



RESILIENT SUSTAINABLE GROWTH



OUR PURPOSE, VALUES & CULTURE

Who we are

Synthomer is a global differentiated chemicals company and one of the world's leading suppliers of sustainable water-based polymer solutions. With strong geographic and end market diversity combined with increasing product differentiation, Synthomer holds leadership positions in a wide range of markets including coatings, construction, textiles, paper, adhesives, healthcare and oil & gas.

Purpose: Everything is driven by our purpose

Our purpose is: Creating innovative and sustainable polymer solutions for the benefit of customers and society.

Strategy: Our purpose shapes our strategy

Our strategy is focused on driving long-term sustainable growth organically and through acquisitions.

Effective execution builds resilience

Effective execution has helped build resilience and sustainable growth, seen in four key areas in this Annual Report:

- Global approach to customers & markets.
- How we are responding to megatrends.
- Global reach.
- Sustainability in products and processes.

Values: Underpinned by our values

Synthomer has five core values.

At the heart of our business is SHE (Safety, Health and Environment)

We always have time to work safely.

We are accountable

We deliver on our promises.

On innovation

We welcome change and new ideas.

For teamwork

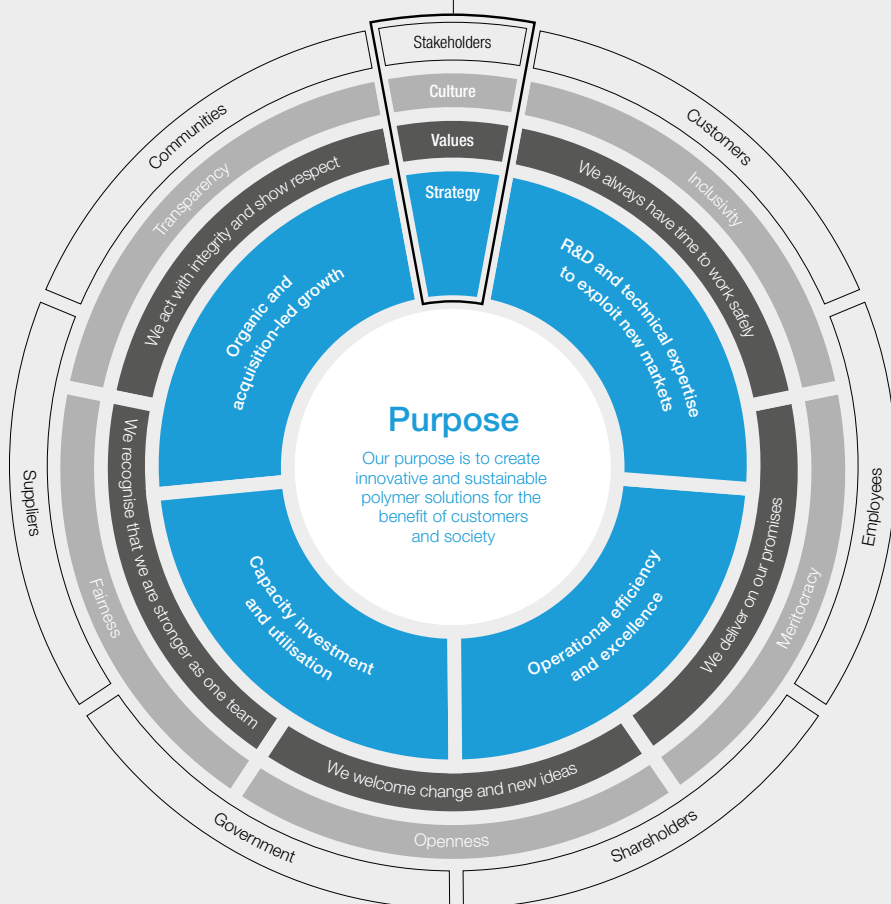
We recognise that we are stronger as one team.

For integrity

We act with integrity and show respect.

Culture: And shaping our culture

Synthomer is fully committed to building a business where the people, purpose, culture and values of the Group are fully aligned. Synthomer is a diverse global Company with an inclusive culture which embodies meritocracy, openness, fairness and transparency.



