

Environmental, Social and Governance

Annual Review 2020



BUILDING FOR THE FUTURE

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At Essentra we are committed to conducting business in a way that reflects our purpose, values and goals. Indeed, 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 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. In 2020 we focused on communicating our strategy and targets for environmental sustainability. In 2021 we will continue to develop our ESG strategy, objectives and targets to respond to the internal and external business priorities. We will provide further communications during the year.

In 2020 we announced new environmental KPIs and targets. These demonstrate a significant step forward in our sustainability agenda and the delivery of our purpose.

20

zero waste to landfill sites, up from 8 in 2019

We have made a great start to our ambition of being carbon neutral by 2040, having reduced our greenhouse gas emissions by 13% compared to 2019.

A new strategic roadmap for 2020 and beyond

We have refreshed our purpose, values and goals to better reflect who we want to be and where we are going as an Essentra family.



Paul Forman
Chief Executive



KEY PERFORMANCE INDICATORS

The delivery of Essentra's strategic priorities is underpinned by a focus on Key Performance Indicators (KPIs) which measure our progress against stated priorities in terms of our communities and people.

Environment

CO₂ emissions (tonnes)

Reduced by
13%

(2020 vs 2019)

Waste to landfill (tonnes)

Reduced by
36.2%

(2020 vs 2019)

Number of sites
with zero waste to landfill

Increased by
150%

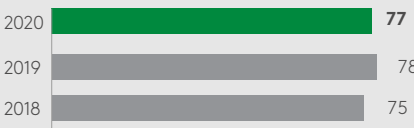
(2019: 8 2020: 20)

Why this is important

We recognise that we have a role, and interest, in environmental stewardship. This is not just a duty we owe 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.

People

Employee engagement (%)



Why this is important

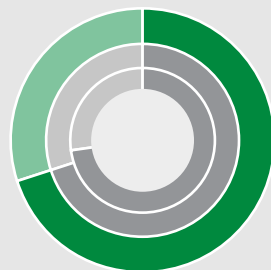
The happiness and fulfilment of our people is a key priority. Having more engaged employees reduces staff turnover, improves productivity and helps us serve and retain our customers. We actively encourage open feedback from all our employees and acknowledge that not all input will be positive.

Board gender
diversity (%)



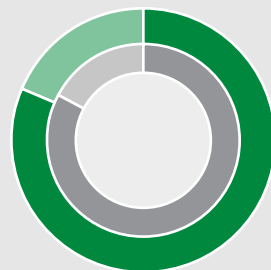
2020
● Men: 57% (4)
● Women: 43% (3)
2019
● Men: 50% (4)
● Women: 50% (4)
2018
● Men: 57% (4)
● Women: 43% (3)

Group Management Committee
gender diversity (%)



2020
● Men: 70% (7)
● Women: 30% (3)
2019
● Men: 70% (7)
● Women: 30% (3)
2018
● Men: 73% (8)
● Women: 27% (3)

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



2020
● Men: 81.6% (71)
● Women: 18.4% (16)
2019
● Men: 83% (80)
● Women: 17% (16)

Why this is important

The Board is committed to providing all employees with an equal opportunity to develop and advance, and for everyone to feel safe, respected, valued and able to thrive as part of a winning, engaged and diverse team.



Class-leading sustainability

CLASS-LEADING SUSTAINABILITY

As part of our revised purpose as a responsible business and our Building for the Future strategic roadmap, we have set ourselves the goal of “class-leading sustainability”. We made significant progress on our sustainability journey in 2020, across several fronts.

In 2020, we undertook our first comprehensive materiality assessment, invested in the development of more sustainable products, set ambitious targets for the future and made good progress towards those targets.

During the year we re-confirmed the focus of our sustainability strategy around four pillars. We have mapped the relevant Sustainable Development Goals (SDGs) to these four pillars, with nine goals having a strong and direct link to Essentra's business. We acknowledge that this is a journey and to achieve these goals by 2030, we will look to further collaborate with stakeholders on a local and global basis to ensure that all challenges are overcome effectively.



Our Sustainability Strategy

Responsible Resource Usage



Reducing our impact on the environment through waste reduction projects, driving sites to zero waste to landfill, trials of recycled and biodegradable materials and trials of “closed loop” business models in partnership with suppliers and customers

Energy and Climate Change



Reducing Scope 1 and 2 greenhouse gas (GHG) emissions via energy efficiency (eg roll-out of LED projects across multiple sites), on-site energy generation (eg biomass for heating in Filters, four sites at pilot stage for solar PV in Packaging) and procurement of certified renewable energy

People and Community



Ensuring we support the communities we operate in through our community engagement policy – each site chooses and actively supports one or more local initiatives. Continued focus on improving our health and safety performance for employees and visitors

Responsible Supply Chain



Ensuring our supply chain is robust through ongoing improvements in policies and standards including new KYS processes as part of BPR project, along with roll-out of a risk-based supplier audit programme

Materiality assessment

In 2020 we completed our first sustainability materiality assessment, through a structured process that was overseen by an external consultant. The assessment has helped to set priorities for the business through the identification and evaluation of ESG and wider sustainability issues.

We identified 20 material issues and a number of these relate specifically to the four pillars of our sustainability strategy. For example, we convert materials, often from non-renewable sources, into products which in some cases could impact the environment – key for us is Responsible Material Usage.

As part of the process, we identified key stakeholders such as customers, industry bodies and sustainability organisations and researched the key sustainability issues that matter to them. The key issues identified are weighted on both importance to Essentra and stakeholders and Essentra's level of influence or control over the issue.

Initially the topics were plotted for each business division and then combined to form a Group version that demonstrates the overall focus areas for Essentra.

We are present in a large number of countries, employing people from diverse communities and purchasing materials and services in those countries – ensuring we engage appropriately with those people and communities is key, as is ensuring we have a responsible supply chain. Climate change is an issue that will increasingly affect us all, and our customers and their consumers are increasingly demanding an appropriate response from their supply chains – we need to play our part in energy and climate change. All these focus areas are being addressed at either Group, division or site level. The material issues will be re-evaluated annually to ensure they reflect the areas of highest priority to our stakeholders.





Sustainability governance

Towards the end of 2019 a new Board Sustainability Committee was formed, which elevated the previous Group Sustainability Committee to Board level and underscored the increasing importance that both the Board and the Company's stakeholders are placing on this issue of Sustainability.

The Board Sustainability Committee met regularly in 2020, hearing from external sources of best practice and inputting to strategy, targets, risk management and performance.

In 2020, we undertook our first comprehensive materiality assessment, invested in the development of more sustainable products, set ambitious targets for the future and made good progress towards those targets.

