Building for the future

Laying the foundations of a pure play Components business

Annual Report 2021 –
Strategic and Directors' Reports

Building for the future

Our purpose is to responsibly provide the products and services our customers need to succeed.

Components

See our Components operational review on page 60

Packaging

See our Packaging operational review on page 66

Filters

See our Filters operational review on page 72

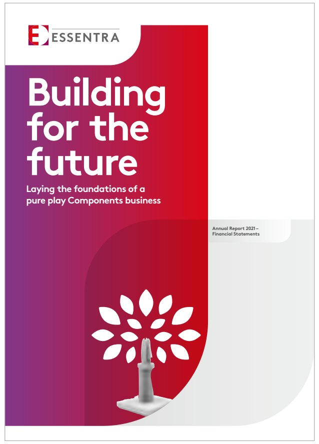
"2021 saw the start of a new and transformational chapter in Essentra's journey."

Paul Forman
Chief Executive

Strategic Report

Directors' Report

Financial Statements



This is part one of our Annual Report for the year ended 31 December 2021. Part two consists of our Financial Statements and can be found on our corporate website. When reviewing the performance and activities of Essentra plc in 2021, both parts should be read together.

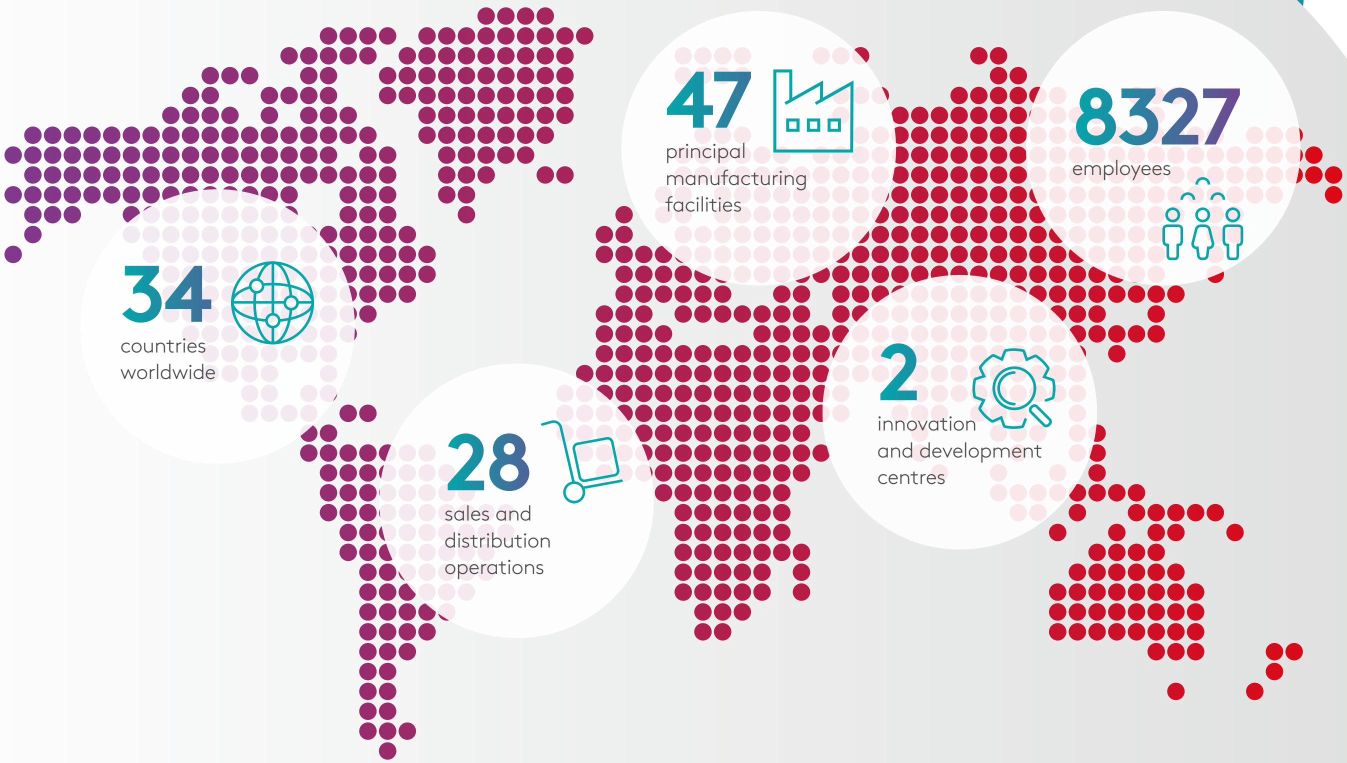
Essentra at a glance

Essentra is a leading provider of essential components and solutions. Every day we produce and distribute millions of small but essential products.

Components

Packaging

Filters



Financial highlights

	FY 2021	FY 2020 (restated)[4]	FY 2020(as previously reported)	% change Actual FX	% change Constant FX
Revenue	£960m	£897m	£897m	+7	+13
Adjusted[1] operating profit	£84m	£62m	£62m	+35	+47
Adjusted[1] pre-tax profit	£67m	£47m	£46m	+45	+61
Adjusted[1] net income[2]	£56m	£38m	£37m	+49	+66
Adjusted[1] basic earnings per share	18.2p	13.2p	13.1p	+38	+55
Dividend per share	6.0p	3.3p	3.3p	+82	n/a
Net debt	£235m	£210m	£210m	+12	n/a
Net debt to EBITDA	1.7x	1.8x	1.8x	n/a	n/a
Net debt to EBITDA (pre IFRS 16)	1.5x	1.5x	1.5x	n/a	n/a
Free cash flow[3]	£37m	£67m	£57m	n/a	n/a
Reported operating profit	£50m	£12m	£22m	+328	+516
Reported pre-tax profit/(loss)	£33m	£(4)m	£6m	n/a	n/a
Reported net income/(loss)[2]	£28m	£(2)m	£6m	n/a	n/a
Reported basic earnings per share	8.9p	(1.2)p	1.7p	n/a	n/a

1 Before amortisation of acquired intangible assets and adjusting items. All Alternative Performance Measures (APM) can be found on page 43
2 Net income is defined as profit after tax, before non-controlling interests
3 A reconciliation of free cash flow is set out in Alternative Performance Measures on page 44
4 Prior year restatement required for the adoption of IFRIC agenda decision on cloud based software arrangements

Components

A leading global manufacturer and distributor of a comprehensive range of components, used in diverse industrial applications and end-markets

Revenue
£301.7m
(2020: £255.0m)

Adjusted operating profit
£56.9m
(2020: £45.5m)

2021 summary

- Focused on offering the best possible service to our customers, navigating supply chain disruptions as the global industrial market recovers from the pandemic
- Strong and sustained sales growth throughout the year compared to both 2020 and 2019
- Launched our Business Process Redesign (ERP and CRM) platform solution in Spain, with further markets planned for 2022
- Continued the roll-out of our new web platform across Asia with enhanced customer experience
- Successfully took steps to streamline our operational footprint with the closure of three manufacturing sites in Europe and the US identified in 2020, which will deliver overall improvements in cost to serve
- Made solid progress towards our target of using 20% recycled or renewable polymer raw materials by 2025 (2% in 2020 increasing to 8.5% in 2021), with a 2021 exit rate of c10%
- Completed the strategic acquisition of Hengzhu, strengthening our position in China and the APAC region as well as expanding our access hardware range

Packaging

One of very few multicontinental suppliers of a full range of secondary packaging to the pharmaceutical, personal care and beauty sectors

Revenue
£362.4m
(2020: £363.2m)

Adjusted operating profit
£15.4m
(2020: £13.8m)

2021 summary

- Resilient trading performance despite the ongoing impact of the pandemic on prescription and elective surgery volumes, with encouraging order book trends towards the end of the year
- Strong operational metrics and further improvements in quality despite tight labour markets and material supply constraints
- Progression towards industry average margin levels, benefitting from pricing activity and cost efficiencies delivered by two manufacturing site closures
- Awarded "Accord's COVID supplier of the year" and an "ECMA gold award" for Exentrique carton, a one-piece pack that is made entirely from cartonboard, demonstrating maintained success in customer service and innovation
- Significant developments in sustainability including the launch of our "Re*flect" carton range featuring a plastic free alternative to Metallised Polyester Board (METPOL)

Filters

The only global independent provider of filters and related solutions to the tobacco industry

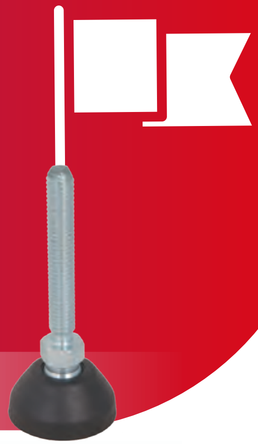
Revenue
£295.6m
(2020: £278.3m)

Adjusted operating profit
£28.2m
(2020: £25.2m)

2021 summary

- Delivery of strong sales growth, underpinned by growing volumes of outsourcing contract business wins
- Operational KPIs continue to demonstrate our focus on customer service with improved lead times and quality metrics despite supply chain challenges
- Commenced commercial production from our China Joint Venture at the end of Q2, serving the largest and fastest growing market
- Increased interest in our range of proprietary "ECO" and Tobacco Heating Product (THP) products. The number of projects underway continues to grow significantly with commercial trials in both Filters and Tapes
- Tapes business returned to growth, underpinned by growth in the e-commerce category

How we performed this year



Operational highlights

- Clear future strategic direction to become a pure play Components business announced
- Strategic reviews of the Filters and Packaging divisions commenced
- A strong financial performance. The balance sheet position supports continued investment across the Group
- Improving trends across all markets and all three global divisions are well placed to capitalise on growth opportunities
- Focused on providing best possible customer support, despite supply chain challenges
- Value enhancing acquisition of Hengzhu completed in the Components division and integration on plan
- Filters China JV production commenced with ramp up in volumes seen through H2
- Continued progress in all areas of ESG and in particular against our sustainability targets
- A strengthened strategic direction, driving profitable growth
- Continued management of response to COVID-19 pandemic focused on employee wellbeing, customers, cash conservation and building for our future

Financial highlights

Revenue
£959.7m
(2020: £896.5m)

Adjusted operating profit
£83.9m
(2020: £62.3m)

Adjusted operating margin
8.7%
(2020: 6.9%)

Reported operating profit
£49.7m
(2020: £11.6m)

Adjusted basic earnings per share
18.2p
(2020: 13.2p)

Reported earnings per share
8.9p
(2020: 1.2p loss)

Dividend per share
6.0p
(2020: 3.3p)

Cash conversion
77%
(2020: 139%)

Net Debt ratio
1.7x
(2020: 1.8x)

Net Debt
£234.7m
(2020: £210.4m)

Prior year restatements required for the adoption of IFRIC agenda decision on cloud based software arrangements

Adjusted measures
Adjusted results exclude certain items because, if included, these items could distort the understanding of Essentra's performance for the year and the comparability between periods. In management's view, such alternative performance measures (APMs) reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a periodic basis. Our APMs and KPIs are aligned to our strategy and business segments, and are used to measure the performance of the Company and form the basis of the performance measures for remuneration. See page 20 for KPIs and page 43 for APMs.

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

Laying the foundations for the next chapter

The Board has announced its strategic goal is to become a pure play Components business. All divisions are focused on achieving this and laying the foundations for the next chapter.

"The Components division continued to perform well: demand remains strong for the division's product portfolio."

Paul Lester, CBE
Chair

Our people

As we all have seen, the pandemic has not passed quickly and continues to cause challenges that all businesses have had to adapt to. The Board and I ended 2021 reflecting on the sad loss of further colleagues since the start of the pandemic and our heartfelt condolences, as well as support, go to their families, friends and colleagues. Essentra continues to respond positively to each new change the pandemic brings and I thank all employees for their continued resilience.

Our future path

In October, the Board announced that it had agreed that its strategic goal was to become a pure play global Components business and that initially Filters would undergo a strategic review, but it was apparent that Packaging should be accelerated and in November we announced a strategic review of Packaging. Both reviews are now running in parallel and are expected to conclude at the earliest in Q2 and updates will be provided as appropriate. Before reaching these decisions, the Board closely reviewed the performance of the Group to assess the future strategic direction and growth opportunities for each division. The Board concluded that the Company and each division could optimise their opportunities, realising greater shareholder value, through a different ownership structure.

Our performance

In 2021, the Group delivered an adjusted operating profit of £83.9m (2020: £62.3m) with a revenue of £959.7m (2020: £896.5m) and adjusted operating cash flow of £64.5m (2020: £86.7m). Achieving these results has not been without its challenges and, as has been the case for many businesses, we experienced our own challenges in relation to our supply chains, distribution channels and availability of people.

Our growth

Despite these challenges, the Components division continued to perform well. Demand remains strong for the division's product portfolio in our end markets and commercial initiatives support this growth. This underpins the strategic goal to become a pure play global Components business. In May, the division announced the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co, an access hardware manufacturer and distributor business, in China. This was strategically important for the division's continued growth in the region, with the existing site at Ningbo working closely with the new business to integrate our new colleagues who are warmly welcomed into the Essentra family.

Filters continued to focus on its own strategy for growth which has paid dividends with a number of new outsourcing partnerships underway and continued operational excellence. It has also made good progress with its 'game changers' as the China Joint Venture started production operations on target during the year.

Packaging has suffered due to the slower recovery in elective surgery in its core markets, people resource due to the pandemic and material shortages significantly affecting its operations. The division has shown signs of trending positively during H2, though, and this is testament to the excellent leadership and dedicated staff within that division who have worked tirelessly to finish the year on target.

Our sustainability

This year is the first that we will report under the Task Force on Climate-Related Financial Disclosures. To prepare for this we have spent considerable time and energy reviewing our practices as a business to ensure our approach to managing climate-related risks and opportunities provides investors and other stakeholders with useful information that will also support our growth. Essentra has made good steps forward with its approach to environment, social and governance and all three elements are under continuous improvement.

Across all sites, employees are highly engaged and enthusiastic, sharing their energy and determination to make both small and big changes that will bring about positive change for the environment, improve the communities they live and work in and reduce climate change. We chose to implement our sustainability strategy by focusing on delivering an increase in the number of sites producing zero waste to landfill, reducing the volume of waste produced and using at least 20% of materials from more sustainable sources.

On all counts we have seen success stories. The shortages in sourcing materials meant our Components Kidlington site in the UK moved early to using 40% recycled content as standard with pricing remaining the same, believing that responsible supply should not charge a premium for doing the right thing. This has created momentum within the division to press ahead with other initiatives including trialling 'take back' schemes to improve the circular economy. Packaging and Filters have their own success stories too. In the Packaging division, 96% of materials used are procured from FSC or PEFC certified suppliers and all Continental European Packaging sites are FSC certified. Filters has been working on "ECO" ranges for many years by partnering with their customers. They have extended this offering and have launched a further five products during 2021.

Our dividend

The Board is pleased to confirm that it proposes a final dividend payment of 4.0p per share, and therefore a full year dividend of 6.0p per share (2020: 3.3p). The 2020 final dividend was cancelled as a precautionary measure to preserve cash flow during the early stages of the pandemic. Dividends were resumed with the payment of the 2021 interim dividend and the Board is pleased to be able to continue with its progressive dividend policy.

Our Board

During the year, we announced that Lily Liu would leave the Company by the end of June 2022 and that a new Chief Financial Officer would be recruited who would also transition into the Essentra Components business. I am therefore pleased that we were able to announce in March 2022, that Jack Clarke agreed to become our new Chief Financial Officer and starts on 4 April 2022.

The Board and I thank Lily for her for the important role she has played in helping us deliver the Group's strategy and growth objectives and we wish her well for the future. With Jack's appointment, Lily will not stand for re-election at the 2022 AGM.

We welcomed Adrian Peace as a non-executive Director during the year, and were also pleased to add a Board Trainee, Dupsy Abiola. Adrian and Dupsy have had a significant impact on the Board and brought fresh insights and clarity that supported Board discussions.

Adrian is based in the US, and has extensive experience of working in global and US based components businesses where he has also led sustainability strategies and initiatives. With Adrian being based in the US, he has also been appointed as a Board Employee Champion. Between Mary, Ralf and Adrian we are now able to better cover our global footprint, meeting staff in person when the pandemic allows, and virtually at other times. The update on the Board Champion and Voice of the Employee initiative provides more detail and can be found on page 90.

The Board also agreed, that given the success of Dupsy's appointment as a Board Trainee, to appoint her as Non-Executive Director, which we announced in March 2022. A robust process was used to select Dupsy as the Board Trainee, the same used to select a Non-Executive Director and the Board are satisfied this meets the requirements for selecting directors. Dupsy's biography is on page 83.

Jack, Dupsy and Adrian will all stand for election at the 2022 AGM.

With Adrian being based in the US, we are now able to better cover our global footprint, meeting employees in person when the pandemic allows, and virtually at other times.

As planned and previously communicated, Tommy Breen retired from the Board at the AGM after six years of service during which time his valued contribution helped guide the Company through a period of significant change for the Company. My thanks go to Tommy once again for his support over his tenure.

Nicki Demby has advised the Board that she will be retiring from her role as Remuneration Committee Chair and Non-Executive Director with effect following the Company's 2022 Annual General meeting. Nicki joined the Board in 2019 and has made a significant contribution to the committees and the Board, but in particular, her focus and expertise, as well as the significant time spent dealing with remuneration, have provided the Board the assurance needed and we wish Nicki well.

Ralf Wunderlich has been appointed as Remuneration Committee Chair and I thank Ralf for taking on this additional responsibility, providing the scrutiny and oversight of reward and remuneration during this time of change.

During the year, the Board made a commitment to meet in person as often as possible having agreed that the quality of discussions was significantly better when in person. In line with local rules, this meant that on occasions the Board met in smaller groups or on a one-to-one basis outside of scheduled meetings. With Adrian and Ralf being in the US and Germany respectively, they still had to join most meetings virtually but we was very pleased to be able to meet Adrian in person in September. These combined methods allowed the Board to develop and progress the decision relating to the strategic reviews. The Board look forward to meeting in person as often as possible during 2022, notwithstanding the benefit and ease of virtual meetings.

While the world settles into a post-pandemic norm, the start of 2022 has bought about fresh geopolitical challenges. The appalling events in Ukraine following the Russian invasion are extremely distressing and we are focused on doing all we can to support and assist those impacted by this humanitarian crisis. Essentra has made a donation of £100,000 to the Disasters Emergency Committee Ukraine Appeal and since 24 February all sales to Russia have been suspended and will remain so until further notice. Our thoughts are with the Ukrainian people and our hopes are for peace to be restored as swiftly as possible.

The coming year will be another busy year for Essentra, with much change ahead. As always, I look forward to seeing this unfold and supporting the business as it continues to harness growth opportunities through the strategic reviews and the new shape of Essentra develops.

Paul Lester, CBE
Chair
18 March 2022

Creating three strong, standalone businesses

2021 saw the start of a new and transformational chapter in Essentra's journey; we have set out a clear direction for the Company to become a pure play Components business over time and announced strategic reviews of the Filters and Packaging divisions.

2021 Adjusted basic earnings per share

18.2p

(2020: 13.2p)

Our focus this year has been on creating three strong, standalone global divisions, which – thanks to their financial and strategic progress – are leaders in their chosen markets.

2021 has been a year of major progress and a real highlight has been the way in which our people have supported our customers, as well as each other, which has further cemented our strong market positions, allowing us to unlock shareholder value in 2022.

Indeed, despite the challenges arising from the pandemic and supply chain issues, we have made real financial progress, delivering a strong 2021 performance, with improving revenue and order trends and all three global divisions well-positioned for future growth.

These results have been driven by various organic and inorganic growth initiatives. In October we launched a group-wide decision gate process for innovation projects and all three divisions have developed their focus on innovation in support of business growth and the wider ESG agenda, for example through more sustainable Filters and Packaging products as well as the increased use of recycled materials in our Components production.

This supports progress against our sustainability goals with the number of sites meeting zero-waste to landfill increasing to 22, an increase to 8.5% of packaging/raw materials from more sustainable sources and an 8.2% further reduction in our CO_2 emissions in 2021.

Paul Forman
Chief Executive

Our strategic journey and vision

In 2021 the Essentra Board concluded that shareholder value is likely to be maximised by Essentra becoming a pure play global Components business over time.

This direction would have two clear benefits; it would allow each of the three divisions to have the focus, partnerships and financing to accelerate their growth plans and would also release value for shareholders.

See pages 10 to 12 for more about our strategic journey and vision.

2021 priorities

- Laying the foundations to realise our ambition to become a pure play global Components business
- Further enhancing the strength of our balance sheet to provide strategic optionality
- Pursuing growth strategies for each division to enable them to become successful
- Investment in systems, equipment and innovation, including the development of more sustainable products
- Focus on key quality and service metrics despite ongoing challenges due to the pandemic and supply issues
- Further strengthening of a robust compliance framework and culture
- Continuing to manage our response to the COVID-19 pandemic by safeguarding our people's wellbeing, supporting our customers, managing cash flow and building for the future

Managing our response to COVID-19

We have continued to balance short- to medium-term priorities with the long-term view; responding to the immediate needs while planning for a future beyond the pandemic. We have therefore focused on managing our response around four priorities:

Safeguarding our people

Supporting our customers

Managing our cash flow

Building for the future

In August we completed the acquisition of Hengzhu which strengthens our position in China and the region, as well as expanding our access hardware range. This acquisition adds to an increasing Essentra presence in the region following the Filters Joint Venture (JV) announced in 2020. The JV started production at the end of Q2 and has performed in line with expectations. The integration of 3C! in our Packaging division, which was acquired in 2020 and added manufacturing capacity and service capability to our existing Packaging footprint in the Americas, is also on track.

During the year we also continued to drive operational improvements with successful footprint rationalisation and the rollout of our Business Process Redesign (BPR) programme in our Components division, beginning in Spain. While the rollout has not been without challenges, this programme is an important part of how we build for the future by standardising processes and making it easier for our people to do their jobs.

In managing our response to the ongoing COVID-19 pandemic, we remained focused on the four priorities originally set out in 2020. Our number one priority has remained the safeguarding of our employees' wellbeing, both physical and emotional. Our Physical Health Policy and travel restrictions have reminded in place and we have continued to publicise the Employee Assistance programmes available globally.

Given this focus on employee wellbeing I am therefore disappointed that our lost time incidents have increased this year by 43%. Looking forward, the focus will be on better understanding the issues and learning from areas of the business with good track records.

Given the backdrop of an ongoing pandemic and strategic changes, open and honest communication with our people has remained important. The "Coffee with Paul" virtual sessions instigated in 2020 were continued, along with a number of virtual recognition events. In April we also launched a new communications and learning digital platform "Spring", making communications more accessible to factory-based employees, and have taken time to celebrate Essentra's diversity, for example marking Pride in June and Black History Month in October for the first time.

It has been a privilege to lead Essentra to this exciting point in its strategic journey. The commitment and professionalism of my global colleagues has been a source of immense pride and inspiration.

As we look to the future, I have no doubt that the next chapter will present even more positive opportunities for both our businesses and our people.

Paul Forman
Chief Executive
18 March 2022

Our strategic journey

Essentra's three divisions have grown into leaders in their respective markets through a combination of organic growth and acquisition activity. Since we began manufacturing filters in Jarrow back in the late 1940s, the Company has made significant investment in global production and service capabilities so that we are better able to responsibly provide the products and services our customers need to succeed.

In early 2017, we embarked on a "stability, strategy, growth" journey; developing solutions to increase stability and build strategies for our three largest divisions. In mid-2018 we began delivering on these strategies.

With stability and clear strategies restored, 2019 signalled the start of the third chapter of our journey; we sold certain businesses allowing us to focus time and resource on the three remaining divisions and restored long-term revenue and profit growth in each of them.

Our heritage

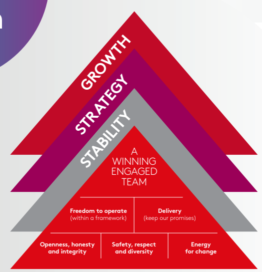
1940s
Austrian business Bunzl commenced its manufacturing operations in Jarrow, United Kingdom

1950s
Filtrona Corporation formed in the United States

2005
Filtrona demerged from Bunzl plc and becomes a separately listed company on the London Stock Exchange

2013
Filtrona plc rebranded as Essentra plc

Stability Strategy Growth



2017
Paul Forman appointed as Chief Executive

Introduction of Stability, Strategy, Growth roadmap and Six Principles (values)

Acquisition of Micro Plastics, a leading manufacturer and distributor of nylon fasteners and other plastic components for a wide range of industrial end-markets

2018
Introduction of a Company purpose "to provide the parts, products and services our customers need to succeed as businesses"

Acquisition of Hertila, a leading manufacturer and distributor of caps and plugs and other plastic components

Divestment of Swiftbrook, a paper merchant based in Dublin

2019
Significant simplification of the Company's portfolio:

- Specialist Components division dissolved
- Tear Tapes and Industrial Supply (Reid), absorbed into the Filters and Components divisions respectively owing to the complementary nature of the end-markets served

Divestment of four businesses within the Specialist Components division:

- Pipe Protection Technologies (PPT)
- Speciality Tapes
- Extrusion
- Card Solutions

Acquisition of the 49% minority interest in the Filters joint venture in Dubai

Acquisition of Nekicesa Packaging S.L, one of the leading converters of folding cartons supplying the pharmaceutical end-market in Spain

Acquisition of Innovative Components Inc. and Componentes Innovadores Limitada is one of the leading North American manufacturers and distributors of knobs, pins and handles

2020 was a uniquely challenging year for our people who demonstrated incredible resilience, energy and commitment.

In 2021 we looked to how we build for the future, by assessing how each division could best optimise their own growth potential going forward.

Our work over the last four years has resulted in three strong distinct divisions who are leaders in their respective markets but at different stages of their development and with limited overlap.

Reflecting on this context and the existing size and scale of Components, the Essentra Board concluded that shareholder value was likely to be maximised by Essentra becoming a pure play global Components business over time.

See our divisional operational reviews from page 60

Building for the future

2020

Initial focus on three priorities during the COVID-19 pandemic:

- Safeguarding our people's wellbeing
- Supporting customers
- Enhancing the strength of our balance sheet to provide strategic optionality

Introduction of Building for the Future fourth priority and new strategic roadmap for 2020 and beyond

Refresh of the Company's purpose, values and goals

Acquisition of 3C! Packaging, Inc. a leading designer and manufacturer of custom folding cartons, printed literature, foil and flexible packaging and labels in North Carolina, USA.

Establishment of Filters JV in China, China Tobacco Essentra (Xiamen) Filters Co., Ltd

2021

Strategic reviews of Filters and Packaging divisions launched

Announcement of strategic goal to become a pure play Components business

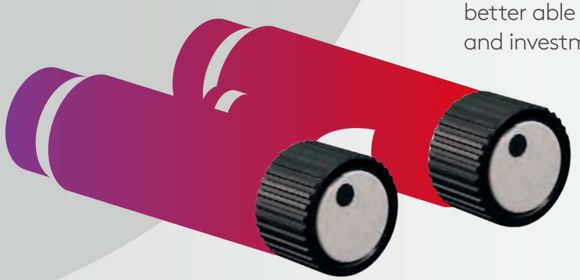
Acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd. an access hardware manufacturer and distributor in China

"We have set out a clear direction for the Company to become a pure play Components business over time. This would allow each of the three divisions to have the focus, partnerships and financing to accelerate their growth plans and also release value for shareholders."

Paul Forman
Chief Executive

Our strategic vision

In October 2021 Essentra announced its strategic intention to become a pure play Components business over time.



The rationale

Our work over the last four years has resulted in three strong distinct divisions that are leaders in their respective markets but which are at different stages of their development and with limited overlap.

Reflecting on this context and the existing size and scale of Components, the Essentra Board concluded that shareholder value is likely to be maximised by Essentra becoming a pure play global Components business over time.

The Board believe that Filters and Packaging are likely to thrive under a different ownership structure where they would be better able to access the specific markets and investments they need to grow.

The process

As a first step, in October 2021 we launched a review of the full range of strategic options for the Filters business. The Filters division has made significant progress over the last four years on the delivery of all strategic "game changers" and now has attractive long-term growth prospects.

This was followed by the announcement in November 2021 of a strategic review of the Packaging division. The actions we have taken to stabilise and grow this business over the last four years have helped it to become a key player in the Packaging market, offering customers the scale, reliability and innovation they need to succeed.

These reviews will assess the full range of strategic options for the businesses. To support the reviews, we have also started a broader piece of work to identify the steps we would need to take to create a more simplified legal structure across the divisions.

Our progress

A governance structure to co-ordinate all elements of the strategic reviews has been established. Both strategic reviews are progressing well and are likely to conclude in Q2 2022 at the earliest.

We do not yet know what the outcome of either review will be and no decisions have been made regarding any of the divisions or any impact on the Group structures. As at 31 December 2021 neither of these businesses has been classified as 'held for sale' in the year end balance sheet.

We recognise that there will be questions from some of our employees and we want to ensure that they are fully supported throughout any changes that may occur. We are therefore establishing Employee Feedback Forums in order to help channel employee questions and respond accordingly.

Investment case

Becoming a pure play Components business.

1

A more focused business model

Essentra set out its strategic goal to become a pure play Components business, maximising shareholder value and the potential of each business

Over the last few years, we have simplified our portfolio into three global businesses, each with leading market positions and a clear purpose and strategy. These businesses all have strong prospects and the potential to deliver compelling returns for investors but are at different stages of their development and have limited synergies

Essentra has commenced strategic reviews of the Filters and Packaging divisions and is confident in delivering the right outcome for each of its businesses to thrive independently

2

Organic growth potential in all divisions

We have a clear market share gain strategy; we operate in sizeable but fragmented end-markets and are well-positioned for growth

We have significant levers to drive organic growth and leverage Component's highly attractive financial model

We supply essential products to our customers and our hassle-free customer proposition, range and geographical reach enable us to scale our business and take market share

Our committed and engaged employees, extensive international manufacturing and distribution network, deep industry expertise and strong focus on innovation and sustainability are key competitive differentiators

3

Opportunities for margin expansion

Significant margin expansion opportunities across all divisions driven by operational leverage and 'self-help' actions

We have a strong focus on operational efficiencies, flexible and extensive international sourcing, supply chain and production infrastructure and remain committed to investing in scalable processes to exploit new opportunities cost-effectively

Essentra also continues to deliver successful pricing management and cost control actions which enable us to mitigate cost inflation and enhance margin. This includes actions taken to offset the impact of the COVID-19 pandemic and mitigate global supply chain challenges

4

Financial resilience

Strong cashflow generation and balance sheet position support continued investment in our business

We are operating well within our targeted gearing range of between 1x to 2x (net debt/EBITDA), providing a platform from which we can explore and drive further strategic opportunities

The strength of our balance sheet and liquidity position means we are well positioned to invest in organic development such as accelerating digitalisation and expanding our sustainable product offering

In Components we have a healthy pipeline of opportunities and continue to look for value enhancing and strategic acquisitions

5

Focus on sustainability

We have placed a strong emphasis on purpose, values and sustainability, underpinned by governance and reward structures

Working together with our customers to innovate, solve problems and drive solutions is core to what we do. Central to this is providing solutions through innovation to meet an increasing demand for environmentally responsible products

Essentra also made further progress in reducing emissions and waste in 2021, working towards our strategic goal of "class leading sustainability"

Our business model

Our business model explains how our customer-focused purpose drives how and where we compete, as well as how we add value for our employees and customers.

Our purpose

Our purpose is to responsibly provide the products and services our customers need to succeed.

What we do

We manufacture

Whether it is a tiny but critical component or a bespoke solution to a complex need, we have the skills and capability to manufacture a wide range of products.

We partner

We take a long-term partnership approach with suppliers and customers so we can deliver what our customers need, when they need it.

We distribute

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

Our goals

- Safety, respect and diversity
- Openness, honesty and integrity
- Energy for change

Our values

- A winning, engaged and empowered team
- Class-leading sustainability
- Growth through innovation

Who we serve

- Automotive
- Construction
- Electronics
- Equipment manufacturing
- Fabrication
- Food and Beverage
- Personal Care and Beauty
- Pharmaceutical
- Retail POP/ Paper and Board
- Tobacco

Stakeholder engagement

At Essentra we actively manage a range of key stakeholder relationships, recognising that our success and sustainability depend on their input and involvement.

The Board understands the importance of forming and retaining good working relationships with all stakeholder groups. Effective engagement enables the Board to ensure stakeholder interests are considered when making decisions and the feedback helps them to identify emerging issues which is crucial for achieving the long-term success of the Company. The Board receives updates at each of its scheduled meetings on stakeholder engagement, for example regular reports on investor relations, employee engagement and an update on the Chief Executive's - and his team's - external engagements. In most cases, the method of engagement with stakeholders is meetings, held either virtually or face to face. These include the Annual General Meeting, individual shareholder meetings, customer meetings and employee meetings through the Voice of the Employee initiative. These interactions allow the Board to consider whether there are any issues requiring further consideration.

The following disclosure describes how the Board has had regard to the matters set out in Section 172(1) (a) to (f) and forms the Directors' statement required under Section 414CZA of the Companies Act 2006.

Effective engagement enables the Board to ensure stakeholder interests are considered when making decisions and is crucial for achieving the long-term success of the Company.

Investors

The major interests in our shares are set out on page 135.

Key metrics:

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

Why is it important to engage?
Continued access to capital is of vital importance to the long-term success of our business.

Through our engagement activities, we strive to obtain investor buy-in to our strategic objectives and our execution of them.

We create value for our shareholders by generating strong and sustainable results that translate into dividends.

We are seeking to promote an investor base that is interested in a long-term holding in the Company.

How management and/or Directors engaged?
The key mechanisms of shareholder engagement included:

- AGM
- full year and half year presentations
- one-on-one investor meetings with the Chair, Chief Executive, Chief Financial Officer, Senior Independent Director and Chair of the Remuneration Committee.

What were the key topics of engagement and what feedback and input did the Board/ management obtain?
Other than our routine engagement with investors on topics of strategy, governance and performance, below are specific matters on which we engaged investors and that influenced outcomes and actions this year:

- the intent for Essentra to become a pure play Components business over time and the future potential of the Company
- the decision to undertake the strategic reviews of both the Filters and Packaging divisions
- acquisition of Hengzhu
- appointment of the new Board Trainee
- our evolving sustainability strategy and initiatives.
- the ongoing impact of COVID-19 on our financial position and resilience.

We also actively manage our relationship with debt investors, holding regular business updates where we discuss Essentra's future debt strategy and how this can be best delivered.

What was the impact of the engagement including any actions taken?
The regular programme of engagement during the year with our investors meant that we were able to appropriately hold discussions regarding the strategic reviews and the future direction and shape of the Company once announced. The Company intends to maintain regular dialogue with investors over the coming months, especially to update them on the progress and findings of the reviews.

Suppliers

The Company has a large number of international suppliers and also partners with a high volume of small businesses.

Each division presents distinct key supplier groups. 85% of Filters and Packaging's raw materials come from a small proportion of suppliers used. 80% of our indirect spend, eg on IT, is concentrated with a small number of key suppliers. The Components division utilises a mature network of key suppliers.

Why is it important to engage?
Our suppliers are fundamental to the quality of our products and to ensuring that as a business we meet the high standards of conduct that we set ourselves.

We are fundamentally a conversion business and are dependent on our suppliers to provide our goods ethically, within our code of conduct, on time and to the quality required by our customers.

Innovation is key to the success of our business and engaging with suppliers early is fundamental to the enabling of new products.

How management and/or Directors engaged?
We engage with local suppliers through working group initiatives that are run by regional management.

Our supplier Code of Conduct and Modern Slavery Statement are shared with all key and new suppliers.

Our Procurement team runs a supplier development programme with all key suppliers.

What were the key topics of engagement and what feedback and input did the Board/management obtain?

- the impact of worldwide supply chain disruption, leading to challenges on the price and availability of raw materials
- impact of Brexit on business continuity in our UK and European factories
- sustainable procurement has continued to gain an increased focus.

What was the impact of the engagement including any actions taken?
We develop long-term, strategic relationships formed on the basis of trust and understanding and which are to the mutual benefit of both parties. We collaborate with our suppliers on key initiatives and innovation projects.

In order to mitigate the impact of supply chain challenges the Company developed a broad set of contingency plans, eg increasing inventory for critical raw materials and using alternative suppliers/products.

The key supplier management programme initiated in 2019 has allowed us to drive our environmental and social policies down the supply chain.

As anticipated, by the end of 2021 more than 70% of our suppliers (by spend) have attested that they follow our Ethics Code or equivalent standards.

"The Board understands the importance of forming and retaining good working relationships with all stakeholder groups."

Customers

Our purpose is to responsibly provide the products and services our customers need to succeed.

Key metrics:

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

Why is it important to engage?

Our customers are the lifeblood of our business and we recognise that their feedback and support are crucial to our future success.

How management and/or Directors engaged?

We have strategic global relationships with a number of multinational companies.

We have also invested in key account management structures across our businesses to manage relationships with customers. This ensures that we provide the most appropriate service for individual accounts.

What were the key topics of engagement and what feedback and input did the Board/ management obtain?

- the intent for Essentra to become a pure play Components business over time and the future potential of the Company
- the impact of the COVID-19 pandemic and Brexit on business continuity
- our approach to sustainability across our sites, including corporate targets
- product innovation, including in terms of more sustainable products.

What was the impact of the engagement including any actions taken?

Development of long-term strategic relationships formed on the basis of trust and understanding and which are to the mutual benefit of both parties.

We continue to expand our product offering and build expertise within our sales teams.

"Essentra is committed to working with governments at national, regional and local level in establishing sound and transparent working relationships."

Government and Regulators

Wherever we operate we are committed to conducting business in line with the appropriate laws and regulation.

Why is it important to engage?
As a global company with many local operations, Essentra is committed to working with governments at national, regional and local level in establishing sound and transparent working relationships. This is to ensure that the way we conduct business with customers and suppliers, and how we treat our people and the community in which we operate, meet both local requirements and Essentra's Code of Ethics.

In accordance with our Ethics Code, Essentra does not provide financial contributions to political parties and lobby groups.

How management and/or Directors engaged?
Engagement with regulators and governments is undertaken in various ways across our global operations.

As a UK listed company the Board and the GMC manage many of these relationships while our global teams engage local governments as necessary.

What were the key topics of engagement and what feedback and input did the Board/management obtain?
The impact of the COVID-19 pandemic on the Company, in particular:

- how we have managed the safety of our people through implementation of COVID-19 safety practices to ensure that we meet all local requirements and also identify additional support or measures that we could take to best safeguard our people depending on their location
- the position relating to government support in each country so as to replicate similar furlough or payment arrangements across the Group in all locations
- the need for our manufacturing sites to remain operational despite COVID-19 restrictions, especially those serving critical industries involved in the fight against COVID-19.

In view of the ongoing obligations of the Deferred Prosecution Agreement that the Dubai Filters business operates under, the Company has continued to meet its reporting obligations required by the US Department of Justice. To support this, our compliance practices and procedures are carefully overseen by the Group Compliance Committee and the Audit and Risk Committee. This approach remains ongoing to provide assurance that the whole business, as well as the Filters business, continues to follow the sanctioned market compliance that was reported in the 2020 Annual Report.

What was the impact of the engagement including any actions taken?
We maintain a strong and transparent dialogue with various government and regulatory agencies.

In many instances our COVID-19 safety approach exceeded local requirements and included testing as well as additional support for families through the provision of PPE and hygiene materials.

The Company undertakes a comprehensive sanctions compliance programme to ensure strict adherence to the compliance requirements and reporting obligations to the Department of Justice set out in the Deferred Prosecution Agreement with a three year term from 16 July 2020 in relation to historical US sanctions issues in the Filters division. The Company maintains its focus on continuous improvement and monitoring the effectiveness of its response to sanction regimes and other compliance requirements relevant to its international operations.

Employees

Our employees are vital in ensuring we provide quality products and services to our customers and operate our business activities effectively and efficiently.

Key metrics:

- Employee engagement (postponed for 2021)
- Safety KPIs: Lost Time Incidents and Number of Days Lost
- Gender diversity at management levels
- Feedback gathered as part of ongoing engagement activities such as regular town halls, "Coffee with Paul" sessions and responses to the "Ask Paul" and "Questions" email inboxes.

Why is it important to engage?
The Company's long-term success is based on the daily commitment of our workforce to our purpose, values and goals.

To maintain our competitive advantage and meet the growing demands of the environment in which we operate, we need a workforce which is adaptive and whose skill base constantly evolves. We also value workers with long-term practical experience.

How management and/or Directors engaged?
We engage with our people regularly and have developed a people strategy which seeks to create an environment in which our people are happy at work and that best supports their wellbeing.

We invest significantly in our people as we believe that maintaining low turnover rates across the entire workforce is the source of our industry-leading efficiency and productivity rates.

Whilst we usually distribute an employee survey to all our employees annually, the GMC agreed to postpone the survey for 2021 and instead opted to use direct contact with employees to gather feedback. As well as regular town halls within the divisions and on sites in all regions, ongoing engagement activities include virtual meetings with the Chief Executive known as "Coffee with Paul" sessions and the provision "Ask Paul" and "Questions" email inboxes Paul reports on these to GMC and to the Board as may be appropriate.

In addition, employees are provided with information of concern, including factors affecting company performance, through regular Chief Executive updates and town hall briefings.

To meet the requirements of the 2018 Code, the Board has designated three designated Non-Executive Directors to be Board Employee Champions, responsible for the employee voice. Given the number of sites to cover, this allows more focused engagement.

What were the key topics of engagement and what feedback and input did the Board/ management obtain?

- the intent for Essentra to become a pure play Components business over time and the future potential of the Company
- the impact of the COVID-19 pandemic on the Company's financial position and operations, as well as the impact on employees
- engagement between employees and the Board Employee Champions covered a number of key topics including resource and investment allocation.

What was the impact of the engagement including any actions taken?
We are continuing to respond to the COVID-19 pandemic and have sustained our approach in making safeguarding employee wellbeing our top priority.

In 2022 the Board will support the continued rollout of the people strategy and continue to develop and evolve the Board Employee Champion roles.

"We engage with our people regularly and have developed a people strategy which seeks to create an environment in which our people are happy at work and that best supports their wellbeing."

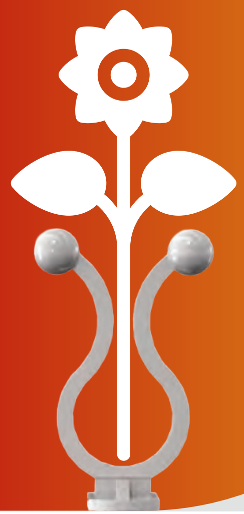
Key performance indicators

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

Adjusted operating cash flow (£m)

65

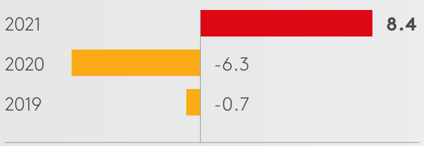
(87 in 2020 – restated)



Like-for-like revenue growth (%)

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

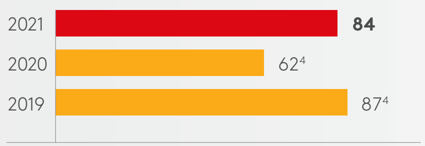
Why this is important
Measures the ability of the Company to grow sales by operating in selected geographies and categories, and offering differentiated, cost-competitive products and services



Adjusted operating profit[1] (£m)

How we measure it
Operating profit at constant exchange rates, excluding the impact of amortisation of acquired intangible assets and adjusting items

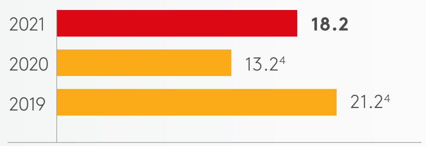
Why this is important
Measures the profitability of the Company



Adjusted basic earnings per share[1] (p)

How we measure it
Earnings per share at constant exchange rates, excluding the impact of amortisation of acquired intangible assets and adjusting items

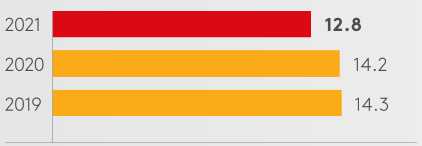
Why this is important
Measures the benefits generated for shareholders from the Company's overall performance



Net working capital[2] ratio (%)

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

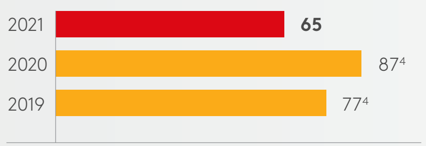
Why this is important
Measures the ability of the Company to finance its expansion and release cash from working capital



Adjusted operating cash flow[3] (£m)

How we measure it
Adjusted operating profit less non-cash/other items, net working capital and net capital expenditure

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



Alignment of KPIs to executive remuneration

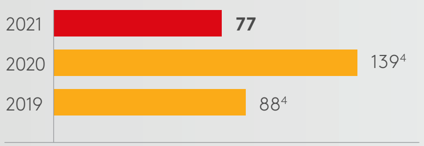
- ● Performance measures for the executive Annual Bonus Plan
- ● Performance measures for the executive Long-Term Incentive Plan

1 Excluding impact of amortisation of acquired intangible assets and adjusting items
2 As defined in the Financial review on page 41
3 As defined in the Alternative Performance Measures on page 44
4 Prior year restatement required for the adoption of IFRIC agenda decision on cloud based software arrangements

Cash conversion (%)

How we measure it
Adjusted operating cash flow[3] as a percentage of adjusted operating profit[2]

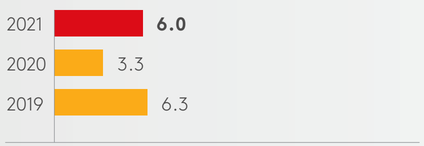
Why this is important
Measures how the Company converts its profit into cash/quality of the Company's earnings



Dividend per share (p)

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

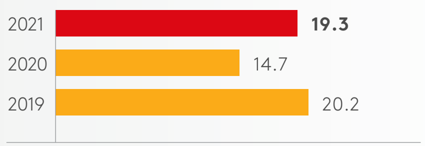
Why this is important
Measures the amount of cash per share which the Company returns to shareholders



Return on Capital Employed (%)

How we measure it
Adjusted operating profit[1] divided by tangible fixed assets and net working capital

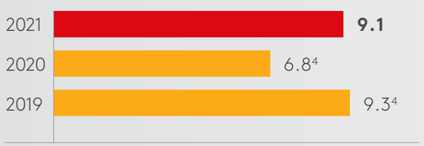
Why this is important
Measures how effectively the Company uses its operational assets



Return on Invested Capital (%) ●

How we measure it
Adjusted operating profit[1] after tax divided by (capital employed plus intangible assets)

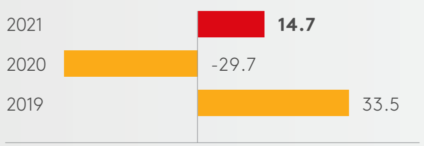
Why this is important
Measures the Company's ability to effectively deploy capital



Total Shareholder Return (%) ●

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

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



● Performance measures for the executive Long-Term Incentive Plan

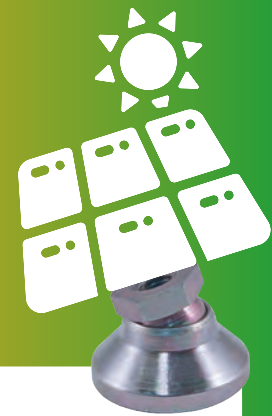
1 Excluding impact of amortisation of acquired intangible assets and adjusting items
2 As defined in the Financial review on page 41
3 As defined in the Alternative Performance Measures on page 44
4 Prior year restatement required for the adoption of IFRIC agenda decision on cloud based software arrangements

Dividend per share (p)
6.0
(3.3 in 2020)

Cash conversion (%)
77%
(139% in 2020)

Non-financial key performance indicators

Equally important to the delivery of Essentra's strategic priorities is a focus on KPIs which measure our progress against stated priorities in terms of our customers, communities and people.