Financial highlights

+ See page 172 for definitions

EBITDA

£259.4m

2019: £177.9m

Underlying PBT

£160.0m

2019: £116.2m

Underlying EPS

28.9p

2019: 25.3p

Free Cash Flow

£167.6m

2019: £92.8m

IFRS Profit before tax

£20.3m

2019: £100.5m

IFRS basic earnings per share

0.7p

2019: 21.5p

Non-financial highlights

Volume

1,638.2ktes

2019: 1,465.7ktes

Sales volume from new products

22%

2019: 22%

Recordable accident frequency rate

0.20

2019: 0.20

Energy consumption per tonne

3.71GJ/t

2019: 3.63GJ/t

Underlying performance statement

The Group's performance management uses Underlying performance to plan for, control and assess the performance of the Group. Underlying performance differs from the statutory IFRS performance as it excludes the effect of Special Items, which are detailed in note 4. The Board's view is that Underlying performance provides additional clarity for the Group's investors and stakeholders and so it is the primary focus of the Group's narrative reporting. Where appropriate, IFRS performance inclusive of Special Items is also described. References to 'unit margin' and 'margin' are used in the commentary on Underlying performance. Unit margin (or margin) is calculated on selling price less variable raw material and logistics costs.

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

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

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Further information on the Group is available through our website at www.synthomer.com

Synthomer at a glance

Synthomer is a global differentiated chemicals company and one of the world's leading suppliers of sustainable water-based polymer solutions. With strong geographic and end market diversity combined with increasing product differentiation, Synthomer holds leadership positions in a wide range of markets including coatings, construction, textiles, paper, adhesives, healthcare and oil & gas.

What we produce (% of Group revenue)



Performance Elastomers (41.8%)

Performance Elastomers is focused on healthcare, carpet and paper markets through our water-based Nitrile Butadiene Rubber latex (NBR) and Styrene Butadiene Rubber latex (SBR) products. In addition to its existing portfolio, the acquisition of OMNOVA has expanded the Division's scope to include the Performance Materials and Elastomeric Modifiers product lines.

Volume

896.0ktes

2019: 849.1ktes

Revenue

£680.3m

2019: £623.7m

EBITDA

£142.5m

2019: £96.3m

Underlying operating profit

£116.8m

2019: £71.5m

IFRS operating profit

£80.8m

2019: £71.2m

Market position

No 2 producer globally in NBR latex.
No 1 producer in European SBR latex.
No 1 producer globally of High Solids SBR.



Functional Solutions (38.8%)

Functional Solutions is focused on coatings, construction, adhesives and technical textiles markets through our acrylic and vinylic water-based dispersions. Following the acquisition, the OMNOVA CAST (Coatings, Adhesives and Surface Treatment) and Oil & Gas businesses have been fully integrated into Functional Solutions.

Volume

591.2ktes

2019: 487.4ktes

Revenue

£646.7m

2019: £612.8m

EBITDA

£95.6m

2019: £69.9m

Underlying operating profit

£69.1m

2019: £52.3m

IFRS operating profit

£31.1m

2019: £48.0m

Market position

Top five global water-based polymer producer, with leadership positions in dispersions in Europe, Middle East and Asia.



Industrial Specialities (16.2%)

Industrial Specialities is focused on speciality chemical additives and non-water-based chemistry for a broad range of applications from polymer additives and polymer manufacture to emerging materials. Following the acquisition, the OMNOVA Laminates & Films and Coated Fabrics businesses have been integrated into the Division.

Volume

91.1ktes

2019: 67.3ktes

Revenue

£264.9m

2019: £157.9m

EBITDA

£41.2m

2019: £23.8m

Underlying operating profit

£29.0m

2019: £18.4m

IFRS operating profit

£18.8m

2019: 14.3m

Market position

Leading positions in selected niche speciality chemical markets globally.

Acrylate Monomers (3.2%)

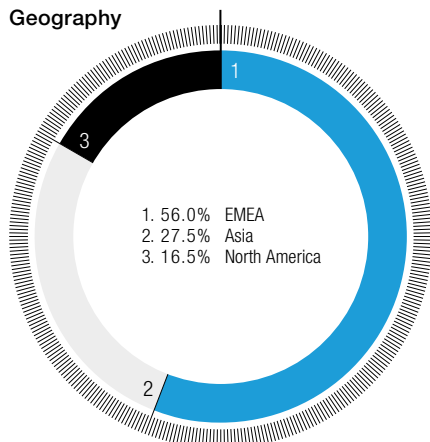
Acrylic Monomers was separated out of Industrial Specialities in 2020 to allow greater management focus to be applied to this business. Based on a single site in Sokolov

(Czech Republic) the Division is focused on the supply of acrylic monomers to our European Functional Solutions Division and to third-party customers. The Division produced 59.9ktes (2019: 61.9ktes) of