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Employee engagement

We recognise that sustainability is an important topic in employee engagement and retention, as well as attracting new talent to the organisation.

In 2020 we further developed our Group-wide approach to internal employee engagement around sustainability, in particular in relation to key areas such as greenhouse gases and waste topics. During the year we created four Sustainability Specialist Interest Groups for each pillar of our strategy and in October held our first Sustainability Week, with events held across our global footprint.

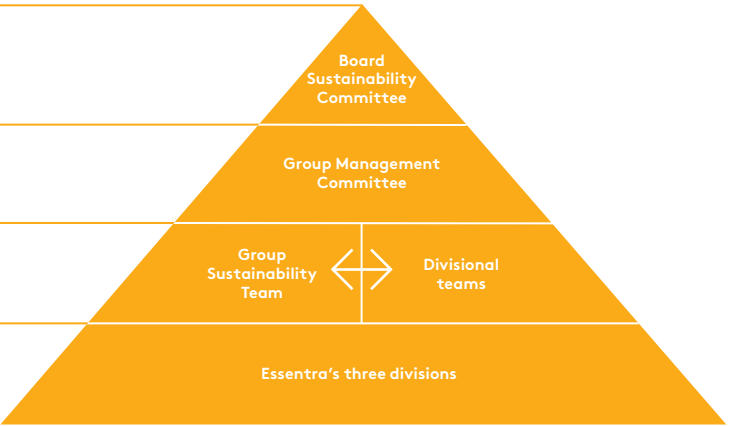
The purpose of Sustainability Week was to educate employees on what Essentra was already doing in terms of sustainability and to get employees involved in activities directly related to the Energy and Climate Change pillar. During the week we encouraged employees to identify opportunities of reducing energy either at work or at home.

Advises on and reviews sustainability activities including strategy development and opportunity and risk identification

Regularly monitors sustainability metrics including environmental KPIs for the Group and divisions

Drives the sustainability agenda at the corporate level and supports the divisional teams to achieve improvements

Improvements made throughout the business which contribute to overall progress



Risk management

Since 2019 ESG has been recognised as a Principal Risk. In 2020 this was defined as encompassing the topics of exposure to tobacco-related products, potential changes in regulation related to single-use plastics, climate change and other issues. Additionally, an Emerging Risk of Climate Change was previously identified, and has now been absorbed within the ESG Principal Risk reflecting the increasing relevance of climate change and the risk it poses to Essentra's global operations.

Product innovation across Essentra

Sustainability has been a key driver for innovation across Essentra with each division working with key stakeholders including customers, to improve their product and packaging portfolios. Throughout 2020, many sustainable product initiatives were explored, including the introduction of recycled plastic into our Components product ranges, more sustainable secondary packaging for beauty brands and biodegradable cigarette filters.

> You can see these examples on pages 11 and 12



Voluntary Disclosures and Signatories

Essentra is committed to reporting against voluntary external indices to increase transparency, motivate stakeholders and drive change within our business and the value chain.

Our disclosure scores help to drive ambition within the organisation to reduce greenhouse gas emissions and directly relate to measuring the Energy and Climate Change pillar of our sustainability strategy.

ecovadis

In 2020, we maintained a silver Ecovadis rating with areas noted for improvement including tracking of additional KPIs, introduction of a sustainable procurement policy and more thorough supplier assessments that includes environmental and social topics.

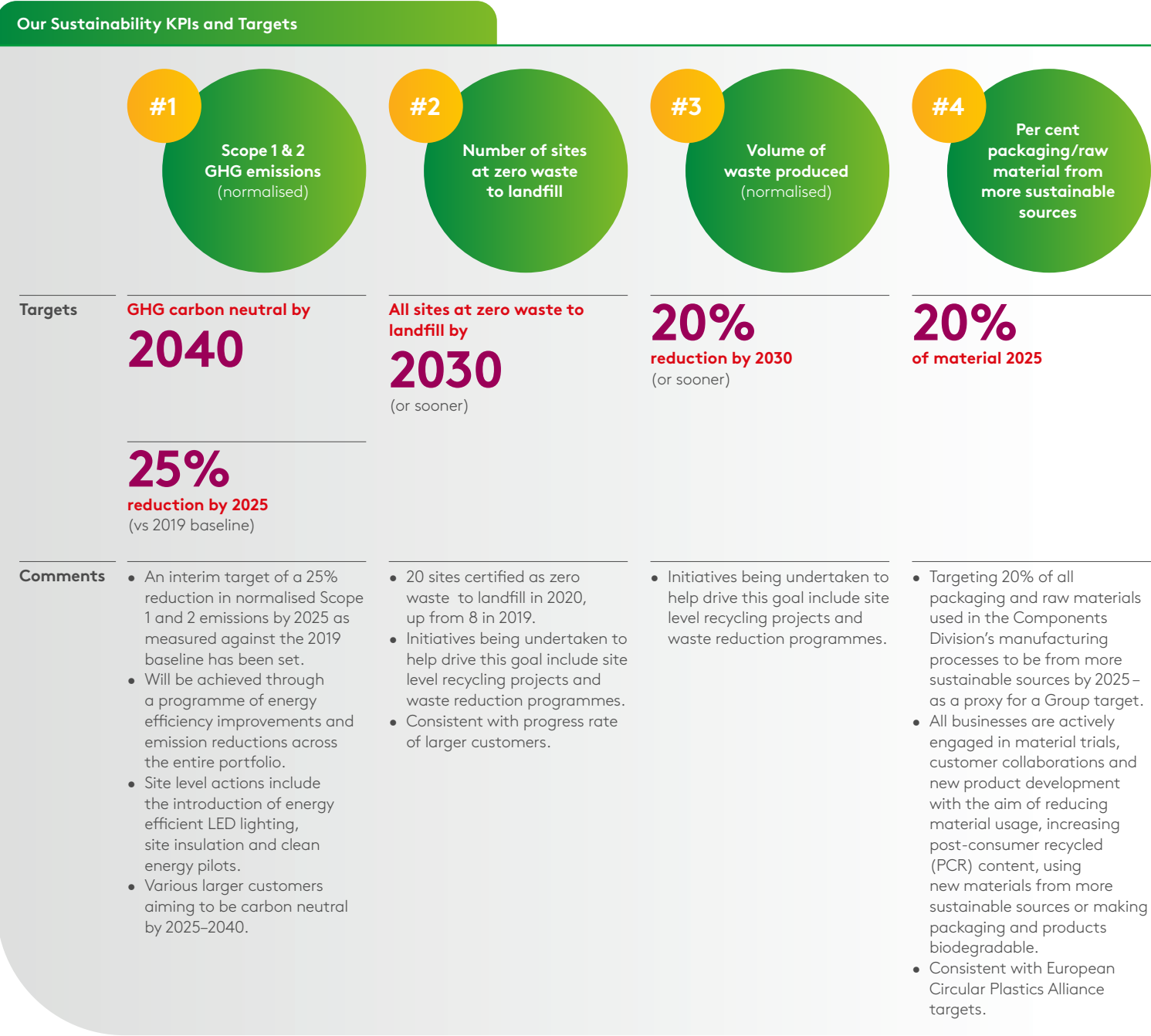


During the year we also received an improved CDP score, moving from a C to B in Climate Change and a C to B- in Water. This improvement, moving to the "management" level, demonstrates that our business is taking co-ordinated action and is continually driving the ambition.