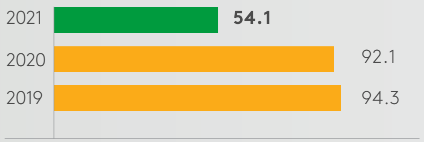


Customers

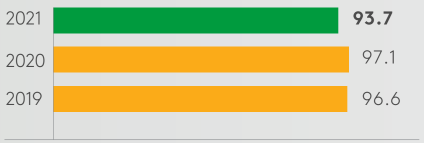
On Time and In Full (%)

Why this is important
Our purpose is to responsibly provide the products and services our customers need to succeed. Our ability to deliver quality products on time and in full has been a key focus for 2021.

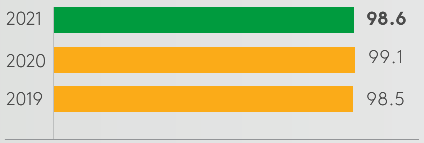
Components



Packaging



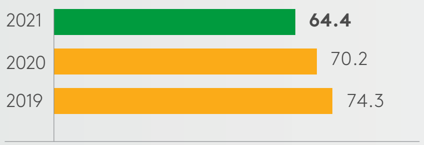
Filters



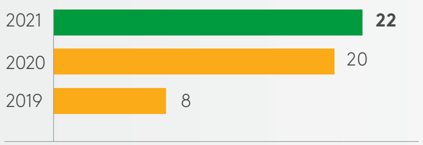
Environment

Why this is important
We recognise that we have a role, and interest, in environmental stewardship. This is a duty we owe not just to our neighbours, but to future generations. We know that the way we manage our environmental impacts affects our reputation and is a measure of the quality of Essentra's businesses.

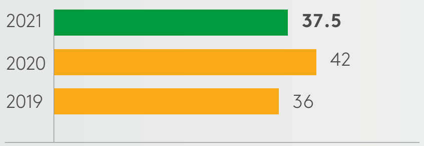
Scope 1 & 2 CO_2 emissions (normalised)
Total tonnes eq per £mln revenue – Location



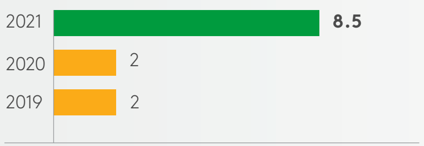
Number of sites at Zero Waste to Landfill ('zwtl')



Volume of waste produced (normalised)
Tonnes/£mln revenue



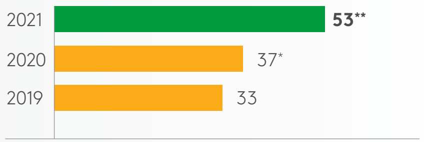
% packaging/raw materials from more sustainable sources



Safety

Lost Time Incidents (LTIs)

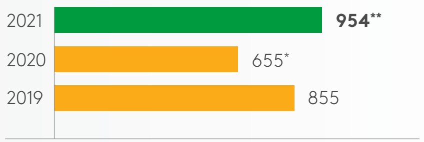
Why this is important
Our overriding commitment in the workplace is the health, safety and welfare of our employees and all those who visit Essentra's operations. Our aim is to be in the top quartile of manufacturing companies for the lowest Incident Frequency Rates.



* Excludes 3C! ** Excludes Hengzhu

Number of days lost

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



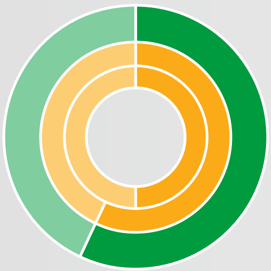
* Excludes 3C! ** Excludes Hengzhu

Continued engagement with our employees on diversity & inclusion, innovation, sustainability as well as potential business changes.

People

Why this is important
At Essentra we are committed to measuring our progress in terms of the diversity of our leadership community. We believe this diversity brings a range of outlooks to decision-making and problem-solving as well as better representing our employee base and the communities in which we operate.

Board gender diversity (%)

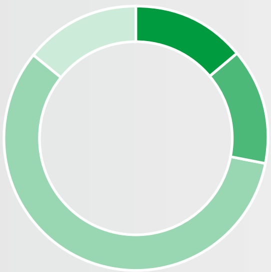


2021
- Men: 57% (4)
- Women: 43% (3)

2020
- Men: 57% (4)
- Women: 43% (3)

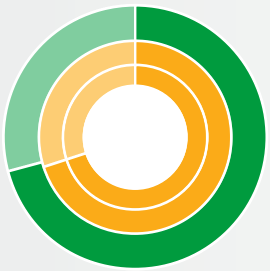
2019
- Men: 50% (4)
- Women: 50% (4)

Board ethnic diversity (%)



2021
- Asian (Chinese): 14% (1)
- Black: 14% (1)
- White: 57% (4)
- White Irish: 14% (1)

Group Management Committee gender diversity (%)

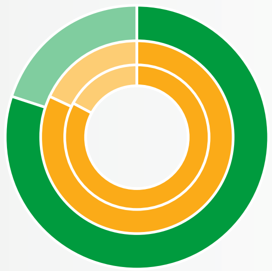


2021
- Men: 71% (5)
- Women: 29% (2)

2020
- Men: 70% (7)
- Women: 30% (3)

2019
- Men: 70% (7)
- Women: 30% (3)

Management (Levels 6-8) gender diversity (%)



2021
- Men: 80% (74)
- Women: 20% (19)

2020
- Men: 82% (71)
- Women: 18% (16)

2019
- Men: 83% (80)
- Women: 17% (16)

Non-Financial information table

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

Reporting requirement	Where to read more in this report
Environmental matters: Environment, Social and Governance	24
Employees: Environment, Social and Governance	35
Health and safety: Environment, Social and Governance	35
Human rights: Environment, Social and Governance	37
Social matters: Environment, Social and Governance	35
Anti-Bribery and Corruption: Environment, Social and Governance	39
Business model: Our business model	14
Principal risks: Risk management report	45

Environment, Social and Governance

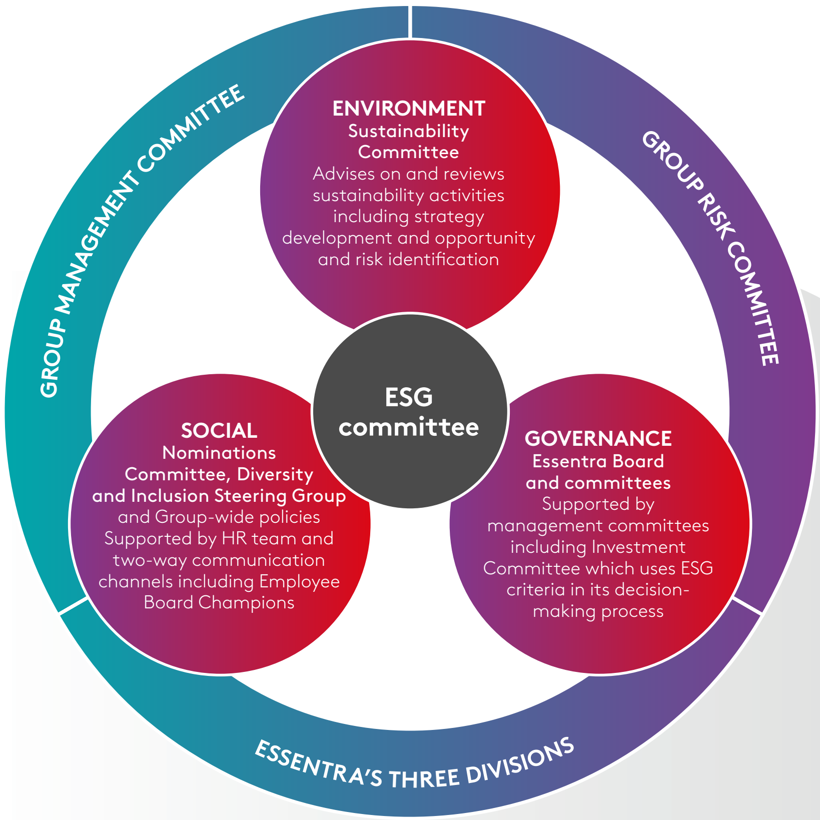
At Essentra we recognise that our business reputation, together with the trust and confidence of the people we do business with, is one of our most valuable assets. Environmental, social and governance (ESG) topics are therefore crucial to our ability to effectively and responsibly build for the future as well as meeting the increasing expectations of all our stakeholders, including employees, customers and investors.

Indeed, for us to sustain shareholder value and build for the future, we must secure our ability to thrive in a sustainable future. This means reducing our impact on the environment, working with customers and suppliers to innovate our products as well as maintaining our ability to attract and retain talent and ensuring their engagement and wellbeing.

In 2021 we established an ESG Committee to be the operational focal point for ESG activities and engage our business divisions as well as Board and management committees to ensure a consistent and integrated approach to the management of ESG risks and opportunities. This group has led the development of an ESG strategy, continued to communicate our objectives and targets internally and externally published our first ESG review. These foundations are even more important as we look towards the fruition of the strategic reviews of the Filters and Packaging divisions and the realisation of a pure play Components business over time.

ESG (including Climate Change) is managed as a Principal Risk in Essentra's risk management processes, via the Group Risk Committee, with oversight from the Sustainability Committee. More details of this Principal Risk can be found on page 57. This Principal Risk considers the growing interest from stakeholders in all areas of ESG including our sustainability agenda and the impact this could have on our reputation.

ESG Governance



Environment

Working towards our goal of class-leading sustainability.

Our Sustainability Strategy

Our sustainability strategy continues to be based around four pillars. These link closely to the UN Sustainable Development Goals (SDGs), with nine goals having a strong and direct link to Essentra's business. We will continue to collaborate with local and global stakeholders to progress on the journey to achieving these goals by 2030.

Responsible Resource Usage

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 17 PARTNERSHIPS FOR THE GOALS

Reducing environmental impact through waste reduction projects, driving sites to zero waste to landfill, use of recycled and biodegradable materials and trials of "closed loop" business models in partnership with suppliers and customers

Energy and Climate Change

7 AFFORDABLE AND CLEAN ENERGY | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

Reducing Scope 1 and 2 greenhouse gas (GHG) emissions via energy efficiency projects, on-site energy generation and procurement of certified renewable energy.

People and Community

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

Ensuring we support the communities we operate in through our community engagement policy. Continued focus on improving our health and safety performance for employees and visitors.

Responsible Supply Chain

8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensuring our supply chain is robust through ongoing improvements in policies and standards, along with rollout of a risk-based supplier audit programme.

In 2020 we set ourselves the goal of "class-leading sustainability", building on the four pillars of our sustainability strategy, which has been mapped to the relevant Sustainable Development Goals (SDGs).

In the same year we undertook our first comprehensive materiality assessment, along with investing in the development of more sustainable products and setting ambitious targets for the future. In 2021 we made further good progress towards those targets, in particular on "Responsible Resource Usage", growing our use of post-consumer recycled content material in the Components division, introducing alternative materials in the Packaging division, and continuing the development and commercialisation of our "ECO" range in Filters. We have also worked closely with third-party experts, more fully to understand our climate-related risks and opportunities, both Physical and Transition, through the TCFD process (see page 29).

Our voluntary disclosures

ecovadis

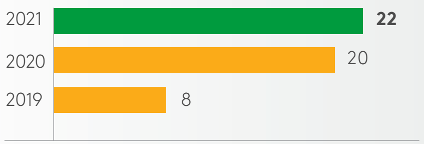
Our overall Ecovadis score improved in 2021 but our relative ranking declined to Bronze. Our scores improved in the areas of Environment and Sustainable procurement, and we maintained our scores in the Ethics area. Our score declined in the area of Labour and Human Rights, highlighting that we can do more to clearly communicate our policies and actions in this area, being as transparent as possible about all the good work already going on across the Group.

CDP SUPPORTER 2019

For 2021, we maintained our CDP B score for Climate Change and B- score for Water, remaining at the "management" level. Our business is taking co-ordinated action on these topics, but we acknowledge that we need to do more, especially with regard to our Scope 3 emissions.

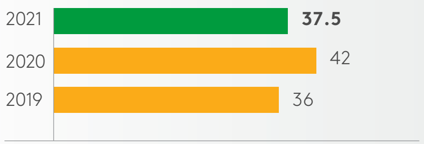
Our supplier engagement score improved to A- reflecting our increasing activity in that area.

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



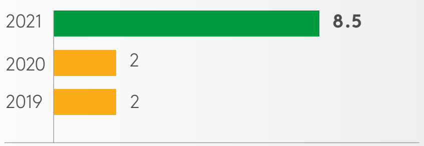
Our target
All sites at zwtl by 2030 (or sooner)

Volume of waste produced (normalised) Tonnes/£mln revenue

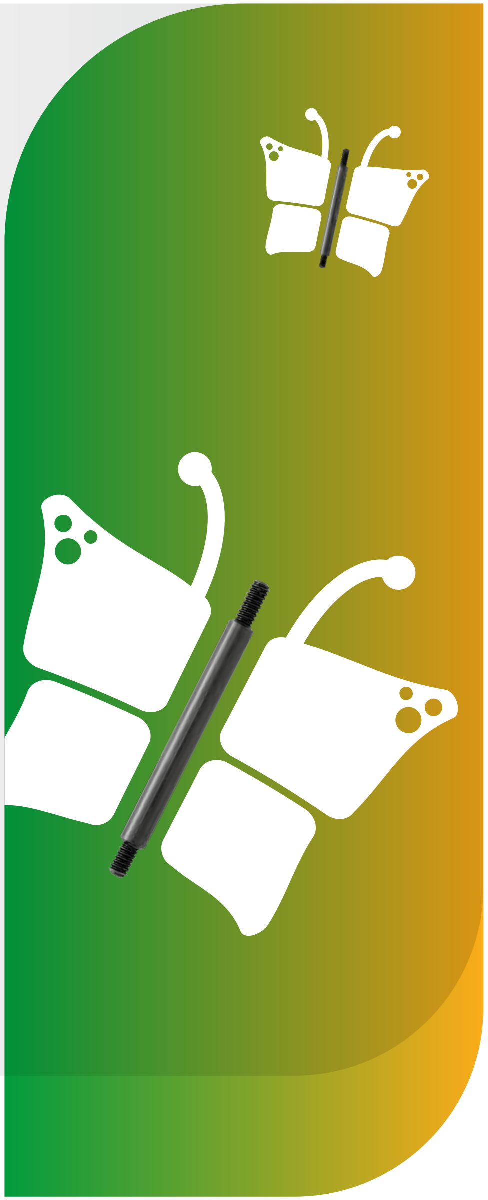


Our target
20% reduction by 2030, or sooner (vs 2019 baseline)

% packaging/raw materials from more sustainable sources



Our target
20% of materials from more sustainable sources by 2025 (for Components)



Being more responsible with resources

The number of sites which were at zero waste to landfill (zwtl) for the entire year increased by two in 2021 to 22 sites. This number has been externally assured by ERM CVS. This increase was smaller than in 2020, as several site closures occurred in 2021, involving locations that were previously at 'zwtl' status. Looking forward, we are confident of continued good progress on this topic, with an additional six sites internally reviewed as achieving 'zwtl' status for at least one quarter in 2021.

Essentra's waste data for 2021 has also been externally assured by ERM CVS. After increasing in 2020, the total solid waste volume for the Group declined by 5.3% in 2021, to 35,691 tonnes, with the normalised figure declining by 10.9% to 37.5 tonnes/£mln revenue. These reductions have been achieved as a result of improved tracking of wastes, as well as waste reduction and continuous improvement projects on sites.

This year we are reporting on a new KPI: the percentage of materials used from more sustainable sources. The Components business has made excellent progress in developing its use of post-consumer recycled (PCR) content materials during the year, with an increase to 8.5% for 2021. The main driver of this has been that LDPE products made at our Kidlington, UK site now include 40% PCR content as standard, following successful material trials in Q1 2021. We expect this number to increase further, with plans to extend the use of recycled LDPE content into European and US sites. In addition, trials and reviews of recycled PP and nylon materials are underway. The Components division is also trialling 'take back' schemes with industry partners, as part of further investigation of Circular Economy models.

The Packaging and Filters divisions have also been active in development and use of more sustainable materials. In the Packaging division, 96% of paper and board material used is now from FSC or PEFC certified suppliers and, in addition, all Continental European Packaging sites are now FSC certified. In 2021, the division also introduced "Re*flect", a fully recyclable, plastic-free alternative to traditionally laminated METPOL boards. The Filters division has continued to launch and commercialise an extended range of biodegradable "ECO" filters – five different filter designs have now been launched, and the first products were successfully trialled and commercialised during 2021.

Taking action to positively impact Climate Change

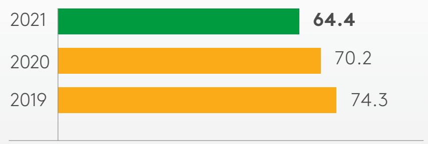
Essentra's Greenhouse Gas (GHG) emissions data for 2021 has been externally assured by ERM CVS. In 2021, absolute Scope 1 & 2 emissions for the Group declined slightly to 61,377 tonnes using a location-based approach, with the normalised figure declined by 8.2% to 64.4 tonnes CO_2e/£mln revenue. Using a market-based approach (i.e. accounting for procurement of certified renewable energy), absolute emissions for the Group were 56,652 tonnes, with the normalised figure being 59.5 tonnes CO_2e/£mln revenue. Normalised figures are now 13.3% below the 2019 baseline using a location-based analysis and 19.9% below the 2019 baseline using a market-based analysis, vs. a target of 25% reduction by 2025.

A comprehensive programme of activity is continuing to progress reduction of our Scope 1 & 2 GHG emissions including procurement of certified renewable energy, installation of solar PV at sites across the globe, along with energy efficiency measures and the use of more efficient capital equipment. For example, on the latter, as the Components division upgrades injection moulding equipment, older hydraulic presses are being replaced with all-electric presses, which our trials have indicated are 30% more energy efficient.

Although our historic focus has been on Scope 1 & 2 emissions, we acknowledge the importance of managing our Scope 3 emissions, particularly as we continue to evolve our understanding of climate change risks and opportunities linked to TCFD, progression towards setting science-based targets and development of a 'net zero' plan.

We are also working with customers and suppliers to reduce Scope 3 emissions through our use of post-consumer recycled content materials in the Components division and Tapes business (initial life cycle analysis (LCA) indicates the majority of our GHG footprint is upstream of Essentra in the materials we buy). In 2021 we have also begun working with Packaging customers on LCAs to understand the impact of switching raw materials on product life cycle emissions.

Scope 1 & 2 CO_2 emissions (normalised)
Total tonnes eq per £mln revenue – Location



Note: 2021 market based figure is 59.5 tonnes CO_2e/£mln revenue

Our targets
25% reduction by 2025 (vs 2019 baseline)
Net zero by 2040

Read more about our divisional ESG activities in the operational reviews starting on page 60

Measurement and reporting

ERM CVS has assured the following environmental data for 2021: total Scope 1 and total Scope 2 (location-based) greenhouse gas emissions, total solid and total liquid waste volumes by destination, total water usage and the number of sites that have achieved zero waste to landfill (zwtl) status. Full details of the scope, activities, limitations and conclusions of ERM CVS' assurance engagement are included in the Assurance Statement on page 140.

Tonnes CO_2e	2018	2019	2020	2021	% change between 2020 and 2021
Scope 1	11,245	10,264	7,603	8,307	+9.3%
Scope 2 – Location	65,852	62,111	55,327	53,070	-4.1%
Total scope 1 & 2	77,097	72,375	62,930	61,377	-2.5%
Scope 2 – Market				48,345	
Total scope 1 & 2				56,652	
Total CO_2 eq per £m revenue – Location	75.2	74.3	70.2	64.4	-8.2%

Breakdown of Energy (MWh)		2019	2020	2021	Tonnes of CO_2e 2019	Tonnes of CO_2e 2020	Tonnes of CO_2e 2021
Total Electricity Procured	UK	22,040	19,392	18,918	7,685	4,789	3,980
	Global	140,454	137,457	144,567	62,111	55,327	53,070
Renewable Electricity Procured	UK	19,652	16,577	16,850	0	0	0
	Global	19,652	16,577	20,257	0	0	0
Natural Gas	UK	23,852	11,166	12,729	4,831	2,241	2,578
	Global	44,960	30,209	34,706	9,107	6,119	7,030
Diesel	UK	8	0	0	2	0	0
	Global	2,467	3,696	2,492	606	908	612
LPG	UK	33	20	17	7	5	4
	Global	376	420	448	83	96	103
Fuel oil	UK	1,156	457	1,147	262	228	260
	Global	2,070	2,124	2,480	469	481	561

Solid hazardous and non-hazardous waste destinations (tonnes)	2018	2019 (restated)[1]	2020	2021
Recycling	20,404	28,775	31,773	29,938
Recovery	2,007	3,043	3,415	3,632
Incineration		284	596	541
Landfill	4,958	2,989	1,907	1,580
Total solid waste	27,369	35,091	37,691	35,691
% solid waste diverted from landfill	82%	92%	95%	95%

Liquid hazardous and non-hazardous waste by destination (cubic metres)	2020	2021
Recycling	243	449
Recovery	519	396
Incineration	89	78
Landfill	141	106
Total liquid waste	992	1,029
% liquid waste diverted from landfill	86%	90%

Water usage (cubic metres)	2020	2021	% change between 2020 and 2021
Water usage	166,301	198,220	+19.2%

1. 2019 solid non-hazardous and hazardous waste data was restated in 2020 for Recycling and Recovery due to corrections of previously reported data

Scope 2 figures:
Location based – the figure for Scope 2 Location is the total CO_2 of all electricity generated by sites and corresponding IEA emission factor
Market based – the figure for Scope 2 Market is Location minus the total CO_2 of electricity generated from sites procuring renewable electricity

Task Force on Climate-Related Financial Disclosures

We acknowledge the important role of the Task Force on Climate-Related Financial Disclosures (TCFD) in improving transparency and driving improvements across industry. We manage ESG risks and opportunities, including climate change through a range of different processes, including the Group Risk Committee (GRC), Group Management Committee (GMC), Sustainability Committee (SC), the ESG Committee (ESGC) and divisional management processes. These approaches address many of the recommendations of TCFD. In addition, during 2021, we have worked with third-party experts to undertake a review of the Group's climate change risks and opportunities, across various scenarios and time horizons, to ensure divisional and Group management teams have a thorough understanding of their most relevant climate change-related risks and opportunities, and to inform our response to TCFD recommendations. The time horizons used in our analysis and disclosures are short-term (2025), medium-term (2030) and long-term (2040).

Compliance with TCFD Requirements

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

The Board, with the support of the Sustainability Committee, having dedicated a significant amount of time to this area over the past year, has concluded, based on its knowledge of the Company's actual and expected activities, its operating environment and exposure to physical and transition risks, that our disclosures are consistent with TCFD recommendations and the recommended disclosures with the exception that our current assessment of Scope 3 emissions requires further review and analysis in order to meet TCFD requirements, as set out on page 34.

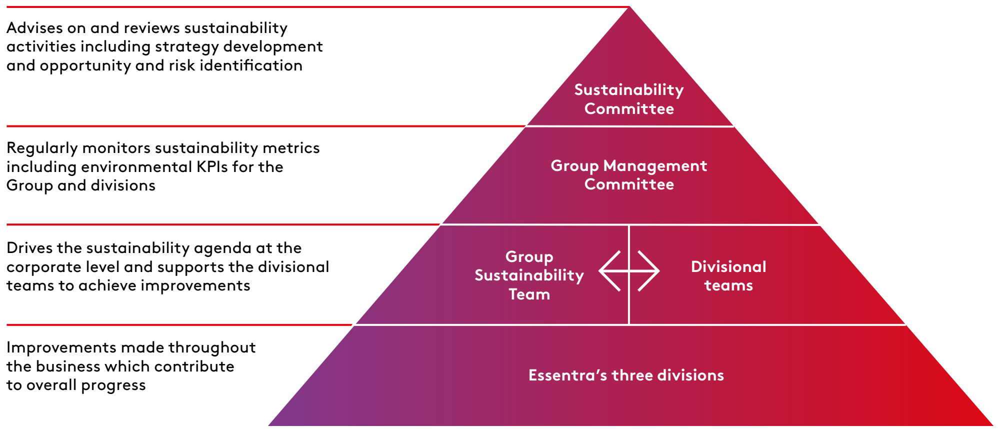
The table that follows discloses our response and the outcomes of the work we have undertaken on the TCFD recommendations, and signposts where further relevant information can be found within other sections of this report.

Governance

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

Recommended disclosures	Commentary
Describe the Board's oversight of climate-related risks and opportunities	Board oversight of climate-related risks and opportunities is provided by the Sustainability Committee (SC): • details of the composition, remit and meeting frequency of the SC are provided on page 99 • the overall governance approach, including how the SC integrates and interacts with other management fora, is provided on pages 99-100 Existing SC members have operational experience in ESG and climate change, and the most recent Board appointments have experience of managing climate change in other organisations. This has strengthened the Board's expertise in ESG and managing its approach to climate change which has been supported by a third party. In addition, SC invites input from third parties, on a regular basis, to improve its understanding of ESG matters – recent speakers have come from leading industrial companies, global management consultancies and City institutions. The Audit and Risk Committee (ARC) has responsibility for reviewing and approving the content of the climate-related risk disclosures. Details of the ARC and its activities are provided on page 107. The Remuneration Committee is responsible for determining the remuneration policy, including how climate related risks and opportunities are taken into account in determining rewards and incentives. The Remuneration Committee incorporated sustainability and climate-related targets into its remuneration strategy for executive and GMC pay. Details of this can be found in the Remuneration Committee Report from page 113. The Nominations Committee is responsible for Board appointments and succession planning and takes account of experience in sustainability and climate-related risks in fulfilling its responsibilities. Details of the Nominations Committee and its activities are provided on page 101.

Our Governance approach



Governance continued

Describe management's role in assessing climate-related risks and opportunities	Management is involved in assessing climate-related risks and opportunities in several different ways, including: • The overall governance approach, including how Board and management interact is provided on pages 85-86 • ESG risk, including climate-related risk, is a Principal Risk for Essentra, managed and discussed at both the ESG Committee, a management committee with divisional representation and the Group Risk Committee (GRC) – a description of the ESG Principal Risk is provided on page 57 • Qualitative climate-related risks and opportunities were discussed in divisional strategy reviews during the year, and our third-party work on quantification of climate-related risks and opportunities was shared and discussed with management

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material

Recommended disclosures	Commentary
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	We have worked through a comprehensive review of climate-related risks and opportunities, supported by third-party experts. The following ten risks and opportunities were identified as most relevant for the Group: **Physical Risks**: Essentra operates a global network of manufacturing and distribution sites, many of which are exposed to different physical risk factors. Two of these factors were found to be most relevant for the Group – these risks occur over all timeframes, but are more prevalent in the long-term (2040+): • Potential damage to physical assets and disruption due to high-speed winds • Potential damage to physical assets and disruption due to increased precipitation and flooding **Transition Risks & Opportunities (Revenue)**: four revenue-related risks and opportunities were identified. These risks and opportunities are weighted to medium- to long-term (2030+), as markets shift: • Risk of reduced revenues in Components linked to decline in internal-combustion engine vehicle sales • Opportunity in Components for increased revenues linked to growth of electric vehicles and associated infrastructure • Opportunity in Components for increased revenues linked to other growth areas (eg renewable energy, HVAC for cooling, water pipes/pumping) • Opportunity for increased revenues linked to rising customer preference for circular product alternatives (eg recycled content) **Transition Risks & Opportunities (Cost)**: four cost-related risks and opportunities were identified. These risks and opportunities occur over all timeframes, but are weighted to the medium- to long-term (2030+): • Risk of increased costs due to rises in fossil fuel prices • Risk of increased costs due to carbon pricing for energy and power • Risk of increased costs due to changes in pulp and paper (and related) prices • Opportunity for reduced costs through implementation of renewable energy and adoption of energy efficiency measures

Strategy continued

Recommended disclosures	**Commentary**

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

The gross, unmitigated potential financial impact of the ten most relevant climate-related risks and opportunities was quantified at high-level, across all three time horizons and three scenarios, supported by third-party experts. A range of management approaches were identified, many of which the Group has in place already, to mitigate these risks and capture opportunities. The table below maps approaches to risks and opportunities:

Approach	High Speed Wind	Precipitation & Flooding	Revenue Decline (ICE)	Revenue Growth (EV)	Revenue Growth (RE HVAC Other)	Revenue Growth (Circular)	Rise in Fossil Fuel Prices	Carbon Pricing	Pulp & Paper Prices	RE/Energy Efficiency
Ensuring emergency plans in place	✔	✔								
Up to date business continuity plans (alternative sites)	✔	✔								
Site activity to reduce exposure to Natural Hazards	✔	✔								
Effective category management			✔	✔	✔	✔				
New product design and development				✔	✔	✔				
Development of circular economy business models						✔				
Pricing			✔	✔	✔	✔	✔	✔	✔	
Use of alternative raw materials (eg recycled blob-based)							✔		✔	
Energy efficiency initiatives							✔	✔		✔
Procurement of renewable energy							✔	✔		✔
Energy on-site RE generation (largest solar)							✔	✔		✔
Supply chain energy resource efficiency initiatives							✔	✔	✔	✔

Transition revenue opportunities appear to outweigh Transition revenue risks, under all three scenarios, in all timeframes. Potential gross Physical risks to sites (from flooding, winds) are broadly consistent across all three scenarios. The risk from fossil fuel price increases is much greater under 'Business as Usual' and 'Middle of the Road' scenarios, driving energy efficiency, uptake of on-site generation and renewable energy procurement. The gross impact of carbon pricing for energy and power varies in the opposite direction and is greatest under the 'Low Carbon' scenario, driving a similar set of activities. The cost reduction opportunity from energy efficiency and implementation of renewable energy also increases under the 'Low Carbon' scenario. The evolution of pulp and paper prices is similar across scenarios – the modelling used by our third-party experts involves multiple drivers of which climate change is only one.

We have considered our assessment of the unmitigated, gross impacts of the identified risks and opportunities, together with existing and proposed mitigation actions, as inputs to our Long-Term Viability Statement and impairment reviews. On the basis of our current analysis, we have concluded that the aggregate impact of the identified risks and opportunities will not be material. Essentra is working towards quantifying the net impact taking account of a wider range of considerations relevant to those risks and opportunities. We currently anticipate to be in a position to disclose such analysis no later than during 2023 and, in any event, we will report again on the progress we have made in our next Annual Report. We will continue to review our assessment of both the individual risks and opportunities and the aggregate impact as part of our regular risk management practices and having regard to future reporting and disclosure requirements in relation to climate change.

Strategy continued

Describe the resilience of the organisation's strategy taking into consideration different climate related scenarios, including a 2°C or lower scenario

The above qualitative and quantitative risk/opportunity identification involved three different scenarios, supported by third-party experts. These scenarios are outlined in the table below.

	Physical	Transition			
Climate scenario	**Warming by 2100**	**Future emissions**	**Energy source**	**Policy narrative**	**Reference scenarios**
Business as usual (BAU)	>5°C	High	Mostly fossil fuels	Continued trajectory of slow and limited ambition climate policy	IPCC AR6 5-8.5 "Fossil-fuelled Development"; IEA World Energy Outlook 2018 "Current Policies Scenario"
Middle of the road	~2.7°C	Medium	A mix fossil fuels and renewables	Achievement of nationally determined contribution (NDC) under the Paris Agreement and other policy commitments	IPCC AR6 SSP 2-4.5 "Middle of the Road"; IEA World Energy Outlook 2021 "Stated Policies Scenario"
Low carbon	<2°C	Low	Mostly renewables and low-carbon fuels	Ambitious policy agenda leading to transformation of the energy system. Many advanced economies reach net zero emissions by 2050, with the rest of the world reaching net-zero by 2070	IPCC AR6 SSP 1-2.6 "Sustainable"; IEA World Energy Outlook 2021 "Sustainable Development Scenario"

As noted above, several risks and opportunities are consistent across all scenarios. The major differences relate to potential for fossil fuel price increases, increased carbon pricing and opportunities in energy efficiency and renewable energy. Our existing programmes of energy efficiency, renewable energy procurement and on site generation are delivering on our short-term targets, but we recognise the need to fully develop and share a broader 'Net Zero' plan, including Scope 3 emissions, to support TCFD disclosures, potential SBTi certification and requirements emerging from COP26. This is a focus of activity in 2022.

Risk Management

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

Recommended disclosures	Commentary
Describe the organisations processes for identifying and assessing climate-related risks	ESG risk (including climate-related risk) is a Principal Risk for Essentra, managed and discussed at Group Risk Committee (GRC) in accordance with Essentra risk management processes. A description of the ESG Principal Risk is provided on page 57 . Details of the GRC and Essentra's risk management processes are provided from page 45. Divisional management teams identify and discuss division-specific climate related risks and opportunities in divisional strategy reviews during the year. The ESG Committee (ESGC) considers climate-related risks and opportunities for each division and the Group as a whole. Details of the ESGC and its activities are provided on page 46. Group-wide or specific divisional climate-related risks and opportunities are also discussed at GRC, Group Management Committee (GMC) and Sustainability Committee. Working through the TCFD approach this year has been very instructive and informative in identifying specific risks and opportunities where additional focus is needed.
Describe the organisations processes for managing climate-related risks	Based on the identification and assessment of risks described above, actions and activities are identified, either at Group or divisional level and managed in accordance with the Group's risk management processes. Group-wide activities are undertaken and managed via the Group Programme and Group HSE teams, often working with divisions. For example to reduce our GHG emissions: • management of solar PV projects has been aggregated in Group Programmes to facilitate and accelerate activity, working with sites across the Group • procurement of renewable energy is often done at site/divisional level, but guided by Group to focus on the largest impact opportunities. Other risks are managed within divisions and sites, eg for physical risk factors, sites and divisions work with our insurer to identify and reduce exposure to natural hazard risks, and also to establish business continuity plans (albeit against a Group framework and policy). Progress on the management of climate-related risks is subject to regular review by the ESGC, GRC, GMC and SC.
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	ESG risk (including climate-related risk) is a Principal Risk for Essentra, managed and discussed at GRC in accordance with Essentra risk management processes. A description of the ESG Principal Risk is provided on page 57 . Details of the GRC and Essentra's risk management processes are provided from page 45. Divisional management teams consider division specific climate-related risks and opportunities and report them as appropriate to the ESGC , GRC and GMC. The ESGC considers climate-related risks and opportunities for each division and the Group as a whole and reports them as appropriate to the GRC and GMC. Details of the ESGC and its activities are provided on page 46. Going forwards, the ten most relevant risks and opportunities identified as part of TCFD activity will be integrated into the ESG Principal Risk coverage, in order that Principal Risk reviews include a review and update of activity related to these areas. This prioritisation will be updated on an annual basis, linked to TCFD review outcomes. Group-wide or specific divisional climate-related risks and opportunities are discussed at GRC, GMC and SC.

Metrics and Targets

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

Recommended disclosures	Commentary
Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	The KPI currently used by Essentra is Normalised Scope 1 & 2 GHG emissions. Supporting, linked metrics are absolute Scope 1 & 2 GHG emissions, and energy usage. These metrics link to several of the transition risks and opportunities (eg increased fossil fuel costs, increased carbon pricing, reduced costs through renewable energy/energy efficiency). For Components, we also track and report the KPI of % materials from more sustainable sources. This supports reduced Scope 3 GHG emissions (recycled content has a lower embodied carbon content than virgin resin). In addition, this metric supports the opportunity of increased revenues from rising customer preference for circular product alternatives. Progress on our sustainable materials KPI can be found on page 22.
Disclose Scope 1, Scope 2 (and if appropriate, Scope 3) GHG emissions and the related risks	Progress on our normalised (Scope 1 & Scope 2) GHG KPI can be found on page 22. Disclosure of absolute Scope 1 & Scope 2 emissions can be found on page 28. Our Scope 3 emission reduction is in development, with a working group set up to co-ordinate this activity. From Life Cycle Analysis conducted to date, the majority of our Scope 3 emissions relate to purchased raw materials and products (hence the focus on materials from more sustainable sources, above). Our challenge for Scope 3 relates to understanding upstream raw material and purchased product emissions across tens of thousands of SKUs, from several hundred suppliers, factored by the Components business. Developing our Scope 3 baseline is a key focus for 2022. We acknowledge that our current assessment of Scope 3 emissions requires further review and analysis in order to meet TCFD requirements. The related risks and opportunities are: • risk of increased costs due to rises in fossil fuel prices • risk of increased costs due to carbon pricing for energy and power • opportunity for reduced costs through implementation of renewable energy and adoption of energy efficiency measures.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Our current targets for our normalised (Scope 1 & 2) GHG KPI are: • 25% reduction by 2025 (vs. 2019 baseline) • Net zero by 2040 Progress on our normalised (Scope 1 & Scope 2) GHG metric can be found on page 28. Our current target for our sustainable materials KPI is: • 20% of materials (Components) from more sustainable sources by 2025 Progress on our sustainable materials metric can be found on page 22.

Observations

Working through the detailed TCFD process has been very useful in informing management of the key climate-related risks and opportunities to be managed. In addition, as part of this year's analysis we evaluated Physical Risks related to key suppliers and customers in our value chains, but will seek to extend this analysis in future years. Finally, a key focus for 2022 is to build out a more detailed understanding of our Scope 3 emissions.

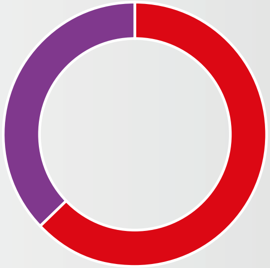
Social

Working together as a winning, engaged and empowered team.

Our people remain at the heart of our journey, particularly as in 2022 we embark on important strategic changes in all our businesses. Our employees are vital in ensuring we provide quality products and services to our customers and operate our business activities effectively and efficiently. Indeed, their talent and commitment drive the innovation that allows Essentra to provide added value to our customers, enhance supply chain logistics and reduce the environmental impact of operations.

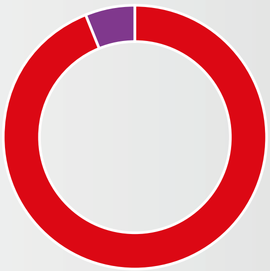
In 2021 we further embedded and progressed elements of our employee lifecycle which was introduced as part of a refreshed people strategy in 2019. The employee lifecycle is a model that identifies the ways in which an individual engages with Essentra and helps us shape that journey into a positive experience for everyone, from attracting through to developing and employees leaving the organisation.

Gender split all employees
(%, as at 31 December 2021)



- Men: 63% (5,266)
- Women: 37% (3,061)

Permanent/Contractor split all employees
(%, as at 31 December 2021)



- Permanent: 94% (7,819)
- Contractors: 6% (508)

Ensuring our employees' wellbeing

In 2021 we remained committed to achieving and maintaining the highest standards of health and safety for our employees and everyone visiting our operations. The strict hygiene and protective safety measures introduced in response to the pandemic in 2020 were maintained, in line with and often exceeding local regulations. Any changes or requests for relaxation of the measures have gone through a rigorous process to ensure the safeguarding of our employees. A number of sites have seen the continuation of local on-site vaccination or booster events in 2021 as well as home care packs to support employees and their families.

In sites where local medical services were not ideal or under excessive pressure we have provided additional support including regular medical support calls to affected employees, additional emergency equipment in the form of pulse and oxygen level meters and oxygen concentrators and support to obtain additional medication supplies.

Our aim is to be in the top quartile of manufacturing companies for the lowest incident frequency rates. We are therefore very disappointed that the total number of days lost due to incidents has increased from 655 in 2020 to 954 in 2021. The number of incidents resulting in Lost Time has increased to 53 in 2021 from 37 in 2020 on a like-for-like basis. The addition of the new Hengzhu acquisition had an impact of five additional LTIs.

Lost Time Incidents (LTIs)	Number of LTIs (like-for-like)	% change
2019	33	
2020	37*	
2021	53**	+43%

* Excludes 3C!
** Excludes Hengzhu

Number of days lost	Number of days lost	% change
2019	855	
2020	655*	
2021	954**	+46%

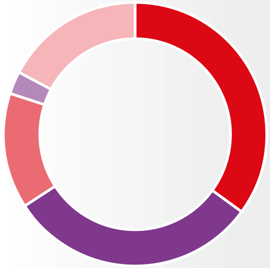
* Excludes 3C!
** Excludes Hengzhu

In 2020 we identified the need for, and benefit of, having a leading indicator measuring health and safety engagement activities across each site. In 2021 this continued to be successful in identifying and quantifying the level of health and safety activity occurring across the divisions, including time spent on health and safety projects, leadership walks, training, briefings and "toolbox talks". Throughout 2021 we used this to progress further visibility and engagement and to set internal targets, which assisted in improvements across a number of areas. For 2022 we have set further internal targets for engagement. This engagement metric is a key tool for driving increased cultural development and keeping health and safety at the forefront of our employees' approach.

Recognising the adverse trend in LTIs, focus and resource have been applied both across the entire organisation and targeted at individual locations where analysis of data revealed additional support was required. The chart shows the injury types leading to lost time in 2021. The majority of incidents leading to lost time accidents related to hand injuries and ergonomic/musculo-skeletal factors.

As a result, we have continued our programme of hand safety improvements as well as investment in improved machinery guarding and training. Ergonomic hazards continue to be addressed, and in 2021 we trained over 50 ergonomic assessors across the business. These individuals continue to work methodically through their sites, identifying and implementing engineering solutions to reduce hazards and protect our people. This work will continue into 2022 as we address the risk assessments undertaken and review the actions to improve ergonomics in the workplace. Furthermore, health and safety walks and behaviour-based conversations increased by more than 50% over the year.

Injury types



- Hand (35%)
- Manual handling/ Ergonomics (31%)
- Slip, trip, fall (14%)
- Impact crushing (3%)
- Other (17%)

"We have continued our programme of hand safety improvements as well as investment in improved machinery guarding and training. Ergonomic hazards continue to be addressed, and in 2021 we trained over 50 ergonomic assessors across the business."

Building on the work undertaken in 2021, the strategy for 2022 includes continued focus and support for sites with elevated injury rates, including our new Hengzhu facility. Health and Safety Steering Groups, consisting of specialists and site leaders, met regularly throughout 2021 and provided guidance and assistance to sites faced with specific health and safety issues. These Steering Groups will continue as and where needed in 2022.