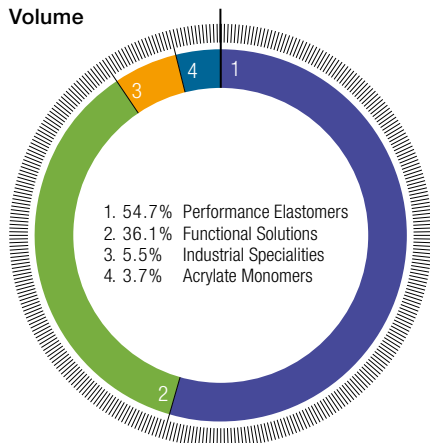
monomers, generated revenue and Underlying EBITDA of £52.3 million (2019: £64.7 million) and £2.4 million (2019: £1.0 million profit) respectively.

Strong geographic and end market diversity underpins our business model and resilient performance:

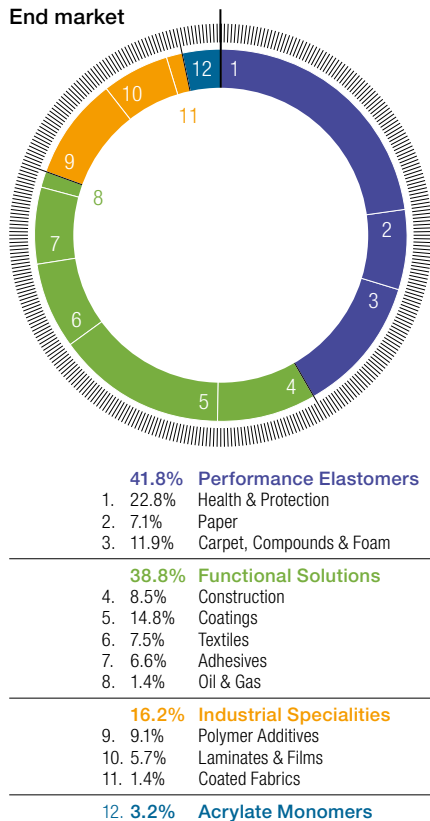
Geography



Volume



End market



Our Environmental, Social and Governance (ESG) approach

Our purpose is to create innovative and sustainable polymer solutions for the benefit of customers and society.

As ESG becomes increasingly important for our Company and stakeholders we provide greater clarity on our ESG priorities, the foundations for our strong ESG platform and our goals to improve our performance in this area.

Our ESG priorities:

- To report to Global Reporting Initiative (GRI) standards focusing on the following:
 - Consistent delivery of world class levels of Safety, Health and Environmental (SHE) performance.
 - The reduction of our carbon footprint and climate change impact.
 - The increasing use of renewable raw materials and assurance of our supply chains to allow continuous improvement in the sustainability of our products to meet the needs of customers.
 - Progressing our diversity and inclusion agenda at all levels of our organisation.

Our ESG platform:

- Our progress to world class levels of SHE performance has been a feature of the last six years in Synthomer**
 - we seek to deliver this performance consistently in all parts of our global operations with the aim to have zero incidents.
- As a global leader in sustainable water-based polymer solutions our products eliminate the use of over 500ktes of solvents** which contain volatile organic compounds (VOCs) with our investment in innovation introducing new state-of-the-art products with regulatory and environmental compliance.
- The global move to more sustainable water-based polymer solutions underpins our GDP+ growth** as customers use our products to meet increasingly stringent environmental regulations.
- Actions taken in 2020 will see large parts of our network (including the recently acquired OMNOVA business) move to green renewable sourced electricity**, an end to the use of coal derived energy across our network and the introduction of management incentives to deliver reductions to our carbon and climate change impact.

- Our new Sustainable Procurement Strategy will see a drive towards supply chain assurance verification** and increased use of sustainable products and services through partnerships with suppliers.
- Our diversity and inclusion agenda is strong** at multiple levels (our global employee base, Hampton-Alexander and Parker compliant Board, and graduate and young talent recruitment) but whilst our Executive Committee and direct reports gender mix has improved from 8% to 16% there remains more to be done to meet our targets of 20% in 2021, 25% by 2025 and 33% by 2025.