We consider the growing interest from stakeholders in all areas of ESG including our sustainability agenda and identify the impact this could have on our reputation. It is important that this is managed effectively especially with the introduction of additional regulations such as Streamlined Energy and Carbon Reporting (SECR) and the EU Single Use Plastic Directive.

We acknowledge the important role of the Taskforce for Climate Related Financial Disclosures (TCFD) to improve transparency and drive improvements across industry. We have disclosed on the four areas of Governance, Strategy, Risk Management and Metrics and continue to endeavour to increase the level of disclosure year on year.

We are working and reviewing TCFD requirements as part of our risk management approach to ensure we are managing climate change risks. The Group Risk Committee oversee this process, ensuring we are fulfilling our obligations under TCFD.



Environmental targets and commitments

In August 2020 Essentra announced stretching environmental KPIs and targets, representing a significant step forward in the advancement of our established sustainability agenda and driven by the outputs of materiality matrices, regulation, customer feedback and voluntary disclosures.

The measures will see an accelerated reduction in our greenhouse gas (GHG) emissions, providing the roadmap to being carbon neutral by 2040 as the Essentra family steps up to play its part in achieving a low carbon economy. Our new waste management initiatives will ensure we do not send anything to landfill by at the latest 2030, building on the 20 sites that have already achieved this goal. During this period we also aim to reduce overall waste by a fifth across our business, while significantly increasing the usage of more sustainable raw materials such as fully biodegradable or post-consumer recycled products.

Measurement and reporting

ERM CVS has assured the following environmental data for 2020: total Scope 1 and total Scope 2 greenhouse gas emissions, total waste volumes by destination, total water usage and the number of sites that have achieved Zero Waste to Landfill (ZWTL) status.

Tonnes CO ₂ e	2018	2019	2020	% change between 2019 and 2020
Scope 1	11,245	10,264	7,603	-26%
Scope 2	65,852	62,111	55,327	-11%
Total	77,097	72,375	62,930	-13%
Total CO ₂ eq per £m revenue	75.2	74.3	70.2	-5.5

Breakdown of Energy (MWh)		2019	2020	Tonnes of CO ₂ e 2019	Tonnes of CO ₂ e 2020
Electricity	UK	22,040	19,392	7,685	4,789
	Global	140,454	137,457	62,111	55,327
Renewable Electricity Procured	UK	19,652	16,577	0	0
	Global	19,652	16,577	0	0
Natural Gas	UK	23,852	11,166	4,831	2,241
	Global	44,960	30,209	9,107	6,119
Diesel	UK	8	0	2	0
	Global	2,467	3,696	606	908
LPG	UK	33	20	7	5
	Global	376	420	83	96
Fuel oil	UK	1,156	457	262	228
	Global	2,070	2,124	469	481

Solid hazardous and non-hazardous waste destinations (tonnes)	2018	2019 (restated) ⁵	2020
Recycling	20,404	28,775	31,773
Recovery	2007	3043	3415
Incineration		284	596
Landfill	4958	2989	1907
% solid waste diverted from landfill	82	92	95

Liquid hazardous and non-hazardous waste by destination (cubic metres)	2020
Recycling	243
Recovery	519
Incineration	89
Landfill	141
% liquid waste diverted from landfill	86

Water usage (cubic metres)	2020
Water usage	166,301

1. Boundary: Energy, water, and solid and liquid waste data by destination is collected for all global operations including manufacturing, warehouses, and offices across Essentra. The sites included within the emissions, energy use, water and waste reporting are those that constitute 99% of Essentra's electricity consumption within the operational control. The sites which collectively make up the lowest 1% of electricity consumption are excluded from reporting and the scope of external assurance due to their consumption being immaterial.
2. As defined by the Greenhouse Gas Protocol, Scope 1 includes direct emissions from the combustion of fossil fuels at operations within Essentra's operational control. Emissions from the use of refrigerant gases have not been included in our reported Scope 1 emissions. Scope 2 includes the indirect emissions from purchased electricity used by the organisation.
3. Emission factors: The emission factors used to calculate the Scope 2 emissions for 2020 from purchased electricity are those published by the International Energy Agency (IEA 2019) by country. The Greenhouse Gas Protocol 2017 emission factors have been used to calculate Scope 1 emissions.
4. Calculations: We collect all data on a monthly basis in our HSE reporting management system, Enabler and use this as the basis for all calculations. We have followed the Greenhouse Gas Protocol methodology to calculate figures for tonnes of CO₂ equivalent. Diesel, LPG and fuel oil consumption is measured in litres and converted to MWh.
5. Restating of data: 2019 solid non-hazardous and hazardous waste data has been restated for Recycling and Recovery due to corrections of previously reported data.

OUR SUSTAINABILITY STRATEGY IN ACTION



The business is introducing recycled plastic into standard product ranges to create a “new normal” of using recycled material across our global manufacturing operations.

Increasing recycled and renewable content

In 2020 the Components division embarked on a comprehensive programme focusing on improving the sustainability of the product range for the benefit of our customers, as well as the wider community and planet.

Many of the division's products are plastic which has the benefit of being lightweight and durable. In exploring recycled materials and the potential recyclability of products, we want to ensure these important characteristics are retained.

Essentra Components is a signatory of the European Circular Plastics Alliance which aims to boost the European plastics recycling industry by stimulating demand and supply.

The business is introducing recycled plastic into standard product ranges to create a “new normal” of using recycled material across our global manufacturing operations. Our target is to use 20% recycled or renewable polymer raw materials by 2025.

In 2020 the division also conducted successful trials on a low-density polyethylene (LDPE) recycled content product, which we will look to launch in 2021.





We are collaborating with customers to reduce packaging waste as well as improve the recyclability of packaging.

Supporting ethical beauty brands

The Packaging division is proactively working with several global customers to increase the sustainability of pharmaceutical and beauty packaging. This includes collaborating with customers to reduce packaging waste as well as working to improve the recyclability of packaging, for example by substituting foil and laminates with paper based design and the provision of removable labels that encourage effective consumer recycling.