Further work will include campaigns focused on specific safety themes. In 2021 'Safety weeks' focused on ergonomics and vehicle/ pedestrian safety. These themes were chosen as a direct result of data analysis and feedback from our site leadership, and both weeks resulted in significant improvements, both in terms of training and awareness and physical improvements to sites.

In 2022 there will also be increased engagement activities at all levels within the business across the entire organisation. The intent is to further improve trust and accountability at all levels, promoting an open and honest reporting culture and active involvement in improving safety with our operations.

We are also planning a new safety culture development programme, initially targeted at our supervisor/line manager population, to equip them with the tools, techniques and knowledge to drive a positive safety mindset. The programme will rollout in mid-2022, initially focused on our Components division.

We further embedded Essentra Thrives, our global health and wellbeing strategy launched in 2020; enabling our people to bring their whole selves to work and reach their full potential within a supportive, diverse and kind culture. This strategy also includes the provision of Employee Assistance Programmes across all our locations globally as well as Emotional Support First Aider training which was further supported in 2021.

Continuing to engage and inspire

The more frequent Group-wide communications rhythm created in 2020 was maintained and further strengthened by the launch of "Spring", a new digital learning and communications platform available to all employees, including those without an Essentra email account. This platform has had over 60% take up since its launch in April 2021 and has been a useful way to reach front-line factory and warehouse employees.

Given the backdrop of the strategic reviews announced in the autumn, we postponed the annual employee engagement survey, normally launched in late October. This decision was taken on the basis that in 2020 we maintained a market-leading score of 77%, despite the challenging back drop of the global COVID-19 pandemic, and throughout 2021 have continued to prioritise engagement and listen to employees through various fora. These have included regular town halls, leadership meetings and conferences and "Coffee with Paul" informal virtual sessions with our Chief Executive.

Our Group-wide "Make It Work" awards are now in their fourth year and celebrate the people who have gone above and beyond to deliver what Essentra does best: make it work. In 2021 over 300 nominations were received from all divisions and functions across the organisation. Our winners (five individuals and one team) were announced in January 2022 and will be recognised in virtual events later in the year. Over 70% of individual winners in 2021 were female. In 2021 we also took time to celebrate specific "COVID heroes", both individuals and teams, who had gone above and beyond during the pandemic.

Creating a diverse environment

In 2021 we progressed our work to create a more diverse and inclusive workplace, focusing on our first global recognition of Pride in June and Black History Month in October 2021. We also continue to embed the global Diversity and Inclusion Policy launched in 2019 and partnerships with organisations such as everywoman and Business in the Community (BITC).

We remain committed to providing all employees with the opportunity to develop and advance, which includes giving full and fair consideration to all employment applications from disabled people. In the event of employees becoming disabled, we make every effort to ensure that the training, career development and promotion opportunities available are as far as possible identical to those of non-disabled employees.

In 2021 ten Essentra UK-based employees participated in BITC's Cross-Organisational Mentoring Circles for the third year. The Circles aim to support the progression and impact of Black, Asian and Minority Ethnic (BAME) employees and address their current under-representation at senior levels.

Our commitment to being an ethical employer

Throughout our international operations we support and endorse human rights – as set down by the United Nations Declaration and its applicable International Labour Organisation conventions – through the active demonstration of our employment policies, our supply chain and the responsible provision of our products and services. This commitment includes a mandatory requirement at all our sites to avoid the employment of children, as well as a commitment to the prevention of slavery and human trafficking. Our Filters operations based in India and Indonesia are additionally accredited to SA 8000 which details fundamental principles of human rights.

Ethical supply chain

Essentra has a large number of international suppliers and also partners with a high volume of small businesses. Our suppliers are fundamental to the quality of our products and to ensuring we meet the high standards of conduct that we set ourselves.

We are fundamentally a conversion business and are dependent on our suppliers to provide our goods ethically, within our code of conduct, on time and to the quality required by our customers.

The supplier management programme we started in 2019 has given us the opportunity to drive Essentra's environmental and social policies down into our supply chain, eg our supplier Code of Conduct and Modern Slavery Statement are shared with all key/new suppliers, and by the end of 2021 over 70% of our suppliers (by spend) had attested that they follow our Ethics Code or equivalent standards.

In 2021 we also focused on the implementation of sustainable procurement policies and introduced KPIs relating to environmental and social impact within our supplier performance measurement framework.

Governance

Doing business responsibly and with purpose.

Doing business responsibly underpins the long-term sustainability of our business for all our stakeholders and this means ensuring business is conducted in an appropriate and compliant manner. As part of our culture, employees should know what is expected of them and that they can bring any concerns straight to leaders' attention.

We make sure we are effective and able to make progress on our ESG issues by embedding the issues within our supportive governance framework. This allows us to ensure that the issues we are actively working on are both aligned to our strategy and matter the most to us, to our investors, to our people and to other stakeholders.

Progress can be tracked and monitored on a regular basis and feedback from stakeholders can be actively addressed. We use our existing governance framework to achieve this and have a clear allocation of responsibilities to ensure that each working group, management committee, board committee and finally the Board understand their role and are able to effectively carry out their duties with regards to putting ESG issues at the heart of our strategy.

Essentra has established a clear commitment to ensuring that its business activities are conducted in accordance with all applicable laws and regulations. The Group Compliance Strategy is based on risk-based policy and training protocols supported by appropriate technology platforms and expert guidance and advice.

Governance

The Board holds corporate governance and its principles in the highest regard and believes that good governance should be at the heart of all its decisions and discussions. To support this, a comprehensive governance framework is in place that ensures discussions are held in the right fora and are escalated up to the Board with feedback and decisions made then disseminated throughout the organisation as appropriate.

The Board delegates authority to manage the business to the Chief Executive Officer and delegates other matters to Board Committees and management as appropriate. The Board has formally adopted a schedule of matters reserved for decision making which guides the business in understanding the decisions it is able to make. In providing leadership to the Company, the Board establishes the Company's purpose and values and sets a strategy to deliver them, whilst ensuring that the behaviours that shape its culture are aligned to the strategy.

The Board considers shareholder and other stakeholder views and the main trends and factors which will affect the long-term success and future viability of the Company – and how these and the Company's Principal Risks, uncertainties and opportunities have been addressed.

Compliance

The Company's commitment to conducting its business activities in accordance with all applicable laws and regulations was further enhanced in 2020 through the introduction of an executive Group Compliance Committee (GCC). The Group Compliance Plan is renewed yearly to raise awareness and ensure the business' ongoing commitment to doing business responsibly is understood and acknowledged across all divisions.

The GCC is chaired by the Company Secretary and General Counsel and has met monthly throughout 2021 with representation from across the divisions and Group. The GCC reports to each Audit and Risk Committee (ARC) on the response to key compliance risk and the programme of activities designed to mitigate exposure.

The Group Compliance Plan is renewed yearly to raise awareness and ensure the business' ongoing commitment to doing business responsibly is understood and acknowledged across all divisions.

Ethics Code

Our Ethics Code is the core foundation of the Group Compliance Strategy and is issued to all employees globally, supported by annual training on the Code and positive affirmation statements by the employees. The Code is available in all Essentra languages both in hard copy for colleagues working in factories and on The Works, our intranet site, so that employees are able to access it easily. An ethics decision tree helps guide employees who have also had the opportunity to attend live virtual training sessions on the Ethics Code.

In addition we have specific policies relating to Anti-Bribery and Corruption, Anti-Money Laundering and Third-Party Due Diligence. These policies are made available to all employees and specifically issued for affirmation to senior leaders and other employees who hold positions where such polices are relevant to ensure best practice.

We delivered training for both our Ethics Code and our Anti-Bribery and Corruption policies in 2021, using both online and face-to face training. The online training has 100% completion by employees with access to a computer and face-to-face training has been completed by all sites.

Right to speak and whistleblowing

Our Right to Speak Policy and process is well established and enables any employee to report circumstances where they believe that the standards of the Ethics Code, or the Company's wider policies and guidance notes, are not being upheld. We are committed to ensuring that employees feel able to raise any such concerns in good faith, without fear of victimisation or retaliation and with the support of the Company. Employees can report any concerns on a confidential basis online or by telephone. Refreshed Right to Speak posters were distributed to all sites during 2021 and placed in prominent locations to reinforce the process for site based employees.

During 2021, our Audit and Risk Committee received updates at each of its meetings on any Right to Speak issues raised and sought assurance from management on the issues raised and the Company's response. The issues raised mainly reported to employment practices that were investigated in full under HR policies and gift disclosures.

Financial review

Overall a strong 2021 financial performance, and a marked acceleration in Q4 resulted in encouraging overall growth. Throughout the year, we actively managed cost inflation and supply chain challenges, which together with volume growth, resulted in a margin uplift of 200bps to 8.7%. Our strong balance sheet has enabled us to invest in capex and support our M&A strategy.

Lily Liu
Chief Financial Officer

Trading performance

Overall, FY 2021 revenue increased by 7.0% (12.6% at constant currency[1]) to £959.7m, whilst on a LFL (Like-for-like[1]) constant currency basis revenue increased by 8.4% (1.4% vs 2019).

This is a strong financial performance in light of the macroeconomic uncertainty and global supply chain disruptions. Momentum improved throughout the year and the exit rates seen in Q4 were particularly encouraging.

A recovery in Group performance has been seen across the year against both 2019 and 2020 on a LFL basis despite tougher comparatives in H2 2020: 1.4% Q1 (-6.2% 2019) ; 13.7% Q2 (+2.5% 2019); 5.1% Q3 (-2.2% 2019); 13.2% Q4 (11.6% 2019).

On an adjusted basis[1], operating profit was up 34.7% (46.5% at constant currency) at £83.9m, which has been driven by a recovery in trading volumes and also demonstrates the effective mitigation of supply chain disruption and cost inflation through focused pricing activities, and cost saving programmes.

Adjusted operating margin[1] improved by 180bps (200bps at constant currency) to 8.7%.

Reported profit measures include £11.8m transformation software as a service ("SaaS") development expenditure; £2.8m from strategic initiatives that have resulted in the proposed closure of certain sites in 2021, across the Components, Packaging and Filters divisions as well as corporate projects and £2.0m on acquisition transaction and integration costs. This was offset by a release of provisions and deferred considerations from previous acquisitions of £4.8m. Further details on adjusting items are shown in note 2 to the Financial Statements.

Including amortisation of acquired intangible assets of £22.4m and a pre-tax charge from adjusting items of £11.8m, operating profit as reported was £49.7m (2020: £11.6m).

1 Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 43 for further detail of Alternative Performance Measures (APMs)

Net financial expense

Net finance expense increased compared to prior year at £16.5m (2020: £15.7m), mainly driven by an increase in interest charged on net debt and leases.

Tax

The effective tax rate on underlying profit before tax (before adjusting items) was 16.6% (2020: 19.1%).

The reduction in the tax rate is driven by a one-off tax credit from the revaluation of UK deferred tax assets as a result of the increase in UK corporate income tax. The underlying effective tax rate for the Group without this credit is 19.7%, which is within our forecast tax rate range of 19% to 20%.

Net income

On an adjusted basis, net income of £56.2m was up 49.1% (65.9% at constant currency) and adjusted basic earnings per share increased to 18.2p. On a total reported basis, net income of £28.3m and basic earnings per share of 8.9p compared to net loss of £1.5m and basic loss per share of (1.2)p respectively in 2020.

Net working capital

Net working capital is defined as "inventories plus trade and other receivables less trade and other payables, adjusted to exclude deferred consideration receivable/payable and interest accruals and capital payables".

The increase in net working capital to £129.7m (2020: £108.1m) was predominately due to higher inventory and receivables levels, which were driven by enhanced trading volumes combined with an increased holding of inventory in order to mitigate supply chain disruption. The net working capital ratio of 12.8% improved by 140bps compared to 2020.

Cash flow

Adjusted operating cash flow was £64.5m (2020: £86.7m), equating to a cash conversion of 77% compared to 139% in 2020. This includes an outflow of net working capital for the year of £29.9m (2020: £6.2m inflow) and net capital expenditure of £41.3m, excluding disposal proceeds relating to adjusting items (2020: £34.2m). This net capital expenditure equated to 105% (2020: 86%) of the depreciation charge (including amortisation of non-acquired intangible assets) for the year of £39.2m (2020: £39.8m).

Net interest paid was £10.6m (2020: £12.8m) and tax payments were £12.4m (2020: £7.5m), due to the aforementioned higher profitability levels in the year as well as in 2020 a refund of tax in the US. Tax payment figures exclude the tax paid/received in relation to adjusting items.

The outflow in respect of pension obligations was £4.8m (2020: inflow of £0.9m) due to payments of pension contributions that were previously deferred.

Free cash flow of £36.7m compared to £67.3m in 2020.

An adjusted cash flow reconciliation can be found in Alternative Performance Measures (pages 43 to 44).

Net debt and refinancing activities

Net debt at the end of the period was £234.7m, a £24.3m increase from 1 January 2021 (including lease liabilities). The overall increase was mainly driven by a combination of the free cash flow generated, being netted off against cash paid for the acquisition of Hengzhu. In 2021 we resumed dividend payment resulting in a cash outflow of £16.0m. The ratio of net debt to EBITDA including lease liabilities was 1.7x (31 December 2020: 1.8x), whilst excluding lease liabilities was unchanged at 1.5x.

One of the main sources of funding for the Company is a Revolving Credit Facility (RCF) provided by a group of eight highly-rated banks, which as at the end of 2020 was due to mature in November 2022. Subsequently in January 2021, we agreed an extension to the majority of the existing facility based on new terms with six of the eight banks (totalling £225.0m), which was due to mature in November 2023.

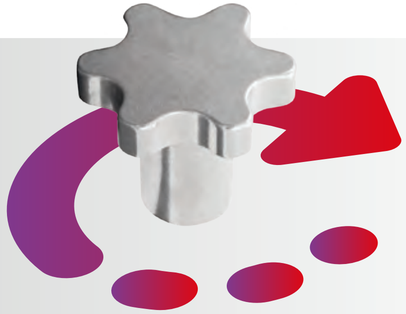
See our divisional operational reviews from page 60

Adjusted operating profit

£83.9m

Adjusted operating cash flow

£64.5m



In October 2021 we completed the total refinancing of our RCF, with the same banking group and a new five year term, expiring in October 2026, for a commitment of £275m.

In addition to the above, in July 2021 the Company agreed the issue of US $250 million of medium and long-dated private placement debt with terms of 7 ($80m), 10 ($85m) and 12 ($85m) years.

The proceeds have been used to repay GBP and Euro debt drawn under our RCF, thereby diversifying the Company's source of debt finance and lengthening its maturity profile.

Balance sheet

At the end of 2021, the Company had shareholders' funds attributable to Essentra equity holders of £612.7m (2020: £604.7m). Total capital invested in the business was £917.9m (2020: £925.7m).

This finances non-current assets of £839.8m (2020: £855.5m), of which £254.3m (2020: £262.5m) is tangible fixed assets, the remainder being intangible assets, right-of-use assets, deferred tax assets, retirement benefit assets, derivative assets, and long-term receivables.

The Company has net working capital of £129.7m (2020: £108.1m), current provisions of £1.1m (2020: £5.5m) and long-term liabilities other than borrowings of £124.6m (2020: £142.5m).

Pensions

As at 31 December 2021, the Company's IAS 19 net pension net surplus was £9.0m (2020: net liability of £23.9m). This reduction in the liability is a result of an actuarial gain (driven by an increased discount rate) being netted off against a negative return of plan assets.

Treasury policies and controls

Essentra has a centralised treasury function to control external borrowing and manage exchange risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial investments that may be employed and the criteria for investing and borrowing cash.

The Company uses derivatives only to manage foreign currency and interest rate risk arising from underlying business activities. No transactions of a speculative nature are undertaken. Underlying policy assumptions and activities are reviewed by the Treasury Committee. Controls over exposure changes and transaction authenticity are in place, and dealings are restricted to those banks with the relevant combination of geographical presence and suitable credit rating.

Essentra monitors the credit ratings of its counterparties and credit exposure to each counterparty.

Foreign exchange risk

The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to limit the translation exposure and the resulting impact on shareholders' funds by borrowing in those currencies in which the Company has significant net assets. As at 31 December 2021, Essentra's US dollar-denominated assets were approximately 53% hedged by its US dollar-denominated borrowings.

The majority of Essentra's transactions are carried out in the functional currencies of its operations, and therefore transaction exposure is limited. However, where such exposure does occur, Essentra uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases over a period of up to 18 months. Aside from foreign exchange risk, the Group is also exposed to other types of risks, including credit risk. Please see note 19 to the Financial Statements for further details.

Lily Liu
Chief Financial Officer
18 March 2022

Alternative Performance Measures

Management uses a number of measures of financial performance, position or cash flows of Essentra which are not defined or specified in accordance with relevant financial reporting. In management's view, these Alternative Performance Measures reflect the underlying performance of the Company and provide a more meaningful comparison of how the business is managed and measured on a periodic basis.

FY 2021 results at a glance

	FY 2021 £m	FY 2020 (restated) £m	FY 2020 (as previously reported) £m	% change Actual FX	% change Constant FX
Revenue	960	897	897	+7	+13
Adjusted operating profit	84	62	62	+35	+47
Adjusted pre-tax profit	67	47	46	+45	+61
Adjusted net income	56	38	37	+49	+66
Adjusted basic earnings per share	18.2p	13.2p	13.1p	+38	+55
Dividend per share	6.0p	3.3p	3.3p	+82	n/a
Reported operating profit	50	12	22	+328	+516
Reported pre-tax profit / (loss)	33	(4)	6	n/a	n/a
Reported net income – total	28	(2)	6	n/a	n/a

The financial information in this 2021 Annual Report is prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, and with the accounting policies section on page 148 of the financial statements.

Basis of preparation

Continuing operations

Unless otherwise stated, the FY 2021 results and narrative contained in this Annual Report reflect the revenue and adjusted operating profit of the Essentra Group on a continuing basis.

Non-GAAP measures

Throughout this FY 2021 Annual Report, the following terms are used to describe Essentra's financial performance:

Constant exchange rates

Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis adjusts the comparative to exclude such movements, to show the underlying performance of the Company. For the principal exchange rates for Essentra for the year ended 31 December 2021 (FY 2021), see the table below. Retranslating at FY 2021 average exchange rates reduces the prior year revenue and adjusted operating profit by £43.8m and £5.0m respectively.

Principal exchange rates	US$:£	€:£
Average		
FY 2021	1.38	1.16
FY 2020	1.29	1.13
Closing		
FY 2021	1.35	1.19
FY 2020	1.37	1.12

Like-for-like basis ("LFL")

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

The FY 2021 LFL results are adjusted for acquisition of 3C! Packaging, Inc. on 17 September 2020, the commencement of production in the China Joint venture in July 2021 and the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd (Hengzhu) on 2 August 2021.

Adjusted basis

The term "adjusted" excludes the impact of amortisation of acquired intangible assets and adjusting items, less any associated tax impact. In FY 2021, amortisation of acquired intangible assets was £22.4m (2020: £22.6m), and there was a pre-tax charge for adjusting items of £11.8m (2020: £28.1m).

For the current year charge for adjusting items, £11.8m is driven by transformation software as a service ("SaaS") development expenditure; £2.8m from strategic initiatives that have resulted in the proposed closure of certain sites in 2021, across the Components, Packaging and Filters divisions as well as corporate projects and £2.0m on acquisition related transactional and integration costs. This was offset by a release of provisions and deferred considerations from previous acquisitions of £4.8m. Further details of adjusting items are shown in note 2 to the Financial Statements.

Constant exchange, like-for-like and adjusted measures are provided to reflect the underlying performance of Essentra. For further details of the performance metrics used by Essentra, please refer to page 20.

Restatement of comparatives

During 2021 the Company changed its accounting policy related to the capitalisation of certain software costs. This change follows the IFRS Interpretation Committee's agenda decision published in April 2021 and relates to the capitalisation of costs of configuring or customising application software under "Software as a Service" ("SaaS") arrangements.

Due to the level of spend incurred in relation to these arrangements, the Group's accounting policy has been reviewed retrospectively to align with the IFRIC guidance recently issued in relation to cost of configuring and customising SaaS arrangements previously capitalised. A detailed explanation of the restatement can be found on pages 149 to 151 of the financial statements, accounting policies section.

Cash flow

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

Reconciliation of GAAP to non-GAAP measures

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

Divisional performance

The revenue and adjusted operating profit for each division is stated before the elimination of inter-segment revenue and the cost of central services, as reconciled to the reported results set out in note 1 on pages 160 to 161 of the financial statements.

Summary growth in revenue by division

% growth	Like-for-like	Acquisitions/ disposals	Foreign exchange	Total reported
Components	21.7	3.0	-6.4	18.3
Packaging	-3.6	7.4	-4.0	-0.2
Filters	11.7	1.2	-6.7	6.2
Total	**8.4**	**4.2**	**-5.6**	**7.0**

The revenue and adjusted operating profit for each division is stated before the elimination of inter-segment revenue and the cost of central services, as reconciled to the reported results set out in note 1 on pages 160 to 161 of the financial statements.

Net income

£m	FY 2021	FY 2020 (restated)	FY 2020 (as previously reported)
Adjusted net income	**56.2**	**37.7**	**37.4**
Amortisation of acquired intangible assets	-22.4	-22.6	-22.6
Adjusting items	-11.8	-28.1	-17.7
Tax on adjustments	6.3	11.5	9.2
Profit / loss after tax	**28.3**	**-1.5**	**6.3**

Cash flow

£m	FY 2021	FY 2020 (restated)	FY 2020 (as previously reported)
Adjusted operating profit	**83.9**	**62.3**	**62.0**
Depreciation and amortisation of non-acquired intangible assets	39.2	39.8	40.2
Right of use asset depreciation	12.0	12.0	12.0
Share option expense/other movements	0.6	0.6	0.6
Change in working capital	-29.9	6.2	6.2
Net capital expenditure (excluding disposal proceeds relating to adjusting items)	-41.3	-34.2	-44.7
Adjusted operating cash flow	**64.5**	**86.7**	**76.3**
Tax*	-12.4	-7.5	-7.5
Cash outflow in respect of adjusting items	-25.4	-21.5	-11.1
Pension obligations	-4.8	0.9	0.9
Add back: net capital expenditure (excluding disposal proceeds relating to adjusting items)	41.3	34.2	44.7
Net cash inflow from operating activities	**63.2**	**92.8**	**103.3**
Adjusted operating cash flow	**64.5**	**86.7**	**76.3**
Tax*	-12.4	-7.5	-7.5
Net interest paid	-10.6	-12.8	-12.8
Pension obligations	-4.8	0.9	0.9
Free cash flow	**36.7**	**67.3**	**56.9**

* Tax paid excludes the tax paid/received on business disposals. This is included within the cash outflow in respect of adjusting items.

Risk management report

Risk management is integral to proactively supporting business resilience and protecting and creating stakeholder value.

Responding to continued disruption in 2021

Whilst 2020 was the year in which we first experienced the disruption caused by the COVID-19 pandemic, 2021 presented a different range of risks and challenges to which we needed to react and adapt. As economies started to emerge from the pandemic we identified differing forms of disruption from supply chain constraints to rapidly changing workforce availability.

The risk management lessons we learnt during 2020 resulted in us being well placed to manage our responses to these events quickly and robustly. However, continuing disruption to business, in all its forms, indicated a need to perform a thorough review of the risk management framework. This review concluded in September and resulted in an updated risk framework, seen on page 48, which supports the evolution of our approach and considers risk at both a strategic and an operational level with a view to improving business resilience over the short to long term.

Following on from the introduction of our revised risk framework, an increasingly dynamic risk landscape and the announcements relating to the strategic reviews, we also performed an in-depth review of our Principal and Emerging Risks which comprised consultation with the Board, the GRC and the ARC. The following pages reflect the output of these discussions with one Principal Risk having been retired (in relation to Macro Economic & Trade Deal Uncertainty) and one new risk added (to reflect the risks surrounding the strategic review process). Other risks have been reviewed and refined to reflect the current nature of the risk and our approach to mitigation.

Looking ahead to 2022, we anticipate that certain pandemic related risks will remain, at least for the short to medium term; however, the work put in to our risk management processes and practices over the past two years means we are well placed to continue to deal with them efficiently and effectively. Additionally, as the strategic reviews progress we continue to analyse and assess the Emerging Risk landscape, with particular focus on the Components division's processes, to ensure the Group's risk management practices continue not only to protect stakeholder value but to support its creation in line with our strategic growth objectives.

As we have seen recently, there remains a risk that further variants and subsequent waves of COVID-19 will continue to disrupt societies, economies and businesses during 2022. Our geographical breadth, coupled with our ability to flex operating models with a high degree of agility means we are well placed to maintain customer service levels whilst managing the threats to our operations and the wellbeing of our people.

It remains critical for us to continue to scan the horizon for additional new, emerging or disruptive risks which could significantly impact our ability to meet our strategic growth objectives. Despite the focus on mitigating the impacts of an increasing range of disruptive risks, we have during the year paid close attention to the increasing momentum associated with the risk agendas for ESG and climate change along with the potential impacts of technology-related innovations disrupting our core markets.

Our risk management framework page 47

Reviewing our Principal Risk profile page 50

Monitoring Emerging Risks page 51

Roles and responsibilities of the Group Risk Committee

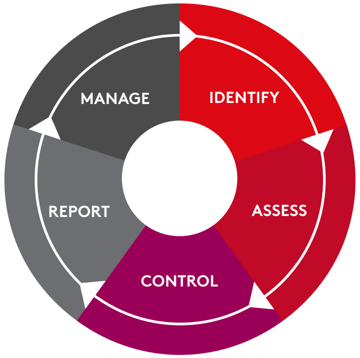
Identify
- Establish the process for identifying and understanding key business risks
- Identify risks in each of our businesses and enabling functions
- Perform risk reviews with senior leadership
- Review Principal, Key and Emerging Risks

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

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

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

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



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

Our risk governance structure

Facilitators
Risk Assurance
Divisional Risk Champions
Enabling Function Risk Champions

Direct and monitor
Report

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

Audit and Risk Committee (ARC)
Responsible for reviewing the effectiveness of the Group's risk management systems and processes.

Group Risk Committee (GRC)
Chaired by the Chief Executive and comprised of the Group Management Committee (GMC) members and other key enabling function resources, the GRC is responsible for monitoring key risks and ensuring the effectiveness of divisional and functional risk management.

Divisional Leadership Teams
Each leadership team is responsible for ensuring their divisional risks are captured and are being effectively mitigated within business-as-usual processes. Risk management is a standing agenda item for leadership team meetings.

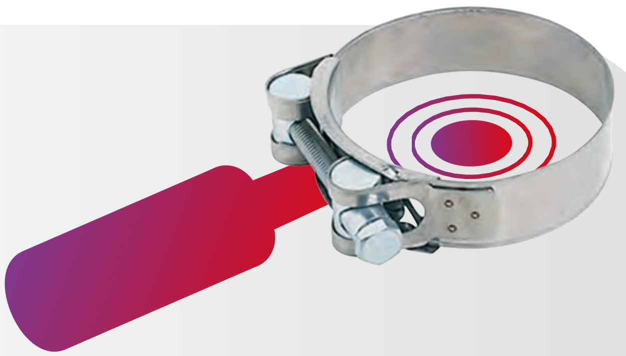
Enabling Functions Leadership Teams
Enabling functions are responsible for identifying and mitigating risks within their own functions – applicable to Finance, Operations, Strategy, IT, Human Resources and Legal, Risk and Governance.

Group Compliance Committee (GCC)
The GCC directs and oversees the Group's implementation of compliance programmes, policies and procedures required to meet legal, compliance and regulatory requirements.

ESG Committee
The ESG Committee oversees the Group's response to emerging ESG related concerns, risks, laws and regulations and comprises representatives from the GMC and divisional and enabling function leadership.

Treasury Committee
The Treasury Committee operates as a sub-committee of the GRC. It sets the Treasury Policy for approval by the Board, reports to the GRC for the management of Treasury risks and to the ARC on the effectiveness of process.

Sites
Specific business units or sites within each division are developing and implementing their own risk registers, risk and action owners. Management are responsible for managing local level risk and reporting to the respective leadership teams.



Risk categories

The Company has considered the risks it is facing under the following four risk category headings and has identified 12 Principal Risks.

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

Strategic
Internal risks that may impede achievement of strategic goals.

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

Disruptive
Risks that could impact the business model or viability of the Company. Although key disruptive risks have been identified and mitigated by the Company they are not considered Principal Risks.

Risk management approach

Our risk management activities aim to drive performance aligned to our purpose, encourage growth through innovation and support the achievement of our strategic objectives. In doing this, we take a balanced approach that puts risk management at the core of the senior management agenda and more broadly across our operations. We are committed to managing risks in a proactive, efficient and effective manner to protect and enhance value, and provide assurance to the Board and our stakeholders.

We made significant progress during 2021 in evolving our risk management processes as we continue to ensure they are aligned with FTSE 250 upper quartile practice. This included a number of initiatives to start driving the risk conversation to a site level, support the divisions in their assessment of risk, to monitor and improve the risk culture and to further develop the Group's risk framework, enhanced risk reporting and further embed risk activities to improve risk culture across the Company. Particular focus was placed on reviewing our portfolio of Principal and Emerging Risks in the light of an increasingly dynamic operating environment.

Risk management framework

A refreshed risk management framework has been developed for identifying and managing risk within defined appetite levels, at both a strategic and an operational level. This framework was designed to provide the GRC and the Board with a clear line of sight over risk, to enable informed decision-making and to deliver improved resilience.

Our risk management framework continues to evolve in line with best practice to ensure that it supports the Company's growth and strategic objectives. A robust, but flexible, approach to the management of risk is fundamental to the continued success of the Company. In 2021, the challenges presented by the COVID-19 pandemic and economies emerging from it included relocation of employees, remote working, temporary inaccessibility of some business locations, raw material shortages, supply chain disruption, volatile supply and demand, and distribution challenges. A clear focus was placed on ensuring the continued operation of our risk management framework in a dynamic environment. Through regular discussions and virtual workshops with all divisional and enabling function leadership teams, we ensured clear accountability for the identification, assessment, and mitigation of risks throughout the Company.

Our refreshed risk framework

Risk can present itself in many forms and has the potential to impact health and safety, the environment, our community, our reputation, regulatory compliance, market and financial performance and therefore the achievement of our corporate purpose. By understanding and managing risk, we provide greater certainty and confidence to our shareholders, employees, customers, suppliers, and the communities in which we operate.

The Board confirms its risk appetite bi-annually by mapping its Principal Risks against a sliding scale from "risk-averse" to "risk-neutral" to "risk-tolerant" and this informs the development of mitigating actions for each of the Principal Risks.

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

- identify the Company's significant risks and appropriate mitigating actions
- formulate the risk appetite and ensure that our business profile and plans are consistent with it
- ensure that growth plans are properly supported by an effective risk infrastructure
- help management teams to improve the control and co-ordination of risk-taking across the Company.

Strengthening our framework

To achieve the objective of implementing FTSE 250 upper quartile risk management practice, we have made good progress in implementing our risk management improvement plan in line with best practice and ISO 31000 guidelines.

In 2021, the Risk Assurance team supported divisional and enabling functions leadership teams in the management of their risk processes, specifically in relation to the strategic planning process. Additionally, a number of risk workshops have been held in relation to the long-term organisational objective set out in the strategic review announcements. In 2021 we paid continuing attention to Emerging Risks and to ensuring clarity across roles and responsibilities for those risks that cut across divisions and enabling functions. Principal Risks were subject to deep dives during the year at Board and GRC meetings.

Risk governance structure and oversight

The Board has established a risk and internal control structure designed to manage the achievement of strategic business objectives. The Risk Assurance team, separate from line management, enables and facilitates the risk management process across the Company and acts as the custodian of the Company's risk architecture and supports risk management activities. In addition, all divisions and enabling functions have appointed Risk Champions to drive risk management practices into their businesses.

The GRC met four times in 2021, each meeting with a full attendance. The GRC is chaired by the Chief Executive and its membership comprises the GMC members, Head of Legal, Head of Risk, Head of Governance and the Group Communications Director. Non-member standing attendees are the Group Health, Safety and Environment Director, the Chief information Security Officer and the Group Financial Controller. Other members of senior management are also invited to present reports on specific risk activities. We also welcomed external presentations from subject matter experts on topics including ESG and sustainability. The Chair of the ARC has a standing invitation to attend all GRC meetings, attending two in 2021, and receives copies of the minutes of every meeting. The Chair of the ARC also meets with the Head of Risk on a monthly basis.

Key changes in the year

During 2021 we undertook a robust review of our Principal and Emerging Risks.

At half year we disclosed the following key changes:

- a decrease in relation to the probability of our Macro-economic and Trade Deal Uncertainty (including Brexit) risk manifesting itself
- an increase in the probability and impact of our Environmental, Social Governance (ESG) risk resulting from an increasing stakeholder focus
- an increase in probability in relation to our Talent and Workforce Management risk resulting from pandemic related workforce dynamics.

No further Emerging Risks were noted.

Since our half-year disclosure, we undertook further review of our Principal and Emerging Risk profiles. The following key changes have been made since our half-year disclosure:

- removal of Macro-economic and Trade Deal Uncertainty (including Brexit) as a Principal Risk given the conclusion of the Brexit process and increasing clarity around trade deals. Broader disruptive events are now considered under our new Operational and Supply Chain Disruption Principal Risk
- addition of a new Principal Risk relating to the ongoing strategic reviews
- reduction in the risk level associated with our Delivery of Strategic Projects risk following the successful completion of a number of acquisitions. The remaining risk largely relates to the delivery of the BPR programme
- an increase in the risk level associated with our Cyber Event (Cyber Attack in 2020) risk as a result of increasing reliance on our digital supply chain
- replacement of our Business Continuity Planning and Management Principal Risk with an Operational and Supply Chain Disruption risk reflecting the increasingly dynamic nature of disruptive events
- a decrease in the risk level for our Internal Process and Control risk following the completion of the rollout of the Minimum Control Standard framework
- a continuing increase in risk level in relation to our Talent and Workforce Management risk
- removal of Emerging Risks relating to Regulatory Change (now covered under our Regulatory Governance Principal Risk) and Evolving conditions of the Debt Market.

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

The GRC's responsibility is to focus and co-ordinate risk management activities throughout the Company and to facilitate the appropriate identification, evaluation, mitigation and management of all key business risks. In addition, the GRC reviews the risk appetite and ongoing risk management approach and makes recommendations on risk appetite to the Board and actions required to ensure adequate controls and mitigating actions are in place against identified risks.

As an important part of fulfilling its responsibilities the Board receives regular reporting from the Chief Executive in his capacity as GRC Chair to enable the Board to challenge and review the GRC's views on key risks.

The ARC engages directly with the divisions and the enabling functions, including deep dive reviews, as part of fulfilling its oversight responsibilities in relation to risk management processes. The ARC, with assistance from Risk Assurance, oversees compliance with risk management processes and the adequacy of risk management activities related to the Company's operations.

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

Principal Risks

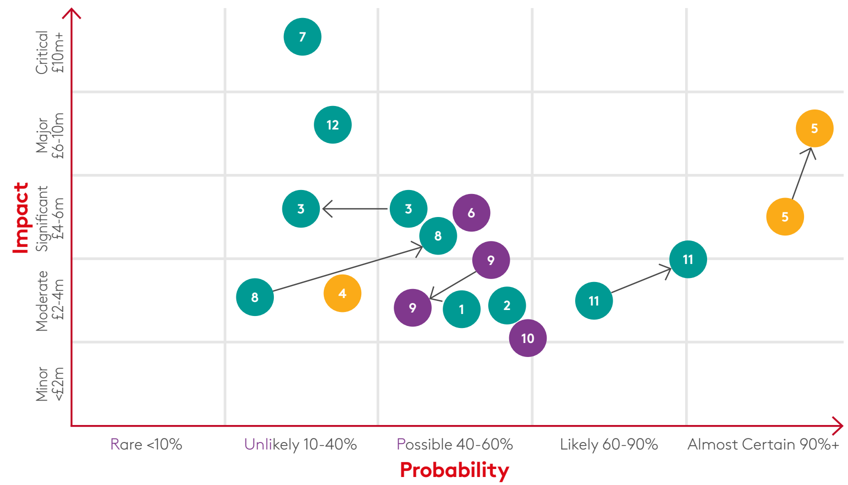
The GRC has responsibility for enabling the identification and management of Essentra's Principal Risks. An in-depth assessment has been undertaken to assess the appropriateness and adequacy of our Principal Risks. The assessment was performed against the four risk categories.

As part of the process, divisional and enabling function leadership teams have also undertaken reviews of this risk portfolio supported, where necessary, by the Risk Assurance team.

As part of our top-down process, a review of Principal Risks was performed by the Board which led to further review and refinement by the GRC. This top-down assessment required each GRC risk owner to provide analysis of material changes in the risk they manage and whether they consider it to have more or less impact during the course of the year on achievement of our strategic objectives.

These individual responses were consolidated, and the GRC then discussed and reached a consensus regarding Principal Risks that can seriously affect the performance, future prospects or reputation of Essentra. The outputs from the GRC assessments were then presented to the Board for approval along with the recommendation of Principal Risks to be included in the long-term viability modelling.

Principal Risk Movement from 2020 Annual Report



1. Failure to Achieve Acceptable Returns from the Packaging Division
2. Tobacco Industry Dynamics
3. Delivery of Strategic Projects
4. Regulatory – Governance
5. Cyber Event
6. Operational and Supply Chain disruption (NEW RISK)
7. Exposure to the Cyclical Industrial Market (Components Division)
8. Environmental, Social and Governance
9. Internal Processes and Control
10. Safety, Health and Wellbeing
11. Talent and Workforce Management
12. Strategic Reviews (NEW RISK)

- Strategic Risks
- External Risks
- Operational Risks

Movement

Emerging Risks

Emerging Risk	Owner
Technology disruptors	Divisional Managing Directors

Risk description

The risk that Essentra does not manage its response to evolving technologies effectively. This may include losing competitive advantage as rivals deploy advanced manufacturing technologies, artificial intelligence and robotics to strengthen product development, marketing, production, distribution and support functions. In particular, the potential emergence of digital pharmaceutical literature might adversely affect parts of our packaging division.

Controls

We continue to monitor and review developments in the external market through our networks. This includes innovation and futures sessions with existing suppliers. We are also involved in a range of external technical focus groups to support the identification of future technology trends.

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

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

To make this evaluation, the estimated financial impact of each Principal Risk crystallising was considered. The Board and GRC assessed the potential impact on the Company's viability, based on selected severe plausible risk scenarios. These were developed in conjunction with senior management. The Principal Risks that were considered to have a potentially significant impact on the Company's viability are included in the Long-Term Viability Statement on page 138.

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

Emerging Risks

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

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

Emerging Risks have the potential to increase in significance and affect the performance of the Company and as such are continually monitored through our existing risk management processes described on page 110. Our risk management process ensures Emerging Risks are identified and aids the GRC and the Board's assessment of whether the Company is adequately prepared for the potential opportunities and threats they present.

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

We undertake a top-down and a bottom-up assessment to identify Emerging Risks. A risk management workshop with the Board was facilitated by the Risk Assurance team as part of the ongoing cadence of Emerging Risk identification; this workshop was followed by further discussion at GRC meetings. These assessments include discussion of potential Emerging Risks based on externally sourced Emerging Risk data. The Company's potential exposure is assessed against the Board's approved risk measurement criteria. The process enables new and changing Emerging Risks to be identified at an early stage so we can analyse them thoroughly and assess potential exposure.

The preliminary views of Emerging Risks were consolidated and discussed by the GRC to reach a consensus regarding Emerging Risks that can seriously affect the performance, future prospects or reputation of Essentra. The outputs from the GRC assessments were presented to the Board for approval along with the recommendation to develop appropriate response strategies.

The GRC and the Board have undertaken a rigorous assessment of Emerging Risks during 2021 and have established procedures to closely monitor Emerging Risks on an ongoing basis including:

- the GRC's terms of reference require it to review the Group's ability to identify Emerging Risks
- Emerging Risks is a standing agenda item at each GRC meeting and each Emerging Risk will be subject to a deep dive
- external specialist input will be sought where required
- identified Emerging Risks have been assigned an owner who is both a GRC and GMC member. The Emerging Risk owner is responsible for providing an update on the development of Emerging Risks and activities in response at each meeting.

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

We continue to closely monitor the situation in Ukraine, the response of international governments and any potential impact on the Group. Essentra has no significant operations or infrastructure in Russia or Ukraine and the business does not have local currency exposure. We have processes in place to ensure the Group is compliant with all relevant international regulations and sanctions, continue to closely monitor the situation and remain vigilant to changes in our risk profile resulting from it.

Emerging Risks and wider key risks have been identified and are being monitored by the Company. Mitigation actions in response to such risks are an important part of the divisional and enabling functions' risk reporting to the GRC and Board.

N New
— No change
Λ Increased
V Decreased

Strategic Risk

Failure to Achieve Acceptable Returns from the Packaging Division

Change in risk level	Ownership	Relevance
Unchanged	Packaging Division Managing Director	Company specific

Description

The potential for a failure to deliver improving and, in the longer-term, industry average returns in the Packaging division has been a Principal Risk since 2017.

This risk includes the potential of the Packaging business failing to deliver new business wins, expected cost savings or acceptable returns. Significant effort has gone into mitigating this risk since it was first identified in 2017 including supply chain optimisation, cost savings through continuous improvement initiatives, strengthening our value proposition, focusing on effective key account management and delivering in line with customer expectation on quality and lead times. As such, the greater part of this risk now relates to the ongoing disruption in the underlying pharmaceutical market resulting from the ongoing COVID-19 pandemic with fewer GP visits and reduced demand for elective surgeries. However, as the world emerges from the pandemic the approach is moving towards pre-hospitalisation drug-based treatments which might present some opportunity for the division.

Stakeholder expectations around the raw materials used in packaging materials present an opportunity for Essentra Packaging given the sustainable nature of our product portfolio and our capability to work with customers to design packaging solutions with minimal environmental impact.

Mitigation

This Principal Risk is addressed annually with the development of the business strategy and plan. Both strategy and plan reflect this risk, and key initiatives are developed to further improve business performance (see operational reviews from page 60 for more information). Failure to effectively mitigate this risk might affect the outcome of the strategic review.

Key mitigation actions include:

- delivering our differentiated value proposition to customers through innovative, high quality products and services
- innovation focus on smart packaging, patient safety, and sustainability
- delivering operational excellence through improved performance on safety, environment sustainability, quality, manufacturing efficiency, supply chain and continuous improvement initiatives
- developing a pricing strategy that minimises the impact of inflation internally as well as on customers.

The delivery of these actions, and ongoing performance of the division, are subject to close monitoring and reporting at divisional and GMC level each month and quarter. The Board also continues to maintain close oversight across progress of these actions. Leading and lagging KPIs are used to monitor performance including order lead times, on-time and in-full order fulfilment, complaints, achievement of sales plan, recovery of inflation cost increases through pricing, cost savings and overhead as a percentage of sales.

N New
— No change
Λ Increased
V Decreased

Strategic Risk

Tobacco Industry Dynamics

Change in risk level Unchanged

Ownership Filters Division Managing Director

Relevance Company specific

Description

The Filters division supplies filter products and packaging solutions to manufacturers in the tobacco industry. Changes in the traditional tobacco market present both opportunities and risks for the division, notably from our ability to supply sustainable filters.

Whilst we have a strong market position, the future growth opportunities may be affected by the longer term dynamics of the tobacco industry. These include declining combustible markets, a shift towards Next Generation Products (NGP) and other tobacco substitutes. The focus of stakeholders on the environmental and sustainability elements of tobacco markets provides an additional area of risk and opportunity for the business.

The social pressures and the evolving regulatory environment continue to move towards reducing the prevalence of smoking worldwide and also minimising its environmental impact. This presents an opportunity for growth through our existing sustainable product portfolio and new innovations.

The continuing changing trends in global consumption and end markets for our products requires increased oversight of where our products are used and a robust framework to ensure regulatory compliance. Tobacco-related litigation could also affect Essentra; however, there is no history of the Company being involved in such a claim.

Mitigation

Essentra seeks to mitigate the risk associated with changes in tobacco market dynamics by focusing on innovation and by exploiting potential market growth opportunities. Failure to effectively mitigate this risk could affect the outcome of the strategic review.

Key mitigation actions include:

- the establishment of a joint venture, including manufacturing facilities in China, which is now the world's largest tobacco market. Production started in this facility in 2021
- focus on winning further outsourcing contracts
- ongoing enhancement of innovation capabilities to ensure we are well positioned for the future of the tobacco market
- continuous improvement activities to ensure operational KPIs continue to improve with an ongoing focus on lead time reduction and quality to ensure our customers continue to get the best possible service
- implementation of key account management has provided a more robust pipeline, as demonstrated by continued outsourcing wins
- the Tapes business provides new growth opportunities in Food and Beverage and e-Commerce segments
- building on lessons learnt to further enhance our compliance programme and maintain a robust regulatory framework.

