne)					
Recycled – energy recovery	2,931	3,244	3,777	-9.67%	-22.41%
Recycled – separated – reprocessed	5,065	6,418	5,959	-21.09%	-15.00%
Incinerated – no energy recovery	2,738	1,611	1,430	68.94%	91.47%
Disposed by landfill	3,235	2,276	1,643	42.16%	96.91%
Other	10,141	8,567	11,100	18.38%	-8.64%
Specific hazardous waste (kg/tonne production)	13.46	12.63	13.47	6.62%	-0.04%
Total Non-Hazardous Waste (tonne)	17,126	16,783	24,310	2.04%	-29.55%
Non-hazardous waste by source (tonne)					
Recycled – energy recovery	4,278	4,475	8,176	-4.41%	-47.68%
Recycled – separated – reprocessed	2,836	2,377	2,275	19.32%	24.66%
Incinerated – no energy recovery	22,31	17.03	186.00	30.97%	-88.01%
Disposed by landfill	8,011	8,170	11,808	-1.95%	-32.16%
Other – municipality	1,979	1,745	1,865	13.44%	6.11%
Specific non-hazardous waste (kg/tonne production)	9.56	9.58	13.70	-0.20%	-30.17%
Total Waste (tonne)	41,235	38,900	48,219	6.00%	-14.48%
Specific total waste (kg/tonne production)	23.03	22.21	27.16	3.68%	-15.23%
Total waste to landfill (kg)	11,246	10,445	13,451	7.66%	-16.39%
Specific waste to landfill (kg/tonne production)	6.28	5.96	7.58	5.30%	-17.12%
Production volume (tonne)	1,790,719	1,751,406	1,775,092	2.24%	0.88%

Footnote:

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 (these losses are in Scope 3, this report is for Scope 1 and 2).
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. No allowance has been made for possible country to country variation in calorific value or CO₂ emission factors for primary fuels. Electricity has been converted to CO₂e on a country by country basis. Scope 2 emissions 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 case of suppliers emissions factors not available, the residual mix 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 2021) were used for UK grid electricity and for overseas 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 2021 reporting are based on 2019 validated data.
Hybrid Approach: using Location Base 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.
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. 2020 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 2021, the emissions from this electricity were 0.438kg CO₂e per kWh, based on our determination of the factors used for the Climate Change Agreement submission.
10. 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 listed on pages 179 and 180 of this Report.

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Glossary of terms

AC	Amortised Cost	IFRS	International Financial Reporting Standards
ACC	American Chemical Council	IS	Industrial Specialties
AGM	Annual General Meeting	ISA	International Standards of Auditing
AIMS	Accident and Incident Management System	KPIs	Key Performance Indicators
AM	Acrylate Monomers	ktes	Kilotonne or 1,000 tonnes (metric)
APMs	Alternative Performance Measures	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
C&F	Carpet and Foam	LTIP	Long-Term Incentive Plan
Capital employed	Net assets excluding third party net debt	M&A	Mergers and Acquisitions
CASE	Coatings, Adhesives, Sealants and Elastomers	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	Taskforce on Climate-related Financial Disclosures
GWP	Global Warming Potential	The Code	The UK Corporate Governance Code
H&P	Health & Protection	TSR	Total Shareholder Return
HR	Human Resources	UK GAAP	UK Generally Accepted Accounting Practice
HSSBR	High Solids Styrene Butadiene Rubber	Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items
IAS	International Accounting Standard	VOCs	Volatile Organic Compounds
IBORS	Inter-Bank Offered Rates		
ICCA	International Council of Chemical Associations		

Historical financial summary

		2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Revenue		2,329.5	1,644.2	1,459.1	1,618.9	1,480.2	1,045.7	870.1
Underlying performance	(a)							
EBITDA	(b)	522.2	259.4	177.9	181.0	176.2	160.1	125.0
Operating profit	(c)	450.9	189.6	125.8	142.1	139.0	130.2	102.9
Finance costs		(30.8)	(29.6)	(9.6)	(7.0)	(9.0)	(8.0)	(7.6)
Profit before taxation		420.1	160.0	116.2	135.1	130.0	122.2	95.3
Basic earnings per share	(f)	75.2p	28.9p	25.3p	30.7p	28.7p	26.4p	20.1p
Dividends per share	(f)	30.0p	11.6p	4.0p ^(g)	12.2p	11.4p	10.5p	8.0p
Dividend cover		2.5	2.5	6.3	2.5	2.5	2.5	2.5
IFRS								
Operating profit	(c)	308.5	58.4	110.6	128.7	95.4	144.7	80.3
Finance costs		(24.6)	(38.1)	(10.1)	(8.4)	(9.0)	(8.0)	(7.8)
Profit before taxation		283.9	20.3	100.5	120.3	86.4	136.7	72.5
Basic earnings per share	(f)	48.3p	0.7p	21.5p	27.4p	20.3p	30.3p	16.6p
Dividends per share	(f)	30.0p	11.6p	4.0p ^(g)	12.2p	11.4p	10.5p	8.0p
Dividend cover		1.6	0.1	5.4	2.2	1.8	2.9	2.1
Net debt	(d)	(114.2)	(462.2)	20.7	(214.0)	(180.5)	(150.3)	(80.1)
Capital expenditure	(e)	82.2	53.8	69.1	75.7	60.3	45.6	22.8

Notes:

(a) As presented in the consolidated income statement on page 137.

(b) As defined in the accounting policies note and reconciled in note 5.

(c) As defined in the accounting policies note on page 142.

(d) As reconciled in note 21.

(e) As presented on the consolidated cash flow statement.

(f) Dividends and earnings per share figures for 2016 and prior have been restated to reflect the bonus factor of 1.0713 arising from the rights issue which completed on 29 July 2019.

(g) The proposed final 2019 dividend was cancelled to preserve cash, liquidity and balance sheet strength at the onset of COVID-19 in March 2020.

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Advisers

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Company Secretary

Richard Atkinson

Bankers

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Citibank
Commerzbank AG
HSBC Bank plc
Santander
Goldman Sachs
SEB

Joint stockbrokers

Barclays Bank plc and Numis Securities Ltd

Registrars

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Chartered Accountants and Statutory Auditors
London

Solicitors

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Squire Patton Boggs (UK) LLP