In particular the division's Design Hub is working with customers to create appropriate packaging solutions for ethical and sustainable beauty brands.

During 2020, a customer approached Essentra to provide a range of branded packaging solutions that met the sustainable and ethical brand values while remaining optimised for manufacture. The team developed the complete packaging solution including product labels, carton navigation and communication. The solution included two cartons which do not require glue, thereby ensuring their vegan and sustainability credentials. Made from FSC board, the cartons are also fully recyclable.

Developing more sustainable cigarette filters

It is widely reported that cigarette filters are one of the most littered items globally and, once littered, they can persist in the environment for an extremely long time. Therefore the industry, Essentra Filters included, has focused R&D efforts on developing alternative materials which are less impactful to the environment while still offering the same level of performance and filtration as traditional cigarette filters.

In 2020 Essentra Filters developed a new range of plastic free filters, aiming to meet all requirements of the EU Single Use Plastic (SUP) Directive. These are also 100% biodegradable and degrade more rapidly than filters constructed with cellulose acetate. All these new filters were covered by patent applications and, although early, have been well received by the market demonstrating the strength of the Filters Decision Gate process.

The division has also been evolving current Tapes products to further minimise their environmental impact, ultimately launching a new "Supastrip PCR" product in 2020. This product includes 70% post-consumer recycled (PCR) content in the film and still provides the same easy opening performance as SupaStrip®.



Focused innovation investment culminated in development of proprietary sustainable filters in 2020.

GROUP SUSTAINABILITY COMMITTEE REPORT

The Sustainability Committee is responsible for driving forward the Group wide approach to sustainability with a focus on reducing and ideally eliminating any environmental impact. The Sustainability Committee agreed within its Terms of Reference that it would report to shareholders on its activities so that shareholders can better understand the role of the Sustainability Committee.



Ralf Wunderlich
Non-Executive Director

Roles and responsibilities

The role and responsibility of the Sustainability 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

Membership and attendance

	Meetings during the year
Ralf Wunderlich , Chairman	4 (4)
Nicki Demby , Non-Executive Director	4 (4)
Mary Reilly , Non-Executive Director	4 (4)
Paul Forman , Chief Executive Officer	4 (4)
Jon Green , Company Secretary and General Counsel	4 (4)
Nick Pennell , Group Programme Director	4 (4)

Other attendees

During 2020, the Chairman, the SID, the Chief Financial Officer, the Strategy and Commercial Director, the Group Communications Director and the Group HSE Director were invited to attend every meeting.

Figures in brackets denote the maximum number of meetings that could have been attended. The Committee Secretary was initially the Group Sustainability Coordinator, and the role has now been passed on to the Head of Governance.

Lily Liu was appointed as a member of the Sustainability Committee with effect from 1 January 2021.

Key activities 2020

- 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
- Agreed KPIs to support reporting progress on the sustainability targets and monitored reporting against those KPIs
- Reviewed disclosures and the results of the Carbon Disclosure Project which has moved from a 'C' to a 'B'
- Reviewed disclosures made under the voluntary Ecovadis index and the progress made towards improving the existing silver score
- The Sustainability Committee invited two guest speakers – a major bank and Helsinki Nasdaq listed manufacturing company – to share their journeys to support the Sustainability Committee as it develops its understanding of best practices and learnings from other companies and various stakeholders
- Received updates on key sustainability initiatives including the reduction of single use plastics across the Group.

Embedding sustainability and reducing risk

Following the first full year of the Sustainability Committee, the increasing focus on sustainability has ensured the Sustainability Committee has been very active in supporting the Group as it has increased its focus in this area. During the year, we asked our people what mattered to them and their response highlighted how important sustainability was to them. This was incorporated into the wider strategy and having engaged with staff, there was a momentum to continue to seek out ideas and initiatives that could be shared across the organisation.

Those ideas and the energy created has been shared with the wider organisation by establishing a Sustainability Working Group comprising representatives from the divisions, Group HSE, Legal function, Group Communications and Group Investor Relations. The Sustainability Working Group has also been able to monitor and respond on ESG and sustainability related topics on a day-to-day basis.

Building on the response from employees, the Sustainability Committee agreed four sustainability targets. These continue to be embedded within the organisation and monitoring the progress against the agreed KPIs will be the focus for the Sustainability Committee during 2021.

The Sustainability Committee has contributed to setting targets used by the Remuneration Committee to align remuneration with sustainability. This has further underpinned the importance and commitment placed on sustainability.

The Sustainability Committee has also considered how sustainability initiatives and the development of the Group's sustainability strategy can reduce and mitigate the Principal Risk on Environmental, Social and Governance (ESG) risks. Recommendations made by the Committee has helped to inform the work of the GMC, divisions and enabling functions thereby reducing the Group's exposure to the Principal Risk on ESG. For example, disclosures made as part of CDP reporting have identified further improvements that can be made across the Group, that when implemented will both decrease the risk exposure and increase the CDP rating.

Task Force on Climate Disclosure (TCFD)

The Sustainability Committee will spend time during 2021 considering the impact of TCFD disclosures in order to meet TCFD reporting requirements. The Sustainability Committee will focus on the four TCFD disclosure areas of governance, strategy, risk management and metrics and targets and review existing activity and reporting metrics as well as identify where there may be gaps in order to reach an agreed approach.

"As sustainability continues to gather momentum, it is embedded within the organisation that will provide the greatest impact for the environment."

A winning, engaged and empowered team

A close-up portrait of a woman wearing a maroon hijab, smiling gently at the camera. The background is softly blurred, showing hints of an indoor setting with light-colored walls and possibly some greenery.

A WINNING, ENGAGED AND EMPOWERED TEAM

Essentra's people are at the heart of our strategic change journey. In responding to the COVID-19 pandemic we have made their physical and emotional wellbeing our top priority and continue to work to improve diversity, talent development and engagement.

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 drives the innovation that allows Essentra to provide added value to our customers, enhance supply chain logistics and reduce the environmental impact of operations.



Essentra Thrives

On 10 October, coinciding with World Mental Health Day, we launched our global health and wellbeing strategy: Essentra Thrives. The strategy formed a key part of our Diversity and Inclusion programme in 2020; enabling our people to bring their whole selves to work and reach their full potential within a supportive, diverse and kind culture.

The cornerstone of this strategy has been the extension of Employee Assistance Programmes across all our locations globally. These programmes include a free advice line available to employees and close family members in local languages 24 hours a day, 7 days per week, 365 days a year. The service is 100%

confidential and provides a wide range of advice and support on things like financial worries, housing concerns, family challenges, relationships, stress and anxiety. All services can be accessed by family members who live in the same house as an Essentra employee.