Strategic Risk

Delivery of Strategic Projects

Change in risk level Decreased

Ownership Company Secretary and General Counsel

Relevance Company specific

Description

Our success is dependent, in part, on our ability to deliver key strategic projects on time and within budget to realise their full potential. We invest in, and deliver, significant strategic, operational and capital expenditure projects in order to drive the business forward, in particular, our ongoing Business Process Redesign implementation. Additionally, over recent years we have actively reviewed our portfolio of businesses, engaging in acquisitions and disposals as appropriate. Failure to deliver such key projects effectively and efficiently could result in significantly increased project costs and impede our ability to execute our strategic plans.

During the year, our ability to deliver complex projects has been affected by some of the restrictions and other disruptions relating to the COVID-19 pandemic. This has, however, resulted in an enhanced capability to deliver projects in a complex and dynamic environment.

We have recently reviewed and strengthened project governance arrangements and resources to accelerate delivery of the Business Process Redesign programme delivery plan. Additionally, further resources will be deployed to sites during future site implementations to maintain operational and commercial stability.

Mitigation

Strategy and Governance:

- an annual strategic review with the Board and the GMC where we proactively monitor the market and review our strategy and our strategic programmes. This process is led by the Strategy and Commercial Director and, in 2021, has resulted in the commencement of a strategic review of the Filters and Packaging divisions
- review and approval of key, strategic projects by Board and GMC, as appropriate, with robust governance and detailed reporting of project KPIs and key milestones.

Project Management:

- a portfolio of key strategic projects has been identified and kept up to date by the Group Project Management Office (PMO), to ensure appropriate focus on, monitoring and control of major strategic programmes, investments and capital expenditure projects
- day-to-day project management capabilities using a recognised project management methodology have been enhanced during the year
- interventions, as required, by Group PMO to initiate course corrections and undertake remedial actions on programmes and projects.

M&A:

- acquisition pipeline management to identify suitable acquisition targets with best value-creation potential
- an annual post-investment review and lessons learnt exercise to identify key learnings to embed into future initiatives
- use of external advisers to provide expertise, assistance and rigorous due diligence, as appropriate.

People:

- maintain strong focus on the capability of our employees. This is achieved by mobilising teams which possess the right skills to deliver our strategic programmes
- support project managers' development through a variety of training programmes and professional qualifications.

N New
— No change
Λ Increased
V Decreased

External Risk

Regulatory – Governance

Change in risk level
Unchanged

Ownership
Company Secretary and General Counsel

Relevance
Industry general

Description

The Company operates across many international jurisdictions and engages with a wide range of stakeholders, including a diverse employee, customer and supplier base. Some of our locations are considered higher risk from a regulatory perspective. We are required to comply with multiple areas of legislation and regulation across an increasingly broad range of areas including: Anti-Trust, Anti-Bribery, Sanctions, Privacy and Environmental, Social & Governance (ESG). Our operations are subject to an external environment which is seeing an increasing breadth of emerging regulation and greater levels of scrutiny and oversight from regulators and enforcement agencies.

Additionally, there remains a risk that we fail to adhere strictly to the compliance requirements and reporting obligations set out in the Deferred Prosecution Agreement (DPA) agreed with the US Department of Justice (DoJ) in relation to historical US sanctions issues in the Filters division.

Failure to manage effectively the scrutiny and oversight and/or comply with laws and regulations could result in significant fines, costs or reputational damage to the Company and might adversely affect our ability to operate in certain jurisdictions.

Whilst the external environment is generating additional compliance demands, the Company continues to drive continuous improvements in its approach to managing regulatory and legislative requirements and overall the level of risk to the Company has remained the same.

Mitigation

The Company deploys a range of mitigating activities to support the management of regulatory risk including:

- a clear "tone from the top" from the Board and GMC on the importance of ethics and compliance
- a compliance programme (including employee training) with which we aim to conform with all applicable laws and regulations and encourage a culture of openness, honesty and integrity
- a mechanism that seeks to ensure all employees complete mandatory training on a timely basis
- improved compliance communication with "Be smart, be sure" campaign
- continuous improvement of the compliance framework to ensure an effective and appropriate policies, processes, reporting and monitoring
- a Group Compliance Committee that directs and oversees the Company's implementation of compliance programmes, policies and procedures which are required to meet legal, compliance and regulatory requirements (including sanctions)
- strengthening of divisional resources to embed regulatory compliance within the businesses and continued investment to drive better governance
- extensive focus on third party due diligence to take account of lessons learnt from the past
- the Company's Legal, Risk and Governance team which, with support from external advisers, continuously monitors current and forthcoming changes to the regulatory environment and emerging good practice
- the recent enhancement of disciplinary and IT lock-out processes to help ensure mandatory governance training is completed on time
- a "Right to Speak" portal is in place to encourage the reporting of governance issues.

External Risk

Cyber Event

Change in risk level
Increased

Ownership
Group IT Director

Relevance
Industry general

Description

The Company is dependent on its internal and external IT systems for day-to-day operations. Should the Company, or its key cloud service suppliers, be affected by a cyber event (denial of service, data breach, compromise) resulting from an external or internal threat, this could result in suspension of critical business services and loss of data. Subsequently, the Company could receive fines, suffer reputational damage and be unable to meet customer expectations (leading to a loss of customer confidence). Prolonged outages could further erode trust in the business resulting in long-term reputational damage.

The pandemic continues to affect our operational dynamic with significant levels of remote working becoming the new normal. The Company has invested, as part of our pandemic response, in improvements to protection of mobile devices and remote access.

Disruptive cyber events remain a serious threat to the smooth running of our business. We continue to invest in our cyber security programme which includes mitigation and risk reduction activities across people, process and technology.

Mitigation

The Company has an established cyber security improvement programme which aims to mitigate the risks and operational disruption caused by cyber events. The programme includes:

- endpoint protection, encryption of data, enhanced cloud-based security tooling and protection, web and email content protection
- identity and access management
- continued cyber security awareness training for all employees
- vulnerability and penetration testing for external IT services and websites.

N New
— No change
Λ Increased
V Decreased

Operational Risk

Operational and Supply Chain Disruption

Change in risk level	Ownership	Relevance
N New risk	General Counsel and Company Secretary	Industry general

Description

We operate a diverse, global operational footprint and supply chain across each of our divisions. Ensuring these operations and supply chains are resilient is a fundamental part of maintaining our customer service levels by giving options and alternatives, to minimise the impact of disruption.

Disruptive events could be focused on particular locations, driven by single points of failure in our operations or supply chain, be localised natural events or result from political conflict. Here, our global footprint provides risk diversification, through alternative manufacturing options elsewhere in the Group. Equally, disruptive events might be broader in nature and impact a number of sites simultaneously, for example via the COVID-19 pandemic, or climate change related issues in the longer term. In this situation, our global footprint may expose us to a broader set of potential disruption risks than more focused businesses.

Robust business continuity planning and management practices are required to minimise the impact on production capability, supply chain management, customer relationships, reputation, revenue and profit.

We experienced some minor disruption through COVID-19 related issues during 2021; however, the vast majority of sites remained operational throughout the year.

The Company is increasingly reliant on the digital ecosystem within its supply chain. Some elements are addressed in our management of our Cyber Event risk and others more broadly by the continuity planning activities described below.

Additionally, during 2021, as part of our TCFD activity, we have worked with external consultants to better understand the potential impact of climate change on our business over the short, medium and long term, both for physical and transition risks, to enable us better to embed these considerations in our risk management processes.

Mitigation

We continue to review and refresh our business continuity management and planning frameworks and processes.

Mitigating actions that we have in place for single location issues include:

- leveraging our global manufacturing footprint to provide alternative manufacturing locations
- fire and other risk prevention systems
- assessing and managing operational risks via the enterprise risk management process
- ensuring comprehensive maintenance plans are in place for key manufacturing equipment
- ensuring resilience arrangements are in place and are tested for key operational IT hardware and software
- maintaining an insurance programme and working closely with our insurers to ensure complete and comprehensive cover to prevent losses, along with identifying and pursuing opportunities to improve site-level resilience to human factor, natural disaster and fire-related issues
- performing tests and ensuring any lessons learnt (along with any learnt from real-world events) are fed back into the planning process
- ensuring non-operational employees are equipped to work from alternative locations should the need arise.

Additional measures to mitigate against multi-site issues include:

- enhancing our multi-site capabilities and manufacturing flexibility
- identifying alternative sources of supply for key raw materials and supply guarantees where necessary and feasible
- global, standard site/network assessment approaches for pandemic and other issues.

N New
— No change
Λ Increased
V Decreased

Strategic Risk

Exposure to the Cyclical Industrial Market (Components Division)

Change in risk level	Ownership	Relevance
Unchanged	Components Division Managing Director	Company specific

Description

The Components division serves a broad range of industrial customers and, as such, is exposed to overall industrial production trends. Global industrial production has tended to be cyclical in nature with major economic downturns leading to a downturn in industrial production. From the global financial crisis in 2008-2009 to the COVID-19 pandemic, economic cycles have affected demand in these broad industrial markets.

The Components division sells to a broad base of end markets including automotive, capital goods and electronics. This market breadth provides a degree of risk diversification; however, future downturns in industrial production are almost certain to happen, albeit with an uncertain timeframe.

The Components division seeks to operate a flexible model whereby changes to its cost base can be quickly made to maintain operating margins against fluctuations in demand. The risk is that the business is not able to execute such changes, or they are not robust enough to minimise the impact on operating margins.

Additionally, the division, given its end-markets, supply chains and operating model, has a specific exposure to the Operational & Supply Chain Disruption Principal Risk.

Given the strategic announcement regarding the Group becoming a pure play global Components business, this risk will become increasingly prominent.

Mitigation

Key mitigating actions being undertaken to protect the division from future industrial declines include the following:

- the ongoing optimisation of fixed cost base to minimise the impact of demand fluctuations. Specifically, the Components division undertakes continuous reviews of its operating footprint to optimise manufacturing and distribution cost to serve. We opened a new distribution facility in Nettetal, Germany during the year which provides the opportunity for us to reduce our distribution footprint while delivering enhanced service levels to our customers
- our increased investment in the automation of production and distribution activities, enabled by robotics, will further help to reduce fixed costs. We also undertake ongoing reviews of our labour management practices with a view to striking the right balance between permanent and temporary employees, so that we are able to effectively manage our cost base
- diversification across the market sectors we sell to; both within the industrial sector and also beyond it. We continue to develop our product category management approach to better focus on faster growing and resilient market segments. We continue to explore M&A and entry opportunities in new markets to further mitigate this risk.

We continue to invest in our innovation capabilities to secure new opportunities, develop our use of alternative materials and diversify our product range.

Read more about our Components division from page 60

The Components division sells to a broad base of end markets including automotive, capital goods and electronics. This market breadth provides a degree of risk diversification; however, future downturns in industrial production are almost certain to happen, albeit with an uncertain timeframe.

N New
— No change
Λ Increased
V Decreased

Strategic Risk

Environmental, Social and Governance

Change in risk level
Increased

Ownership
Company Secretary and General Counsel

Relevance
Industry general

Description

Environmental, Social and Governance (ESG) issues are increasingly fundamental for all companies and stakeholders. Essentra has specific exposure to tobacco-related regulation, potential changes in relation to the regulation of single-use plastics, EU packaging regulations, climate change and multiple other topics.

Failure to meet stakeholder expectations on increasing environmental and/or social governance obligations could lead to reputational or commercial risk for the Company. This includes risks arising from changing investor attitudes, developing customer expectations, changing supply chain dynamics, social attitudes towards the environmental impact of our products (which may impact on our ability to market them), along with ability to attract and retain talent, given increasing employee focus on ESG.

The Components division is exposed to ESG risks around the reduction in single use plastics, but also in relation, in the longer term, to climate change given the breadth of its operational footprint. The division is actively working to incorporate more sustainable materials and believes it has the innovation capabilities to enable future growth opportunities with the use of these materials. Similarly, Filters is exposed to single use plastic legislation and is actively developing new innovative products including the recently launched "ECO" range of biodegradable filters.

Climate change

As part of our TCFD activity, we have worked closely with third-party consultants to understand the financial impact of climate-change-related physical risk exposure at key sites across seven risk areas, under three scenarios. We have identified ten material risks and opportunities relating to physical events, the transition of our business resulting from changing customer demands and the changing input costs relating to raw materials and power (see page 31 for more detail). We can now build mitigation activity and management approaches to help address these issues into our business continuity management and planning frameworks, closely linked to existing work with our insurers.

Mitigation

Governance-related activities are managed through the Company's comprehensive risk management processes.

Environmental and social topics are managed through the Sustainability Committee, chaired by a Non-Executive Director, and including membership from Board and GMC. The role of this Committee is to:

- review and assess the Company's exposure to sustainability-related issues
- assess the Company's responses to these issues
- understand whether these responses are consistent with the risk appetite of the Company
- identify potential gaps in approach and high-level approaches to closing those gaps.

The Sustainability Committee's recommendations, in respect of reducing risk exposure, inform the work of the GMC, the divisions and the enabling functions.

Additionally, the Nomination and Remuneration Committees cover aspects of social issues and the Audit and Risk Committee explicitly covers governance.

During the year, we have also established an ESG Committee which comprises representatives from the divisions and enabling functions to monitor and respond to ESG and sustainability-related-topics on a day-to-day basis.

Additionally, the GRC also continues to evolve our approach to managing climate change risk, and we have worked with an external resource in support of fulfilling our reporting obligations under TCFD requirements (see page 29 onwards).

During the year, we have also established an ESG Committee which comprises representatives from the divisions and enabling functions to monitor and respond to ESG and sustainability-related topics on a day-to-day basis.

Read more about ESG from page 24

New
No change
Increased
Decreased

Operational Risk

Internal Processes and Control

Change in risk level Decreased
Ownership Chief Financial Officer
Relevance Company specific

Description

Processes and controls play an important part in our ability to prevent and detect errors in our management information and also inappropriate and unethical behaviour. This might include fraud, deliberate or accidental financial misstatement or improper accounting practices. If the design, operation or the assurance over these controls is ineffective, ownership is not defined or controls are overridden, there is a greater risk of operational loss and reputational damage.

The changes in ways of working as a result of the COVID-19 pandemic resulted in a greater adoption of remote working arrangements. In the short term, this created an increased risk around our capability to maintain a robust system of internal control. During this year we were able to operate our processes and controls consistently with this more flexible working environment.

Mitigation

During the year, we completed the rollout of Minimum Control Standards (MCS) across the Group, establishing a consistent minimum standard of financial controls across the Company.

With the MCS framework rollout complete, the focus has moved to ensuring the ongoing compliant and effective operation of the controls. This work has been performed by Group Finance, divisional finance teams and by the Risk Assurance function who have increased the level of work performed on the MCS framework at a site level during the year.

As a result of the ongoing BEIS consultation on audit and corporate governance, we have created an internal controls team who will be charged with maintaining the MCS framework and ultimately enhancing it to a level that will be compliant with the ultimate conclusion of the review.

Operational Risk

Safety, Health and Wellbeing

Change in risk level Unchanged
Ownership Group Human Resources Director
Relevance Industry general

Description

The safety, health and wellbeing of our employees remains one of our highest priorities.

Essentra has many manufacturing, distribution and administrative facilities across the world, along with internationally mobile employees. Manufacturing and distribution can be inherently risky given the use of industrial machinery and high-speed manufacturing processes. In addition, the Company must comply with national safety regulation in multiple jurisdictions.

Should a serious incident occur involving our employees or visitors, or should there be any breach of safety regulation, there is a risk of prosecution and considerable reputational damage as well as potentially significant financial costs.

Increasingly, given the changes and ways of working resulting from the COVID-19 pandemic and the resulting strain it places on people, the emotional wellbeing of our leaders, managers and workforce has an increased focus.

Mitigation

The "tone from the top" continues to reinforce safety, health and wellbeing behaviours across all of our businesses and employees. The establishment of appropriate Safety Management Systems is a high priority for management teams.

Some of the key mitigations which are in place include:

- regular reporting to the GMC, GRC and the Board on Health, Safety and Environment (HSE) related matters
- a Group HSE policy detailing required standards, governance, roles and responsibilities at all sites
- increasing use of the Enabler system to automate our Global "Stop, Think, Examine, Proceed" ("STEP") programme. This is a hazard identification and process improvement initiative that empowers the entire workforce to recognise and address safety improvement opportunities. Corrective actions are assigned with clear ownership and targeted completion within 48 hours
- conducting performance monitoring and Health and Safety Audits, incorporating reporting and escalation arrangements to ensure all actions are closed
- undertaking root cause analysis for any issues identified through investigation of serious incidents, including near misses and ensuring lessons learnt are cascaded across the Group
- embedding our health and wellbeing strategy with a specific workstream that considers our leaders, managers and employees and their physical and emotional wellbeing
- focused HSE events throughout the year to highlight particular risks and help keep safety at the forefront of our minds.

With the increased focus on emotional health and wellbeing, we have introduced awareness training for leaders and managers. We have developed training materials for employees and are now moving towards introducing proactive steps for employees to manage their own wellbeing. Our health and wellbeing strategy, Essentra Thrives, launched with the introduction of the global assistance programme for all employees. We are continually looking at areas where we can enhance the health, safety and wellbeing of our employees.

New
No change
Increased
Decreased

Strategic Risk

Talent and Workforce Management

Change in risk level Increased
Ownership Group Human Resources Director
Relevance Industry general

Description

Failure to acquire, retain, develop and motivate the required management and leadership necessary to evolve our business, develop our culture and meet future customer needs. The change agenda, including the recently announced strategic reviews, coupled with the ongoing impact of COVID-19 on workforce and labour market dynamics, requires us to continue our focus on retention of key talent, avoiding burn-out and presenteeism. Additionally, we must continue to grow the agile skills required to support and build on our future strategic direction.

The experience of the past two years has clearly indicated the effect major health events, be they global, regional or country specific, can have on the availability of resources. There remains a risk that future major health events could result in further labour disruption.

Mitigation

Key mitigations include reviewing the people strategy to ensure it underpins the approach to enhance the employee experience, drive changes needed and have skilled leaders for the future. This strategy considers:

- ensuring the variable pay schemes are adequate to retain key talent and reward high performance
- building management capability across the wider team to ensure we manage through the change journey in an engaged and considered way
- talent mapping and succession planning that considers current and future business requirements
- developing the health and wellbeing strategy with a specific consideration of the actions needed to aid retention of our wider workforce
- communication with employees is a critical step to ensure engagement, drive a sense of purpose and belonging across the workforce
- assessing what training and support we can provide to future leaders and managers on resilience and developing their personal career path in a considered way.

As the COVID-19 pandemic continues, we continue to focus on retention, but also on attracting the talent necessary to deliver our strategy in this new, global, working environment. We continue to review the organisation for points of failure at which additional cross-training might be necessary to alleviate disruption.

Strategic Risk

Strategic Reviews

Change in risk level New risk
Ownership Company Secretary and General Counsel
Relevance Company specific

Description

In October and November 2021, the Company announced strategic reviews of both the Filters and Packaging divisions. These reviews have a view to maximising shareholder value through focusing on the growth potential of pure play global components business whilst Filters and Packaging benefit from new ownership structures.

Whilst the strategic reviews create significant opportunities for the respective businesses and our people, the uncertainty, both internal and external, caused by these announcements creates a number of potential risks. These include but are not limited to:

- a lack of focus on 'business-as-usual' activities
- poor execution of the review and any resulting decisions
- talent flight
- customer, supplier and competitor behaviours, compliance issues
- adverse investor feedback.

The reviews comprise a number of complex projects with significant interdependencies; however, Essentra is well placed to deliver them and external/temporary resource has been identified where there are known capacity and capability gaps.

Mitigation

- The key mitigation in place over this Principal Risk is the governance structure that has been established around the strategic review programme. A detailed structure is in place, supported by internal resources and external advisers, to ensure timely delivery. This structure includes clear leadership and management support along with a regular cadence of meetings on various workstreams supported by regular decision board meetings
- A range of external advisers have been engaged to support the strategic review process and the execution of any decisions that result from it
- Retention and recruitment strategies are in place to ensure ongoing leadership and capability

Components

Strategic progress and market recovery provide a strong platform for future growth.

Scott Fawcett
Managing Director, Components

Scott Fawcett joined Essentra in 2010 as Managing Director of the Moss Plastics business, and was appointed to his current role in January 2014. Prior to joining Essentra, Scott was Head of e-commerce at Electrocomponents plc, where he held a variety of increasingly senior sales, marketing and e-commerce positions spanning a 17-year career. Scott has a strong base of knowledge and experience in the industry, including manufacturing excellence, distribution and digital offering.

Our markets

Automotive | Equipment Manufacturing | Fabrication | Electronics | Construction | Retail POP/ Paper and Board

Components: at a glance

Who we are and what we do

We make and distribute small but essential industrial components, that are used by our customers in the production of industrial and consumer equipment.

Our components serve a very broad and fragmented industrial manufacturing market. Typically catering to B2B manufacturers, our core markets range from data cabinet manufacturers and telecoms base station producers to automotive tier suppliers and domestic appliance manufacturers.

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

Financial Key Performance Indicators

Revenue

£301.7m

(2020: £255.0m)

Adjusted operating profit[1]

£56.9m

(2020: £45.5m)

Adjusted operating margin[1]

18.9%

(2020: 17.8%)

1 Excluding amortisation of acquired intangible assets and adjusting items. Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 43 for further detail of Alternative Performance Measures (APMs)

Non-Financial Key Performance Indicators[2]

Active customers

79k

(2020: 82k (84k including Innovative components, acquired in 2020))

Why we measure it

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

How we have done

Continued focus on scalable customers.

Net Promoter Score (NPS)

23

(2020: 45)

Why we measure it

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

How we have done

We remain focused on our customers and their needs; however, due to the impact of global supply chain challenges we have been unable always to meet our customers' service expectations, alongside a significant increase in customer demand.

On Time in Full

54.1%

(2020: 92.1%)

Why we measure it

Demonstrates the ability to meet delivery demand.

How we have done

OTIF reduced as a result of disruption to our global supply chains including labour availability. Despite our focus on mitigating these actions, disruption was further magnified by significant demand increases.

Lost Time Incidents

17

(2020: 14)

Why we measure it

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

How we have done

Our number of incidents remained high. We are working with our three newer sites to focus on improvements in both physical and behavioural safety.

2 All measures presented are on a LFL basis

Revenue overview

Revenue by segment

- Other Industrial Equipment: 29%
- Metal Fabrication: 17%
- Industrial Vehicles: 9%
- Industrial Electronics: 8%
- Passenger Vehicles: 7%
- Production Machinery: 6%
- Consumer Electronics: 5%
- Furniture, Sport and Retail Equipment: 5%
- Heating, Ventilation and Air Conditioning: 4%
- Other 10%

Revenue by destination

- Europe and Africa: 52%
- Americas: 35%
- Asia including Middle East: 13%

Building for the Future goals

A winning, engaged and empowered team

We have regularly communicated and discussed our purpose, vision, proposition and strategy with all employees.

We have successfully introduced new apprenticeship schemes in key capability areas to grow our own talent, and have supported the global rollout of the Spring learning and development platform to encourage proactive communications and support employee development.

We launched our Diversity and Inclusion network including successful local campaigns and events to support Pride and Black History months.

Safeguarding our people through the pandemic has continued to be our number one priority. This year we have increased our pool of Emotional Support First Aiders across the organisation.

Class-leading sustainability

The Components division has made significant progress towards meeting our sustainability targets in 2021.

Investments in the latest energy-efficient machinery has successfully reduced energy consumption by 30%.

Additional sites have now achieved zero waste to landfill and more recycled materials have been incorporated into our standard production.

We finished the year with a Q4 run rate of recycled material consumption of c.10% of total material. Our investment in research and development across this field continues to progress, which will enable further implementation of projects to deliver our sustainability goals in 2022.

Growth through innovation

We have continued to invest in innovation across the business.

We are deploying innovation to support our customer experience, conducting trials in delivering product expertise via live chat online, for example.

We have also innovated our manufacturing capability to be able to increase the use of sustainable materials and have continued to invest in innovation to increase our usage of new materials and different types of recyclates so that our customers get enhanced sustainability in a hassle-free manner.

We continue to innovate our business processes, for example using AI-driven product recommendations to support sales teams in maximising opportunities.

Increasing recycled and renewable content

The Components division has made solid progress towards achieving the previously stated target to use 20% recycled or renewable polymer raw materials by 2025.

Infrastructure investments at our Kidlington production site have enabled us to blend up to 40% post-industrial recycled (PCR) content into nearly all of our standard LDPE parts that are produced there. We are now working towards launching similar processes in Barcelona and Erie to continue making significant improvements to the sustainability of our LDPE products.

We have also made excellent progress at some of our other production sites, introducing post-industrial polypropylene to our production in Rayong, Thailand and using post-industrial polyamide in certain product lines in Flippin, Arkansas.

We finished the year with a Q4 run rate of recycled material consumption of c10% of total material. Further investments in 2022 will ensure that we continue to make progress towards our target of 20%. Additionally we will be investing in a centre of excellence in Kidlington, UK to research how we can process a wider array of more sustainable materials using the latest technology.

We continue driving towards increasingly sustainable material options and remain committed to achieving or exceeding our sustainability targets.

Class-leading sustainability

We finished the year with a Q4 run rate of recycled material consumption of c10% of total material. Further investments in 2022 will ensure that we continue to make progress towards our target of 20%.

Improving customers' production efficiency and operational safety

Our customers face varied production challenges and Essentra has been a value-added partner in supporting solutions to enhance day-to-day operations.

A leading white goods manufacturer, with production in both North America and Asia, struggled to efficiently align the mounting interfaces of its outer sheet metal during the assembly process. This resulted in safety challenges, as operators faced trouble in manually aligning mounting holes. They frequently dropped fasteners on the plant floor during the process, resulting in fall hazards, production waste and slower than anticipated throughput.

These challenges were all compounded by the pandemic, which drove increases in demand for washing machines and dryers, and simultaneously reduced labour supply.

The customer's engineering team set out to define a better process and consulted Essentra regarding a prospective solution. Through the discussion, Essentra's Key Account Manager provided detail on several prospective options.

Essentra facilitated rapid responses during the customer's design, prototyping and evaluation processes, subsequently leveraging in-house tool-making capabilities to deliver production volumes and support rapid implementation.

Our solution allowed the customer to efficiently and economically align workpieces, eliminating waste and safety hazards, whilst vastly improving the production time to align with market demand.

Essentra facilitated rapid responses during the customer's design, prototyping and evaluation processes, leveraging in-house tool-making capabilities to deliver production volumes and support rapid implementation.

Delivering on our customer purpose

2021 reflections

2021 Review

In 2021 we continued to make progress towards the delivery of our vision and strategy despite the ongoing impacts of the pandemic and associated supply chain challenges.

We commenced the rollout of the Business Process Redesign solution in Spain. Whilst the rollout has not been without challenges, this programme plays an important part in how we build for the future. We have learned from this rollout, brought in new resources and amended our approach as we plan for further markets in 2022 and aim to have key issues resolved by H1 2022.

While employee safety is our top priority, we had an unacceptably high number of lost time incidents in 2021 and as a result we are implementing a number of actions to reinforce standards.

Throughout the year, we have successfully taken steps to streamline our operational footprint with the closure of two manufacturing sites in the US identified in 2020, and one in Europe, which will deliver overall improvements in cost to serve.

Market Trends

2021 was a difficult year for customer service resulting from pressures on global supply chains. Consequently our customer backlogs grew, placing increasing pressure on our operational capacity and further compromising our ability to serve our customers to the high level of service expected.

We responded by 'going back to basics' and through working with third parties and suppliers to expand our capacity we maintained an agile approach to respond quickly to changing circumstances. We sought to improve customer communication by implementing extra process and tools to help our customer service teams communicate delivery times to our customers as accurately as possible.

There has been a significant, but uneven, recovery in customer demand across the markets that we serve. Many of our core markets linked to capital goods investment saw strong growth as well as construction and agricultural/mining vehicles. We had some notable contract wins in the renewables sector, supplying components to the solar and wind turbine markets. Sales to the industrial electronics market were very strong compared to 2020. Our involvement in many 5G rollout projects has enabled us to achieve market share gains in the telecoms and datacoms sectors.

The medical device market had a slow start to the year as hospitals were slow to introduce new equipment. However, we have seen a significant increase in demand through the second half of the year with an exit rate of >15% in Q4. This category remains a focus area for us to develop going forward.

Financial Performance

Revenue for the year increased by 24.7% to £301.7m on a constant currency[1] basis. Adjusting for the acquisition of Hengzhu, LFL[1] revenue was +21.7%. Trading has shown a strong recovery and this has been reflected in improvements in quarterly growth rates and also when compared to 2019. Annual LFL growth vs 2019 is 9.1%.

On a LFL working day adjusted basis, Q1 revenue was 5.7% ahead of 2020 (1.4% vs 2019), which compares to a period with a limited impact from the pandemic outside of China. Compared to 2020, Q2 grew by 39.1%, Q3 by 28.5% and Q4 by 18.7% which reflects the pandemic taking a strong hold globally in Q2 2020 and improvements thereafter providing tougher comparatives. Compared to 2019, on a LFL working day adjusted basis Q2 grew by 7.1%, Q3 by 14.2% and Q4 by 14.9%, demonstrating the strong underlying growth in revenue.

Adjusted operating profit[1] increased by 31.2% on a constant currency basis to £56.9m, equating to a margin of 18.9% (2020: 17.8%). This 110bps increase reflects the improved trading volumes throughout the year, tempered by supply chain challenges and inflationary input cost pressures. We were able to mitigate this pressure through price increases, which were largely implemented in Q3 and have shown further benefit through Q4.

1 Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 43 for further detail of Alternative Performance Measures (APMs).

2022 focus

- **Improving our health and safety performance focusing on three key sites**
- **Continuing to overcome global supply chain challenges, to restore our customer service to normalised levels**
- **Strengthening the acquisition pipeline with a focus on product and market adjacencies**
- **Further improvements to our digital customer experience, including launching websites in a number of our Asian markets and driving functional enhancements**
- **Expansion of our sustainable product offering including broadening the number of facilities and materials using recycled plastic in our standard product ranges**
- **Continuation of our BPR rollout programme across the division building on lessons learnt through implementation in Spain**

Packaging

Stabilising our business and strengthening relationships with our customers.

Kamal Taneja
Managing Director, Packaging

Kamal Taneja joined Essentra as Managing Director, Essentra Filters in 2017 from Amcor Tobacco Packaging, where he worked as Vice President and General Manager, based in Singapore. Prior to this, Kamal held increasingly senior roles at Ingersoll Rand and Trane, and has extensive marketing, commercial, operational and supply chain optimisation experience throughout the Asia Pacific region.

Our markets

Pharmaceutical

Personal Care and Beauty

Packaging: at a glance

Who we are and what we do

We design, develop and manufacture folding cartons, printed literature, labels and foil for the world's leading healthcare and personal care companies.

We are focused on the healthcare and personal care markets, both of which, despite the COVID-19 impact, have long-term growth potential. Our focus enables us to better understand our customers and provide the products and services they need to succeed.

We use our knowledge and understanding of the markets and supply chains we operate in to help our customers solve problems locally and globally through designing, developing and delivering innovative and sustainable products and services. This ability to provide agile and responsive support to our customers' local manufacturing locations whilst also having the scale and capability to support them globally makes us a valued and trusted partner and gives us a distinct competitive advantage.

Financial Key Performance Indicators

Revenue

£362.4m
(2020: £363.2m)

Adjusted operating profit[1]

£15.4m
(2020: £13.8m)

Adjusted operating margin[1]

4.2%
(2020: 3.8%)

1 Excluding amortisation of acquired intangible assets and adjusting items. Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 43 for further detail of Alternative Performance Measures (APMs)

Non-Financial Key Performance Indicators[2]

On Time In Full

93.7%
(2020: 97.1%)

Why we measure it

Drives performance of service delivery.

How we have done

OTIF reduced as a result of labour shortages and significant disruption to raw material supply chains. Our broad footprint and network of manufacturing locations have enabled us to meet our customers' needs despite these challenges, which we expect to continue into the first half of 2022.

Customer complaints

-20%
(vs 2020)

Why we measure it

Drives performance of quality systems and product compliance.

How we have done

Improved quality through improved product integrity processes, enhanced defect root cause analysis and implementation of corrective actions.

Lost Time Incidents

35
(2020: 15 (29 including FY Clayton, acquired in Q3 2020))

Why we measure it

Measures the lost time incidents in the workplace.

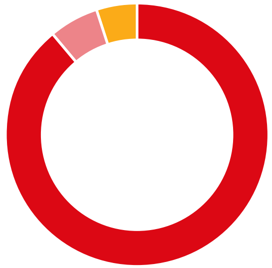
How we have done

After three years of progress, we have disappointingly seen an increased number of lost time incidents. A division wide engagement and refocus programme has been launched to regain positive momentum going into 2022.

2 All measures presented are on a LFL basis

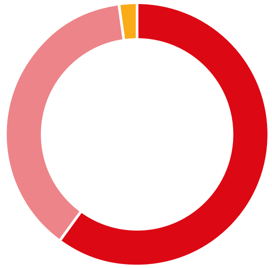
Revenue overview

Revenue by segment



- Health and Personal Care: 89%
- Food and Beverage: 6%
- Other: 5%

Revenue by destination



- Europe and Africa: 60%
- Americas: 38%
- Asia including Middle East: 2%

Building for the Future goals

A winning, engaged and empowered team

Our teams demonstrated care for each other and our customers, applying Group-wide health and safety protocols to provide a safe operating environment as we continued to work through the challenges of the pandemic.

We provided our customers with a reliable service for their critical products throughout 2021 and were delighted to again receive positive feedback from our customers for our efforts, including a COVID-19 supplier award from our largest UK pharmaceutical customer.

Class-leading sustainability

We have made significant progress with our sustainability credentials, with more than half of our sites now classified as zero waste to landfill and 96% of our paper and board material coming from sustainably managed sources and energy efficiency projects leading to a continuance of a Group CDP B rating for climate change.

Sustainability has risen up our customers' agenda significantly and we are collaborating with them in new ways on a pipeline of sustainable product innovations.

Our Re*flect alternative to metallised polyester board (METPOL) is a great example of delivering an innovative product to support our customers' sustainability goals.

Growth through innovation

Innovation supports our value proposition by expanding and enhancing our product and service offering.

Delivery of our innovation initiatives is a result of collaboration with our customers, a structured approach to development and our ability to successfully bring together local and global design, development and technical expertise.

In 2021, the launch of Re*flect together with the growth of commercialised innovations such as pre-serialised cartons and labels, tamper evident solutions, Combo Pack© and Clear Code© (acquired from 3C!) delivered more than £12m of profitable revenue growth.

3C! Integration into our winning, engaged and empowered team

In 2021, we integrated 3C! team members into the Essentra family. Our teams have worked together to ensure a smooth transition for our acquired customer base and have since strengthened relationships with several key accounts.

We have collaborated to share best practices across the business, including key areas of safety, quality, productivity and innovation. We have also worked hard to deploy ClearCode© technology acquired from 3C! elsewhere in the Essentra network.

Together we are delivering against our goal of being the leading secondary packaging supplier to the US pharmaceutical industry, and we now have a manufacturing and development centre of excellence in North Carolina, with sites in Clayton, Greensboro and Charlotte.

A winning, engaged and empowered team

Together, we are delivering against our goal of being the leading secondary packaging supplier to the US pharmaceutical industry, and we now have a manufacturing and development centre of excellence in North Carolina.

Fast delivery of a COVID-19 vaccine packaging solution

After success in 2020 supporting a customer to launch one of the leading COVID-19 vaccines, we supported a key customer in 2021 with a solution comprised of products across the breadth of our range including cartons, partitions, labels and supporting leaflets.

Our customer came to us as a trusted partner, having worked with us on a variety of complicated projects across recent years. We were able to deliver a quality solution for them with rapid responsiveness, as a winning, engaged and empowered team, further developing the customer relationship for the future.

A number of our teams across commercial, design, procurement, production, engineering and logistics worked quickly and collaboratively through the customer journey from delivering initial samples to the final product solution.

Our first delivery of commercial products was achieved within eight days, and the customer line ran with their targeted quality and output performance from the first manufacturing run, helping them secure a rating of 10 out of 10 for "supplier readiness". The pace of our response was impressive given the technical challenges of the required carton solution and material supply constraints faced within the market at the time.

Our customer came to us as a trusted partner, having worked with us for years on a variety of projects. We delivered a quality solution for them with rapid responsiveness, as a winning, engaged and empowered team, further developing the customer relationship for the future.

Delivering on our customer purpose

2021 reflections

2021 Review

The pandemic continued to impact demand in our primary healthcare market in 2021, through reduced prescriptions and fewer elective surgeries. This was especially the case in Europe, where demand levels only started to improve from the end of Q3.

Material supply constraints and tight labour markets, in particular in the US, impeded the strength of our recovery in the year. Nevertheless, our operational performance remained robust with a reduction in customer complaints for the fourth year running.

Our continued focus on service, quality, sustainability and innovation saw us win customer awards, improve our sustainability credentials and product offerings, and deepen the strength of our customer relationships.

Market Trends

In 2021, healthcare market demand continued to be impacted by the pandemic, especially for certain segments (cold and flu treatments, hospitals and over-the-counter). The ramp-up of COVID-19 vaccines and anti-viral treatments only marginally offset lower overall demand with improvements seen to our order books in H2. We have supported several customers supplying critical COVID-19 treatments and vaccines in 2021.

The US healthcare market started to recover from the beginning of the second quarter, whilst the European market improved year on year in the second half of 2021. This translated into improved demand for our products and services from the mid-year in the US and from the end of Q3 in Europe. The US prescription market was up 4% in 2021 vs 2020, whilst Europe closed down 1%. (Source: IQVIA)

More sustainable packaging solutions are a key priority for the majority of our customers, and the limited availability of raw materials (such as carton board) is currently a constraint for them. Our sustainability and innovation initiatives have gained traction in 2021, with active projects progressing with most of our key accounts, reinforcing our partnerships and industry leading position.

In the personal care market, we experienced strong demand from our large customers and expect this trend to continue in 2022.

The healthcare market is continuing to evolve with several large customers having announced or executed de-mergers, resulting in a more focused and fragmented customer base.

Financial Performance

Revenue for the year increased 3.8% to £362.4m on a constant currency basis[1]. On a LFL[1] basis, the revenue decline was -3.6% for the year. Our revenue has improved as the year has progressed, with LFL declines of -5.4% and -4.8% in Q1 and Q2 respectively and -6.1% in Q3 when further headwinds of new COVID variants and lockdowns were seen in European markets. Q4 LFL revenue returned to growth of 2.1% (reported constant currency growth of 2.4%), aided by a pick-up of activity in healthcare markets and by the pricing actions we took in Q3.

Adjusted operating profit[1] for the year increased to £15.4m, equating to a margin of 4.2% (2020: 3.8%). Strategic cost reduction initiatives, in particular the closure of our Portsmouth and Moorestown sites in the UK and US, supported margin improvement through the year.

The labour availability and retention situation in the US is stabilising and whilst global supply chain challenges are impacting the availability of raw materials, we believe we can achieve industry standard margins going forwards through our innovation and productivity initiatives, strong customer relationships and appropriate pricing actions.

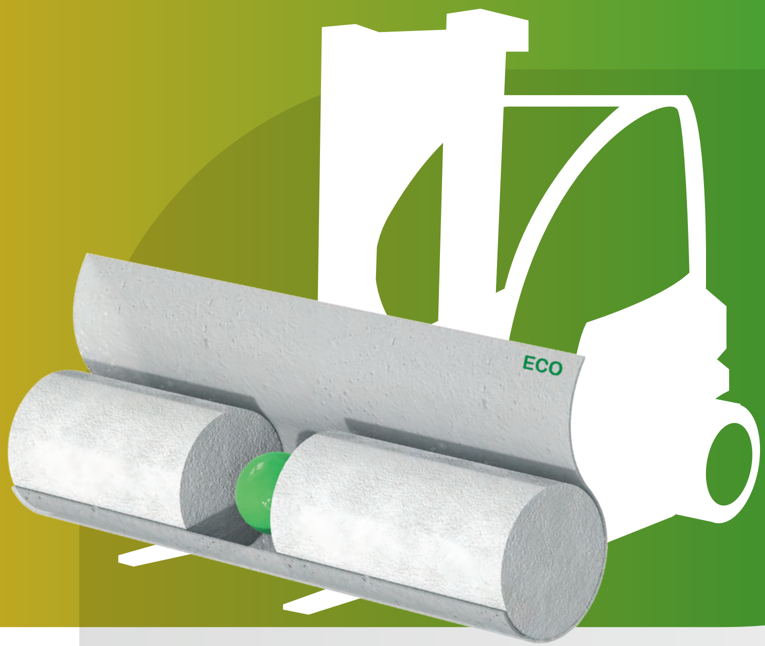
1 Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 43 for further detail of Alternative Performance Measures (APMs).

2022 focus

- **Delivering our differentiated value proposition to customers through innovative, high quality products and services**
- **Innovation focus on smart packaging, patient safety, sustainability and agile supply**
- **Continuing our journey towards operational excellence through improved focus on safety, lost time incidents and performance**
- **Building on our environment and sustainability goals, working with our customers to meet their needs**
- **Further investment in manufacturing efficiency and quality whilst further developing our supply chain and identifying opportunities for continuous improvement**
- **Developing a pricing strategy that balances and minimises the impact of inflation internally, as well as on customers**

Filters

Developing and progressing our strategies to drive sustainable growth.



Our markets

Tobacco

Food and Beverage

Robert Pye
Managing Director, Filters

Robert joined Essentra in August 2016 as the Asia Region Operations Director then shortly after moved into the Filters division as Global Business and Operations Director, before being appointed as Managing Director for the Filters division in 2022.

Robert is a Board Director of the Joint Ventures with China Tobacco and ITC Essentra. Prior to joining Essentra Robert worked most recently as Operations Director Asia Pacific for Avery Dennison, and has also had senior operational roles with Amcor and Bridgestone.

Filters: at a glance

Who we are and what we do

We provide outsourced filter manufacturing services for the tobacco industry and solutions to enhance the open/close functionality of packaging whilst also informing and protecting the contents.

Our customers are primarily tobacco companies for whom we provide filters, to meet legislative requirements and also to differentiate our customers' brands – be that visually or through flavour transmission, for example.

We supply over 1,500 filter product specifications to more than 190 customers in over 65 countries, including the multinational tobacco companies (MNCs), independents and state monopolies. Our Tapes business supplies c.680 product specifications to over 650 customers in 95 countries, that are used in a number of markets (e-commerce, paper and board, food and beverage) where safe and easy opening of a package is critical to the customer experience.

We have a dedicated research and innovation centre in Indonesia for filter developments resulting in five patent applications and two product launches aimed at sustainability and Tobacco Heating Product (THP) markets.

Financial Key Performance Indicators

Revenue

£295.6m

(2020: £278.3m)

Adjusted operating profit[1]

£28.2m

(2020: £25.2m)

Adjusted operating margin[1]

9.5%

(2020: 9.1%)

1 Excluding amortisation of acquired intangible assets and adjusting items. Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 43 for further detail of Alternative Performance Measures (APMs)

Non-Financial Key Performance Indicators

On Time In Full[2]

98.6%

(2020: 99.1%)

Why we measure it

Demonstrates the ability to meet delivery demands.

How we have done

Despite OTIF being impacted by the disruption to our raw materials supply chain, we have strived to maintain a world-class service performance. We remain committed to meeting our customer requirements and will continue to monitor headwinds.

Quality Complaints per billion rods[2]

-15%

(vs 2020)

Why we measure it

Demonstrates the ability to meet quality demands.

How we have done

Maintained world-class service performance.

Waste[2]

-9.8%

(vs 2020)

Why we measure it

Drives productivity and the efficient use of materials.

How we have done

Improved product processes have continued to deliver a reduction of 9.8% in waste vs 2020 following a reduction of 11% in 2020 vs 2019.

Lost Time Incidents[3]

1

(2020: 2)

Why we measure it

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

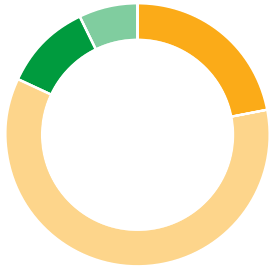
How we have done

Health and safety is always our first priority; we are proud to maintain our high standards of safety with only one LTI in the year.

2 Measures presented for Core Filters business only excluding Tear Tapes
3 Presented for total division Including Tear Tapes

Revenue overview

Revenue by segment



- Mono: 22%
- Specialty: 60%
- Tapes: 11%
- Other: 7%

Revenue by destination

- Europe and Africa: 25%
- Americas: 18%
- Asia including Middle East: 57%

Building for the Future goals

A winning, engaged and empowered team

Ensuring the wellbeing of our employees and their families has been important to us throughout the pandemic. In addition to following local regulations, we issued PPE packs to employees and their families.

Proactive testing programmes have also been undertaken to ensure that all employees have the opportunity to be tested regularly.

Our response to the pandemic has evolved throughout the year in line with local medical advice and requirements to ensure it is tailored appropriately in each location to best support all of our employees across the world.

Class-leading sustainability

We have taken steps towards our sustainability goals, with six sites achieving zero waste to landfill. Our carbon emissions have also reduced by 4%.

With the increasing focus on the reduction of the use of single use plastics globally and the implementation of the EU Single Use Plastic Directive (EU SUPD) we have worked with our customers to develop more sustainable, plastic-free filters when compared to standard mono-acetate.