In addition, the strategy is supported with Emotional Support First Aider training and leadership training on understanding mental health. These efforts are helping leaders look after their own emotional wellbeing as well support those around them at home and work.

This programme goes beyond the issues identified through COVID-19 as we see a continued need to focus on the physical and emotional wellbeing through 2021 and beyond.



Conscious leadership

Leading with our values in mind. Empathetical and supportive approach to ensure the wider safety of all our people

Resilience and emotional energy

Ensure our people are supported to engage with energy for change and space to innovate

Health, nutrition and vitality

A healthy individual, will contribute to a winning, engaged and empowered team

"Kindful" culture

Respecting we are a diverse family with an open culture of inclusion across our global workforce



Safeguarding physical wellbeing

In 2020, more than ever, our number one priority was our people, both as the pandemic hit and as we planned for our future in its wake. With our employees' physical wellbeing in mind, early on in the year we restricted business travel, especially for those travelling internationally. We also introduced strict hygiene and protective safety measures across all of our global sites, in line with and often exceeding local regulations. These measures were formalised around the middle of the year into a Physical Health Policy which established global standards on social distancing, hygiene, PPE, quarantine periods and return to site. In some of our badly affected areas, we extended the provision of PPE to family members of direct employees, wanting to ensure the wider wellbeing of the communities we work in. We also established measures around site visitors, deliveries and collections.

As well as physical wellbeing, we have recognised that the pandemic has had a significant impact on our employees' emotional well-being. Some of our people who continued to work in a factory setting have faced challenges around maintaining their journeys to and from home during lockdown. Therefore, some critical factory and warehouse employees in high risk countries were provided with alternative temporary housing. Employees who have been forced to work from home instead of in an office setting have faced different challenges – for some isolation, for others the difficulties of balancing work life with children or other dependants at home. In response we set up informal support networks and alternative working arrangements for particular groups of employees, so that they could connect

Our IT Service Desk Insourcing Project won the "Best Service Improvement Project 2020" at the Service Desk Institute Awards.

Essentra was awarded "Payroll Software Supplier of the Year" in conjunction with Ceridian by the Global Payroll Association.

with colleagues in a similar situation. In October we launched our global health and wellbeing strategy – Essentra Thrives – which included the extension of Employee Assistance Programmes to all our global locations.

We have also provided financial support to employees when they have been 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. At the peak of the pandemic in 2020 there were around 800 furloughed employees in 12 countries and Company furlough payments were made to employees unable to work in India, South Africa and Paraguay. We did not use UK Government provided furlough support, nor did we borrow debt from the UK Government. Overall we have been able to maintain 80% of earnings across the global workforce throughout the year.

In terms of Health and Safety our aim is to be in the top quartile of manufacturing companies for Incident Frequency Rates. We are therefore pleased to report that the total number of days lost due to incidents has reduced by 23%, from 855 in 2019 to 655 in 2020. The number of incidents resulting in Lost Time has increased slightly to 37 in 2020 from 33 in 2019.

In addition to these KPIs, in 2020 we identified the need and benefit of having a leading indicator measuring health and safety engagement and activities across each site. This will include time spent on health and safety projects, leadership walks, training, briefings and "toolbox talks". In 2021 we will use this to progress further visibility and engagement, which we hope will ensure improvements across a number of areas.

In November we held our second annual global Safety Week with a focus on "slips, trips

and falls". This was an opportunity to reinforce every employee's role in taking responsibility for driving improvements and embedding our safety culture throughout the business.

World-class engagement

In 2020, despite an incredibly challenging COVID-19 context, we undertook a slightly revised global employee engagement survey. We were able to maintain a market-leading participation rate of 91% (90% 2019), which means we can again be confident that the results reflect the true voice of Essentra. Our overall engagement metric continues to score well at 77% (78% last year), this is based on employees' views of feeling satisfied, proud and wanting to remain at Essentra. This score keeps us ahead of the manufacturing and global benchmark engagement averages and balanced well across our internal demographics, highlighting that our diversity and inclusion agenda is proving effective.

The survey told us that our employees feel particularly positive about working for Essentra, how we responded to the pandemic and our plans to build for the future. In 2021 we will be seeking to strengthen engagement around talent and careers, new ways of working and recognition. All site action plans were agreed by the end of January 2021 and regular meetings are scheduled throughout the year to track progress.

Thank you
To all of you.
For all you do.



High employee
engagement
maintained in 2020

77%
(78% in 2019)

Loss Time Incidents

Year	Number of lost times	% change
2018	36	
2019	33	
2020	37*	+12%

* Excludes 3C!

Days lost

Year	Number of lost days	% change
2018	987	
2019	855	
2020	655*	-23%

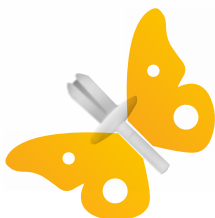
* Excludes 3C!

Creating a diverse environment

In 2020 we progressed our work to create a more diverse and inclusive workplace, focusing on the launch of our global health and wellbeing strategy, Essentra Thrives which is outlined on page 17.

Our focus on Diversity and Inclusion is broad and encompasses work-streams on gender, age, BAME, emotional wellbeing and LGBTQ. We continued to embed the global Diversity and Inclusion Policy and Charter launched in 2019 and partnerships with organisations such as everywoman, Business in the Community (BITC) and #WorkWithMe.

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.



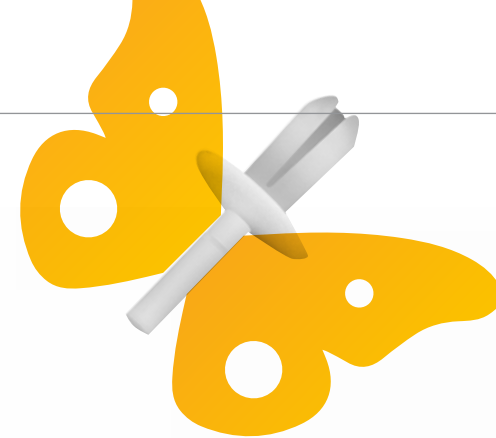
In 2020 we joined BITC's Cross-Organisational Mentoring Circles for the third year and as part of the scheme ten Essentra UK-based employees will be participating from January 2021. The Circles aim to support the progression and impact of Black, Asian and Minority Ethnic (BAME) employees and address their current under-representation at senior levels.

Being an ethical employer

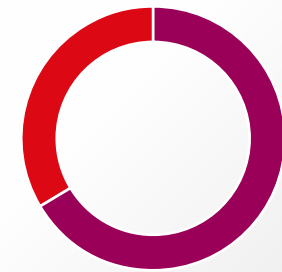
Essentra has established a clear commitment to ensuring that its business activities are conducted in accordance with all applicable laws and regulations. The Group Compliance Strategy is based on risk-based policy and training protocols supported by appropriate technology platforms and expert guidance and advice. 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. 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 policies are relevant to ensure best practice. Further details on these policies can be found at essentraplc.com/responsibility.