Growth through innovation

We have continued to focus R&D efforts on developing alternative materials which are less impactful to the environment whilst still offering the same level of performance and filtration as traditional cigarette filters.

This year we have active project collaborations with major tobacco companies and have seen commercial launches in both Filters and Tapes. This allows us to be uniquely positioned to benefit from strong market growth of Next Generation Products such as Tobacco Heating Product (THP) and e-cigarettes.

Establishing our Joint Venture in China

In 2021 our Joint Venture in China started production, despite the challenges that COVID-19 placed on the business.

The Essentra management team arrived on site in Xiamen to help oversee the final construction stages of the factory, which was started by our partners the previous year. The facility is designed to house manufacturing of specialty filters and eventually a development centre dedicated to the Chinese market.

The Joint Venture commenced operations in May 2021 with its first sales in July 2021. This was commemorated with an opening ceremony attended in person (by our local partners) and virtually (by the Essentra team). In the second half of the year our focus has been on ramping up volumes and transferring capability and capacity into China. As of December 2021, five SKUs were being supplied to two customers.

Other key milestones achieved during the year:

- Winning our first open tenders for the supply of specialty filters to customers in China
- ISO accreditation was gained for the IMS (integrated management system) covering Quality & HSE in November 2021
- Installation of 14 machines (for both standard and specialty filters)

The achievements to date are the embodiment of 'we make it work' and the close teamwork we have accomplished to do this, despite the pandemic. In 2022, we will continue to build our capability both in the commercial production area and also with the establishment of the China Development Centre (CDC).

A winning, engaged and empowered team

The achievements to date are the embodiment of 'we make it work' and the close teamwork we have accomplished to do this, despite the pandemic.

Supporting our customers to deliver sustainable solutions

With the increasing focus on the reduction of the use of single use plastics globally and the implementation of the EU Single Use Plastic Directive (EU SUPD) the Filters division has worked with many customers developing more sustainable, plastic-free filters when compared to mono-acetate, which has been the industry standard since the 1960s.

With one large customer we completed a significant development programme supplying a matrix of filters comprising different designs and materials for their evaluation from our innovation centre in Surabaya.

This evaluation included environmental credentials, filtration performance, physical properties, toxicology, the ability to combine the filter into the final product and the longer-term viability of the product in meeting regulatory requirements and potentially becoming the industry standard.

Once the preferred design was agreed with the customer the final specification, quality plan, supply chain and commercial details were finalised so that manufacturing could be transferred into a commercial facility and supply initiated.

As the filter is one of the components to be incorporated into the final, packaged product we worked closely with the customer to ensure that their timelines were met. This filter was incorporated into a brand variant and launched into the EU in 2021.

The Filters division has worked with many customers developing more sustainable, plastic-free filters when compared to mono-acetate, which has been the industry standard since the 1960s.

Delivering on our customer purpose

2021 reflections

2021 Review

In 2021, we have grown our market share through increased volumes in China, contracted business wins, and from our key category management approach in the Tapes business.

We have been able to drive profitability through pricing, commercial and operational excellence as well as being able to transform through innovation in sustainable products for combustible, THP and Tapes categories.

Market Trends

Historically market decline (excluding China) has been 3-5%; however, according to Euromonitor, the tobacco market has stabilised in 2021 vs 2020, with overall volume forecast to have increased by 0.2% (excluding China).

The Chinese market is flat overall with forecasted declines in other regions varying between 0.7% and 3.0% for combustible products. THP is forecasting to show good growth (>20%), although one customer dominates this market with approximately 77% market share.

With forecasts suggesting c.46% of cigarette volumes by 2025 and an increasing demand for specialty filters, the Chinese market remains a significant growth opportunity. Our China Joint Venture continues to provide a great platform to capture the many opportunities available in the world's largest tobacco market, improving our on-ground production presence.

The EU approved Single-Use Plastic Directive continues to put more pressure on manufacturers of pollutant products. In the next few years, the EU and UK will look to introduce Extended Producer Warranty which will require any producer in a member state who manufactures, sells, or imports an SUP product to pay for the cost of awareness training, cleaning up and waste collection.

Today we have established ourselves as a leader in developing products manufactured from alternative materials and are uniquely positioned to take majority of share of wallet in the outsourced filter market.

Financial Performance

A strong year with revenue increasing by 12.9% to £295.6m, and adjusted operating profit[1] growth of 20.3% to £28.2m on a constant currency basis[1]. Revenue growth has been driven by increased sales into the Chinese market, a number of contracted business wins and the continuing increase in sales of capsule filters. The contracted business wins have been achieved across all of our customer base (MNCs, Monopoly and Independents), primarily for manufacture in EMEA and Asia.

Our 40bps improvement in adjusted operating margin[1] to 9.5% was largely driven by the volume gearing effect from an increase in revenue volumes and a continued focus on activities that have delivered operational improvements and efficiency across our sites. This is despite the disruption caused by the pandemic, resulting in cost and supply chain uncertainties, particularly when compared to pre-pandemic levels.

1 Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 43 for further detail of Alternative Performance Measures (APMs).

2022 focus

- **Continue success in delivery of our three 'game changers'**
- **First full year of commercial production in the China Joint Venture with the aim to grow our market volume by over 50%**
- **Deliver on our newly contracted business wins, annualised volumes of c.4 billion rods**
- **Continue our drive for sustainability through both operational initiatives and the development of more sustainable products for both Filters and Tapes**
- **Continue to grow our Tapes business primarily through the e-commerce category**
- **Maintain our delivery of class-leading service performance metrics and commitment to high standards of health and safety**

Group Management Committee

Executive Board of Directors

Paul Forman
Chief Executive

Further details of Paul's skills and experience can be found on page 82.

Lily Liu
Chief Financial Officer

Further details of Lily's skills and experience can be found on page 82.

Divisions

Scott Fawcett
Managing Director, Components

Scott joined Essentra in 2010 as Managing Director of the Components European business. He subsequently joined the GMC in January 2014, leading the Components Global Strategy and was appointed to his current role in February 2017. Prior to joining Essentra, Scott was Head of eCommerce at Electrocomponents plc, where he held a variety of increasingly senior sales, marketing and eCommerce positions during his 17-year career there.

Kamal Taneja
Managing Director, Packaging

Kamal Taneja joined Essentra as Managing Director, Essentra Filters in October 2017 from Amcor Tobacco Packaging, where he worked as Vice President and General Manager, based in Singapore. Prior to this, Kamal held increasingly senior roles at Ingersoll Rand and Trane, and has extensive marketing, commercial, operational and supply chain optimisation experience throughout the Asia Pacific region.

Robert Pye
Managing Director, Filters

Robert joined Essentra in August 2016 as the Asia Region Operations Director then shortly after moved into the Filters division as Global Business and Operations Director, before being appointed as Managing Director for the Filters division in 2022. Robert is a board director of the joint ventures with China Tobacco and ITC Essentra. Prior to joining Essentra Robert worked most recently as Operations Director Asia Pacific for Avery Dennison, and has also had senior operational roles with Amcor and Bridgestone.

Enabling functions

Oshin Cassidy
Group Human Resources Director

Oshin Cassidy joined Essentra as Group Human Resources Director in January 2019. Prior to joining Essentra, Oshin was Group Human Resources Director at Imagination Technologies, and has extensive human resources experience having previously held senior roles at global organisations including Securitas, Comfort DelGro, Centrica and QinetiQ.

Jon Green
Company Secretary and General Counsel

Jon Green joined Essentra and was appointed Company Secretary and General Counsel in July 2005. Prior to joining Essentra, Jon worked as an in-house lawyer for a number of large international businesses, including Hays plc and Unilever plc. Jon is a qualified solicitor.

GMC changes during 2021/early 2022

Following the announcement that Lily Liu would be leaving Essentra during 2022, in March 2022 it was announced that Jack Clarke will join Essentra and the GMC as Chief Financial Officer in Q2 2022.

Iain Percival left the Company and his role of Managing Director for Essentra Packaging at the end of January 2022. Iain joined Essentra as Managing Director in 2017 and was instrumental in stabilising the Packaging division and returning it to growth.

Kamal Taneja, who was previously Managing Director of the Filters division, accepted the role of Managing Director of Packaging in January 2022 and will lead the division on the next steps of its strategic journey.

Following the move of Kamal Taneja, Robert Pye became Managing Director of Essentra Filters in January 2022. Robert joined Essentra in 2016 as the Asia Region Operations Director then as Global Business and Operations Director. Robert is a Board Director of the Joint Ventures with China Tobacco and ITC Essentra.

Kathrina Fitzgerald, Strategy and Commercial Director, left the Company in December 2021. Kathrina joined in 2016 and was responsible for overseeing the strategic direction of the business, focusing on both acquisitions and divestments over the last five years. Each division has resource focused on strategy and development and the Company is supported by interim resource during the strategic reviews.

Richard Cammish, Chief Information Officer, who joined in 2017, left the Company at the end of 2021, reflecting the changing needs of the business as it transitions into a pure play Components business. Laurence Dale, the Chief Information Security Officer, has taken on an interim role temporarily leading the IT function during the strategic review transition period.

Nick Pennell, Group Programme Director, left the Company in February 2022. Nick has overseen delivery of projects including Sustainability as well as the BPR programme which has recently been restructured under the Components division.

The composition of the GMC will continue to evolve in response to the changing demands of the business.

Directors' Report

In this section

Chair's Corporate Governance Statement

Dear Shareholder

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2021. Strong governance is essential to the effective delivery of our strategy, and as the Company commences significant strategic reviews, our governance practices continue to support the Board and management in achieving this.

Paul Lester, CBE
Chair

As for many Boards, the ongoing impacts of the COVID-19 pandemic presented challenges and scrutiny of our company culture, values and decision-making abilities; it was our company vision and the way we do things that continued to support us as we navigated the past year. The Board continues to hold corporate governance and its principles in the highest regard and maintains good governance at the core of its decisions and discussions. The 2018 UK Corporate Governance Code (2018 Code) and its principles has continued to apply throughout the year and supported our discussions and decision making with openness, integrity and accountability at the forefront of our minds. The Board has reviewed its operations and governance framework and confirms that, as at the date of this Report, the Company has complied with the provisions set out in the 2018 Code, other than one provision reported in more detail on page 84.

The Corporate Governance Report that follows sets out and explains the processes which are essential for delivery of long-term success. Additional information is provided so shareholders and other stakeholders are able to gain a deeper understanding of our approach to governance. Information required under the Directors' Report is reported here and within the Strategic Report and cross-references have been provided to signpost this.

This is our third year reporting on Section 172 (1) Companies Act 2006. We have sought to further enhance our disclosures on how we engage our stakeholders and to describe the outcomes. Our statement on Section 172 and stakeholder engagement is on pages 15 to 19.

In a demanding year, the Board conducted the majority of its meetings remotely although met physically in the second half of the year. The Board continued to receive regular updates between meetings on the four priorities of employee physical and emotional wellbeing, continued high levels of customer support, cash conservation and building for our future. Weekly calls of the GMC allowed appropriate elevation of matters to the Board and cascading of information to the workforce. Quarterly meetings were also initiated with each division, which gave Board members an opportunity to gain a deeper understanding of the work underway and enhanced engagement directly between the Board and senior management.

Investor interest in environmental, social and governance issues has increased significantly over the last year and the work of our Sustainability Committee continues to evolve as we work towards delivering our commitments. The Audit and Risk Committee has continued to undertake an extensive programme of activity and the Nomination Committee's work on diversity and succession planning has maintained momentum. The Remuneration Committee has continued to scrutinise performance at the same time as ensuring rewards offer an appropriate incentive across the business. This year will see changes to the composition of the Remuneration Committee, as Nicki Demby will retire as a Non-Executive Director and hand over the reigns to Ralf Wunderlich who will become chair of the Remuneration Committee. This provides the Board with a solid foundation of support and guidance in its operation as work continues on the strategic reviews.

Throughout the year the Board ensured it remained focused on its other key areas of responsibilities too and the Board's annual cycle of meetings ensured that all major elements of strategy were reviewed over the course of the year. A key area of focus during the year was the Group Compliance Programme. The priorities of the programme included training and awareness across the organisation. All of this ran to schedule and there were no material breaches during the year. This remains an area of key focus for the Board as we remain mindful of the historical US trade sanctions breach in the Dubai Filters site which has resulted in that business operating under a Deferred Prosecution Agreement with the US Department of Justice. I would like to thank those involved for their work in continuing to embed the improved compliance culture across the organisation

Paul Lester, CBE
Chair
18 March 2022

Board of Directors

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

1 Audit and Risk Committee
2 Nomination Committee
3 Remuneration Committee
4 Sustainability Committee
5 Committee Chair
6 Independent on Appointment

Paul Lester, CBE

Non-Executive Chair

Nomination Committee Chair

2 4 5 6

Appointed to the Board:
December 2015

Skills and experience:
Following his appointment to the Board in December 2015, Paul was made Non-Executive Chair in May 2016. Paul brings a wealth of experience to Essentra, gained in increasingly senior operational and strategic executive roles, and has also served on a number of Boards in a Non-Executive capacity for more than 30 years.

Other current appointments:
- Non-Executive Chair of McCarthy & Stone Ltd, Signia Wealth Limited, FirstPort Limited and Marley Group Ltd
- Director of Appello Holdings Ltd

Paul Forman

Chief Executive

Executive Director

2 4 6

Appointed to the Board:
January 2017

Skills and experience:
Prior to joining Essentra, Paul was Group Chief Executive of Coats Group plc - the world's leading industrial thread manufacturer - for seven years, where he oversaw company rationalisation as well as growth through acquisition, instigated and delivered a clear vision and corporate strategy, drove improvements in financial performance and built the momentum to position the business as an innovative and global industry leader. Before assuming the role of Group Chief Executive, Paul held a number of increasingly senior operational and strategic positions at a variety of companies and has a proven track record of international manufacturing experience at the highest level.

Other current appointments:
- Non-Executive Director and Senior Independent Director, Tate & Lyle plc

Lily Liu

Chief Financial Officer

Executive Director

4 6

Appointed to the Board:
November 2018

Skills and experience:
Lily joined Essentra as Chief Financial Officer in 2018, before which she was CFO of Xaar plc Group, a FTSE listed inkjet technology developer and manufacturer of industrial inkjet printheads. Prior to this, Lily was CFO, Smiths Detection at Smiths Group plc, and has over 20 years of experience in the manufacturing and engineering sectors.

Lily began her career with a Chinese investment firm before emigrating to Australia to complete an MBA, and she has worked and lived in the UK, Asia and Australia.

Other current appointments:
- Non-Executive Director at DCC plc

Nicki Demby

Non-Executive Director

Remuneration Committee Chair

1 2 3 4 5 6

Appointed to the Board:
June 2019

Skills and experience:
Nicki brings extensive advisory experience to Essentra, having provided Board level counsel to many UK and international businesses over more than 25 years as an executive remuneration consultant. Nicki was a Partner in Deloitte LLP and led the Deloitte "Women on Boards" programme, as well as teaching on a number of programmes for Non-Executive Directors. Nicki is a Fellow of the Institute of Chartered Accountants and a Fellow of the Chartered Institute of Personnel Development. Nicki combines her Board work with career strategy advice, coaching and mentoring to senior executives.

Other current appointments:
- Partner, Stork & May

Board composition	
Executive	29 %
Non-Executive	71 %
Tenure - Non Executive	
Up to 3 years	29%
3-6 years	57%
6-9 years	14%
9-10 years	–

Of the seven board members in place as at 31 December 2021, five are considered to be independent as deemed by the Code (71%).

1 Audit and Risk Committee
2 Nomination Committee
3 Remuneration Committee
4 Sustainability Committee
5 Committee Chair
6 Independent on Appointment

Mary Reilly
Senior Independent Director
Audit and Risk Committee Chair

1 2 3 4 5 6

Appointed to the Board:
July 2017

Skills and experience:
Mary is currently Non-Executive Director and Chair of the Audit Committee of global media internet company Travelzoo - a US-listed publisher of travel, entertainment and local offers. She is a Non-Executive Director of Mitie Group plc, a facilities management company. Mary brings a wealth of accounting, finance and international management experience to Essentra, having previously been a Partner of Deloitte LLP for more than 20 years, as well as serving on a number of Boards in a Non-Executive capacity since 2000.

Other current appointments:
- Non-Executive Director and Chair of the Audit Committee of Travelzoo
- Non-Executive Director and Chair of the Audit Committee of Mitie Group plc
- Non-Executive Director of Gemfields Group Ltd

Ralf Wunderlich
Non-Executive Director
Sustainability Committee Chair

1 2 3 4 5 6

Appointed to the Board:
July 2017

Skills and experience:
Ralf is currently a senior adviser to private equity firms and an independent consultant. He was previously President and Managing Director of Amcor Flexibles – Asia Pacific and a member of the Global Group Executive Team of Amcor, the world leader in packaging with operations in approximately 40 countries and revenue of approximately US$13bn. Ralf brings extensive international experience in the packaging industry gained over many years living and working across three continents.

Other current appointments:
- Non-Executive Director and member of the Governance Committee at AptarGroup Inc.
- Non-Executive Director and member of the Remuneration and HR Committee at Huhtamäki Oyj
- Non-Executive Director and member of Audit, Nomination and Remuneration Committee at Shepherd Building Group Board Ltd

Adrian Peace
Non-Executive Director

1 2 4 6

Appointed to the Board:
June 2021

Skills and experience:
Adrian is an executive with Modine Manufacturing Company, having previously spent time providing investment advisory services for strategic investment and mergers and acquisitions. Adrian has extensive experience in US and global markets having operated in a range of businesses including light and heavy manufacturing, distribution and services sectors. Adrian has experience of leading full P&Ls, digitising businesses and driving transformational operational efficiencies. Adrian's early career included roles with General Electrical which he joined in 1990 and went on to become President and CEO for Latin America, Consumer and Industrial business and was subsequently promoted to President of Chemicals & Monitoring. Following GE, Adrian worked with WW Grainger and Republic Services as Senior Vice President, Emerging Business Operations.

Other current appointments:
- Independent Strategy Adviser Director AIP LLC
- Executive, Modine Manufacturing Company

Dupsy Abiola
Non-Executive Director
Former Board Trainee

2 3 4 6

Appointed to the Board:
March 2022

Skills and experience:
Dupsy is Head of Global Innovation for International Airlines Group, one of the world's largest aviation groups. Having worked on a broad portfolio of projects, she brings extensive experience in strategy, digital transformation, and innovation. She is also a former commercial lawyer by background. Dupsy has undertaken advisory roles for large organisations, disruptive tech companies, and venture capital with a focus on future growth and sustainability. These roles include sitting on the Global Future Leaders Council at the World Economic Forum. She was previously an Advisory Board Member to F-Lane, the Global Social Impact Accelerator for Female Founders.

Other current appointments:
- Head of Global Innovation, International Airlines Group

Corporate Governance report

Key topics raised in the 2018 Code

Company purpose
Page 87

Business model
Pages 14 and 60 to 77

Our people
Pages 35 to 37

Sustainability
Pages 24 to 34 and 99 to 100

Stakeholder engagement
Pages 15 to 19

Audit, risk and internal control
Pages 104 to 112

Board meetings during the year

	Meetings during the year
Paul Lester, Non-Executive Chair	7 (7)
Paul Forman, Chief Executive	7 (7)
Tommy Breen, Senior Independent Director	3 (3)
Lily Liu, Chief Financial Officer	7 (7)
Mary Reilly, Senior Independent Director	7 (7)
Ralf Wunderlich, Non-Executive Director	7 (7)
Nicki Demby, Non-Executive Director	7 (7)
Adrian Peace, Non-Executive Director	4 (4)

Figures in brackets denote the maximum number of meetings that Non-Executive Directors could have attended.
Tommy Breen retired from the Board on 20 May 2021. Adrian Peace was appointed to the Board on 28 June 2021 and attended four meetings from the date of his appointment to 31 December 2021.
Our Board Trainee, Dupsy Abiola, attended all Board Meetings, as well as committee meetings from the date of her appointment on 29 July 2021 onwards.
The Company Secretary and General Counsel acts as Secretary to the Board and is supported by the Head of Governance. Both attend all meetings.

The Board can confirm that it has applied all the Principles and complied with the all the Provisions as set out in the 2018 UK Corporate Governance Code (the "Code"), other than provision 38 of the Code on pension contribution rates, which the Company continues to work towards and will be fully effective for Executive Directors from 1 Jan 2023 onwards. Provision 38 requires the pension contribution rates of the Executive Directors to be aligned with those of the workforce, and accordingly, the Executive Directors have agreed to reduce the levels of contributions made by the Company towards achieving full compliance with the provision. More detail can be found on page 116.

The Corporate Governance Report reflects the pillars of the Code. Some of the information required by the Code is included in the Strategic Report and is cross-referenced here to avoid unnecessary duplication.

Fair, balanced and understandable

One of the key requirements is for the Annual Report to be fair, balanced and understandable. In coming to a conclusion that the Annual Report is fair, balanced and understandable the Board has the support of the Audit and Risk Committee (ARC), which makes recommendations to it on this and also considers the process adopted by the organisation in drafting the Annual Report, which requires Group-wide co-ordination and review. That process runs alongside the formal audit of the Financial Statements conducted by the External Auditor.

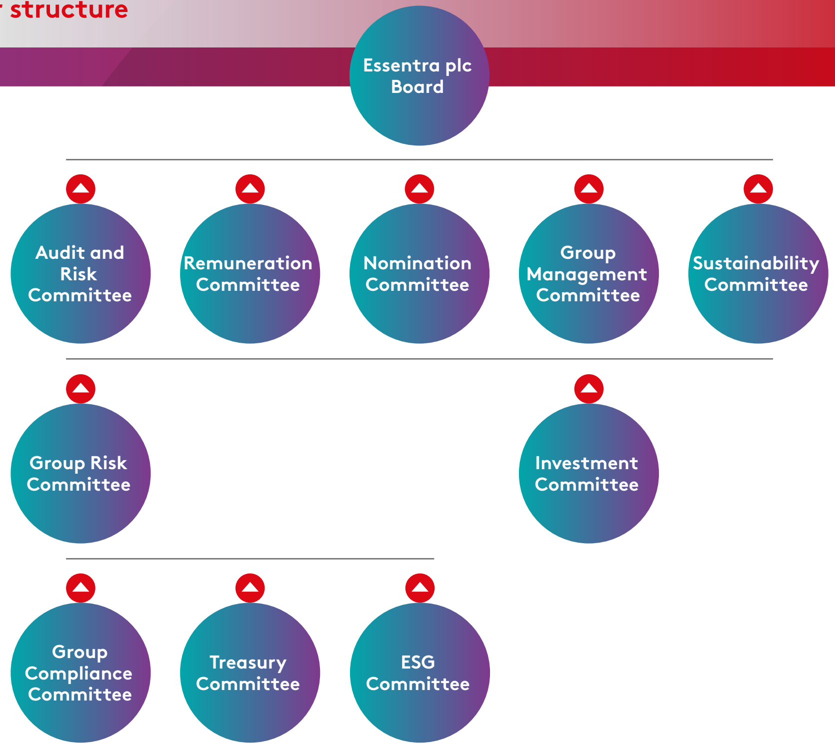
The Board further takes into account representations made by management and the views of the internal and external auditors as to the integrity of the narrative and financial statements. The comprehensive review process carried out initially by the ARC and then by the Board is used to determine that the 2021 Annual Report, taken as a whole presents a fair, balanced and understandable position and provides shareholders with the information necessary to assess the performance, strategy and business model of the Company.

Leadership and accountability

The Board of Directors is appointed by shareholders, who are the owners of the Company. It is the Board's principal collective responsibility to provide effective and entrepreneurial leadership to the Company and to be responsible to shareholders for the long-term sustainable success of the Company taking into account the interests of all stakeholders.

The Board delegates authority to manage the business to the Chief Executive and delegates other matters to Board Committees and management as appropriate. The Board has formally adopted a schedule of matters reserved to it for its decision.

Our structure



essentraplc.com
The terms of reference for each of the Audit and Risk, Remuneration, Sustainability and Nomination Committees can be found on the Company's website. The terms of reference are reviewed annually and updated as necessary.

In providing leadership to the Company, the Board has established the Company's purpose and values and set a strategy to deliver them, whilst ensuring that the behaviours that shape its culture are aligned to the strategy. The Board considers shareholder and other stakeholder views and the main trends and factors which will affect the long-term success and future viability of the Company – and how these and the Company's Principal Risks, uncertainties and opportunities have been addressed. More information on this can be found in the Risk Management Report on pages 45 to 59.

The Board met during the year both in person and virtually, to fit around the fluctuation in local COVID-19 rules. In addition, so long as rules allowed, Board members met in smaller groups, such as the Chair and Chief Executive who, when permitted, met monthly in person outside of scheduled meetings, as did other combinations of Board members, to ensure relationships were maintained. It was acknowledged that, whilst having acknowledged that whilst discussions at Board were still of a good quality, meeting in person could not be replaced wholly by virtual meetings. This was also supported by the findings of the Board evaluation, more detail of which can be found on page 103.

Essentra plc Board (the "Board")

In fulfilling its role, the Board:

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

Audit and Risk Committee

The Audit and Risk Committee supports the Board and is responsible for: monitoring the integrity of the Company's Financial Statements; reviewing, challenging and approving its accounting policies; and scrutinising the effectiveness of the internal and external auditors and the Company's internal control and risk management systems.

The distinct skills held by the NEDs support the Audit and Risk Committee. Whilst Mary and Nicki hold recent and relevant financial experience, Ralf Wunderlich and Adrian Peace, who joins from May 2022, bring considerable experience as risk management experts that is used both here and across other committees and at Board discussions.

Remuneration Committee

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

Nomination Committee

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

Group Management Committee

The Group Management Committee (GMC) provides general executive management of Essentra within agreed delegated authority limits determined by the Board. Specifically, the GMC supports the Chief Executive in achieving Essentra's values and goals.

Sustainability Committee

The Sustainability Committee focuses on all environmental aspects and is responsible for providing advice on and co-ordinating, sustainability-related activities across the Company. The Sustainability Committee reviews the strategies, policies, management, initiatives, targets and performance of the Company within its sustainability framework.

Group Risk Committee

The Group Risk Committee is responsible for monitoring Principal and Emerging Risks, and ensuring the effectiveness of divisional and functional risk management. Further details of the Company's risk management framework can be found on page 48.

Group Compliance Committee

The Group Compliance Committee (GCC) is established to oversee the Group's implementation of compliance programmes, policies and procedures required to meet legal, compliance and regulatory requirements. The Company Secretary and General Counsel is the Chair of the GCC and is accountable to the Company for compliance activities and is supported in this role by the Head of Governance. The GCC is responsible for executive monitoring of the overall progression of compliance activities.

Investment Committee

The Investment Committee was introduced at the start of 2020 and operates as a sub-committee of the GMC. The Chief Financial Officer is the Chair of the Investment Committee and its membership includes all of the GMC. The Investment Committee provides control and challenge around major capital expenditure over £250k.

ESG Committee

The ESG Committee was established during 2021 and operates as a sub-committee of the GRC but also reports regularly to the Sustainability Committee. It is responsible, along with the GMC, for the Group Environmental Sustainability Policy, developing our response to TCFD and ways to embed that into our strategy.

Treasury Committee

The Treasury Committee operates as a sub-committee of the GRC. It sets the Treasury Policy for approval by the Board, and reports to the GRC for management of treasury-related risks and to the ARC for the effectiveness of the process for managing those risks.

The Non-Executive Directors bring considerable experience and expertise to the Company which is called upon to ensure that each committee is correctly represented by directors with relevant skills.

Paul Lester and Paul Forman's combined experience means that as invited guests at the Audit and Risk Committee they further strengthen the risk management expertise of that committee. Ralf Wunderlich is also considered to be an industry expert in accordance with the Global Industry Classification Standard attributed to Essentra.

Essentra purpose, values and culture

During 2021, the Board, GMC and senior leaders continued to promote the Company's sustainable success by reinforcing the purpose, values and goals and ensuring they remained relevant and aligned with the strategy.

During 2021, the Board, GMC and senior leaders continued to promote the Company's sustainable success by reinforcing the purpose, values and goals and ensuring they remained relevant and aligned with the strategy. Essentra's purpose is to responsibly provide the products and services our customers need to succeed. These are underpinned by our values of safety, respect and diversity; openness, honesty and integrity; and energy for change. Our purpose and values are a source of pride for the Essentra family. They help to attract and retain talented individuals who want to be part of the Group and strengthen our relationships with all our stakeholders and will continue to serve us well as we navigate the strategic reviews in the coming year.

The values enable our people to understand what matters the most and are driven forward in their roles and everyday work. Whether recruiting new people, providing health and safety training or assessing risks, the values can be applied to all spheres of Essentra.

The Board is responsible for setting the Group culture and frequently monitors and assesses culture, including through direct engagement and reviewing the outcomes of employee surveys, to make sure our culture aligns with our strategy, purpose and values. Our culture plays a key role in delivering high standards of business conduct and promoting long-term success.

The Board is supported in this work by the Nomination Committee which assesses KPIs such as the attrition rate, to measure how effectively culture is embedded, and to monitor any detrimental downturn in sentiment within the organisation. The Board Employee Champion roles, held by three Non-Executive Directors, also support and promote the Company's culture and values by providing the Board with an opportunity for direct contact with employees, for open discussion covering a broad range of topics. More information on the Board Employee Champion roles can be found on pages 90 and 91.

Safety, respect and diversity

Openness, honesty and integrity

Energy for change

Essentra Values

The values are used both in behaviours and to guide decision making and setting policies and provide a means of periodically assessing and evaluating culture. The Essentra family culture has strengthened over the last two years and the continued commitment shown by leaders has upheld the values to keep people safe during the COVID-19 pandemic. This has reassured our people, and served to demonstrate that our purpose of responsibly providing products and services is at the forefront of how we operate.

Matters considered by the Board in 2021

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

Strategy

- Approved the strategic goal of Essentra becoming a pure play Components business over time
- Approved the undertaking of two strategic reviews of both the Filters business and Packaging division
- Oversaw the completion of the acquisition of Hengzhu, an access hardware manufacture and distributor in China
- Held a virtual strategy session with GMC members, approved the business plan supported by an in depth-review of each divisional strategy and quarterly divisional meetings
- Received regular updates on progress of the Business Process Redesign project
- Received regular updates on projects that would support a transformation of the business as part of the Vision 2023 programme
- Oversaw changes within the GMC team

Financial

- Approved the Company's full year and half year results and quarterly trading statements
- Approved the Group budget for 2022
- Approved the reintroduction of dividend payments with 2020 final year dividend of 3.3p per share and interim dividend of 2p per share
- Approved the RCF facility extension of up to £275m
- Approved the debt raise through the new USPP
- Approval of major capital and operating expenditure proposals
- Reviewed refinancing proposals

Operational and Risk

- Received regular reports from the Chief Executive and the Chief Financial Officer
- Received detailed presentations from senior management across the businesses and considered reports from enabling functional management about matters of material importance to the Company
- Reviewed the impact of supply chain disruptions across the globe
- Undertook a considered review of each Principal and Emerging Risk and approved a refreshed portfolio of Principal and Emerging Risks
- Received regular updates on progress of the Business Process Review project
- Reviewed the risk framework, strategy and risk appetite
- Continued consideration of cyber security risk

Governance and Ethics

- Received updates from the Board Employee Champions and agreed a framework for virtual visits
- Undertook the annual acquisition integration review
- Participated in an internally facilitated Board evaluation, review of the conclusions and agreement on subsequent action plans
- Reviewed and approved the annual Anti-Modern Slavery Statement
- Received updates on the progress of the Group Compliance Transformation Programme
- Reviewed the Company's Right to Speak claims and ensured arrangements are proportionate and independent
- Received updated training on the Market Abuse Regulation

Leadership and People

- Received regular updates on the safety and wellbeing of our people, both in terms of the impact of COVID-19 and the effect of the strategic announcements
- Monitored performance and continued development of the Safety, Health and Wellbeing risk and at each meeting assessed Health and Safety performance

Principal decisions

Principal decisions are defined as those that are material to the Company, and also those that are significant to any of our key stakeholder groups. For more detail of our key stakeholder groups see pages 15 to 19. In making the following principal decisions the Board considered the views of its key stakeholders, as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

Principal decision 1

Strategic reviews

- The Board agreed that in order to maximise shareholder value, recognising the best interests of all stakeholders and the potential of each of the three global businesses within the Group, Essentra should become a pure play global Components business over time
- The Board concluded that whilst there had been improvements in operational efficiencies and strategic investments, meaning the business was better positioned for growth, becoming a pure play global Components business would enable the opportunity to build on its growth strategy and accelerate investment in organic and inorganic growth
- As a first step to realising this goal, the Board announced on 26 October 2021 that there would be a full review of the strategic options for the Filters business
- It was subsequently agreed and announced on 26 November 2021 that a strategic review of the Packaging division would be undertaken in parallel with the other strategic review
- The Board agreed that it will remain focused on maximising shareholder value and it is anticipated that both reviews are likely to conclude no earlier than Q2 2022
- The ability of the Board to initiate the strategic reviews was possible through the resilient governance and financial frameworks in place

Principal decision 2

Approval of US Private Placement (USPP)

- The Board approved the issuance of certain privately placed debt securities, the new USPP, between the Company and certain purchasers in July 2021
- The aim of the new USPP was to secure financing up to a period of twelve years. The new USPP raised a total of US$250.0m on 27 July 2021, of which US$80.0m expires in 2028, US$85.0m in 2031 and US$85.0m in 2033
- The Board considered the issuance of the new USPP a success, in terms of the amount raised and the period over which this financing was secured, and a reflection of the favourable sentiment held towards the Company. Against the backdrop of the Board's activities over 2021 and the coming years, in approving the issuance of the new USPP the Board had regard to the strength of the Company's balance sheet for the long term and its ability to deliver sustainable value to shareholders

Principal decision 3

Acquisition of Hengzhu

- The Board approved the purchase of the business of Jiangxi Electrical Cabinet Lock Co., Ltd ('Hengzhu') in May 2021, an access hardware manufacturer and distributor in China
- Essentra initially acquired 73% of the business for ¥103m (approximately £12m), with the remaining 27% stake subject to put and call options whereby Essentra could acquire the minority shareholding for consideration determined by the future operating performance of the business and capped at a maximum of ¥37.5m (approximately £4.2m).
- The Board agreed that the transaction would bolster the position of the Company in China and enable the business to expand its access to hardware range and strengthen its overall portfolio
- The opportunities presented by the purchase were strong cross selling opportunities for the product range in Europe and Hengzhu, would provide a platform to further penetrate Asia. The Board oversaw the initial integration plans for the business which included supporting a temporary shut down of the business so re-set its approach to health and safety. This included a full health and safety briefing and training with the local team and for each process to be reviewed and documented
- The robust governance arrangements in place allowed the Board to receive relevant and accurate data to support its decision-making process as well as on a continuing basis to ensure it can continue to effectively monitor the status of operations at Hengzhu

Board employee engagement

During 2021, the Board Employee Champions, Mary Reilly, Ralf Wunderlich and Adrian Peace continued their engagement with the workforce. The outcomes of these engagements were reported regularly to the Board who remain committed to the Voice of the Employee initiative.

The Board maintained their commitment to:

- receive updates at every meeting
- review themes and to engage management as appropriate where the Board have any concerns
- review formal employee feedback for themes that may be raised directly with people in the sessions to ascertain their view on those matters.

During the year a total of seven site visits were undertaken by the Board Employee Champions across the regions either in person or virtually, allowing directors to engage directly with the global workforce. These engagement sessions were well received and the format of these continued to be regularly considered. This was to ensure that these remained consistent in approach, were modified where appropriate following feedback from attendees and remain beneficial both for the workforce and for the Board. The inclusion of an ' Ask Mary and Ralf' format gave employees a great opportunity to contribute and was conducted in a format familiar to those on site. Where possible in person meetings took place, which was particular constructive for shop floor visits and for virtual meetings, the sessions continued to be facilitated by the Future Leaders who worked with Mary, Ralf, Adrian and the Head of Governance and Group Communications Team, to deliver Voice of the Employee sessions.

Positive feedback has been received by employees and the Board. Whilst the sessions are confidential, Mary ,Ralf and Adrian, with the support of the Future Leaders, continue to track whether there are any themes in order that they can be addressed as they think appropriate.

During the year the Board considered the effectiveness of the Voice of the Employee Initiative and concluded that it remained a key governance channel to help communicate the workforce's views to the Boardroom and a fundamental source of information for decision making. The Board Employee Champions ensure that where required, there is follow up with the site, to provide them with feedback on how their discussions have been used, however, there are occasions when the discussions have been of a general nature and whilst the Board Employee Champions routinely report on the sessions, the usefulness of the information remains pertinent for ongoing Board discussions.

One such instance where a consistently arising theme led to a fuller discussion, is the investment in sites, machinery and approach to routine maintenance of machinery. The topic was raised in a session with employees, and subsequently raised in sessions at other sites. The discussions with employees highlighted their frustration experienced when machinery was out of action, which created delays to the orderly operation of the site, delaying production and onward distribution.

In response to this the Board discussed the approach to investment and noted that each division did already plan for investment and capex as part of their business planning cycle. Further, the Investment Committee ensured that there was careful consideration around expenditure, and that expenditure was not purely financially motivated, but also determined by spread across division, the benefits to the longer term future of the site (both from a commercial and environmental perspective). When investments have been made this has been received positively by sites and is seen as a response to employee feedback. The Board noted that significant investment could not take place at all sites every year, and that it was carefully planned to take into account strategy and customer location. The Board were also pleased to note that since making the strategic review announcements, further investment had been approved for the Packaging division, with the purchase of new machinery, providing a clear sign of the confidence held in the ongoing growth and strength of the business.

The Board look forward to further feedback over the course of 2022.

Sites visited in 2021

Lodz, Poland
Components
Virtual:
18 February
Total staff at site: 37

Greensboro, US
Filters
Virtual:
29 April
Total staff at site: 73

Dublin Airways, Ireland
Packaging
Virtual:
21 May
Total staff at site: 243

Nottingham, UK
Tapes, Packaging & Shared services
Virtual:
28 June
Total staff at site: 177

Singapore
Components & Filters
In-person:
29 November
Total staff at site: 58

Bangkok, Thailand
Filters
In-person:
01 December
Total staff at site: 268

Flippin, US
Components
In-person:
02 December
Total staff at site: 248

Division of responsibilities

Non-Executive Directors provide an independent view in Board discussions and in the development of the Company's strategy.

Non-Executive Directors provide an independent view in Board discussions and in the development of the Company's strategy.

The roles of the Chair and the Chief Executive are separate and clearly defined so as to ensure a clear separation of responsibilities which are set out in writing and agreed by the Board. The Chair leads the Board and ensures its effectiveness, and the Chief Executive is responsible for the executive management and performance of Essentra's operations.

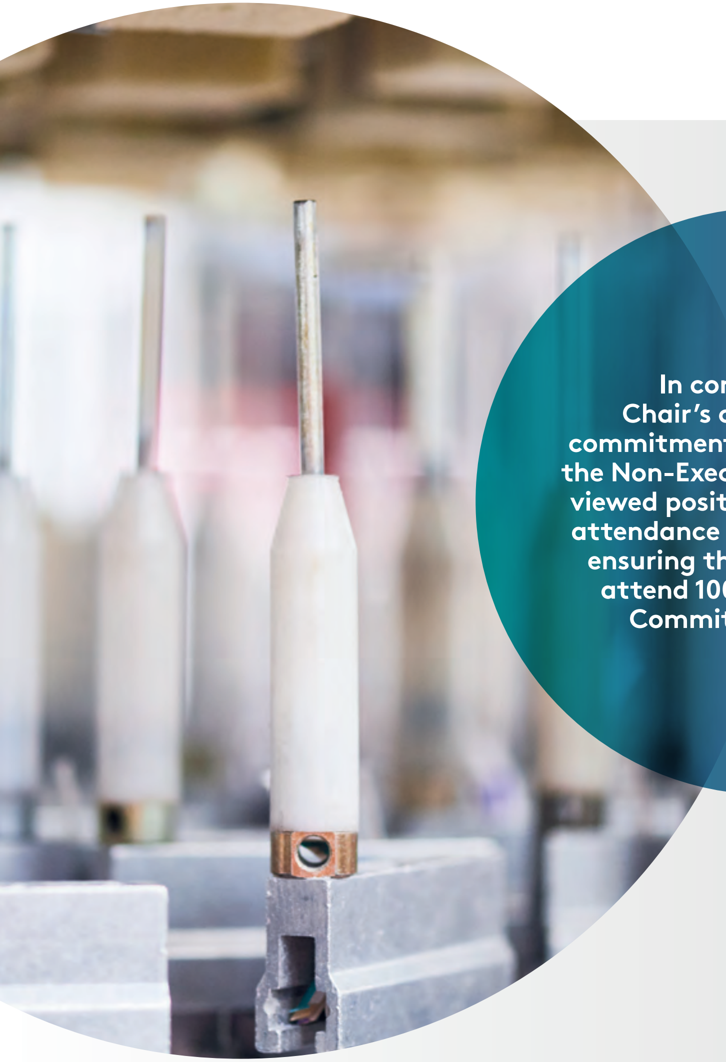
The Board considers that, for the year ended 31 December 2021, each of the Non-Executive Directors was independent. In making this assessment of independence, the Board considers that the Chair and Non-Executive Directors are independent of management, and free from business and other relationships which could interfere with the exercise of independent judgement now and in the future. The Board believes that any shareholdings of the Chair and Non-Executive Directors serve to align their interests with those of shareholders.

The Board considers that the Non-Executive Directors provide an independent view in Board discussions and in the development of the Company's strategy. Non-Executive Directors ensure a sound basis for good corporate governance for the Company, challenging management's performance and, in conjunction with the Executive Directors, ensuring that rigorous financial controls and systems of risk management are maintained as appropriate to the needs of the businesses within Essentra.

The Senior Independent Director (SID) can be contacted via the Company's registered office. During the year, this role was held by Tommy Breen, until his retirement, when the role was passed to Mary Reilly. The SID is available to shareholders to discuss and develop an understanding of their issues and any concerns which cannot be resolved by discussions with the Chair, the Chief Executive or Chief Financial Officer, or where such contact is inappropriate.

External commitments

The Board is fully aware of current external commitments of all of the Non-Executive Directors and is satisfied these do not distract from the time committed to Essentra. Non-Executive Directors are also required to discuss any additional external appointments with the Chair prior to their acceptance. In addition, the time commitments of the Chair are the subject of review by the SID, in conjunction with the other Non-Executive Directors. The Conflict of Interest register is reviewed at each Board meeting.



In considering the Chair's continued time commitments to the Company, the Non-Executive Directors also viewed positively his exemplary attendance record at Essentra, ensuring that he was able to attend 100% of Board and Committee meetings.

All of the Board have attended all Board and Committee meetings this year. The clear commitment from Non-Executive Directors to their roles allowed the Board to conclude that all Non-Executive Directors devote sufficient time to the business of Essentra.

Executive Directors may accept outside appointments, provided that such appointments do not in any way prejudice their ability to perform their duties on behalf of Essentra.

During the year, Lily was appointed to the Board of DCC plc as a Non-Executive Director. The Nomination Committee considered the appointment and agreed that this would benefit Lily's development, providing her with an excellent opportunity, and that as DCC plc's financial year end differed to that of the Company, she would be able to manage both roles without any conflict.

Paul Forman, Chief Executive, currently holds one external non-executive position, and the Board is of the view that this is not detrimental to the performance of his duties given the time requirements involved and that this appointment is beneficial to Essentra given Paul's exposure to another business and their response to a wide variety of issues.

The letters of appointment for Non-Executive Directors are available for review at the Company's registered office and prior to the AGM.

Directors' elections

The Company's Articles of Association require that all new Directors seek election to the Board at the AGM following their appointment. In compliance with the 2018 Code, all eligible Directors will put themselves forward for re-election on an annual basis. The Board, including the Chair, is satisfied that each of the Directors being put forward for re-election continues to be independent and effective and that their ongoing commitment to the role is undiminished. The Notice of Meeting contains additional information as to the recommendations of the Directors' re-election.

Both Lily Liu and Nicki Demby have confirmed that they will retire from the Board from the close of the 2022 AGM and will not stand for re-election. Dupsy Abiola and Adrian Peace are both proposed for election as Non-Executive Directors, and Jack Clarke, as Executive Director, at the 2022 AGM.

The conduct of Board matters

During the year, there were seven scheduled Board meetings. In addition to these scheduled formal meetings, the Board met for two separate strategy sessions and on a number of other occasions as required.

Informal discussions are also held between the Chair and the Non-Executive Directors on a regular basis and additionally prior to or post each scheduled Board meeting. Regular contact is also maintained with the Chief Executive and with members of the GMC, and during the year meetings between divisional senior management and the Board were initiated. The SID has also held meetings with Non-Executive Directors without the Chair present.

Operational matters and the responsibility for the day-to-day management of the businesses are delegated to the Chief Executive, supported by senior executives within delegated authority limits.

The GMC continued to meet on a weekly basis during 2021 to consider matters relating to the pandemic and business continuity and will continue to do so until such time as it is appropriate to reconsider its meeting cadence.