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.

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 on 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, Indonesia and Thailand are additionally accredited to SA 8000 which details fundamental principles of human rights.

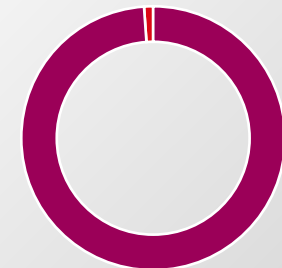


Gender split all employees



● Male: 66.4% (4,691 employees)
● Female: 33.6% (2,374 employees)
As at 31 December 2020.

Permanent/contractor split all employees



● Permanent: 99.9% (7,055 employees)
● Contractors: 0.1% (10 employees)
As at 31 December 2020.



Brand reputation

We understand that our brand reputation is a key contributor to our corporate value and is becoming an area of greater concern for investors. At Essentra our brand is not about marketing but rather a combination of our Company purpose, values, strategy and culture. Therefore protecting and enhancing our brand reputation is about ensuring that the way we do business and the way it feels to be part of our global family is as close to these as possible.

Built on these strong foundations, we believe our brand reputation is less volatile and therefore more attractive to investors seeking to avoid risk. A strong focus on ESG matters is a key part of protecting and enhancing our brand reputation and is already helping us to build even stronger relationships with our customers, suppliers and investors.

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 e.g. our supplier code of conduct and Modern Slavery Statement is shared with all key/new suppliers, and by the end of 2020 over 70% of our supplier spend was covered by our Ethics Code certification.

Our focus for 2021 is to implement a Sustainable Procurement policy and introduce KPIs relating to environmental and social impact within our supplier performance measurement framework; for example looking at what Ecovadis or CDP rating our key suppliers have and what actions they have in place to improve on that rating.





Our furloughed colleagues in India came together to use their time for COVID-19 related relief work in the local community, such as the preparation and distribution of 1,000 COVID-19 health and hygiene kits to migrant workers and their families in Bangalore.

Supporting Essentra employees on Furlough

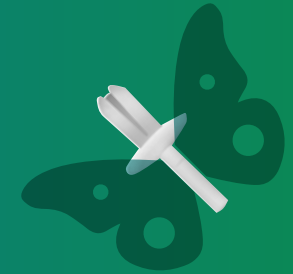
At the height of the pandemic in 2020 there were around 800 colleagues on furlough in several countries.

Despite country-specific legislative frameworks around restrictions during a period of furlough, we wanted to create a consistent global support mechanism that allowed us to better maintain our connection with furloughed employees and helped them to manage the impact on their lives and make the best use of their time away from work.

In each market with furloughed employees, we identified a Local Furlough Coordinator (LFC). Their role

included maintaining regular contact with furloughed employees, establishing virtual support networks, offering internal opportunities such as online training, encouraging and facilitating external activities such as volunteering and facilitating their return to work post a period of furlough.

The LFCs were linked so they could ask questions and share great ideas of things they were doing to support those on furlough. A global guide for line managers with furloughed employees was created which included advice on things such as: checking in on well-being, offering support, disseminating information, linking them to other furloughed employees, and recommending activities to make best use of their time.



BOARD EMPLOYEE ENGAGEMENT

During 2020, the Board Champions, Mary Reilly and Ralf Wunderlich continued to engage with staff throughout the Essentra family. The Board both enjoy hearing from Mary and Ralf and are committed to the Voice of the Employee initiative.

The Board have made a 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

A schedule of visits had been agreed for 2020 but as it became apparent that Mary and Ralf would not be able to visit in person, an alternative framework was created to ensure that the Board still heard from people directly. The framework uses virtual meetings and sessions are facilitated by the Future Leaders who have worked with Mary, Ralf and the Head of Governance, to deliver Voice of the Employee sessions.

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

In addition to Voice of the Employee sessions, Mary joined a number of team meetings across the businesses so that she could speak with people directly to hear for herself how they were managing to work remotely and to provide colleagues with an opportunity to raise any concerns with her. Unfortunately, it was not possible to replicate this with staff working on the shop floor due to our own COVID-19 safety measures and therefore during 2021 the Voice of the Employee sessions will focus on reaching out to a wider group of staff to ensure they have the same opportunity to provide their feedback.

The Board look forward to further feedback over the course of 2021.



Q&A WITH RALF WUNDERLICH



The Role of the Board Champion

- The role was introduced following the introduction of the requirement for employee engagement in the 2018 UK Corporate Governance Code
- The Board has appointed two designated Non-Executive Directors to the role referred to as the Board Employee Champion, in order to ensure that enough sites and people have an opportunity for direct contact with the Champions
- The Board is keen to hear and understand the views of employees and the impact that Board decisions have on the workforce
- The Champions represent the employee views and consider how the decisions taken by the Board will impact the workforce. It is not a spokesperson for the Company in front of employees, more an employee spokesperson in front of the Board
- The Board attaches high importance to employee engagement and want to engage with staff to deepen their understanding of Essentra's working culture and approach to key issues including as health & safety, inclusion, diversity and sustainability
- The Board want to understand what our people consider to be the greatest risks as well hear about the positive side of work for Essentra
- The Board Employee Champion is not an HR position – it is to listen to our family members and make sure they have a voice that is heard directly by the Board so they can calibrate messages that management and the engagement survey tell us
- Details of discussions remain anonymous but the Champions report back to the Board at every meeting

"It is great for the Board to hear directly about what matters the most – safety, sustainability, community, company culture."

Ralf Wunderlich
Non-Executive Director

What are your reflections on your first full year as a Board Champion?

I was so pleased to become a Board Champion and join Mary in this very important role. Mary and I had worked on great plan to engage with many of our people and intended to visit sites and had a planned schedule of visits but it was evident that by the end of Q1 these would not go ahead. We would need to adapt those plans if we were to meet our people and at that point we agreed to move to virtual meetings. As we considered what we could do virtually, it was hugely disappointing to have to accept we would not reach as many staff as would have done if we had visited a site. However, we have now got a good structure around our virtual meetings and we are sure that as lockdown continues, we will be better prepared and able to meet staff in 2021 and hopefully by the second half of 2021 some in-person meetings are possible.

What have you enjoyed most about the role?

I enjoy meeting our people and hearing about what matters to our people. Safety is our number one priority and a paramount concern for the Board, and by talking with staff it is obvious that it is indeed everybody's number one priority. I really enjoy people talking to me about what Essentra means to them, and how they feel about working for



Q&A

Essentra. That is one of the questions in the Employee Engagement Survey and being able to hear it direct from people makes a real difference.