The Board is supported in its role by Board Committees and whilst they are a valuable part of the Company's corporate governance structure, the Board, as a whole, maintains oversight of such important matters and, after each Committee meeting, the Chair of the Audit and Risk Committee reports on the matters which have been reviewed. In particular the Board looks to the Audit and Risk Committee to undertake the majority of the work involved in monitoring and seeking assurance as to compliance with the internal controls and risk management practices within this structure.

Other specific responsibilities are delegated to the Remuneration, Nomination and Sustainability Committees. The Board believes that it, and its Committees, have the appropriate composition to discharge their respective duties effectively with the appropriate level of challenge and independence, and that the members of the Board in conjunction with the senior executive teams are well equipped to drive and deliver the Company's strategic objectives.

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

Operational matters and the responsibility for the day-to-day management of the businesses are delegated to the Chief Executive, supported by members of senior executive management as appropriate, within delegated authority limits. The support of the GMC ensures a strong link between Essentra's overall corporate strategy and its implementation within an effective internal control environment and robust risk management.

At the start of 2022, there were some changes to the composition of the GMC. Full details of the membership of the GMC and the changes can be found on pages 78 and 79.

The GMC has adopted a clear governance framework: agendas are set according to the framework and all matters arising are addressed. Papers are circulated in advance of the meetings and the Chief Executive makes good practice of ensuring views of all GMC are heard. As these behaviours are modelled across the business, it has encouraged the sharing of these practices across other management committees, all of which have contributed to continual improvements in effective corporate governance and timely upward reporting within the Group.

Board papers

Following the externally facilitated review of Board papers undertaken in 2020, board papers continued to provide the Board with the information required to make informed decisions. The Board reflected, towards the end of 2021, that the length of papers had slowly increased which the Head of Governance intends to address during 2022.

Applying Essentra's corporate responsibility principles

The Chief Executive is the Director with primary responsibility for the implementation and integration of Essentra's corporate responsibility principles across the Company. During 2021, Group HR Director, General Counsel and Company Secretary were responsible for co-ordinating the operation of detailed policies on health and safety and the environment, and the Company Secretary and General Counsel and Head of Governance were responsible for co-ordinating policies on ethics, which support Essentra's commitment to its corporate responsibility principles. Further details of these policies can be viewed on the Company's website.

Diversity

During 2021, the Diversity and Inclusion Steering Group continued to ensure that all employees had access to the Employee Assistance Programme. The Board and senior management are committed to ensuring ethnic and gender balance across the business to reflect the communities in which we operate and consider as critical to the business' success. The current Diversity and Inclusion policy, whilst regularly reviewed, was last updated in 2019 and it has been agreed that it would benefit from a full and rigorous review in light of the changing landscape and need for wider adoption and understanding through Essentra. The Nomination Committee has therefore approved a thorough review of the Diversity and Inclusion policy, action plans and local approach which will be undertaken in phases in 2022 which will be adapted to take account of the strategic reviews. The aim of this is to ensure the policy is properly embedded, linked to company strategy and is supported throughout the organisation. We will report back on the progress made on this.

The Board acknowledges the consultation launched earlier in 2021 by the Financial Conduct Authority on board diversity reporting on a comply or explain basis. It is also anticipated that these disclosures would include standardised data on the relating to gender and ethnicity for both the Board and senior levels of executive management. The rules on disclosures are expected to come into force for the following report year and during the course of the year we will accumulate the appropriate information to report on this basis.

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

In terms of Board diversity as at 31 December 2021:

- at least 40% of the Board are women
- the roles of both the roles of Chief Financial Officer and Senior Independent Director are held by women
- our Board membership includes an individual from a non-white ethnic minority background.

The Board continues to confirm a strong commitment to diversity including, but not limited to, gender diversity at all levels of the Group, and considers its own composition provides a reasonable indication of its approach to this commitment. During the year, a Board Diversity Policy was approved, which will serve to ensure that all candidates for Board appointments are considered in accordance with the policy during the nomination process. Further information can be found on page 101 to 103.

The activities of the Diversity and Inclusion Steering Group can be found on page 37.

Conflicts of interests

Directors have a statutory duty to avoid actual or potential conflicts of interest. The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The decision to authorise a conflict of interest can only be made by non-conflicted Directors. A register of Directors' Interests is maintained so that any potential concerns are addressed before any material issues may arise.

The Conflict of Interests register and the schedule of Directors' Interests are reviewed at each Board meeting. During the course of the year, there were no material conflicts of interest impacting on the conduct of the Board's activities.

Information and professional development

The Chair, supported by the Company Secretary and General Counsel and the Head of Governance, takes responsibility for ensuring that the Directors receive accurate, timely and clear information.

On appointment, an induction programme tailored to their individual needs is available to Directors, and is designed to assist them in their understanding of Essentra and its operations.

Throughout a Director's tenure, they are encouraged to develop their knowledge of the Group through meetings with senior management and site visits. Directors are also provided with updates, as appropriate, on matters such as fiduciary duties, Companies Act requirements, share dealing restrictions and corporate governance matters.

All Directors have access to the advice and services of the Company Secretary and General Counsel. In the furtherance of their duties, there are agreed procedures for the Directors to take independent professional advice, if necessary, at the Company's expense. No Director took independent professional advice during the year.

Shareholder communications

The Board recognises the importance of effective communication, and seeks to maintain open and transparent relationships with its shareholders and other stakeholders, including providers of finance, customers and suppliers. This is achieved by regular updates through public announcements, the corporate website and other published material.

All shareholders can meet any of the Directors of the Company should they so wish. In particular, the SID is available to shareholders should they have concerns or wish to share their views. Feedback from meetings with shareholders is provided regularly to the Board so they are aware of any issues or concerns, and ensures that the Board has a balanced view from major investors. In 2021, the Board hosted a hybrid AGM which was conducted in-person and virtually. Following amendments to the Articles of Association approved at that meeting, in 2022 a formal hybrid AGM will again be held allowing shareholders to attend in person or cast votes electronically on the day.

At the AGM, the level of proxy votes lodged on each resolution is made available, both at the meeting and subsequently on the Company's website. Each substantially separate issue is presented as a separate resolution, and the chairs of the Audit and Risk, Nomination, Remuneration and Sustainability Committees are available to answer questions from shareholders. At the 2021 AGM, the Company received 76.50% of votes in favour of Resolution 14 to disapply pre-emption rights, thereby falling below the 80% threshold set out in the 2018 Corporate Governance Code. In December 2021 the Company released an updated statement, noting that the Company had consulted with several shareholders to understand and discuss their concerns with respect to this resolution, having considered this was appropriate given it followed the provisions of the Investment Associations' Share Capital Management Guidelines for the disapplication of pre-emption rights and reflected UK listed company market practice. The Board understood that a minority of shareholders were not supportive of the equity raise that took place in September 2020 and subsequently voted against the resolution. In respect of the resolution to be proposed on Pre-Emption Rights at the 2022 AGM, the Directors confirm their intention to continue to follow the provisions of the Pre-Emption Group's Statement of Principles, an approach endorsed by the Investment Association.

The Company also communicates and engages regularly with its major institutional shareholders and ensures that all the Directors, including the Non-Executive Directors, understand the views and concerns of major shareholders in relation specifically to their views on governance and performance of the Company against strategy. The Chief Executive, Chief Financial Officer and Investor Relations Team have primary responsibility for investor relations. Virtual presentations for analysts and shareholders were held during the year, and virtual meetings were also undertaken with key institutional investors to discuss strategy, financial performance and investment activities. Slide presentations are made immediately available after the full and half year results, and are also available on the Company's website to view and download. The Company ensures that any price-sensitive information is released to all shareholders at the same time, in accordance with regulatory requirements. During the year the Chair, SID, Chair of the Remuneration Committee and Chair of the Sustainability Committee have held independent meetings with shareholders and additionally the Chair has attended meetings with the Chief Executive. At each Board meeting reports are presented detailing the engagements with shareholders to ensure that the Board as a whole has a clear understanding of the views of the shareholders.

Directors understand the views and concerns of major shareholders in relation specifically to their views on governance and performance of the Company against strategy. The Chief Executive, Chief Financial Officer and Investor Relations Team have primary responsibility for investor relations.

Financial reporting

The Directors have acknowledged, in the Statement of directors' responsibilities in respect of the financial statements, set out on page 140, their responsibility for preparing the Financial Statements of the Company and the Group. The Directors are responsible for preparing the Annual Report and Accounts, and they consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable. The External Auditor has included a statement about their reporting responsibilities in the Independent Auditors' Report, set out on pages 212 to 213.

The Directors are also responsible for the publication of half year results, as required by the Disclosure and Transparency Rules of the Financial Conduct Authority. This provides a general description of the financial position and performance of the Company and the Group during the relevant period.

Internal controls

In accordance with the 2018 Code, the Board acknowledges its overall responsibility to shareholders to ensure that an adequate system of risk management and internal control is in place and for reviewing the effectiveness of this system. Such a system can only be designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives, and can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss. This is essential for reliable financial reporting and also for the effective management of the Group.

The internal control and risk management process for financial reporting processes is documented within the Essentra Accounting Manual (the "Manual") that is updated on a regular basis. The Manual sets out the procedures and processes established for internal and external financial reporting and incorporates accounting policies that are adopted by the Company, as well as processes and controls relating to tax and treasury matters. The Manual sets out clear processes that cover, amongst other matters, segregation of duties, reporting responsibilities and review and approval requirements. The Manual prohibits management overrides and the processes set out within the Manual are also reflected within financial reporting systems and the framework for financial controls within the Group. A Delegation of Authority is in place, that is also reviewed and updated on a regular basis, that identifies approval processes for different matters. The Manual is applied across the entire Group and supported by twice yearly confirmations from divisional management in relation to adherence to the Group accounting policies.

Further details of the Company's risk management system and internal controls can be found on pages 45 to 49 and 110.

The following enables the Board to review the effectiveness of the system of internal control and the financial reporting processes:

- the ARC meets regularly and reports to the Board, no less frequently than at every Board meeting following an ARC meeting
- the terms of reference provide a framework for the ARC to review and oversee the quality, integrity, appropriateness and effectiveness of the Group's internal control framework
- the Board has met with divisional Managing Directors as has the ARC, who have discussed with them the internal control environment at local sites
- every month, each division submits detailed operating and financial reports covering all aspects of performance. These are reviewed by the Chief Financial Officer and the Group's central Finance function, and summary reports are communicated to the GMC and the Board
- certificates are required from the businesses to confirm compliance with the Group's policies (including financial) and procedures at both the half year and year end.

Directors' and Officers' insurance

In accordance with the Company's Articles of Association, and to the extent permitted by the laws of England and Wales, the Directors are granted an indemnity from the Company in respect of those liabilities incurred as a result of their office. In respect of those matters for which the Directors may not be indemnified, the Company maintained a Directors' and Officers' Liability Insurance Policy throughout the year. It is anticipated this policy will be renewed. Neither the Company's indemnity nor the insurance policy provide cover, to the extent that a Director is proven to have acted dishonestly or fraudulently.

Roles and responsibilities

Chair

- Sets the Board agenda primarily focused on strategy, performance, value creation, culture, stakeholders and accountability, and ensuring that issues relevant to these areas are reserved for Board decision
- Shapes the culture in the Boardroom
- Encourages Board members to engage in Board and Committee meetings and ensures sufficient time is allocated to promote effective debate to support sound decision making.
- Fosters relationships based on trust, mutual respect and open communication between Non-Executive Directors and the Group Management Committee
- Develops a working relationship with the Chief Executive
- Provides guidance and mentoring to new Directors as appropriate
- Maintains a dialogue with shareholders on the governance of the Company

Senior Independent Director (SID)

- Provides a "sounding board" for the Chair
- Serves as an intermediary for the other Directors when necessary
- Acts as an alternative point of contact for shareholders where contact through the normal channels of Chair or other Executive Directors has failed to resolve any concerns, or for which such contact is inappropriate
- Leads the annual assessment of the effectiveness of the Chair
- Leads the search and appointment process and makes the recommendation to the Board for a new Chair

Non-Executive Directors

- Provide constructive and independent challenge to executive management
- Bring experience and objectivity to the Board's discussions and decision-making
- Monitor the delivery of the Group's strategy against the governance, risk and control framework established by the Board
- Are responsible for evaluating the performance of the Chair, led by the SID

Chief Executive

- Proposes the strategy to the Board and implements the strategy which has been approved by the Board
- Communicates to the workforce the expectations in respect of the Company's culture and ensures that operational policies and practices drive appropriate behaviour
- Develops manageable goals and priorities for the management team
- Leads and motivates the management teams
- Ensures that the Board is aware of the views of the senior management team on business issues
- Develops proposals to present to the Board on all areas reserved for its judgement

Chief Financial Officer

- Leads, directs and oversees all aspects of the finance and accounting functions of the Group
- Contributes to the development of strategy and management of the Group's business
- Manages relationships with the external auditor and key financial institutions and advisers
- Ensures effective internal controls are in place and compliance with appropriate accounting regulations for financial, regulatory and tax reporting

Company Secretary

- Maintains a record of attendance at Board meetings and Committee meetings
- Is responsible for ensuring good information flows to the Board and its Committees, and between the GMC and the Non-Executive Directors
- Advises the Board on all regulatory and corporate governance matters
- Assists the Chair in ensuring that the Directors have suitably tailored and detailed induction and ongoing training and professional development programmes

Sustainability Committee report

The function of the Sustainability Committee continued to evolve over the year recognising the momentum of the issues involved and its responsibility for oversight and guiding of the Group wide sustainability agenda. The Committee is now an important part of the Board's role in monitoring the effectiveness of the Company's sustainability activities.

Ralf Wunderlich
Non-Executive Director

Roles and responsibilities

- Reviewing and assessing the Company's exposure as well as identifying opportunities of sustainability-related issues
- Assessing the Company's responses to these issues
- Understanding whether these responses are consistent with the risk appetite of the Company
- Identifying potential gaps in approach and high-level approaches to closing those gaps

Membership and attendance

	Meetings during the year
Ralf Wunderlich Chair	4 (4)
Nicki Demby Non-Executive Director	4 (4)
Mary Reilly Senior Independent Non-Executive Director	4 (4)
Adrian Peace Non-Executive Director	2 (2)
Paul Forman Chief Executive Officer	4 (4)
Lily Liu Chief Financial Officer	4 (4)
Jon Green Company Secretary and General Counsel	4 (4)
Nick Pennell Group Programme Director	4 (4)

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

Adrian Peace was appointed to the Board from 28 June 2021 and subsequently to the Sustainability Committee, and therefore was only eligible to attend two meetings.

Other attendees

During 2021, the Chair, Paul Lester, attended every meeting. The Strategy and Commercial Director, the Group Communications Director and the Group HSE Director were invited to attend every meeting.

The Board Trainee, Dupsy Abiola, attended meetings from July 2021 onwards.

The Head of Governance acts as Secretary to the Sustainability Committee.

Key activities 2021

- Monitored reporting against KPIs of the approved four sustainability targets for i) zero waste to landfill sites, ii) total waste production, iii) the percentage of packaging and raw materials from sustainable sources and iv) Scope 1 and 2 greenhouse gas (GHG) emissions
- Evaluated the scope of TCFD disclosures and engaged external specialist guidance on scenario planning, in readiness to report against the requirements
- Reviewed disclosures and the results of the Carbon Disclosure Project relating to Climate Change 2021 which scored a 'B' and Water Security 2021 which scored 'B-'
- Reviewed disclosures made under the voluntary Ecovadis index and the progress made, noting that whilst the overall score had improved, the score was Bronze, as grading boundaries had changed
- Led strategic discussions on how Essentra can achieve meaningful impact, including ensuring the activity agreed upon is relevant to the business and our industry, motivates employees and drives support across our stakeholders
- Oversight of resourcing relating to sustainability reporting across the Group
- The Sustainability Committee invited two guest speakers – a global manufacturing company and an international management consultancy – to give insights into evolving and embedding sustainability strategy and perspectives on practical implementation, as the Sustainability Committee recognises the pace of development and the value of sharing knowledge and understanding
- Received updates on key sustainability initiatives including the reduction of single use plastics across the Group

Evolving approaches to sustainability and identifying opportunities

The Sustainability Committee is now fully embedded as an important part of the Board's oversight of sustainability-related activities across the Group. It continues to provide advice and oversee the development of the sustainability strategy, reviewing company-wide opportunities for improving performance and reducing the Company's risk profile through sustainability-related activities.

The Committee has a rolling agenda and during the year continued to receive regular reports on the improvements being made against the four sustainability targets. It has oversight of the principal risks most relevant to its area of expertise and responsibility, as well as monitoring progress against KPIs, and the Committee continued to consider any proposed refinements to the current actions being undertaken. During the year, the Committee undertook a series of deep dive sessions covering a range of sustainability matters from reporting and indices to identification of sustainable materials.

Recognising the momentum of wider sustainability matters, the Committee engaged an external consultancy to advise on its alignment with the requirements on TCFD reporting and reviewed the results of a gap analysis relating to the report on sustainability. This enabled the Committee to have oversight of the various workstreams identified from these reviews, obtain assurance that mitigations were identified for key areas of strategic concern and allowed for better visibility and reporting structures to be established. The Committee considered the resourcing of sustainability workstreams across the Group and welcomed the appointment of Jennifer Spence during the year, initially as a dedicated resource to support sustainability projects through the Group, and now as the Interim Head of Sustainability, noting the primary focus of the role was to facilitate reporting both internally and externally.

The Sustainability Working Group, which converted during the year to the ESG Committee, continues to monitor and respond to ESG and sustainability related topics on a day-to-day basis. The workstreams and responsibilities identified by this committee will allow for improved visibility and reporting to the Sustainability Committee.

The Sustainability Committee agreed to postpone a full review of its Terms of Reference, recognising that during 2022 its role in supporting the future shape of the business may significantly evolve following the outcome of the strategic reviews.

Task Force on Climate Disclosure (TFCD)

The Sustainability Committee spent considerable time during its meetings considering the impact of TCFD disclosures by focusing on the four TCFD disclosure areas of governance, strategy, risk management and metrics and targets, and considered how best to report on these areas and any data requirements. The Committee also received updates between meetings on TCFD to ensure that progress was being made, and to share and gain a deeper understanding of the implications of TCFD for the Group, both for reporting on it, but to also be certain that the organisation was responding in appropriate manners in other areas, such as its approach to risk management and the Long-Term Viability Statement. The full report on TCFD is available on pages 29 to 34.

"The Sustainability Committee is now fully embedded as an important part of the Board's governance framework with oversight of sustainability strategy and related activities across the Group."

Nomination Committee report

Composition, succession and evaluation

"The Committee will maintain its focus on ensuring the Board's composition is strong and diverse, providing support and advice to enable management to steer the Group."

Paul Lester, CBE
Chair

Roles and responsibilities

- Reviewing the size, structure and composition of the Board to ensure they remain appropriate to the Company's strategic objectives
- Supporting the development of a diverse pipeline for succession planning for Directors and other senior executives
- Recommending membership of the Board and its Committees and leading the process for new Board appointments, by considering candidates in accordance with the Board Diversity Policy
- Undertaking succession planning for the Board and senior executive positions and keeping under review the leadership needs of the business
- Determining the independence of Directors
- Assessing whether Directors commit enough time to discharging their responsibilities
- Reviewing the induction and training needs of Directors

Membership and attendance

	Meetings during the year
Paul Lester Chair	5 (5)
Tommy Breen Non-Executive Director	3 (3)
Mary Reilly Non-Executive Director	5 (5)
Ralf Wunderlich Non-Executive Director	5 (5)
Nicki Demby Non-Executive Director	5 (5)
Adrian Peace Non-Executive Director	2 (2)

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

Tommy Breen retired from the Board on 20 May 2021 and Adrian Peace was appointed to the Board on 28 June 2021 and subsequently to the Nomination Committee.

Other attendees

During 2021, the Group HR Director and the Chief Executive, who is also the Chair of the Diversity and Inclusion Steering Group, attended by invitation as appropriate.

The Board Trainee, Dupsy Abiola, attended meetings from July 2021 onwards.

The Company Secretary and General Counsel acts as Secretary to the Nomination Committee, with the support of the Head of Governance. Both attend all meetings.

Key activities 2021

- Reviewed the composition, structure, size and skill set of the Company's Board and the Committees, and recommended the appointment of Mary Reilly as Senior Independent Director
- Led the process for the appointment of Adrian Peace, following a review of the skills required for the Board, and recommended his nomination to the Board and his appointment to the Sustainability Committee and Nomination Committee
- Commenced the process for the appointment of a new CFO
- Recommended the appointment of Ralf Wunderlich to the Audit and Risk Committee
- Approved a Board Diversity Policy
- Reviewed succession planning for the Board, key roles on the GMC and senior management roles and the plans to address any development needs for senior management
- Reviewed the leadership needs of the business as it developed its strategy and oversaw the appointment of Kamal Taneja as MD of Packaging and Robert Pye as MD of Filters division which took effect from January 2022
- Supervised the process for the appointment of Dupsy Abiola as Board Trainee and subsequent recommendation of her appointment as a Non-Executive Director
- Considered the recommendations from the 2020 externally facilitated Board Evaluation, developed a plan for their full implementation and oversaw the 2021 internal Board Evaluation
- Reviewed and approved the Nomination Committee Report for inclusion in the 2020 Annual Report
- Reviewed and agreed revised Terms of Reference for the Nomination Committee

Key activities for 2022

- Ongoing review of succession planning for the Board, its Committees, the GMC and senior management roles, following the outcomes of the strategic reviews
- Monitoring the effectiveness of the Board Trainee scheme
- Overseeing the process for the appointment of Jack Clarke, our new CFO, as well as his induction
- Encouraging further action to embed and develop diversity and inclusion across the organisation

Board trainee

As reported last year, the Nomination Committee agreed to trial a Board Trainee scheme, the primary aim of which was to increase the pool of diverse talent available to all plc boards. On the recommendation of the Committee, the Board appointed Dupsy Abiola as Board Trainee with effect from 29 July 2021.

The recruitment process mirrored that of a Non-Executive Director and more detail on the process used can be found on page 103.

As part of Dupsy's role, she regularly attends Board meetings and is given full exposure to the Board and Committee activities, allowing her to contribute and develop her knowledge and the skills required for a non-executive role. The role is voluntary, with training, coaching and mentoring an integral part of the scheme. The Nomination Committee consider that the scheme has been very successful and intend to continue the scheme when the strategic reviews conclude.

The Nomination Committee recommend that other plc boards consider adopting a Board Trainee scheme to grow and provide a skilled pool of diverse talent available to UK plcs.

Talent management and succession planning

During the year, the Nomination Committee continued to monitor emerging talent and key roles throughout the organisation, with a focus on ensuring there is a diverse pipeline of potential successors. The competencies and experience required in the boardroom were evaluated as part of board appointment processes which also informed the wider succession plans across the Company.

Whilst ensuring it plans and assesses orderly succession for Executive and Non-Executive directors, the Committee also regularly reviewed management's succession plans. The Committee oversaw the process regarding the GMC changes for new divisional MD appointments with Kamal Taneja appointed as MD of Packaging and Robert Pye appointed as MD of Filters, both of which took effect from 1 January 2022.

The outcomes of the strategic reviews and the evolving needs of the business will influence how the Committee progresses particular initiatives over the coming year. The Committee will maintain its focus on ensuring the Board's composition is strong and diverse, with a balanced mix of skills that reflect the business needs as well as the broad diverse environment in which the organisation operates, so as to provide support and advice to enable management to steer the Group.

The Nomination Committee recommend that other plc boards consider adopting a Board Trainee scheme.

Committee appointments

During the year, the Committee agreed to appoint Ralf Wunderlich to the Audit and Risk Committee and Adrian Peace to the Sustainability and Nomination Committee. Both of these appointments serve to strengthen these committees by bringing fresh perspectives and insights alongside the experience of longer-serving Directors. Following Nicki Demby's decision to resign from the Board at the conclusion of the AGM in May 2022, Ralf Wunderlich will assume the role of Chair of the Remuneration Committee. The Committee believe that Ralf is well placed to take on this role, having served as a Remuneration Committee member since 2017. The Committee also agreed to recommend the appointment of Dupsy as a Non-Executive Director and a member of the Remuneration, Sustainability and Nomination Committee with effect from March 2022. As Nicki's departure leaves vacancies on the Audit and Risk Committee, the Board and Committee agreed to appoint Adrian Peace to that committee from the conclusion of the AGM in May 2022 to ensure the composition of the Audit and Risk Committee remains robust with suitably experienced Non-Executive Directors as members.

Diversity and inclusion

During 2021, the Committee approved a thorough review of the Diversity and Inclusion policy across the organisation including, action plans and local approaches. The aim of the review is to support the commitment and understanding of the Committee on the approach required to further embed diversity and inclusion and for this to be linked effectively to company strategy. It is proposed to phase the review to take account of the strategic reviews, and we look forward to reporting on the outcome of the review, which will be overseen by the Diversity and Inclusion Steering Group, in our next annual report.

The Committee also recommended the approval of a new Board Diversity Policy, recognising the benefits of a diverse Board following the recommendations from the Hampton-Alexander Review and Parker Review. We report further on Board diversity at page 23.

Board nomination process

Following Tommy Breen's departure from the Board, the Committee assessed the skills and experience needed by the Board, by looking at the future needs of the business. It was agreed that experience in business development and mergers and acquisitions would form a key part of the role profile for the new Non-Executive Director, as well as taking account of independence and the Board's continued commitment to diversity.

The Committee and the Board confirmed their ongoing commitment to appointing people on merit without any form of discrimination, and that this remains the key component of Essentra policies across its international operations at all levels. Further details of the Company's approach to diversity and inclusion can be found on page 37.

For the appointment of a new Non-Executive Director, the process for selection was agreed by the Committee and included a multi-stage listing process with a range of interviews. The Committee considered a range of headhunters to support the search and agreed to appoint Heidrick & Struggles to assist in the search. Heidrick & Struggles were considered to have a reach into markets and regions that other headhunters did not have and that would ensure the Board was reflective of the geographical territories the Company operates in. The Committee were also confident that as a result they would be able to present a solid short list of experienced and diverse candidates.

Following the comprehensive process described, Adrian Peace was appointed to the Board in July 2021. Adrian brings extensive experience in US and Global markets having operated in a range of businesses.

Korn Ferry were engaged for the recruitment of the Board Trainee. The Nomination Committee agreed that the fundamental objective for all appointments remained the that the best person needed to be appointed for the role, taking into consideration other factors, such as market and international experience, and diversity of thought and background. A multi-stage interview and selection process was used that resulted in a high-quality short list. The Committee agreed that Dupsy Abiola would bring useful perspective to the Board and its committees, and the Board agreed the Committee's recommendation for her appointment.

For both appointments, the Nomination Committee agreed that the experience held by Adrian and Dupsy, in introducing effective sustainability strategies and initiatives, would be a significant asset to the Company.

Towards the end of the year, Lily Liu, our Chief Financial Officer, informed the Board she would leave the Company. The Committee appointed Korn Ferry to undertake a search for a CFO. The Nomination Committee used a thorough four stage selection process which used a combination of interviews with different Executive and Non-Executive Directors as well as a skills assessment. Following the conclusion of the process, the Committee agreed that Jack Clarke's experience would be invaluable to the business as it transitioned into a pure play Components business and are pleased he has agreed to become an Executive Director from 4 April 2022.

Board evaluation

Following the two external board evaluations undertaken in 2020, the Board agreed to undertake an internal review in 2021 with the aim of monitoring the progress on the priorities for action previously identified. The review was undertaken by the Head of Governance and its findings were reported to the Committee and the Board. Progress against the conclusions of the 2020 Board evaluation review is set out below:

- a refreshed focus on Board dynamics ensuring that the Board continues to operate as efficiently as possible with creative approaches adopted to ensure the Board worked well together
- more time spent on divisional strategies supported by regular reporting on the agreed performance metrics for each of the divisional strategies. As well as separate strategic sessions organised during the year, quarterly meetings were arranged by the divisions for Board members to discuss directly with the divisional teams in-depth work around Vision 23 and individual strategies
- increased focus on succession planning from senior management upwards to further develop a diverse talent pipeline in line with strategic expectations. Throughout the year, the Nomination Committee regularly considered succession planning for senior management and the Board in order to assess orderly succession and ensure its adequacy. The decision to review the Diversity and Inclusion policy across the organisation reflected the aim of embedding this policy within succession plans, thereby ensuring plans are proactive rather than reactive.

The Nomination Committee will monitor progress on the implementation of the recommendations from the 2021 review during the coming year, noting that actions will need to be prioritised given the work underway for the strategic reviews. These actions include giving appropriate time to consideration of strategy, with separate meetings if necessary, and the development of talent alongside the strategic review process and consideration of skills and composition of the Board in conjunction with the strategic reviews.

Audit, risk and internal control

"During the year, the Audit and Risk Committee continued to assist the Board in fulfilling its oversight responsibilities by monitoring and robustly challenging the integrity of the Group's financial reporting, the suitability of the internal controls and its risk management framework."

Mary Reilly
Non-Executive Director

Roles and responsibilities

Financial Reporting

- Assisting the Board in ensuring the interests of the shareholders are properly protected
- Monitoring and reviewing the integrity of the Financial Statements and any formal announcements relating to financial performance
- Reviewing the relevance of our current accounting policies
- Challenging significant accounting judgements

Risk Management, Internal Control and Compliance

- Reviewing regular reports from the Group Risk Committee and reviewing the risk management processes
- Reviewing the effectiveness of internal controls
- Monitoring Right to Speak arrangements and the follow up of any claims made through this mechanism
- Reviewing regular updates from the Group Compliance Committee and assessing progress on the compliance transformation programme

Internal Audit

- Overseeing the internal audit activities
- Monitoring and reviewing the effectiveness of the internal audit function
- Agreeing the annual internal audit plan and reviewing the output from that

External Audit

- Making recommendations to the Board in relation to the appointment, reappointment and removal of the External Auditor
- Reviewing the relationship with the External Auditor and monitoring their independence and objectivity
- Continuous challenge of the effectiveness and quality of the external audit process
- Agreeing the scope, terms of engagement and fees for the external audit
- Initiating and supervising a competitive tender process for the external audit when required
- Monitoring the engagement policy of the External Auditor to supply non-audit services
- Reviewing and discussing reports presented by the external auditor at each meeting

Membership and attendance

	Meetings during the year
Mary Reilly Chair	**5 (5)**
Nicki Demby Non-Executive Director	**5 (5)**
Ralf Wunderlich Non-Executive Director	**2 (2)**
Tommy Breen Non- Executive Director	**3 (3)**

Figures in brackets denote the number of meetings that could have been attended.

Tommy Breen resigned as a Non-Executive Director on 20 May 2021 and therefore only attended 3 meetings. Ralf Wunderlich was appointed to the Committee from 26 July 2021 and therefore attended 2 meetings.

Other attendees

The External Auditor, Chair of the Board, Chief Executive, Chief Financial Officer, Head of Risk, Group Financial Controller, members of the General Management Committee (GMC) and divisional Finance Directors attended meetings by invitation, as appropriate. During the year, the Committee met the External Auditor, PricewaterhouseCoopers LLP (PwC) and the Head of Risk without the Executive Directors being present.

The Board Trainee, Dupsy Abiola, attended meetings from July 2021 onwards.

The ARC received presentations from the Chief Executive, the Chief Financial Officer, Group Financial Controller, divisional Managing Directors, Group Head of Tax and Treasury, UK Shared Services Finance Director and the Chief Information Security Officer.

The Company Secretary and General Counsel acts as Secretary to the ARC with the support of the Head of Governance. Both attend all meetings.

Dear Shareholder,

As Chair of the Essentra plc Audit and Risk Committee (the "ARC"), I am pleased to present my Report for the year ended 31 December 2021 to shareholders.

During the year, the ARC continued to assist the Board in fulfilling its oversight responsibilities by monitoring and robustly challenging the integrity of the Group's financial reporting, the systems of internal control and its risk management framework. This Report gives an overview of the activities undertaken and overseen during the year and explains how the ARC has met the requirements placed on audit committees by the 2018 Code and applicable guidance, laws and regulations. In carrying out its duties, the ARC also operated in accordance with recommendations set out in the FRC Guidance on Audit Committees which was published in April 2016 and remain cognisant of updated FRC guidance, letters and reports that are relevant to the work of the ARC.

The Committee worked largely to a recurring and structured programme of activities, which understandably were adapted to include the continued impacts of the COVID-19 pandemic on financial performance and the financial control environment.

During the year, we welcomed the appointment of Stuart Payne as the new Head of Risk for Essentra and commended the refocused Risk Assurance function. The newly approved Risk Assurance Charter and the diligent approach of the refreshed team meant that the Committee received comprehensive assurance on the reports completed within the 2021 internal audit plan, which also covered the delayed areas of the 2020 internal audit plan.

The 2021 internal audit plan was designed to provide assurance in six key business areas: risk culture, regulatory and legal compliance, financial controls, resilience and security, strategic projects and operational processes. In order to successfully deliver the plan, the team sought to leverage co-source resources in-country to perform testing on-site where allowed and the ARC will continue to monitor the operational methodologies adopted which take account of the challenges presented by the pandemic and how these evolve. I would personally like to thank Stuart and his team for their sterling efforts during a year of significant pressure. The 2022 internal plan approved by the ARC comprises a blend of audits focused on Principal Risks, strategic initiatives and more traditional site audits. Recognising the strategic reviews underway, the plan has been developed to allow it to be flexible to the changing developing environment within the Company.

The ARC has recommended to the Board the appointment of PwC as External Auditor at the forthcoming AGM. Prior to making its recommendation, the ARC reviewed their effectiveness and remains satisfied with their performance.

In accordance with the FRC Revised Ethical Standard 2019 Section 3.10, our audit engagement leader and PwC Group audit partner, Nicholas Stevenson, was due to rotate off our audit engagement following completion of his tenure of 5 years. Following announcement of the strategic reviews, the Committee discussed and considered the potential impact of the ongoing strategic reviews of the Packaging and Filters divisions and the departures of senior members of the management team, including the Chief Financial Officer, in H1 2022 on the 2022 half year and year end financial close processes. These developments have the potential to be a distraction to the 2022 period end and, in lights of this, I wrote to PwC to request that Nicholas Stevenson, our Group audit partner, be extended into 2022 and a sixth year. An extension of this nature is specifically permitted by the FRC's Ethical Standard where events, such as those described above, are considered by an audit committee and the audit firm to represent a threat to audit quality. After due consideration, PwC agreed to the Committee's request. To further ensure that Nicholas' independence is retained, PwC will put in safeguards to ensure that Nicholas' Stevenson's familiarity with the audit and Company are sufficiently safeguarded.

Nicholas Stevenson's further extension was disclosed to shareholders on 18 March 2022 with the Company's 2021 year end results announcement and is also disclosed here within this Annual Report. It is therefore proposed that if PwC are reappointed at the AGM as External Auditors for the year ended 31 December 2022 that Nicholas Stevenson will be the Group audit partner for a sixth and final year.

The ARC also spent time submitting a response to the Department for Business, Energy and Industrial Strategy on its consultation on audit and corporate governance and awaits the outcomes of the consultation with interest. Although the regulations are still in consultation phase, recognising the direction of travel, the ARC oversaw preliminary work undertaken during the year to start performing some impact assessment and essential preparatory work to get fundamental elements in place for the next two to three years.

A key role of the ARC is to support the Board in its assessment of the Principal and Emerging Risks and effectiveness of mitigation plans. The ARC considered the profile of some of the Company's Principal Risks which had changed as global economies evolved in response to the COVID-19 pandemic and the mitigations identified. The ARC recommended that expectations relating to Environmental, Social and Governance risk had increased as public expectation and scrutiny rise, and the probability relating to the Internal Processes and Control risks had reduced slightly as the Minimum Control Standards Programme rollout progresses.

During the year, the ARC continued to receive regular reports on the compliance transformation programme, noting that this had run to schedule and met its priorities for training and raising awareness. There were no material breaches during the year and each division continues to report on Compliance issues both within their division and to the Group Compliance Committee. The ARC's oversight of the Group Compliance Programme meant it had assurance on its implementation across the business. During the year the Committee ensured that there was close monitoring and assurance to the ARC on the strict adherence to the compliance requirements and reporting obligations set out in the Deferred Prosecution Agreement (DPA) agreed with the Department of Justice (DOJ) in relation to historical US sanctions issues in the Filters division. The ARC continues its focus on the activities designed to drive continuous improvement in the Company's compliance programme, taking account of lessons learnt from past experiences.

Following his retirement from the Board in May 2021, I would like to thank Tommy Breen for his thorough contribution to the ARC over the years. My thanks also go to Nicki Demby who has provided valuable support and insight and will retire from the Board and the ARC at the conclusion of the 2022 AGM.

We agreed to strengthen the membership of the ARC through the addition of Ralf Wunderlich who I welcomed to the ARC during 2021. His broad financial and commercial experience is extremely beneficial to the ARC. With Nicki's departure, we have agreed to appoint Adrian Peace as a member of the ARC with effect from May 2022. His experience will be invaluable to the ARC and I thank Adrian for agreeing to join.

I believe that the ARC continues to have the necessary experience, expertise and financial understanding to fulfil its responsibilities and meet the increasing governance demands.

The ARC is working with the Board on the strategic reviews and our involvement in overseeing the audit and risk aspects during this period of change in the Company is a key responsibility for the ARC this year.

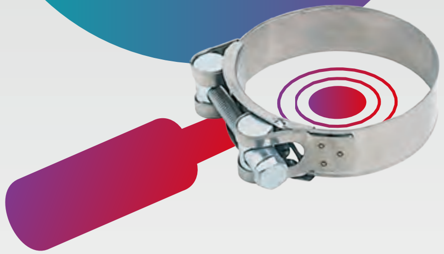
Finally, as Chair of the Audit and Risk Committee, I am pleased to engage with shareholders and continue to be available to meet if asked.

Mary Reilly
Non-Executive Director
Audit and Risk Committee Chair
18 March 2022

As a key responsibility for the coming year, the ARC is supporting the strategic reviews by overseeing the audit and risk aspect.

Audit and Risk Committee report

All the ARC members are independent Non-Executive Directors, and have financial, risk management and related business experience.



Governance

All the ARC members are independent Non-Executive Directors, and have financial, risk management and related business experience gained in senior positions at other large diverse organisations. Mary Reilly has been the Chair of the ARC since April 2018, and the Board is satisfied that Mary has recent and relevant financial experience. Mary spent the majority of her career at Deloitte and is an experienced audit chair. Each of the other ARC members also has relevant experience: Nicki Demby is a fellow of the Institute of Chartered Accountants and formerly a partner of Deloitte LLP and Ralf Wunderlich has a deep understanding of internal capital market regulations and risk management and is a member of other external audit committees. Ralf's risk management experience is also considered to qualify him as an industry expert in accordance with the Global Industry Classification Standard. Biographies for the ARC members can be found on pages 82 and 83. The Board believes that the members of the ARC are highly competent in the business sectors within which the Essentra business operates. The ARC supports the Board and reports to it following each of its meetings. No member of the ARC has a connection with the current External Auditor.

In the performance of its duties the ARC has independent access to Risk Assurance and the External Auditors and may obtain outside professional advice if required. Risk Assurance and the External Auditor have direct access to the Chair of the ARC who held a number of meetings with the Risk Assurance team and the External Auditor during the year outside formal ARC meetings. The Chair of the ARC also liaises with the Chief Financial Officer as well as the Company Secretary and General Counsel as necessary to ensure there is robust oversight and challenge in relation to financial control, risk management and compliance.

An internal evaluation was carried out during the year. The results of the evaluation confirmed that the ARC continues to function effectively and "was very well run, with clear agenda items" and considered to be a "strong Committee".

There is an annual cycle of items considered by the ARC covering the requirement of the external audit cycle and any other relevant matter, as detailed in the Terms of Reference of the ARC. The agenda cycle is reviewed annually to ensure that the ARC remains proactive and relevant. The current Terms of Reference for the ARC are available at essentraplc.com and are also reviewed annually. The Terms of Reference provide a framework for the ARC's work to review and oversee the quality, integrity, appropriateness and effectiveness including the following:

- Financial Statements and external financial reporting
- significant financial judgements
- Tax and Treasury function review
- the internal controls systems
- cyber security response
- the compliance programme
- the efficacy of the Internal Audit function
- the risk management processes and practice
- the relationship with, and performance of, the External Auditor.

The ARC continued to consider management's review of the current and longer-term impacts of the COVID-19 pandemic.

The ARC also reviewed the process used to assess and identify disclosures made as part of the first TCFD report. The ARC carefully considered the scenarios selected and risk assessments and noted that the gross, unmitigated potential financial impact of the climate related risks and opportunities was quantified at high level and that the aggregate impact was not likely to be material. Having agreed with the process and outcome, the ARC then considered the impact of the TCFD disclosures on the assessment on the Company's approach to Risk Management or to the Long-Term Viability Statement. The ARC concluded that the Company's Principal and Emerging Risks, approach to Risk Management and the Company's Long-Term Viability was not impacted at this time, with a sufficient range of management approaches in place or identified that mitigated the risks and captured the opportunities.

Financial Statements and external financial reporting

Ensuring the integrity of the Financial Statements and associated announcements is a fundamental responsibility of the ARC. In recommending to the Board, with regard to the approval of the 31 December 2020 Annual Report and the 30 June 2021 Half Year Report, the ARC reviewed, examined and challenged the Chief Financial Officer and External Auditor on their respective assessments of such items as going concern basis of preparation, accounting policies and disclosures, any financial reporting issues which included changes to accounting for cloud based software and the impact that would have on the financial statements, significant financial judgements made and appropriate levels of disclosure to ensure that the reports are fair, balanced and understandable. The ARC also challenged the External Auditor on the appropriateness of their audit coverage and their measure of materiality.

During the year, the ARC considered the outcome of management's half-yearly and year end reviews of current and forecast net debt positions and the various financial facilities that were renewed and issuance of the new USPP. The ARC continued to consider management's review of the current and longer-term impacts of the COVID-19 pandemic. It also reviewed the contents and suitability of the Long-Term Viability Statement and going concern, and challenged the risk scenarios, the range of sensitivities applied and the potential impacts considered in line with FRC guidance. Following consideration of these assessments, the ARC confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate.

Tax and treasury review

During the year presentations were made to the ARC by the Group Head of Tax and Treasury, following the combination of the Treasury and Tax functions under the able leadership of Andy Stockwell following the combination of the two functions.

Particular attention in the presentations was drawn to:

- the tax strategy, attitude to tax risk and governance and monitoring
- tax actions taken during the year and the outcome of the EU State Aid assessment which was resolved
- short and long-term liquidity

"During the year, the pandemic resulted in an increased focus on viability."

- progress made on the global transfer pricing documentation project
- continued implementation of the new Senior Accounting Officer process.

The treasury updates primarily focused on funding, notably the USPP and specific projects including an update on treasury systems and the review of inter-company loan agreements across the Group in support of planning for the strategic reviews.

The ARC considered the matters presented and were satisfied with the approach being taken.

Additional details of the Group Tax Strategy can be found on essentraplc.com/responsibility.

Cyber security response

The Chief Information Security Officer met with the ARC Chair and attended ARC meetings to provide ARC with regular reports on the improvements and controls being implemented and strengthened within the Group to help mitigate the increasing risk posed to businesses by cyber attack. The ARC oversaw the 2021 cyber programme, the results of an external surveillance visit which had been reassuring, and reviewed the audit plan for 2022.

The Chair of the ARC also held additional sessions with the Chief Information Security Officer given that cyber risk remained a Principal Risk, and reported back to the ARC on the work undertaken by the relevant teams to ensure appropriate cyber resilience activities were in place.

GCC key activities 2021

- Continued review and rollout of compliance training, both online and through remote sessions in place of in-person sessions
- Regular meetings of the GCC
- Development of response to data privacy risk
- Continued focus on third-party due diligence
- Regular review of training completion rates across the Group with escalation and lockout processes used to maintain high levels of compliance
- Risk assessments
- Divisional compliance certification process review
- Policy reviews, and implementation tool box approach to training materials
- Launch of a new Ethics Code which has been distributed to all employees
- Development of a Group Compliance Plan (GCP) for 2022
- Monitoring and testing of the effectiveness of the compliance programme
- Developing the activities of the GCC to ensure it is able to deliver its key objectives.

Compliance

The Company's commitment to conducting its business activities in accordance with all applicable laws and regulations was further enhanced in 2021 by the continued regular meetings of the executive Group Compliance Committee (GCC).

The GCC is chaired by the Company Secretary and General Counsel and has met monthly throughout 2021 with representation from across the divisions and Group. The GCC reports to each ARC on the response to key compliance risks and the programme of activities designed to mitigate exposure.

Notwithstanding the continued impact of COVID-19, significant progress was made. The key priorities during the year were the continued mitigation of key compliance risks, further improving the compliance materials and messaging and ensuring there was appropriate review of the effectiveness of the compliance programme. Having made good progress during 2021, the current intention is to reduce the frequency of the GCC meeting cadence in 2022 as the responsibility for managing the GCP is transitioned into each of the businesses with the support of the Group enabling functions.

The compliance transformation programme continued to have particular regard to the impact of the Deferred Prosecution Agreement requirements around regulatory and sanctions compliance, third-party due diligence, insider dealing and data privacy and undertook activity that supported these key areas.

Right to Speak and whistleblowing

The ARC received updates at each of its meetings on any right to speak issues raised and sought assurance from management on the issues raised and the Company's response. The ARC noted that the Company has responded to each report received through the EthicsPoint reporting system through arranging an investigation or response protocols, depending on the nature of the report, or by referring the case for resolution pursuant to HR grievance protocols.

During the year, the issues raised related primarily to specific HR concerns and COVID-19 matters and where there were particular concerns expressed, the ARC had oversight of the actions taken in response which it found to be appropriate. During the year, an internal audit review of the Right to Speak process led to improvements designed to further enhance the effectiveness and efficiency of the Company's response in line with the protocols.

Internal control and internal audit

The ARC welcomed the appointment of Stuart Payne as Head of Risk for Essentra and supported the refocused Risk Assurance function noting this better reflected the focus on risk and a move to a more collaborative manner of engagement and partnership with the business. In July the ARC approved the new Risk Assurance Charter which specifically included the scope of work for Risk Assurance and its key role in promoting the improvement of governance, risk management and control processes by examining controls, risk management systems and operations to assess the extent to which these are effective and efficient and recommending improvements. The ARC is required to assist the Board in fulfilling its responsibilities for ensuring the capability of the Risk Assurance function and the adequacy of its resourcing and plans. The ARC, and the Board, are committed to a prioritised and structured internal audit programme to drive improvements in the Company's internal control systems. The Chair of the ARC continues to meet regularly on a one-to-one basis with the Head of Risk to ensure there is regular communication on progress.

Risk Assurance assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to the evaluation, assurance and improvement of the effectiveness of the organisation's risk management, internal control and governance processes. It provides independent assessments of key processes and controls across the Group in support of its business objectives and strategies. In order to achieve this the ARC reviews:

- the internal audit plan and its achievement of the approved internal audit plan's activities
- the adequacy of the budget and resources of the Risk Assurance function
- the operational initiatives for the continuous improvement of the function's effectiveness
- follow-up of internal audit activities which focus on unsatisfactory audit results
- the adequacy of management's response and the necessary actions taken to address and rectify any weaknesses identified in a timely manner.

The internal audit plan for 2021 included a number of delayed audits from the 2020 plan and, given the pandemic-related travel restrictions which continued during the year, the Risk Assurance function continued to evolve new ways of working and co-source arrangements to ensure the delivery of the programme of assurance. At the end of the year, the ARC recognised the strengthening of the internal audit function under Stuart's leadership and the progress made, supported by the results of the external quality assessment undertaken. The improvement opportunities identified would be addressed as part of the internal audit plan for 2022 approved by the ARC. The proposed plan comprises a blend of audits focused on Principal Risks, strategic initiatives and traditional site audits and, recognising the possible impact of the strategic reviews, has been developed with agility and flexibility in mind.

Risks Management Process

The ARC's discussions and considerations and oversight of the risk management process continued throughout the year working closely with the Group Risk Committee and the Risk Assurance function. This enabled the ARC to assess the quality of existing practices and processes used to identify, assess and mitigate responses to risks to the Company achieving its long-term strategic objectives. The ARC undertook deep dives into risk areas which provided the opportunity for the Committee to challenge the effectiveness of the Company's response, its actions and the process used to consider the viability of the mitigations and overall resilience of the business.

The ARC concluded that the process had been very thorough and remained fit for purpose and was assured further that the Chair of the ARC had also been present at the Group Risk Committee meetings in which the risks had been reviewed. The ARC's work in turn supported the Board by providing it with assurance it needed as to the robust nature of the process used by the Company to identify risk.

More information on Principal and Emerging Risks can be found on pages 50 to 59, the Long-Term Viability Statement on page 138 and the Risk Management Process on pages 45 to 49.

External Auditor

During the year the ARC:

- reviewed and agreed the scope and strategic nature of the audit work to be undertaken
- agreed the terms of engagement and fees to be paid to the External Auditor
- reviewed the qualifications, resources and independence of the External Auditor and assessed its performance with particular regard to the overall quality of the external audit and especially challenged the External Auditor's ability to carry out a robust audit remotely
- reviewed the level of non-audit work being carried out by the External Auditor and confirmed the level of services ensured their continued independence
- the Chair of the ARC met with the External Audit partner frequently outside of the meeting schedule.

Assessment of the External Auditor

The ARC is dedicated to ensuring that the Company receives a high quality and effective external audit. Throughout the year, the ARC is provided with reports, reviews, information and advice, as set out in the terms of the External Auditor's engagement, and performance is formally assessed by the ARC in conjunction with the GMC. The ARC assesses the External Auditor's independence annually and remains satisfied that the External Auditor is effective and provided appropriate independent challenge to the Company's management.

Independence of the External Auditor

The ARC believes that it is important to maintain the objectivity and independence of the External Auditor by minimising their involvement in projects of a non-audit nature.

The Company policy complies with the FRC Revised Ethical Standard 2019 which provides a whitelist of services which may be provided to public interest entities and reflects best practice in relation to the engagement of the External Auditor to supply non-audit services in compliance with the whitelist, with defined parameters and approval requirements.

The ARC Chair, without the approval of the ARC, is authorised by the Company to engage the External Auditor on non-audit related work where the service is in compliance with the whitelist of services under the Revised Ethical Standard 2019, and the fees per project are not considered to be significant, provided that the annual aggregate of non-

"In July, the ARC approved the new Risk Assurance Charter which included the scope of work for Risk Assurance and its key role in promoting the improvement of governance, risk management and control processes by examining controls, risk management systems and operations to assess the extent to which these are effective and recommending improvements."

The key priorities of the GCC during the year were the continued mitigation of key compliance risks.

audit related fees shall not exceed 70% of the average of the audit fees paid in the last three consecutive financial years.

Details of the fees paid to PwC up until 31 December 2021 can be found in note 2 of the Notes to the Consolidated Financial Statements, which includes fees paid to the External Auditor and its network firms for audit services, audit-related services and non-audit services. Non-audit related fees paid to the auditor during the year were £0.05m (2020: £0.05m), representing 1.85% (2020: 2.08%) of the audit fee.

PwC provided a letter confirming that it believes it remains independent within the meaning of the regulations on this matter and in accordance with their professional standards.

The ARC formally reviewed the letter which describes arrangements in place to identify, report, and manage any conflicts of interest and policies and procedures including the extent of non-audit services, to maintain independence and the subsequent monitoring.

Extension of the Group Audit Partner

Both the ARC and PwC believe that the extension of Nicholas Stevenson's tenure as audit engagement leader for 2022 is acceptable due to the exceptional arrangements that the strategic reviews present. The Company believes that Nicholas Stevenson and PwC are able to maintain their independence and PwC have put in place additional safeguards to ensure that any threat to independence arising from his familiarity with the audit and the Company are sufficiently safeguarded. The ARC reviewed these arrangements and agreed they were satisfied that the additional arrangements provided robust checks and maintained the integrity of the audit. More detail can be found on pages 105 and 106.

Effectiveness of the External Auditor

The ARC assessed the effectiveness of the External Auditor by reviewing:

- the External Auditor's fulfilment of the agreed audit plan and the quality of their work including the depth and appropriate challenges
- feedback highlighting the major issues that arose during the course of the audit
- feedback from the businesses and management evaluating the performance of each assigned audit team.

Engagement of the External Auditor

The External Auditor was originally engaged by the Company in 2017 following a competitive tendering process. The External Auditor is engaged to express an audit opinion on the truth and fairness of the Financial Statements. The external audit includes the review and testing of the system of internal financial controls and the data contained in the Financial Statements to the extent necessary. In order to protect independence and objectivity and provide fresh challenge to the business, the External Auditor periodically changes the audit partners at a Group, divisional and country level, in accordance with professional and regulatory standards. Such changes are carefully planned to ensure that the Group benefits from staff continuity without incurring undue risk of inefficiency. The External Auditor is required to rotate the lead partner every five years, and such changes will be carefully planned to ensure business continuity without undue risk or inefficiency. The current audit partner is Nicholas Stevenson who has been in this role since PwC was appointed in April 2017. The year end 2021 was due to be Nicholas' final year. However, as reported, this has been extended by a further year.

The ARC has been kept up to date with the development of regulations concerning audit tenure and the longevity of audit firm relationships with companies they audit. In 2016 a comprehensive competitive tender was undertaken for the external audit and subsequently the appointment of PwC to replace the Company's previous auditors was approved by the shareholders at the 2017 AGM. As detailed above the ARC is satisfied with the External Auditor's effectiveness and independence and accordingly has recommended to the Board that PwC be reappointed as the Company's External Auditor at the 2022 AGM. The Company will continue to consider on a regular basis any potential benefits of tendering the audit process having regard, in particular, to the importance of audit quality or the continued independence of the External Auditor. There are no contractual obligations in place that restrict the Company's choice of statutory auditor.

The Company has complied throughout the year with the Statutory Order 2014 issued by the Competition and Markets Authority.

Significant financial judgements

Goodwill and intangible assets

As required by IAS 36, the Company undertakes an assessment of the carrying value of intangible assets on an annual basis, or more frequently if there is an indication of impairment. The details of the work carried out and the results are in note 8 of the Notes to the Financial Statements. The assumptions for 2022 and beyond (such as the annual growth rate and the terminal growth rate) are based on the 2022 annual plan and management's financial projections in subsequent years. The impairment reviews performed by management contain a number of significant judgements and estimates including revenue growth, profit margins and discount rates. A change in these assumptions can result in a material change in the valuation of the assets and the eventual outcome of the impairment assessment. The ARC evaluated and challenged the methodology of the impairment review and the assumptions on which it was based, including the financial plans approved by the Board.

The ARC discussed the current year assessment at length with the Chief Financial Officer, the Chief Executive and the External Auditor. After due consideration the ARC was satisfied that the impairment assessment is appropriately carried out. The relevant disclosure is set out in note 8 of the Notes to the Financial Statements.

Adjusting items

The Financial Statements include certain items which are disclosed as adjusting items. The nature of these items is explained within the Group Accounting Policy, and includes transaction costs and gains or losses relating to acquisitions and disposals of businesses, acquisition related integration and restructuring costs, and other items such as impairment losses. Following an extensive review, the ARC is satisfied that the Company's definition of adjusting items remains clear and that appropriate level of disclosure is included. In the current year the ARC has been involved in a rigorous review of the items presented and following a robust discussion the ARC recommended that the Company change its accounting policy relating to the capitalisation of certain software costs following the IFRS Interpretation Committee's agenda decision published in April 2021 relating to the capitalisation of costs configuring or customising application software under "Software as a Service" (SaaS). The ARC discussed the impact that the change of policy would have on the Group whereby costs would be written off and noted the significant impact this policy change would have on the Group's adjusted operating profit and that as a result the ARC agreed it would be necessary to restate the prior period balance sheet and consolidated income statement to reflect the change in accounting policy. Further details can be found in the Accounting Policies on pages 195 to 197 of the Notes to the Financial Statements.

Tax liabilities

The Company is, on occasion, subject to tax assessments that may represent potential future tax exposures, which arise from tax authorities in a number of the jurisdictions in which the Group operates. The Group assesses all such exposures in the context of specific country tax laws, where applicable, makes provisions for any settlements which it considers appropriate.

The Company operates in a number of tax jurisdictions, and recognises tax based on interpretation of local laws and regulations which are sometimes opaque. Where the amount of tax payable is uncertain, the Directors are required to exercise significant judgement in determining the appropriate amount to provide in respect of potential tax exposures. The ARC challenged the nature and extent of the tax provisioning of the Company and sought assurance that the Company was working diligently to resolve outstanding liabilities in an appropriate fashion. The potential tax exposures over the Company's transfer pricing position and the deductibility of interest on internal financing are also considered.

The ARC reviewed the assumptions of the tax liabilities at the start of the year, those created during the year and the effective tax rate as indicated in the Financial Statements on page 165 of the Financial Statements. The ARC questioned and challenged the Chief Financial Officer and Head of Group Tax as to the appropriateness of the Company's risk attitude and appetite in this area. The ARC was satisfied that the tax liabilities are appropriate, and that the Group's tax disclosures are adequate given the nature of the Company's activities.

Going concern and long-term viability assessment

The ARC reviewed the assumptions applied for going concern and long-term viability assessment. At half-year 2021 and at year-end 2021, an extensive process was applied to the going concern that assessed the outcome of a range of scenarios. This included a downside scenario that reflects the current uncertainty in the global economy but which was thought to be severe but plausible. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 12 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The scenario includes assumption for similar extent of disruptions as seen in 2021. Set against this were mitigating actions including tight management of capital expenditure, sales and general overhead, and working capital.

As appropriate during a period of uncertainty, the External Auditor provided significant challenge to the ARC on the process used to undertake the assessment and the outcome of the scenarios. The ARC, on behalf of the Board, challenged the assumptions and sensitivities around the scenarios presented by management and where judgement had been applied, the ARC sought and was provided with explanation that the ARC were satisfied with. In turn, management dedicated an extensive period of time and resource to stress testing a range of scenarios that provided a range of outcomes.

More information on the Group's going concern can be found on pages 137 and 138.

The ARC also reviewed the Group's long-term viability assessment for the period to 31 December 2024 which considered a range of scenarios based on the potential financial impact of the Group's Principal Risks crystallising as well as the risks associated with COVID-19 also impacting the risks. Similar to the challenges the ARC presented management in assessing the going concern position, the ARC challenged the relevance and assumptions of the Principal Risks to the Company's long term viability. The External Auditor again challenged the ARC on the process adopted and was satisfied that a robust and thorough process was in place so that the ARC was able to make a recommendation to the Board on the Group's long-term viability.

The more detailed assessment of the Group's long-term viability is set out in the Long-Term Viability Statement on page 138.

Chair of the Remuneration Committee's letter

This report includes:

- The Annual Directors' Remuneration Report
- A summary of the Director's Remuneration Policy, which was approved at our AGM in 2021.

This Report describes how it has been put into practice during 2021, and how we plan to implement the Policy in 2022.

Nicki Demby
Non-Executive Director

Dear Shareholder,

As the Chair of the Remuneration Committee during 2021, I am pleased to present to you the Directors' Remuneration Report for the year ended 31 December 2021.

Strategic context

Over the last few years, Essentra has simplified its portfolio into three global businesses, each with leading market positions and a clear purpose and strategy. These businesses all have strong prospects and the potential to deliver compelling returns for investors, but they are at different stages of their development and have limited synergies. In October 2021, the Board announced that in order to maximise shareholder value and the potential of each of its businesses, Essentra should become a pure play global Components business over time. This will enable strategic focus and an acceleration of organic and inorganic growth.

During the latter part of 2021 the work of the Remuneration Committee focused on developing remuneration arrangements that would reward the ongoing success of the business in 2022 whilst supporting the process and outcomes of the strategic reviews.

The need for a flexible approach to remuneration

Long-term value creation for shareholders and pay for performance continue to be at the heart of our remuneration policy and practices. As we do business in 34 countries, attracting and nurturing a mix of talent with a range of backgrounds, skills and capabilities enables Essentra to thrive.

Remuneration remains a key part of attracting and retaining the people we need to lead our business. We need to ensure that our reward packages are appropriate and fair in the context of the business and the wider employee profile. We aim to deliver market competitive pay in return for performance against the Company's strategic objectives.

It is important that we maintain flexibility in our approach to remuneration so that we can remain adaptable in a rapidly changing world. This has never been clearer than over the last year.

The approach to setting executive remuneration continues to be guided by the following principles:

- delivery of the business strategy
- creating sustainable, long-term performance
- consideration of stakeholder interests.

We intend to keep our approach to Directors' Remuneration under review and may seek shareholder approval sooner than required by UK legislation if this becomes necessary.

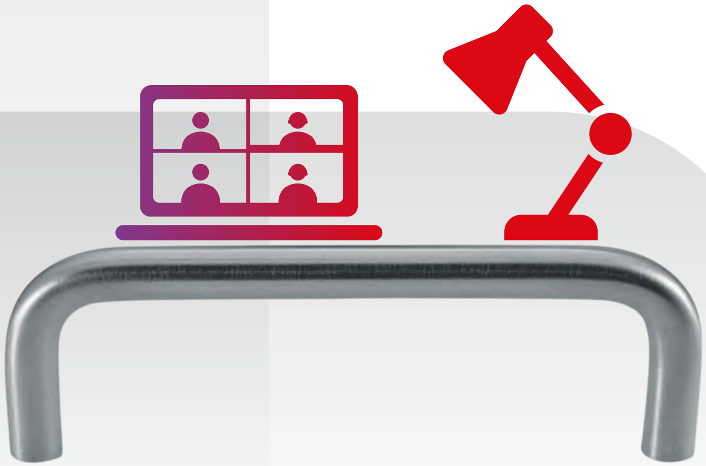
Responding to the pandemic in 2021

All of the 34 countries in which we do business have been impacted by the pandemic and we have responded to successive Government imposed restrictions in each of those countries. We recognise that it has caused considerable uncertainty and hardship for our employees, customers and suppliers. In line with our values, Essentra has continued to focus on safeguarding our employees, supporting our customers, managing our cash flow and building for the future.

The performance of the business overall improved in 2021 and this is reflected in the Annual Bonus outcomes.

In 2020 we suspended the payment of our dividend in order to protect our cash position, however we began a new dividend programme in 2021. We announced the payment of a final dividend for 2020 of 3.3p per share in March 2021 and an interim dividend for 2021 of 2p per share in July 2021.

We did not use UK Government provided furlough support, nor did we borrow debt from the UK Government in 2020, or 2021. We have provided financial support to all our global employees when they were unable to work as a consequence of local or national Government restrictions arising from the pandemic and to the families of those employees who have sadly lost their lives. Our Board Employee Champions, Mary Reilly, Ralf Wunderlich and Adrian Peace continued to engage with groups of employees throughout 2021 using Voice of the Employee sessions, where we were no longer able to hold physical meetings, and this included discussion on the Company pay policy.



We closed certain sites in 2021 across the Components and Packaging divisions. While we deeply regret the impact these proposals had on some of our colleagues, these actions were both necessary and consistent with our strategy to build for the future.

Linking reward to performance

The approach to the annual bonus for Executive Directors for 2021 reflected the significant levels of uncertainty facing the business across the multiple markets in which Essentra operates. Details of the operation of the annual bonus for 2021 can be found on page 117 of this Report.

The performance of the business overall improved during 2021, and this is reflected in the annual bonus outcomes. There was a strong performance in Components and Filters, despite ongoing global supply chain issues. Packaging was impacted by slower than expected recovery in volumes, coupled with global supply chain challenges. The availability and cost of raw materials, especially in the US had a particular impact. However, we expect global healthcare systems will continue to recover in 2022, given pent-up demand.

Despite the improvements in the performance of the business during 2021, the performance tests for the LTIP awards in that performance cycle did not vest.

The Remuneration Committee reviewed Essentra's overall performance across the full financial year, in addition to the Company's performance against the targets set, in order to determine whether the level of bonus payout was appropriate, reflected the underlying business performance and was aligned to the experience of our shareholders. The Remuneration Committee concluded that the formulaic outcomes of 67% of maximum for the Chief Executive, Paul Forman, and 64% of maximum for the outgoing Chief Financial Officer, Lily Liu, are justified given the performance delivered in challenging circumstances. In line with the Directors' Remuneration Policy, one-half of the annual bonus will be deferred into Essentra shares, with the remainder being paid in cash after the publication of the Group's Audited Annual Results in March 2022.

Linking reward to strategy

Annual bonus for 2022

The table below summarises the KPIs that we are planning to use in the annual bonus for the Executive Directors in 2022. In order to support the process and outcomes of the strategic reviews, an enhanced 40% weighting will be determined by strategic objectives. These objectives will be a mixture of quantitative and qualitative targets directly linked to the successful execution of the strategic reviews and will be robustly assessed by the Remuneration Committee in the context of overall Group performance. In order to maintain a balanced approach to the bonus, the largest element (50%) will reward the underlying financial performance of the business as measured by profit and cash flow. The remaining 10% of the bonus will be determined by environmental and societal targets which include Zero Waste to Landfill targets consistent with our sustainability strategy.

KPI	
Adjusted Operating Profit	40%
Adjusted Operating Cash Flow	10%
Strategic Objectives	40%
Progress against Zero Waste to Landfill	10%

The progress as a business against our objective of Zero Waste to Landfill by 2030 will be reviewed externally and by the Sustainability Committee.

In 2022 we are continuing the approach used for 2021 by using wider annual bonus performance target ranges to reflect the difficulty of setting financial targets in the current economic environment. If appropriate, the Remuneration Committee may take into account the impact of unfolding world events in reviewing performance against the targets at the end of the year. The proportion of bonus paid for achieving threshold performance will be 10%.

LTIP awards to be made in 2022

The table below summarises the KPIs, unchanged from 2021, that we are planning to use in the LTIP in 2022. The Remuneration Committee is satisfied that they will allow a balanced assessment of performance across this transformational three-year period for the Group. Targets for these KPIs relate to the current Group structure and accordingly will be subject to adjustment by the Remuneration Committee following the completion of the strategic reviews.

The awards under the Long-Term Incentive Plan to the Executive Directors will include a measure linked to our progress against our published target for the reduction of greenhouse gas (GHG) emissions. Reducing our carbon footprint is beneficial to the environment and drives reductions in the cost of energy to the business. The emissions targets set are consistent with the stated goal to reduce GHG emissions by 25% from 2019 to 2025. Performance will be reviewed by the Sustainability Committee and externally reviewed.

	LTIP
KPI	
Adjusted EPS	40%
Return on Invested Capital	30%
Total Shareholder Return	20%
Progress in reducing GHG emissions	10%

Executive Director Changes

We announced in November that our CFO, Lily Liu, had decided to leave Essentra and that the Board's intention was to appoint a CFO for the Essentra Components business in due course, underlining the future strategic direction of the Company.

Lily will remain in her role until 30 June 2022 with key responsibilities associated with driving the strategy to become a pure play Components business and working with the Board on the strategic reviews of Filters and Packaging. She will not be entitled to an LTIP award in 2022.

The Remuneration Committee is satisfied that the performance measures in the LTIP will allow a balanced assessment of the performance of the Group, including our progress against GHG reduction targets.

As outlined in the Board Chair's statement, Jack Clarke will replace Lily as CFO with effect from the date of the AGM. His salary will be £350,000, and his pension allowance will be at 5% of salary in line with the UK workforce. The LTIP and annual bonus opportunities will be consistent with his predecessor.

Considering the 2018 UK Corporate Governance Code (the '2018 code')

During the past year the Remuneration Committee has continued to discuss the 2018 Code and its implications for Essentra. As noted last year our remuneration arrangements are already compliant with many of the 2018 Code provisions. The Remuneration Committee is satisfied that the current Policy operated as intended during 2021 and reflected the feedback provided by the shareholders during the consultation process on the Policy.

Remuneration for Executive Directors

The Executive Director salaries were reviewed and the CEOs salary will increase in April 2022 by 4%, in line with the wider UK workforce. No salary review will be implemented for the outgoing CFO.

From 1 April 2021, pension allowances were further reduced to 20% of salary and to 15% of salary for the CEO and outgoing CFO respectively. This continues the phased approach to align pension allowances with the wider workforce by the end of 2022.

> **"During the latter part of 2021 the work of the Remuneration Committee focussed on developing remuneration arrangements that would reward the ongoing success of the business in 2022 whilst supporting the process and outcomes of the strategic review.**
>
> **The Remuneration Committee reviewed Essentra's overall performance across the full financial year, in order to determine whether the level of bonus payout was appropriate."**
>
> **Nicki Demby**
> Remuneration Committee Chair

Remuneration in our wider workforce

The Remuneration Committee continues to consider remuneration in our wider workforce when making decisions that affect our senior executives. The Committee has also discussed a number of broader issues relating to workforce and executive pay. These include feedback received by our Board Employee Champions on employee share plans, merit increases, and the ratio of Chief Executive pay to that of our other employees. These topics are reflected in the approach to reward across the workforce.

Changes to the Remuneration Committee

At the AGM in May 2021, Tommy Breen left the Remuneration Committee when he left the Board. I valued Tommy as a member of the Committee and I convey my thanks to him for his thoughtful contributions.

At the AGM in May 2022, Ralf Wunderlich will become Chair of the Remuneration Committee. Dupsy Abiola will also join the Remuneration Committee when she becomes a member of the Board. I would like to thank all of my fellow members of the Remuneration Committee for all of their valuable insights and contributions. The Committee has worked very effectively during my time as Chair of the Committee and I have enjoyed their support.

Conclusion

Essentra is committed to emerging stronger from the pandemic. It is important that we maintain flexibility in our approach to remuneration so that we can remain agile in a rapidly changing world. I hope that you will find this report to be clear and helpful in understanding our remuneration practices and that you will support the resolution on the Annual Remuneration Report at the 2022 AGM. As ever, the Remuneration Committee welcomes any questions or comments from shareholders.

I am grateful to the Board Chair and my colleagues for their professional guidance and support in making responsible decisions on remuneration.

NA Demby

Nicki Demby
Non-Executive Director
Remuneration Committee Chair
18 March 2022

Remuneration at a glance

2021 remuneration structure for Executive Directors.

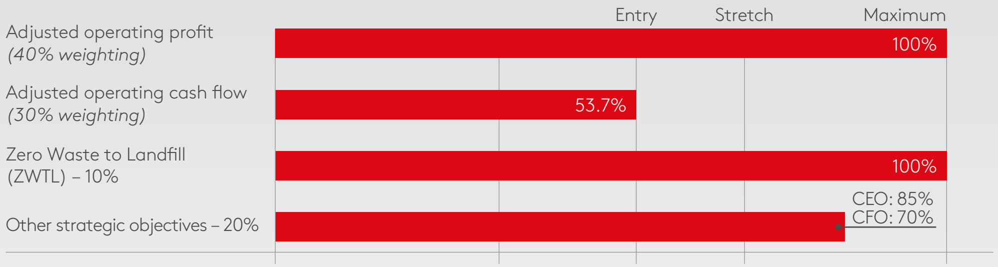
"Long-term incentive programme is centred around value creation for shareholders and rewarding performance both of which are at the heart of our remuneration policy and practices. As we do business in 34 countries, attracting and nurturing a mix of talent with a range of backgrounds, skills and capabilities enables Essentra to thrive."

Nicki Demby
Remuneration Committee Chair

2021 Annual bonus

Overall bonus **CEO: 67%**

Overall bonus **CFO: 64%**

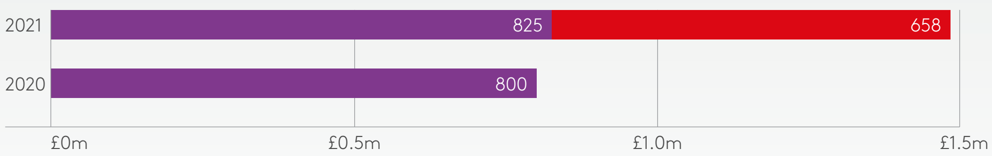


● Performance achieved

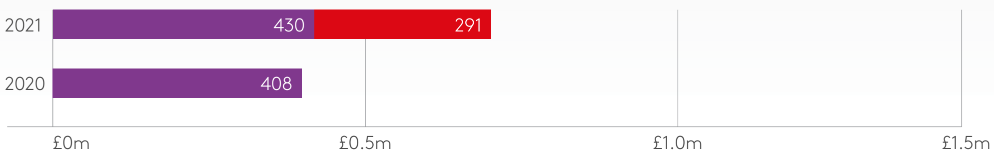
Note: Half of the bonus is paid in cash and half in deferred shares

2021 total remuneration

Paul Forman (£000)



Lily Liu (£000)

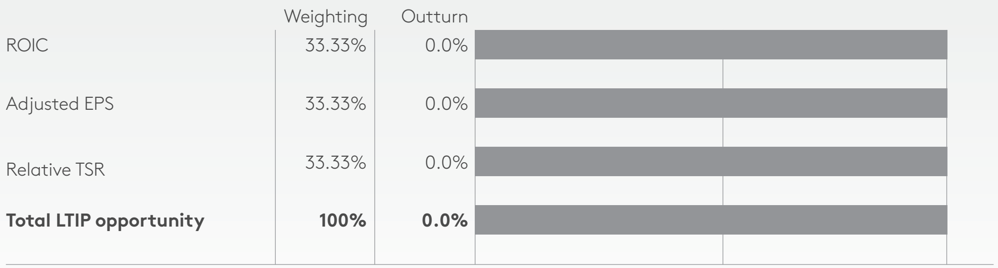


● Fixed pay – salary, benefits, pension allowance

● Performance pay – annual bonus and LTIPs earned in respect of the three year performance period.

Note: Neither the 2019 LTIP performance targets, or the annual bonus performance targets were adjusted for the financial impact of the COVID-19 pandemic
Salaries were voluntarily reduced by 20% for 3 months in 2020
No LTIP was earned in respect of the 2019 – 2021 performance period of the plan

2019 LTIP outcome



Note: As none of the performance targets were met, there was no vesting of shares in relation to the 2019 – 2021 performance period of the plan.

Annual Report on Remuneration

This section of the Remuneration Report will be subject to an advisory vote at the 2022 AGM.

Key activities

Meetings during 2021

Q1 2021

- Approved 2020 annual bonus outturn for Executive Directors and GMC members
- Approved performance measures and targets for the 2021 annual bonus of Executive Directors and GMC members
- Approved the 2018 LTIP outturn for Executive Directors and other senior management
- Approved the 2021 LTIP awards
- Approved the 2021 CEO and CFO Objectives
- Approved the annual salary review for ED's and GMC
- Reviewed 2020 Directors' Remuneration Report for inclusion in the 2021 Annual Report
- Approved the 2021 Sharesave Plan

Q4 2021

- Considered the design of the 2022 annual bonus for Executive Directors and GMC
- Reviewed the draft 2021 Chair Letter for the Directors' Remuneration Report
- Reviewed the Shareholding for Executive Directors
- Reviewed the Remuneration Committee's Terms of Reference

Membership and attendance

Meetings during the year	
Nicki Demby Non-Executive Director	**4 (4)**
Tommy Breen Non-Executive Director	**2 (2)**
Mary Reilly Non-Executive Director	**4 (4)**
Ralf Wunderlich Non-Executive Director	**4 (4)**

Other attendees

During the year, the Board Chair, Chief Executive, Chief Financial Officer, Group Human Resources Director and Director of Reward were invited by the Remuneration Committee to provide views and advice. None participated in discussions regarding their own remuneration.

The board trainee Dupsy Abiola, joined the meetings by invitation as an observer.

The Company Secretary and General Counsel act as Secretary to the Remuneration Committee, with the support of the Head of Governance, both of whom attend all meetings.

The Remuneration Committee continuously monitors and reviews the Company's relationships with its independent advisers.

In addition, services and advice were received from the following independent and expert consultants:

- Deloitte LLP (Deloitte), who are a member of the Remuneration Consultants Group and have signed up to its Code of Conduct, provided advice to the Remuneration Committee on the draft Directors' Remuneration Policy, the 2018 Code, the Company's incentive plans, and on the remuneration of the Executive Directors and other senior executives within the Company. Deloitte were appointed by the Remuneration Committee who review their performance annually, and are content with the continued advice and level of service provided. The Remuneration Committee reviewed the independence of Deloitte in December 2021 and continues to be satisfied with the level of independence. Fees charged for the year under review are £50,200. The fees are charged on a time and expenses basis. Deloitte also provided other remuneration, consulting and tax services to the Company during 2021.
- New Bridge Street, a part of Aon Hewitt, who are a member of the Remuneration Consultants Group and have signed up to its Code of Conduct, provided calculations of the TSR LTIP performance measure. Fees charged for the year are £2,880. The fees are charged on a time and expenses basis. The Remuneration Committee continues to be satisfied with the advice provided and level of independence.

Total Single Figure of Remuneration Table for 2021 (audited)

The remuneration received by Executive Directors for the year ended 31 December 2021 (and the 31 December 2020 comparative) was as follows:

	Year	Salary and fees for the year or from the date of appointment £000[8]	Taxable benefits[1] £000	Cash in lieu of pension[2] £000	Total fixed remuneration £000	Bonus (cash and deferred shares) £000	Long-Term Incentive Plan[3] £000	Other[8] £000	Total variable remuneration £000	Total £000
Executive Directors										
Paul Forman	2021	652	38	135[6]	825	658	0	–	658	1,483
	2020	611[7]	37	152[6]	800	–	–	–	–	800
Lily Liu	2021	359	15	56[6]	430	288	0	3	291	721
	2020	330[7]	14	64[6]	408	–	–	–	–	408
Non-Executive Directors										
Paul Lester	2021	250	–	–	250	–	–	–	–	250
	2020	238[7]	–	–	238	–	–	–	–	238
Tommy Breen[4]	2021	24	–	–	24	–	–	–	–	24
	2020	59[7]	–	–	59	–	–	–	–	59
Mary Reilly	2021	81	–	–	81	–	–	–	–	81
	2020	71[7]	–	–	71	–	–	–	–	71
Ralf Wunderlich[5]	2021	73	–	–	73	–	–	5[10]	5[10]	78
	2020	69[7]	–	–	69	–	–	–	–	69
Nicki Demby	2021	65	–	–	65	–	–	–	–	65
	2020	57[7]	–	–	57	–	–	–	–	57
Adrian Peace[5]	2021	31	–	–	31	–	–	–	–	31
Lorraine Trainer[9]	2020	24			24					24
Totals	2021	1,535	53	191	1,779	946	0	8	954	2,733
Totals	2020	1,459[7]	51	216	1,726	–	–		–	1,726

1 Taxable benefits comprise a car allowance, private medical insurance and life insurance cover.
2 Neither Paul Forman nor Lily Liu are entitled to any benefit under the Essentra Defined Benefit Pension Scheme.
3 The 2019 LTIP lapsed as the minimum performance conditions were not met.
4 Tommy Breen stepped down from the Board in May 2021.
5 Adrian Peace joined Essentra as a NED In June 2021.
6 Paul Forman's pension allowance was reduced to 20% of salary and Lily Liu's pension allowance was reduced to 15% of salary effective 1 April 2021.
7 Due to COVID-19 all Directors had a 20% reduction in salary and fees for three months in 2020.
8 Sharesave grant on 31 March 2021. This figure is the difference between the exercise price and the share price at the date of grant.
9 Lorraine Trainer stepped down from the Board in May 2020 at the AGM.
10 Travel allowance under the Travel Policy.

CEO pay ratio (unaudited)

This is the third year that we are publishing our CEO pay ratio. We have elected to continue to follow Option A of the regulations, and to calculate the ratios using the full-time equivalent pay and benefits for all UK employees in respect of 2021. We have chosen Option A as this provides a more accurate reflection of the Chief Executive's pay in relation to the wider UK population. Salary for the UK workforce is at 31 December 2021.

	25th Percentile	50th Percentile	75th Percentile
Salary	£ 20,294	£ 26,215	£ 41,014
Total pay	£ 21,874	£ 27,687	£ 44,145
FY 2021	68:1	54:1	34:1
FY 2020	38:1	30:1	19:1
FY 2019	67:1	50:1	36:1

The salary for the employees at the above percentiles are typical salaries for operational roles in our factories and sites. The roles at these quartiles are a Rewind Inspector, Slitting Crew Member and Modern Workplace Specialist. The majority of remuneration for these roles is fixed rather than performance linked. The ratios are calculated based on the total remuneration payable to the Chief Executive in respect of 2021, as set out in the Single Figure Table above. The Company believes the median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees.

The CEO pay ratio for 2021, has increased to 54:1 at the median. This reflects the payment of a 2021 bonus for the Chief executive, and the three months salary reduction that the CEO voluntarily agreed to in 2020 to help fund the furlough payments for our employees globally.

The CEO pay ratio will fluctuate year-on-year, reflecting the higher proportion of variable remuneration that the Chief Executive may receive relative to other employees, the value of which is dependent on Essentra's performance and share price movements. As a result, the Remuneration Committee does not believe it is appropriate to target a specific CEO pay ratio. However, the Committee will annually assess whether the year-on-year movement in the ratio is consistent with Company performance and employee reward decisions.

Annual bonus (audited)

Under the terms of the annual bonus arrangements for 2021, Paul Forman was entitled to a potential maximum bonus of up to 150% of basic salary and Lily Liu of up to 125% of basic salary. Bonus payments are made one-half in cash and one-half in shares deferred. There are no further performance conditions related to this deferral.

For the year ended 31 December 2021, the performance measures for the Executive Directors were Adjusted Operating Profit (40%), Adjusted Operating Cash Flow (30%) and Strategic Objectives (30%). No bonuses are payable unless "Satisfactory" performance of the Adjusted Operating Profit was achieved, as agreed by the Committee.

2021 Annual Bonus Outturn

Performance measure	Weighting	Entry performance[1]	Stretch performance[1]	Maximum performance[1]	Actual performance	% of this element of bonus payable
Adjusted Operating Profit	40%	£70.8m	£83.3m	£87.5m	£88.3m[2]	100%
Adjusted Operating Cash Flow	30%	£65.4m	£76.6m	£80.4m	£55.7m[2]	0%
Zero Waste to Landfill (ZWTL) – number of production sites achieving ZWTL[4]	10%	18	21	–	22	100%
Other strategic objectives	20%	Details in analysis below				CEO – 85% CFO – 70%
Total bonus						**CEO – 67%** **CFO – 64%**

1 In 2021, 10% of the relevant portion of the bonus was payable for achieving Entry performance. This is a reduction on the 2020 annual bonus that paid 20% of the relevant portion of the bonus at Entry performance. 70% and 100% of the relevant portion of the bonus was payable for achieving Stretch and Maximum performance respectively. The cost of the 2021 bonus was budgeted up to 50% of maximum.

2 The 2021 Adjusted Operating Profit outturn is £83.9m at actual rates (£88.3m at Plan rates). The 2021 adjusted operating cash flow target was set at Plan rates and excludes the impact of the change in accounting policy relating to software as a service ("SaaS") customisation and configuration costs. The outturn is measured on the same basis. The difference between the Plan and the actual rates is due to significant foreign exchange movement during the year. This meant that the Group has had to perform better than 3

3 Plan in order to compensate for the adverse foreign exchange movements in the year.

4 Success is defined as a site maintaining at least one quarter of the year with ZWTL before year-end with achievement also maintained through to year-end unless there is an exceptional event. The Sustainability Committee reviews achievement against the targets and provides the Remuneration Committee with the outcome for bonus purposes, following external review.

The Remuneration Committee gave careful consideration to the formulaic outturn of the annual bonus in light of overall financial performance and the experience of our various stakeholders during the year. The Committee noted that 2021 saw a strong financial performance, with the Group Operating Profit result at the top end of the range of analysts' forecasts, which demonstrated the effective mitigation of supply chain disruption and cost inflation through increased pricing activities and cost saving programmes. It also noted the continued progress in all areas of ESG, in particular against sustainability targets, and the Group's strengthened strategic direction. Following this review, the Committee concluded that the formulaic outturn was appropriate.

Paul Forman: Personal and Strategic Objectives 2021

Personal and Strategic Objectives Set	Achievement	Actual score
Packaging – deliver 3C! 2021 business plan as per acquisition case	The business plan largely tracked to half year. It was missed in the second half of the year as a result of labour shortages and COVID-19	3/5
Packaging – achieve Q4 OP margin of 8%+	Achieved	5/5
Deliver post COVID operating model, as per Vision 2023 programme	Achieved the high-level design work and the agreement on implementation principles. Project superseded by strategic reviews. Footprint changes in all 3 divisions were achieved as planned	5/5
Continue to optimise portfolio through M&A pipeline activity	Achieved with more acquisition targets in £50m to £100m category. In Q4, this was superseded by the strategic reviews	4/5

Lily Liu: Personal and Strategic Objectives 2021

Personal and Strategic Objectives Set	Achievement	Actual score
Maintain efficient and robust balance sheet for Group amid global uncertainties, with leverage ratio within 1x to 2x, with minimum liquidity at £230m	Two rounds of external funding successfully completed in 2021, liquidity maintained throughout the year and leverage well inside of the range	5/5
Deliver post COVID operating model, as per Vision 2023 programme (in particular the future Finance operating model; and ensure the newly formulated tax and treasury team works effectively)	Achieved the high-level design work and the agreement on implementation principles. Project superseded by strategic reviews	5/5
Continue to optimise portfolio through M&A pipeline activity	Achieved with more acquisition targets in £50m to £100m category. In Q4, this was superseded by the strategic reviews	4/5
Support Components BPR rollout, and continue to drive Finance process standardisation and efficiency	Finance and procurement processes are working, however overall BPR time table delayed	0/5

LTIP awards (audited)

Performance conditions for LTIP awards made in 2019

Condition	Threshold (25% Vesting)	Maximum	Actual outturn	Vesting
3 year Relative TSR v FTSE250 (exc investment trusts) (33.33%)	Median	Upper quartile	below median	0%
3 year Compound Annual Growth in Adjusted EPS 2019 – 2021 (33.33%)	5%	12%	-7.4%	0%
3 year Return on Invested Capital (33.33%)	9.5%	14.5%	9.1%	0%

Despite the improvements in the performance of the business during 2021, the performance tests for the LTIP awards in that performance cycle did not vest.

At the conclusion of the performance period, the Remuneration Committee discussed whether any discretion should be applied to the formulaic outturn of the LTIP. In conclusion, the Committee was comfortable that the formulaic vesting outturn of 0% of maximum was fair and reasonable, and was satisfied that adjusting for M&A activity during the three year performance period would make no difference to the formulaic outturn.

Equity incentives (audited)

Details of the awards granted and outstanding during the year to the Executive Directors under the LTIP and DASB are as follows:

	Date of grant	At 1 Jan 2021	Awarded in 2021	Exercised/ transferred in 2021	Lapsed in 2021	At 31 Dec 2021	Share price at date of grant	Earliest vesting date	Expiry date
Paul Forman									
LTIP[1]	6 Apr 18	292,877	–	–	292,877	–	426.8p	6 Apr 21	6 Apr 24
LTIP[1]	13 Aug 19	321,241	–	–	–	321,241	400.4p	15 Aug 22	13 Aug 25
LTIP[1]	31 Mar 21[3]	–	440,799	–	–	440,799	291.8p	31 Mar 24	31 Mar 27
DASB	29 Mar 18	52,059	5,452[4]	57,511	–	–	432.2p	1 Mar 21	1 Mar 21
DASB	29 Mar 19	74,342	–	–	–	74,342	413.0p	1 Mar 22	1 Mar 22
DASB	30 Mar 20	56,840	–	–	–	56,840	253.4p	1 Mar 23	1 Mar 23
Lily Liu									
LTIP1	13 Aug 19	205,594	–	–	205,594	–	400.4p	15 Aug 22	13 Aug 25
LTIP[1]	31 Mar 21[3]	–	181,962	–		181,962	291.8p	31 Mar 24	31 Mar 27
DASB	30 Mar 20	22,642	–	–	–	22,642	253.4p	1 Mar 23	1 Mar 23

1 Subject to a two-year holding period post vesting.
2 No bonus paid for 2020 performance year
3 No LTIP was granted in 2020
4 Dividend uplift

A total of 1,744,055 (2020: 174,389) share incentive awards were granted during the year ended 31 December 2021 to Executive Directors and other senior executives on the GMC, relating only to the LTIP award.

Performance share awards granted during the year (audited)

The following performance share awards were granted to Executive Directors on 31 March 2021.

Executive	Type of award	Number of awards granted	Share price used to determine award	Face value	Percentage which vests at threshold
Paul Forman	Performance share	440,799	291.8p	£1,286,251 (200% of salary)	25%
Lily Liu	Performance share	181,962	291.8p	£530,965 (150% of salary)	25%

Face value is based on the mid-market closing share price on the day preceding the grant ie 31 March 2021. The performance period for these awards is three financial years to 31 December 2023 plus an additional two-year holding period following vesting.

Performance conditions for LTIP awards made in 2021 (audited)

	Condition definition	Threshold	Maximum
Relative TSR (20% of the total award)	TSR measured against a comparator group of the FTSE 250 index over the three years from date of grant	If median rank is achieved, 25% of the TSR element vests	If upper quartile rank is achieved, 100% of the TSR element vests
EPS (40% of the total award)	Adjusted EPS	5% for 25% of the EPS element to vest	13% for 100% of the EPS element to vest
Return on Invested Capital (30% of the total award)		8.5% for 25% of the Return On Invested Capital to vest	14.5% for 100% of the Operating Cash Flow element to vest
Green House Gases (GHG)10%		A reduction of 10% – 15% by 2023	

Directors' shareholdings (audited)

The beneficial interests of the current Directors in office and their connected persons during the year, in the issued ordinary share capital of the Company were as follows:

There have been no changes in the Directors' interests between 31 December 2021 and the date of this Report.

	Beneficially owned		LTIP		DASB		SAYE
	31 Dec 2020	31 Dec 2021	Vested	Unvested	Vested	Unvested	Unvested
Executive Directors							
Paul Forman	308,461	369,326		762,040	57,511[4]	131,182[1]	0
Lily Liu	22,642	22,642	–	387,556	-	22,642	7,258
Non-Executive Directors							
Paul Lester	11,346	21,346	–	–	–	–	–
Tommy Breen	13,846	–[3]	–	–	–	–	–
Ralf Wunderlich	170,230	170,230	–	–	–	–	–
Mary Reilly	9,423	14,423	–	–	–	–	–
Nicki Demby	2,673	12,673	–	–	–	–	–
Adrian Peace[2]	–	–	–	–	–	–	–

1 Consists of two grants. One made in 2019 of 74,342 and another in 2020 of 56,840.
2 Adrian has been unable to purchase shares because he's been on an insider list since joining.
3 Stepped down from the board on 20 May 2021.
4 Unexercised as required to be held for a further 2 years.