What are the benefits of having this designated role on the Board?

The role gives the Board the opportunity to hear from people at different levels across the organisation, especially staff on the shop floor. It is great for the Board to be able to hear directly about what matters the most – safety, sustainability, community, company culture amongst others – how they feel about helps the Board in performing their duties.

The role is there for the good and bad days too. Mary and I are ready to listen to staff who have had to live through the impact of difficult decisions taken by management and are ready to answer and discuss any issue.

What are the main themes coming out of your meetings with employees?

This year, staff have been concerned about the pandemic: their safety, their emotional wellbeing. The Board were pleased that the Essentra Thrives initiative expanded the Employee Assistance Programme to all staff across the globe.

Have there been any surprises?

Our people are always very straightforward and open with us and I really value their honesty. We found the same when we were able to visit sites in 2019. This gives Mary and I insights into what is important and we can then take that back to the Board. If we hear of something that's not right, it means we can tackle that with the Board and management's support.

What has been the reaction from employees to the role?

I am always genuinely pleased to see that our people take the sessions seriously and are straightforward with their feedback and questions. They want to talk to us and seem to enjoy the opportunity. We explain our roles at the start of the session so that people are clear on what to expect.

We have also involved our Future Leaders in our sessions. They have helped organise the sessions and gain the opportunity to work directly with senior managers as well as the Board, and of course, they get to listen to what their colleagues across the globe have to say too.

What has been the reaction from the Board?

The Board always hear back from Mary or I at every meeting. The Chairman, Paul Lester, makes it a point to have feedback on each and every Board meeting agenda. Clearly this

indicates the importance the Board places on employee engagement and representation. As this is still relatively new to UK boards, we are still learning to ensure that the most value can be taken from the feedback we get.

What have been the challenges of the role and how do you see it developing?

There have been two challenges. The first is the COVID-19 pandemic: we had to flip from in-person visits to virtual and put a framework in place to make that happen. The other longer-term challenge is language – with so many sites in so many locations, we have had to think about how to ensure we can hear what people are saying. To help with this, our graduates suggested using a mobile app so that people could submit questions in their language in advance and we can address those.

What are you hoping to see evidence of during your visits, both virtual and in person, in 2021?

With vaccinations now available, I am hopeful this will bring us all back to a more normal, or new normal business life. I am hopeful that I will be able to get to meet our people in person and those on the shop floor. Our business has made some difficult decisions in 2020 in connection with restructuring the business, and I am looking forward to meeting the people who have had to live through those changes.

"As this is still relatively new to UK boards, we are still learning to ensure that the most value can be taken from the feedback we get."

Ralf Wunderlich
Non-Executive Director



A close-up photograph of a man in a factory setting. He is wearing a dark cap, safety glasses, and orange earplugs. He is looking off-camera with a focused expression. His hands are visible in the foreground, working on a task. The background is blurred, showing industrial equipment.

Doing business responsibly and with purpose

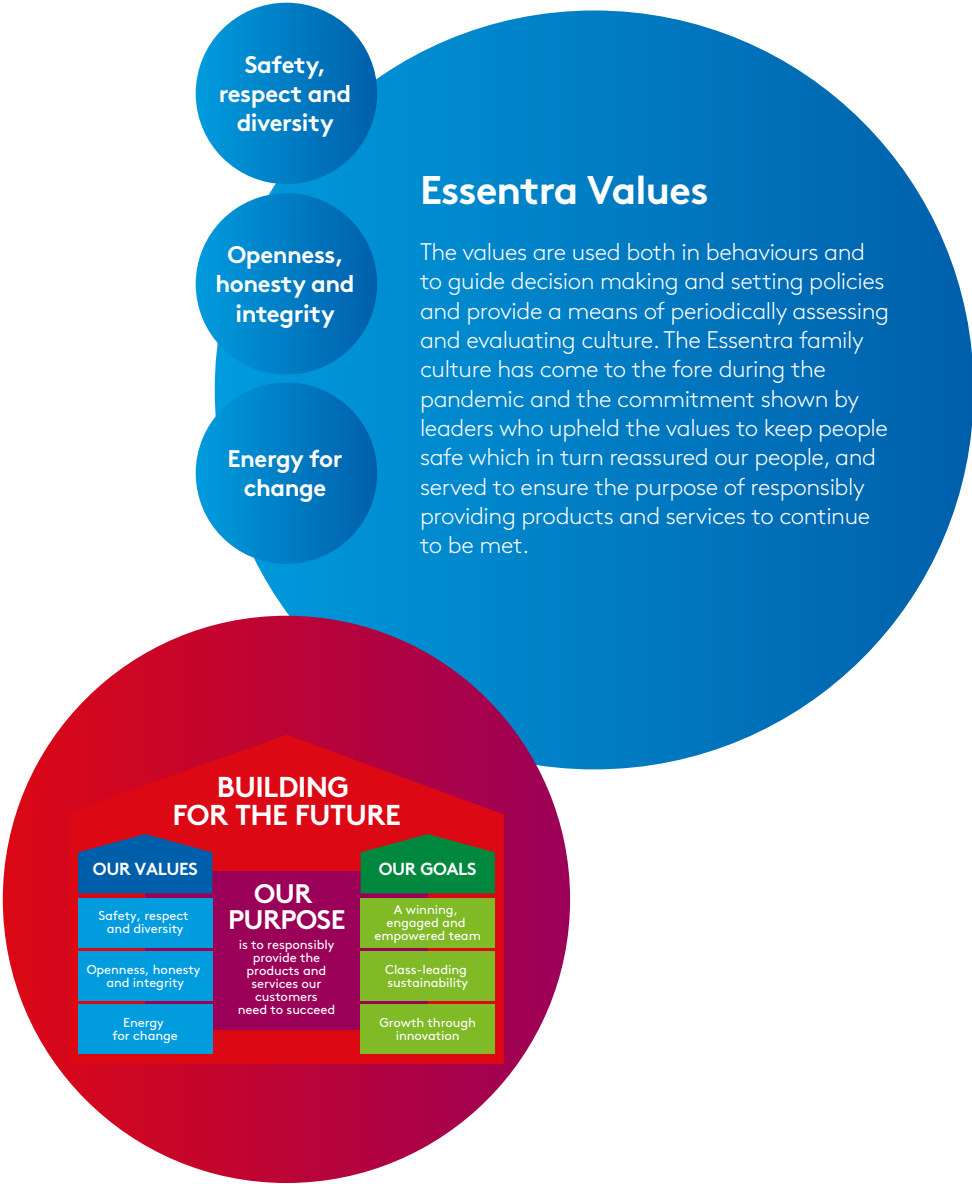
ESSENTRA PURPOSE, VALUES AND CULTURE

During 2020, the Board, GMC and senior leaders took the opportunity to reconsider the Company's purpose, values and goals to ensure they remained relevant and aligned with the strategy.