Paul Forman and Lily Liu are required to build up a shareholding worth 300% and 200% of salary respectively. Beneficially owned shares include the unvested DASB awards and shares held directly. The shareholding guidelines are to be achieved up by retaining 50% of post-tax vested shares from the date of approval of this Policy.

Current holdings as a percentage of salary are 264% for Paul Forman and 40.2% for Lily Liu.

Salary used is the prevailing annual salary as at 31 December 2021.

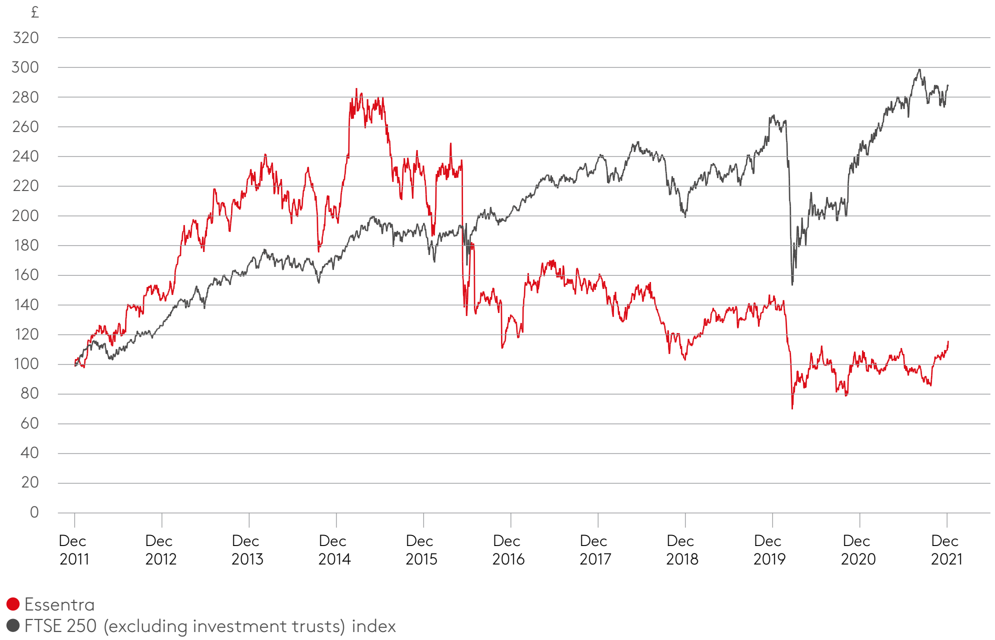
The Executive Directors are regarded as being interested in 776,585 (2020: 1,084,091) ordinary shares in Essentra plc that are to be held by the Essentra Employee Benefit Trust (EBT) as they are, together with other Essentra employees, potential beneficiaries of the EBT.

As at 31 December 2021, potential and actual share issuance through employee related share plans totalled 2.17%, which is well below UK institutional shareholder limits of 10% of the Company's issued share capital.

Performance graph (unaudited)

The graph below represents the comparative Total Shareholder Return (TSR) performance of the Company versus the FTSE 250 (excluding investment trusts) index for the last ten years. This index has been selected as it is considered the most appropriate published general index in which the Company is a constituent.

This graph shows the value, by 31 December 2021, of £100 invested in Essentra on 31 December 2011, compared with the value of £100 invested in the FTSE 250 (excl. Investment Trusts) Index. The other points plotted are the values at intervening financial year-ends.



Chief Executive remuneration table (unaudited)

	Colin Day					Paul Forman				
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total remuneration (£000)	1,570	3,824	5,661	2,281	876	1,267	1,420	1,296	800	1,483
Annual bonus (% maximum)	100	100	60	46.2	0	48	64.2	30.2	0	67
LTIP vesting (% maximum)	n/a	100	100	50	0	0	0	13.5	0	0

Colin Day retired as Chief Executive on 31 December 2016 and Paul Forman was appointed as Chief Executive on 1 January 2017.

Year-on-year change in pay for Directors compared to the average of employees (unaudited)

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which implement Articles 9a and 9b of the European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive), the table below shows the percentage change in Directors' remuneration and average remuneration of employees from the year ended 31 December 2020 to the year ended 31 December 2021 plus the prior year comparative. Given the small number of people employed by the Essentra plc entity, data for all employees of the Essentra Group has been included.

2021	Average employee[1]	Paul Forman	Lily Liu	Paul Lester	Tommy Breen	Ralf Wunderlich	Mary Reilly	Nicki Demby	Adrian Peace	Lorraine Trainer
Salary / Fees	+4.6%	+6.3%[3]	+8.1%[3]	+4.8%	-59.3%	+5.5%	+12.3%	+12.3%	n/a	n/a
Benefits	-14.6%	-9.0%	-9.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bonus	-7.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2020										
Salary / Fees	+1.7%	-4.3%	+0.9%	-4.8%	-3.3%	+21%	-7.8%	+90%	n/a	-62.5%
Benefits	+4.7%	0%	-57.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bonus	-73.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1 The average employee salary is based on all global employees. The average employee benefits and bonus are based on employees located in the UK and USA. The differing approach reflects the information held in global systems.
2 NEDs did not receive an increase in fees. The perceived increase is based on the reduction in fees in 2020 and this is reflective of the re-enstatement of their fees.
3 The % increase in salary for the EDs reflects the reduction in salary in 2020.

Relative importance of spend on pay (unaudited)

	2021 £m	2020 £m	% change
Staff costs[1]	286.6	271.8	5.4
Distributions to shareholders	16.0	–	n/a
Revenue – total[2]	959.7	896.5	7.0
Adjusted Operating Profit – total[2]	83.9	62.3[3]	34.7

1 Staff costs are as per note 5 of the Financial Statements.
2 Revenue and Adjusted Operating Profit included in this analysis as indicators of Group performance.
3 Restatement due to a change in accounting policy in accordance with IAS8 Accounting Policies.

Payment to past Directors or for loss of office (audited)

There were no payments to past Directors or payments to Directors for loss of office in respect of 2021.

Executive Director Contracts and NED letters of Appointment

The Executive Directors have open-ended contracts containing 12 months notice periods with their reappointment being confirmed annually at the AGM.

The Chair and Non-Executive Directors do not have service contracts, instead they have letters of appointment for an initial period of 3 years which may be terminated at 3 months' notice.

Implementation of Remuneration Policy for 2022 (unaudited)

When considering the implementation of the policy for 2022, the Committee was mindful of the 2018 Code and considers that the executive remuneration framework appropriately addresses the following factors:

Clarity	We provide open and transparent disclosures both internally and externally in relation to our executive remuneration arrangements.
Simplicity	Variable remuneration arrangements for our executives and our wider workforce are simple in nature with individuals eligible for a bonus and, at more senior levels, a single long-term incentive plan. These are well understood by both participants and shareholders.
Predictability	Our executive remuneration framework contains maximum opportunity levels for each component of remuneration with variable incentive outcomes varying depending on the level of performance achieved against specific measures.
Alignment to culture	The performance measures used for annual bonus and LTIP awards are KPIs that drive behaviours that are closely aligned to our strategy and Company values. Including a greenhouse gas (GHG) emissions measure and a reduction of waste to landfill target.
Proportionality and risk	The Committee believes that our variable pay structures provide a fair and proportionate link between Company performance and reward. In particular, the use for Executive Directors of annual bonus deferral, LTIP holding periods and shareholding requirements provide a clear link to the ongoing performance of the Company and therefore long-term alignment with stakeholders. For example, under the proposed Directors' Remuneration Policy, the shareholding guideline for Executive Directors continues two years after leaving Essentra. We are also satisfied that the variable pay structures do not encourage inappropriate risk-taking. Notwithstanding this, the Committee retains an overriding discretion that allows it to adjust formulaic outcomes from incentive plans so as to guard against disproportionate out-turns. Malus and clawback provisions also apply to both the annual bonus and LTIP.

Salary

Basic salary for each Executive Director is determined by the Remuneration Committee, taking into account the role, responsibilities, performance, experience of the individual and market movement. Any salary change is normally effective in April each year.

Salary increase for the CEO is in line with the level of increase given to the wider workforce at 4%.

	Paul Forman £	Lily Liu £	Jack Clarke £
Annual salary effective from 1 April 2022	681,559	360,700	350,000
Annual salary effective from 1 April 2021	655,345	360,700	–

1. Effective from 2022 AGM.

Benefits

Executive Directors are provided with the following benefits:

- car allowance
- private medical insurance with family level cover
- life assurance cover of four times basic salary.

Pension

From 1 April 2021, pension allowances were further reduced to 20% and 15% of salary respectively for Paul Forman and Lily Liu. This continues the phased approach to align with the wider UK workforce by the end of 2022.

Jack Clarke's pension allowance will be 5% of salary, in line with the wider UK workforce.

2022 Annual bonus

Under the terms of the annual bonus arrangements for 2022, the CEO is potentially entitled to a maximum bonus of up to 150% of basic salary and the CFO is potentially entitled to a maximum bonus of up to 125% of basic salary, pro-rated for the period of employment.

A strategic review of the Filters business was announced in October 2021 and of the Packaging business was announced in November 2021. In view of those announcements the Remuneration Committee has reviewed the approach to the Annual Bonus for the Executive Directors for 2022, to provide a balanced approach within the existing Policy as explained in the Chair's letter. One half of the Annual Bonus will reward the delivery of Adjusted Operating Profit (40%) and Adjusted Operating Cash Flow (10%) in the year. The other half of the Annual Bonus will reward the delivery of the strategic reviews (40%) and environmental and societal targets including Zero Waste to Landfill (10%).

Measures	2021 Weighting (%)	2022 Weighting (%)
Adjusted Operating Profit	40%	40%
Adjusted Operating Cash Flow	30%	10%
Strategic Objectives	20%	40%
Environmental and societal targets including Zero Waste to Landfill	10%	10%

In 2022, there will be no bonus payable unless the Remuneration Committee determines that the Company's 2022 financial performance is satisfactory. For achieving threshold Adjusted Operating Profit and Adjusted Operating Cash Flow, 10% of the relevant portion of the bonus will be payable. Progress against environmental and societal targets including Zero Waste to Landfill will be reviewed by the Sustainability Committee.

Targets are considered to be commercially sensitive so will be disclosed retrospectively in next year's Remuneration Report.

2022 LTIP

An award granted under the LTIP consists of a conditional right to receive shares in the Company, subject to satisfaction of performance conditions over a three-year period. An additional two-year holding period applies. Malus and clawback provisions also apply to LTIP awards for three years from vesting.

The following LTIP awards are intended to be granted to the CEO and incoming CFO during 2022. No LTIP award will be made for the outgoing CFO.

The targets set out below relate to the current Group structure and accordingly are subject to adjustment by the Remuneration Committee following the completion of the strategic reviews outlined in the Company Chair's statement.

Condition	Paul Forman	Jack Clarke
LTIP awards as a percentage of salary	200%	150%

Condition	Threshold (25% Vesting)	Maximum
Compound Annual Growth in Adjusted EPS[2] (40%)	5%	13%
ROIC[2] (30%)	8.5%	14.5%
Relative TSR v FTSE250[1] (20%)	Median	Upper quartile
Reduction in GHG Emissions[3] (10%)	10%	15%

1 FTSE 250 excluding companies in the following industries: basic materials, energy, financial services, real estate, utilities and travel and leisure.
2 Adjusted EPS and ROIC are subject to adjustment from portfolio management/changes.
3 Externally audited Scope 1 and 2 GHG emissions consistent with our publicly stated commitment to be carbon neutral by 2040, and an interim reduction of 25% by 2025 relative to a 2019 baseline.

Non-Executive Director fees

The fees for the Company Chair are set by the Remuneration Committee, while fees for the Non-Executive Directors are determined by the Chief Executive and the Company Chair.

There will be no change to Non-Executive Directors' fees in 2022. No individual was present for the discussion related to their fees.

Annual fee effective	Chair	Non-Executive Director	Additional fee for Senior Independent Director	Additional fee for Audit and Remuneration Committee chairs	Additional fee for Sustainability Committee chair	Additional fee for Employee Champions
From 1 October 2019	£250,000	£52,000	£10,000	£13,000	£11,000	£10,000

Outside appointments (unaudited)

Paul Forman is the Senior Independent Director of Tate & Lyle plc. Paul received and retained fees of £78,800 in respect of this directorship during 2021.

Lily Liu is a Non-Executive Director of DCC plc. Lily received and retained fees of €37,881 in respect of this directorship during 2021.

Statement of shareholder voting (unaudited)

The results of shareholder voting in relation to the approval of the 2020 Directors' Remuneration Report and the Directors' Remuneration Policy Report at the 2021 AGM were as follows:

	Annual Report on Remuneration (2021 AGM)		Remuneration Policy Report (2021 AGM)	
	No. of votes	%	No. of votes	%
Votes cast in favour	271,308,808	99.85	255,799,845	94.14
Votes cast against	412,854	0.15	15,919,880	5.86
Total votes cast	271,721,662		271,719,725	
Abstentions	198,603		5,915	–

The Directors' Remuneration Policy Report

The Directors' Remuneration Policy ("the Policy Report") sets out the policies under which the Executive and Non-Executive Directors are remunerated. The Policy Report is designed to be in full compliance with the requirements of the large and medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code as issued by the Financial Reporting Council and the Listing Rules.

The current Directors' Remuneration Policy was approved by our shareholders at the AGM on 20 May 2021 following shareholder consultations. A summary of the Policy Report is set out below and the full version can be downloaded from www.essentraplc.com/investors/corporate-governance/remuneration-committee.

Summary of 2021 Policy Report

The Remuneration Committee structures Executive Director remuneration in two distinct parts: (i) fixed remuneration of basic salary, pension and benefits; and (ii) variable performance-related remuneration in the form of cash bonuses, deferred share bonuses and long-term incentive arrangements.

Remuneration for Executive Directors is structured so that the variable performance-related pay element forms a significant portion of the remuneration opportunity. The majority of total remuneration at the maximum performance level will derive from the Company's long-term incentive arrangements. All incentives are designed to be aligned to the delivery of Essentra's strategic priorities.

Basic salary

Purpose and link to strategy

To reflect the particular skills and experience of an individual and to provide a competitive basic salary

Operation

Generally reviewed annually with any increase normally taking effect from 1 April, although the Remuneration Committee may award increases at other times of the year if it considers it appropriate.

The review takes into consideration a number of factors, including (but not limited to):

- the individual Director's role, experience and performance
- business performance
- pay and conditions elsewhere in the Group
- market data for comparable roles in appropriate pay comparators.

Opportunity

No absolute maximum has been set for Executive Director base salaries.

Any annual increase in salaries is at the discretion of the Committee taking into account the factors stated in this table and the following principles:

- salaries would typically be increased at a rate consistent with the average salary increase (in percentage of salary terms) for the relevant workforce
- larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group)
- larger increases may also be considered appropriate if a Director has been initially appointed to the Board at a lower than typical salary.

Performance measure

Not applicable.

Bonus

Purpose and link to strategy

To ensure the delivery of Company performance related objectives, aid retention and to align Directors' interests with those of the Company's shareholders.

Operation

One half of the total bonus is generally paid in cash shortly after the announcement of the annual results.

The other half is generally deferred into shares in the Deferred Annual Share Bonus ("the DASB") which will normally vest after three years subject to continued service.

Performance is assessed against measures and targets which are established by the Remuneration Committee. As performance increases so does the percentage payable up to the maximum.

The bonus is subject to malus and clawback provisions for a period of three years following the determination of the bonus. Circumstances in which these provisions could be applied by the Remuneration Committee are material misstatement in the Company's Financial Statements, error in assessing the performance conditions, serious misconduct by an individual, business failure or serious reputational damage to the Company or a relevant business unit.

An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).

Opportunity

Up to 150% of basic salary.

Performance measure

The bonus will be based on performance using appropriate financial, strategic and individual performance measures.

The majority of the bonus will normally be determined by measure(s) of the Company's financial performance. The remainder of the bonus will be based on financial, strategic, ESG, operational or other suitable business measures appropriate to the individual Director.

No more than 20% of each financial measure will vest at threshold performance.

Long-Term Incentive Plan (LTIP)

Purpose and link to strategy

To drive the long-term delivery of the Company's strategic objectives, aid retention and to align Directors' interests with those of the Company's shareholders.

Operation

An annual grant of performance share awards usually with a three-year performance and additional two-year holding period.

Awards are subject to the LTIP plan rules, including malus and clawback provisions for a period of three years following the vesting of the awards. Circumstances in which these provisions could be applied by the Remuneration Committee are material misstatement in the Company's Financial Statements, error in assessing the performance conditions, serious misconduct by an individual, business failure or serious reputational damage to the Company or a relevant business unit.

An additional payment (in the form of cash or shares) may be made in respect of shares which vest under LTIP awards to reflect the value of dividends which would have been paid on those shares during the period up to the release of the shares (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).

Opportunity

An award to any Executive Director would be limited to a maximum of 300% of salary.

Performance measure

Vesting will be subject to performance conditions as determined by the Remuneration Committee on an annual basis.

The performance conditions will usually be some combination of relative TSR, adjusted EPS, adjusted cumulative operating cash flow, ESG and a capital return measure although the Remuneration Committee will retain discretion to include alternative performance measures which are aligned to the corporate strategy.

The Remuneration Committee may adjust the weightings of the performance conditions for each award although usually each condition would have a weighting in the range of 10% to 40% of the award.

Performance will usually be measured over a three-year period.

Up to 25% of each element vests at threshold performance, usually rising on a straight-line basis for performance up to the maximum level for full payment. If below threshold performance, that element of the award will not vest.

Employment and Post-Employment Shareholding guideline

Purpose and link to strategy

To align the interests of Executive Directors and shareholders, encourage a focus on long-term performance and risk management.

Operation

Whilst in-employment, Executives Directors are expected to build up a shareholding worth 300% of salary for the Chief Executive and 200% for the Chief Finance Officer. The shareholding guidelines are to be built up by retaining 50% of post-tax vested shares from the date of approval of this Policy.

The Remuneration Committee will review progress towards the guidelines on an annual basis and has the discretion to adjust the guidelines in what it feels are appropriate circumstances.

Executive Directors will also be expected to remain compliant with the above guideline for a period of two years post-employment. This guideline applies from the date of adoption of the Policy at the 2021 AGM. The Committee would retain discretion to waive this guideline if it is not considered appropriate in the specific circumstances.

Non-Executive Directors are encouraged to hold a minimum of 7,500 shares.

Opportunity

Not applicable.

Performance measure

Not applicable.

All Employee Plans – Sharesave

Purpose and link to strategy

To create alignment of employees' interests with those of shareholders.

Operation

Under the UK Sharesave, employees (including Executive Directors) are invited to enter a savings contract of three years or five years, whereby the proceeds can be used towards the exercise of an option granted at the time they choose to participate. The Remuneration Committee has the discretion to set the option price up to a 20% discount on the share price at the time employees are invited to participate.

An equivalent US plan is operated aligned to the UK plan where possible.

Opportunity

For the UK plan, shares worth up to the value of the savings an Executive Director agrees to make over the saving period at the previously agreed option price. The savings amount is subject to the HMRC limit, currently £500 per month.

The US Plan is limited to the monthly dollar equivalent of the UK Sharesave plan and an option price of up to a 15% discount.

Performance measure

The Remuneration Committee agrees the annual discount to be applied to the Sharesave schemes.

No performance conditions apply to All Employee Plans.

Pension

Purpose and link to strategy

To provide cost-effective long-term benefits comparable with similar roles in similar companies.

Operation

A contribution to a defined contribution plan or paid as a cash supplement.

Opportunity

Any future Executive Director appointment will have a pension provision in line with the relevant workforce.

The pension provision for the current Executive Directors will continue to be phased down to align with the relevant workforce by the end of 2022.

With effect from 1 April 2021, we reduced pension allowances to 20% and 15% of salary respectively for the CEO and CFO. The pension allowances will be further reviewed in 2022.

Performance measure

Not applicable.

Other benefits

Purpose and link to strategy

To provide cost-effective benefits comparable with similar roles in similar companies.

Operation

Other benefits include family medical expenses, life insurance, and car allowance.

The Remuneration Committee may vary these benefits from time to time to suit business needs, but they will be provided on broadly similar terms to those offered to other Group employees.

Executive Directors are entitled to reimbursement of reasonable expenses.

Opportunity

There is no overall maximum as the level of benefits depends on the annual cost of providing individual benefits in the relevant local market and the individual's specific role.

Performance measure

Not applicable.

Chair and Non-Executive Directors – Fees

Purpose and link to strategy

To attract a high-calibre Chair and Non-Executive Directors with the relevant experience and skills.

Operation

A basic fee is payable to the Chair and Non-Executive Directors with supplementary fees for those NED's with additional responsibilities, such as acting as Senior Independent Director, chairing a Board Committee, an additional defined role such as a Board Employee Champion or for a significantly increased time commitment.

Additional payments may be made to Non-Executive Directors for time spent travelling on Company business.

Fees are reviewed periodically with reference to market levels in companies of a comparable size, complexity and taking account of the responsibilities and time commitment of each role.

The Chair and the Non-Executive Directors do not participate in the Group's incentive arrangements or pension plan or receive any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case the Chair or a Non-Executive Director may receive the grossed-up costs of travel as a benefit.

The Chair and Non-Executive Directors are entitled to reimbursement of reasonable expenses.

Opportunity

Fees for the current year are stated in the Annual Report on Remuneration.

Fee increases may be greater than those of the wider workforce in any particular year as they reflect changes to responsibilities and time commitments and the periodic nature of any increases.

Performance measure

Not applicable.

This Report of the Remuneration Committee has been approved by the Board.

By order of

NA Demby

Nicki Demby
Non-Executive Director
Remuneration Committee Chair
18 March 2022

Other statutory information

The Directors present their Report prepared in accordance with the Companies Act 2006, which requires the Company to provide a fair review of the business of the Group during the financial year ended 31 December 2021 and audited Financial Statements of the Company and its subsidiary undertakings for the year ended 31 December 2021. The Company's Registered Office is Langford Locks, Kidlington, Oxford, OX5 1HX.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4 is set out in the Directors' Report.

The Directors' Report comprises pages 80 to 139, and where information has been included in the Strategic Report sections of the Annual Report this has been incorporated by reference are as set out below:

Results and dividends

The profit on ordinary activities after taxation of the total Group for the year ended 31 December 2021 was £28.3m (2020: loss £1.5m).

As at 18 March 2022, the Company has paid the following dividend in respect of the year ended 31 December 2021.

	Per share p	Total £m
Interim dividend paid 29 October 2021	2.0	6.0

The Directors recommend that a final dividend of 4.0p per share be paid, making a total dividend distribution for the year of 6.0p (2020: 3.3p).

The final dividend, subject to shareholders approval at the AGM, will be paid on 1 June 2022 to shareholders on the register on 22 April 2022.

Directors

As at 31 December 2021 and the date of the Report, the Board of Directors comprised:

Paul Lester	Non-Executive Chair
Paul Forman	Chief Executive
Lily Liu	Chief Financial Officer
Nicki Demby	Non-Executive Director
Mary Reilly	Non-Executive Director
Ralf Wunderlich	Non-Executive Director
Adrian Peace	Non-Executive Director

The Company requires all Directors appointed since the last AGM to be elected at the following AGM and for all other directors to be re-elected at each AGM.

Nicki Demby has confirmed that she will retire from the Board from the close of the 2022 AGM and will not stand for re-election.

Lily Liu has also confirmed she will be stepping down from the Board, and therefore will not stand for re-election at the AGM.

Jack Clarke, our new CFO, appointed on 4 April 2022 as CFO delegate, will stand for election at the 2022 AGM, and if elected, he will also become a Director of the Company.

Adrian Peace was appointed as a Non-Executive Director with effect from 28 June 2021, and will therefore stand for election at the 2022 AGM.

Dupsy Abiola was appointed as a Non-Executive Director, with effect from 18 March 2022, and will therefore stand for election at the 2022 AGM.

None of the Non-Executive Directors have service contracts. In accordance with the Company's Conflict of Interests policy, Directors are required to review their potential conflict of interests at least on an annual basis and to notify any changes to the Company Secretary and General Counsel as soon as possible. During 2021 the current register was approved at each Board meeting and no material conflicts of interest were identified during the year.

At no time during the year has any Director had any material interest in a contract with the Group, being a contract of significance in relation to the Group's business. A statement of Directors' interests in shares of the Company as at 31 December 2021 and as at the date of this Report is shown on page 123.

* See the note on accounting policies for further details of the prior year restatement

Share capital

The issued share capital of the Company is shown in note 20 of the Notes to the Financial Statements.

On 31 December 2021, there were 302,590,708 ordinary shares of 25p each in issue. There were 905,157 ordinary shares of 25p each held in treasury. The rights and obligations attaching to the Company's ordinary shares, and the provisions governing the appointment and replacement of, as well as the powers of, the Company's Directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company, except, in the case of transfers of securities:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws)
- whereby, pursuant to the Listing Rules of the Financial Conduct Authority, certain employees of the Company require approval of the Company to deal in the Company's ordinary shares

No persons hold securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders.

As a policy, we do not have any anti-takeover devices that would limit the ability to perform a takeover of Essentra. This includes devices that would limit share ownership and/or issue new capital for the purpose of limiting or stopping a takeover.

Substantial shareholders

As at 31 December 2021 the Company was advised of the following voting rights attaching to the Company's shares in accordance with the Disclosure and Transparency Rules, and as at 11 March 2022, there have been no changes to this listing.

	% holding
Invesco	6.64%
Majedie	5.18%
Ninety One UK Limited	5.04%
Ameriprise Financial, Inc. and its group	4.98%
Royal London Asset Management	4.89%
Standard Life	4.82%
AXA	4.81%
Heronbridge	4.81%
Norge Bank	3.98%
Kames Capital	2.99%

Employees

As at 31 December 2021, the Company employed 8,327 people globally and 1,120 permanent employees and 41 contractors in the UK. Information on the Group's policies on employee recruitment, engagement and the employment of disabled persons is reported under "Environmental, Social and Governance" pages 35 to 37.

Political contributions

In line with Group policy, the Company made no contributions to political parties (2020: £nil).

Environmental

The disclosures concerning CO_2 emissions required by law are included in Environment, Social and Governance on page 28.

Directors' indemnities

During the year, and as at the date of this Report, qualifying third-party indemnities are in force under which the Company has agreed to indemnify the Directors and the Company Secretary and General Counsel, in addition to other senior executives who are Directors of subsidiaries of the Company, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as a Director or Officer of the Company or any of its subsidiaries, including the pension scheme trustee companies. The scope of the indemnities extends to include liabilities to third parties.

Significant agreements

Towards the end of 2021, the Company refinanced the existing multi-currency committed bank facilities of £285m and €100.8m involving eight banks with a maturity date in November 2022. Based on the terms of the arrangements and favourable conditions, the Company entered into a new multicurrency revolving credit facility (RCF) for five years, with six banks for a total amount of £275m. This resulted in a five year term on the new facility as opposed to a three or four year term achieved previously. Through the refinancing exercise, the Company managed to eliminate the risk of unavailable committed funds due to the expiry of the previous facility.

The Company also successfully raised an additional $250m in the US Private Placement market in July 2021. This issuance has enabled the Company to diversify its source of debt finance with a longer dated maturity profile. The proceeds were used to pay down short term dated bank debt and swap surplus USD into GBP, in line with the Company's hedging policy. By entering into both of these transactions during 2021, the Company was able to secure funding and minimise inflation risk.

All of the Company's share schemes contain provisions relating to a change in control. Outstanding options and awards normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

There are a number of other agreements, involving the Company or its subsidiaries, that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts and Joint Venture agreements. None are considered to be significant in terms of their potential impact on the business of the Group as a whole, to any potential bidder for the Company or Group.

Annual General Meeting

The AGM of the Company will be held at Essentra Components site at Langford Locks, Kidlington, Oxford, OX5 1HX on 19 May 2022 at 12 noon. Following changes to the Company's Articles of Association, agreed at last year's AGM, the meeting will be held as a hybrid meeting allowing for in person and virtual attendance. Details of how to join the AGM can be found in the Notice of Annual General Meeting.

Shareholders of Essentra may propose resolutions at a General Meeting if they individually or together hold shares representing at least 5% of the total voting rights, or not less than 100 members holding shares on which there has been paid an average sum per member of not less than £100 in nominal value of Essentra share capital. The procedure for requisitioning a resolution is governed by English common law and statute. This specifies that, unless a requisition is validly received before the end of the financial year preceding the meeting, a company's costs in complying with the requisition are to be met by the requisitionists. Should shareholders wish to requisition a general meeting, under the Companies Act 2006, the signatures of shareholders holding at least 10% of Essentra's paid up share capital are required.

In addition to the ordinary business of the AGM, resolutions in respect of the following matters of special business are included in the Notice of Annual General Meeting:

Authority to allot unissued shares

At the 2021 AGM, the Directors were granted authority to allot relevant securities up to a nominal amount of £25,140,523 which expires at the end of the forthcoming AGM.

At this year's AGM, shareholders will be asked to grant the Directors' authority to allot shares or grant rights to subscribe for or convert any security into shares: (i) up to an aggregate nominal amount of £25,140,523 representing approximately one-third of the Company's issued share capital, excluding treasury shares, at 11 March 2022 (such an amount to be reduced by the nominal amount allotted or granted under section (ii) below in excess of such sum); and (ii) comprising equity securities up to an aggregate nominal amount of £25,140,523 representing approximately one-third of the issued share capital, excluding treasury shares, at 11 March 2022 (such an amount to be reduced by any allotments or grants made under section (i) above) in connection with an offer by way of a rights issue.

The proposal conforms to the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded. The Directors have no present intention of exercising either of these authorities, which will expire at the end of next year's AGM (or, if earlier, the close of business on 30 June 2023) except in relation to share options.

Allotment of shares for cash

At the 2021 AGM, shareholders approved a special resolution to enable the Directors to allot shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That approval expires at the end of the forthcoming AGM and resolutions 13 and 14 in the Notice of AGM seek to renew it.

As per previous years, the Company seeks a resolution which authorises disapplication of pre-emption rights in respect of up to an aggregate nominal amount of £3,771,078 (representing 15,084,313 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company (excluding treasury shares).

In addition to the above Resolution, the Company seeks a Resolution which authorises disapplication of pre-emption rights in respect of up to an aggregate nominal amount of £3,771,078 (representing 15,084,313 ordinary shares) in connection with acquisitions and other capital investments as contemplated by the Pre-Emption Group's Statement of Principles and which is supported by The Investment Association. This aggregate nominal amount represents an additional 5% of the issued ordinary share capital of the Company (excluding treasury shares).

These authorities will expire at the conclusion of the following AGM or, if earlier, on 30 June 2023. The proposal conforms to the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded.

Purchase of own shares

At the 2021 AGM, shareholders approved a special resolution to enable the Company to purchase its own shares. That approval expires at the end of the forthcoming AGM.

At this year's AGM, the Directors consider it expedient to seek shareholders' approval to enable the Company to purchase, in the market, up to 5% of its issued share capital (excluding any treasury shares) for cancellation, or to be held in Treasury, such power to apply until the end of next year's AGM (or if earlier, 20 July 2023). In accordance with the requirements of the Listing Rules of the Financial Conduct Authority, the minimum price (exclusive of expenses) which may be paid for a share is its nominal value and the maximum price (exclusive of expenses) for shares which may be paid is the highest of: (i) an amount equal to 105% of the average market value for a share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

The Directors have no present intention of exercising the authority to make market purchases, however the authority provides the flexibility to allow them to do so in the future. The Directors will only utilise this authority if satisfied that to do so would be in the best interests of the Company and its shareholders generally and could be expected to result in an increase in earnings per share of the Company.

During the financial year ending 31 December 2021, 3,493 ordinary shares were transferred out of Treasury by the Company to satisfy share options under the Company's Sharesave and executive share incentive plans.

No dividends have been paid on shares while held in Treasury and no voting rights attach to the treasury shares.

External Auditor

PricewaterhouseCoopers LLP have expressed their willingness to continue to be appointed as External Auditor of the Company. Upon the recommendation of the Audit and Risk Committee, resolutions to appoint them as External Auditor and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Recommendation

The Directors believe that the resolutions in the Notice of Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and unanimously recommend that shareholders vote in favour of each resolution.

Derivatives

Information related to derivatives is included in the Accounting Policies on page 152 and in note 15 and note 19 to the Notes of the Financial Statements.

Going concern statement

At 31 December 2021, the Group's external financing arrangements amounted to £534.3m, comprising United States Private Placement Loan Notes (USPP) of US$350.0m (with a range of expiry dates from November 2024 to July 2033) and a multi-currency revolving credit facility (RCF) of £275.0m (expiring in October 2026). Of the total facility of £534.3m, only £14.8m is expiring before 2026.

The amount drawn under the RCF as at 31 December 2021 was £59.2m, with the available undrawn amount at £215.8m. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges.

The financial covenants require the net debt to EBITDA ratio to be less than 3.0x and interest cover to be greater than 3.5x. Despite the significant economic and operational challenges in the recent years, the Group has not sought to change either of the two covenants. The Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing borrowing facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 18 months following the date of approval of the financial statements, and no breaches of covenants are expected.

The uncertainty as to the future impact on the Group of the COVID-19 pandemic has been considered as part of the Group's adoption of the going concern basis, taking into account the experience during the recent years and the most recent circumstances. The Group demonstrated resilient operational capability and ability to continue supporting the customers, as well as ability to raise additional financing and renew borrowing facilities. As at 31 December 2021 and as at the date of approval of these financial statements, all of the Group's manufacturing and distribution facilities are operational and have resumed to pre-pandemic levels of operating capacity. Across the Group, supply chain is being proactively managed, as are operating costs and the timing of capital expenditure and significant cash spends.

As part of the going concern assessment, the Board has also considered a downside scenario that reflects a continuing level of operational and commercial challenges experienced in the recent years, which we consider to be severe but plausible. Included within the severe yet plausible downside scenario are the potential significant costs of strategic reviews which are ongoing and possible impact of foreign exchange fluctuations. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 18 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The scenario includes assumption for similar extent of operational disruptions as seen in 2021.

Set against this were mitigating actions including tight management of capital expenditure, sales and general overhead, and working capital. Overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalent) at the end of December 2021 was £352.1m, which was significantly higher than the £297.0m as at 31 December 2020. Further information on the Group's borrowing facilities, cash resources and other financial instruments can be found in notes 14 and 19 to the financial statements.

These downside scenarios indicate that the Group is more sensitive to a decline in profit than a contraction in cash flows given the importance of this metric to the Group's covenant compliance. However, management have carried out reverse stress tests which indicated that an overall reduction in adjusted operating profit of approximately 60% from the 2021 result would be required to result in a breach in covenants over the testing period. This level of reduction is outside the range of outcomes that the directors would consider plausible.

The severe but plausible scenario does not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. Based on these, and taking into consideration the risks detailed in note 19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly have adopted the going concern basis in preparing the consolidated financial statements. This disclosure has been prepared in accordance with the Financial Reporting Council's UK Corporate Governance Code.

Post balance sheet event

The Group has assessed the impact of the current conflict between Russia and Ukraine. Essentra has no significant operations or infrastructure in Russia or Ukraine and does not have employees in either country. Sales to these markets are around 2% of total revenue. All sales to Russia have been suspended and will continue to be suspended until further notice. Essentra has made a donation of £100,000 to the Disasters Emergency Committee (DEC) Ukraine Appeal.

Long-Term Viability Statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the longer-term viability of the Company over the three-year period to December 2024.

The assessment has been based on the Company's strategy and implementation programme, balance sheet and financing position, and the potential impact of the key risks and uncertainties described above. The Company strategy has been translated into a three-year strategic plan comprising a one-year detailed budget and a financial forecast for the following two years. The plan will be subject to annual updates by management and review by the Board. As a consequence, the Directors have chosen a three-year time horizon for the Long-Term Viability Statement as being an appropriate time frame for assessing the viability of the Company, as this is the period reviewed by the Board in its strategic planning process. The Directors believe that this presents a reasonable degree of confidence over this longer-term outlook, However, the Directors have also given due consideration to any potential significant risks beyond this time horizon.

This assessment was informed by our judgements as to the potential financial impact of the following Principal Risks if they materialise over the three-year period:

- Failure to Achieve Acceptable Returns from the Packaging Division
- Operational and Supply Chain disruption
- Delivery of Strategic Projects, primarily relating to the risk of BPR programme cost overrun
- Environment, Social and Governance, relating to climate change related transition risks and opportunities
- Strategic Reviews, relating to the potential negative impact of the ongoing strategic reviews on the Group's trading including deterioration in trading performance and failure to capture commercial opportunities arising from uncertainties created by the review process.

In order to support the assessment of the viability, the Directors have considered the following realistic and plausible scenarios. The Directors have assumed that the risks in each scenario would all crystallise simultaneously. In Scenario 3, the Directors have considered the worst case events from each of the selected Principal Risks.

Scenario 1

	Level of severity tested
Failure to Achieve Acceptable Returns from the Packaging Division (base)	In line with base case assumption
Delivery of Strategic Projects (medium)	Operating profit reduction of £0.2m, £0.6m and £1.0m respectively, for the three-year period. An additional investment of £2.0m into the BPR project in each of 2022 and 2023
Operational and Supply Chain disruption (severe)	Revenue reduction of £7.2m and decline in operating profit of £3.6m in 2022
Environment, Social and Governance (low)	In line with base case assumption, in which the probable transition risks and opportunities identified as part of the climate change quantitative analysis are included
Strategic Review (low)	Revenue reduction of £33.7m and decline in operating profit of £4.7m in 2022

Scenario 2

	Level of severity tested
Failure to Achieve Acceptable Returns from the Packaging Division (medium)	Revenue reduction of £29.9m, £47.0m and £65.0m respectively, and decrease in operating profit of £3.6m, £5.7m and £8.6m respectively for 2022, 2023 and 2024
Delivery of Strategic Projects (medium)	Operating profit reduction of £0.2m, £0.6m and £1.0m respectively, for the three-year period. An additional investment of £2.0m into the BPR project in each of 2022 and 2023
Operational and Supply Chain disruption (severe)	Revenue reduction of £7.2m and decline in operating profit of £3.6m in 2022
Environment, Social and Governance (medium)	Transition risks and opportunities in the climate change quantitative analysis which are assigned a 50% probability are excluded, leading to a reduction in operating profit of £3.1m, £5.3m and £9.4m respectively for 2022, 2023 and 2024
Strategic Review (medium)	Revenue reduction of £47.7m and decline in operating profit of £16.5m in 2022

Scenario 3

	Level of severity tested
Failure to Achieve Acceptable Returns from the Packaging Division (severe)	Revenue reduction of £37.1m, £58.1m and £80.0m respectively, and decrease in operating profit of £5.4m, £8.2m and £11.8m respectively for 2022, 2023 and 2024
Delivery of Strategic Projects (severe)	Operating profit reduction of £0.5m, £1.5m and £2.5m respectively for 2022, 2023 and 2024. An additional investment of £5.0m into the BPR project in each of 2022 and 2023
Operational and Supply Chain disruption (severe)	Revenue reduction of £7.2m and decline in operating profit of £3.6m in 2022
Environment, Social and Governance (severe)	No transition opportunities in the climate change quantitative analysis are included. Only transition risks are included, leading to a reduction in operating profit of £5.5m, £11.1m and £16.6m respectively for 2022, 2023 and 2024
Strategic Review (severe)	Revenue reduction of £67.4m and decline in operating profit of £18.9m in 2022

In order to support the assessment of the viability, the Directors have considered the following realistic and plausible scenarios. The Directors have assumed that the risks in each scenario would all crystallise simultaneously. In Scenario 3, the Directors have considered the worst case events from each of the selected Principal Risks.

In all of the scenarios assessed, there is no indication of potential breaches of banking covenants, and there remains sufficient liquidity headroom from the Group's current borrowing facilities.

In making the assessment, the Directors have assumed that capital markets and bank funding will continue to be available over the period. Furthermore, management would be in a position to implement further effective mitigation actions to reduce the impact a potential risk event and to preserve cash resources. Mitigating actions considered by management include availability of alternative sources of funding, cost rationalisation measures, working capital and capital expenditure management and potential disposal of non-core assets.

Based on the viability assessment undertaken, the Directors have a reasonable expectation that the Group will be able to continue in operational existence and meet its liabilities as they fall due over the period of the assessment.

Directors' statement as to disclosure of information to the External Auditor

As required by Section 418(2) of the Companies Act 2006, the Directors who were members of the Board at the time of approving this Report, having made enquiries of fellow Directors and of the External Auditor, confirm that:

- as far as each Director is aware, there is no relevant audit information of which the Company's External Auditor is unaware
- each Director has taken all reasonable steps that they ought to have taken as a Director to ascertain any relevant audit information, and to ensure that the Company's External Auditor is aware of that information.

The Strategic Report and Directors' Report, including the Report of the Remuneration Committee, were approved by the Board on 18 March 2022.

By order of the Board

Jon Green
Company Secretary
18 March 2022

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the parent 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 parent company will continue in business.

The directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent 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 parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the parent company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and parent company's auditors are aware of that information.

Paul Forman
Chief Executive

Lily Liu
Chief Financial Officer
18 March 2022

Independent Assurance Statement to Essentra plc

ERM Certification and Verification Services Limited ('ERM CVS') was engaged by Essentra plc ('Essentra') to provide limited assurance in relation to the information for the reporting year ended 31st December 2021 set out below and presented in Essentra's 2021 Annual Report (the 'Annual Report').

Engagement summary

Scope of our assurance engagement	Whether 2021 data and explanatory notes for the following indicators presented on pages 26 to 28 of the Annual Report are fairly presented, in all material respects, in accordance with the reporting criteria: • Total Scope 1 greenhouse gas emissions [tonnes of CO_2e] • Total Scope 2 (location-based) greenhouse gas emissions [tonnes of CO_2e] • Total solid hazardous and non-hazardous waste by destination (Recycling, Recovery, Incineration, Landfill) [tonnes] • Total liquid hazardous and non-hazardous waste by destination (Recycling, Recovery, Incineration, Landfill) [cubic metres] • Zero waste to landfill sites [number] • Total water usage [cubic metres]
Reporting criteria	• WBCSD/WRI Greenhouse Gas Protocol Corporate Accounting and Reporting Standard for the Scope 1 and Scope 2 greenhouse gas emissions; and • Essentra's internal methodology and reporting criteria for the waste and water data as described in the footnotes on page 28 of the Annual Report.
Assurance standard	ERM CVS' assurance methodology, based on the International Standard on Assurance Engagements ISAE 3000 (Revised).
Assurance level	Limited assurance.
Respective responsibilities	Essentra is responsible for preparing the data and for its correct presentation in reporting to third parties, including disclosure of the reporting criteria and boundary. ERM CVS' responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.

Our conclusions

Based on our activities, nothing has come to our attention to indicate that the 2021 data and explanatory notes for the indicators listed under 'Scope' above are not fairly presented in the Annual Report, in all material respects, with the reporting criteria.

Our assurance activities

Our objective was to assess whether the selected data are reported in accordance with the principles of completeness, comparability (across the organisation) and accuracy (including calculations, use of appropriate conversion factors and consolidation). We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusion.

A team of assurance professionals undertook the following activities:

- Interviews with Essentra corporate staff to understand and evaluate the data management systems and processes (including IT systems and internal review processes) used for collecting, consolidating, reviewing and reporting the selected data;
- A review of the internal indicator definitions;
- A review of the unit conversion and greenhouse gas emission factors;
- A review of the accuracy of the calculation of the greenhouse gas emissions based on the underlying activity data;
- An analytical review of the data from all sites and a check on the completeness and accuracy of the corporate data consolidation;
- Virtual visits to three Essentra sites (Indonesia, Poland, and the United States of America) to review site-level data management and reporting processes, and the consistency of reported data with underlying source data and related information for each indicator; and
- A review of the information presented in the Annual Report and relevant to the scope of our work, to ensure consistency with our findings.

Observations

We have provided Essentra with a separate detailed Management Report. Without affecting the conclusions presented above, we have the following key observation:

- Essentra collects refrigerant gas usage data from its sites, however, due to the lack of detailed information regarding the specific gases used, greenhouse gas emissions from this source have not been included in Essentra's Scope 1 greenhouse gas emissions for 2021.

The limitations of our engagement

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusion in this context.

Due to travel restrictions as a result of COVID-19 our assurance work for the 2021 reporting period was conducted remotely (desk-based and virtual interviews) with the Essentra corporate reporting team and the sites selected for virtual visits. We did not undertake any in-person visits to Essentra operations.

GMa

Gareth Manning
Partner
18 March 2022

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ERMCVS
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ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the ERM staff that have undertaken this engagement work have provided no consultancy related services to Essentra in any respect.

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