Following discussion across the organisation, the Board agreed that the purpose was still relevant but needed to reflect the importance the business and the Essentra family placed on doing business responsibly, whether this involved considering business ethics in who we do business with, ensuring customers had the best product possible, to striving to do more to meet sustainability targets. The Board were pleased that the inclusion of 'responsible' came with the support and commitment of the Essentra family.

In meetings its purpose, Essentra's values are used on a daily basis. Formally known as the Six Principles, the values enable our people to understand what matters the most and to drive those values forward in their roles and everyday work. Whether recruiting new people, providing Health & Safety training or assessing risks, the values can be applied to all spheres of Essentra.

More detail on our purpose can be found in the Chief Executive's Review in our Annual Report 2020.

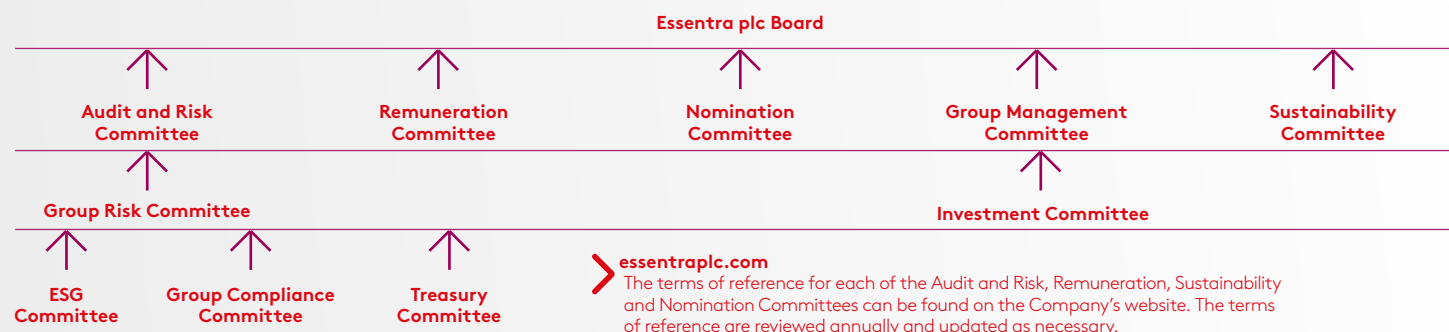


The Board holds corporate governance and its principles in the highest regard and believes that good governance should be at the heart of all its decisions and discussions. To support this, a comprehensive governance framework is in place that ensures discussions are held in the right forums and are 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 to it for its decision.

In providing leadership to the Company, the Board establishes 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.

Our structure



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.

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 Chairman.

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 and the main trends and factors affecting the long-term success and future viability of the Company.

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, Key and Emerging Risks, and ensuring the effectiveness of divisional and functional risk management.

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 Chairman of the GCC and is accountable for the Company for compliance activities. 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 Chairman 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.

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.

ESG Committee

The Environment, Social and Governance Committee (ESGCG) was established in 2021 and operates as a sub-committee of the GRC. The ESGC is chaired by the Company Secretary & General Counsel who is well placed with oversight across all Divisions and the Group to steer the Company's ESG strategy and activity.

DOING BUSINESS RESPONSIBLY AND WITH PURPOSE

Doing business responsibly underpins the long term sustainability of our business for all our stakeholders.

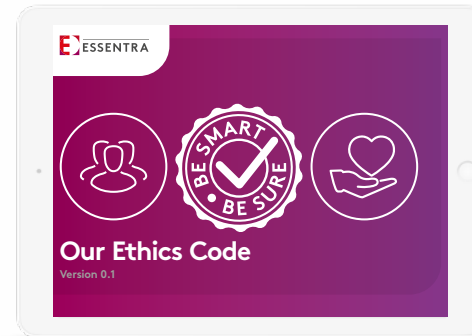
While our sustainability strategy (which is mapped with the relevant Sustainable Development Goals) forms part of our responsible approach, doing business responsibly also means ensuring business is conducted in an appropriate and compliant manner. As part of our culture, employees should know what is expected of them and can bring any concerns straight to leaders' attention.

Ethics Code

The Compliance Programme includes a refreshed Code of Ethics. The Code is available in all Essentra languages in both hard copy for colleagues working in factories and on The Works, our intranet site, so that staff are able to access it easily. An ethics decision tree helps guide staff who have also had the opportunity to attend live virtual training sessions on the Ethics Code.

Governance

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 staff 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.



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 GCC is chaired by the Company Secretary and General Counsel and has met monthly throughout 2020 with representation from across the divisions and Group. The GCC reports to each Audit and Risk Committee (ARC) on the response to key compliance risks and the programme of activities designed to mitigate exposure.

Notwithstanding the impact of COVID-19, which meant the GCC had to re-prioritise its plans, good progress was still made. The GCC has remained focused on driving effectiveness and continuous improvements in compliance. The Compliance Plan has seen significant cultural change and the sharing of information across divisions has allowed synergies to be harnessed to best use, for instance in monitoring the effectiveness of training.

The compliance transformation programme has had particular regard to the impact of the Deferred Prosecution Agreement requirements around regulatory and sanctions compliance, third-party due diligence and anti-money laundering and undertook activity that supported these key areas.

Key activities 2020

- Compliance training, both online, and remote sessions in place of in person sessions
- Regular review of training completion rates across the Group
- Risk assessments
- Policy reviews, development of short form summaries and a tool box approach to training materials
- Re-brand of compliance materials
- Development of a Compliance Charter and Framework
- Development of a refreshed Ethics Code
- Development of a Compliance Plan for 2021
- Testing of the effectiveness of the training programme within one division and to be replicated across all divisions during 2021

The GCC has seen significant cultural change and lessons learnt to be shared.

Right to speak and whistleblowing

During 2020, 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. At the outbreak of COVID-19, our people were understandably concerned about safety measures being taken and we encouraged our people to use the right to speak process to ensure any inconsistencies in approach and safety measures were reported to senior management directly. This approach allowed remedial action to be taken quickly thereby ensuring the ongoing safety of our Essentra family.

During the year, particular concerns were expressed regarding potential conflicts of interest impacting one site and the ARC oversaw a thorough investigation of the allegations, including the use of external resource, and continues to monitor the impact of the Company's response including local management transition to mitigate future risk.





Essentra plc
essentraplc.com

Telephone: +44 (0)1908 359100
Email: enquiries@essentra.com