Our plan for improvement:

- To ensure a foundation for improvement we have reported our 2020 global performance to one GRI standard for the enlarged Synthomer Group, including the OMNOVA acquired business.
- New long-term 2030 ESG targets will be introduced in 2021.
- Our ESG priorities in 2021 will be carbon and climate change, diversity and inclusion, and supply chain assurance.
- We will disclose Scope 1, 2 and 3 greenhouse gas emissions based on verified data.
- We are committed to Task Force on Climate-related Financial Disclosures (TCFD) reporting for 2021.
- We will evaluate during 2021 the move to science-based targets.
- New gender and inclusion targets have been introduced to target higher levels of diversity across our global business.
- Through our new Sustainable Procurement Strategy we will provide higher levels of supply chain assurance and increase the sustainability of our complete supply chain.

We are resolutely focused on sustainability and Environmental, Social and Governance (ESG) improvements, and measuring our progress against internationally recognised standards. We pride ourselves on the progress that has been made and are determined to deliver on our targets and objectives, recognising that there is more to be done in this important area.

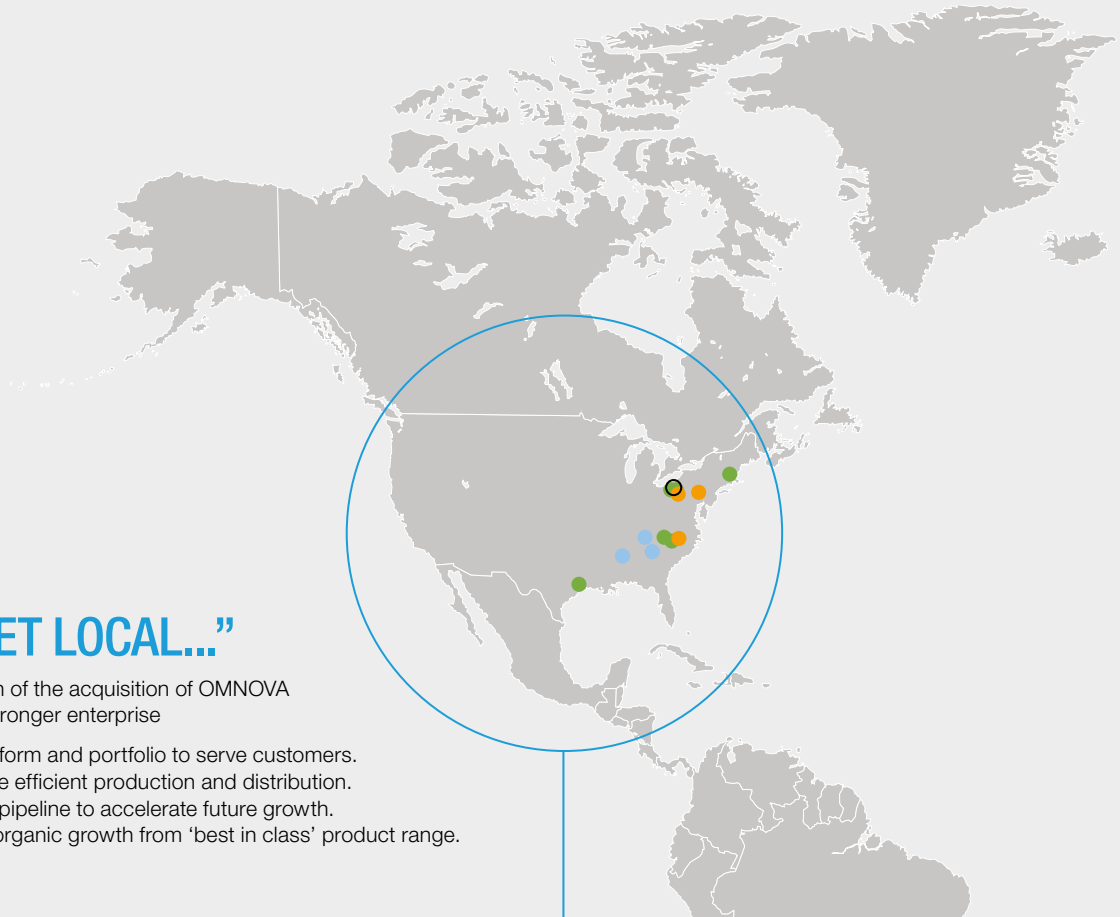
+ [Read more](#) in our ESG section on page 56.

Global reach

The way we do business has become increasingly global as we follow our customer requirements, extend our global operating network and leverage our focus on research, development and innovation.

Key

- Headquarters
- Sales
- Performance Elastomers (PE)
- Functional Solutions (FS)
- Industrial Specialities (IS)
- Acrylate Monomers (AM)
- * Synthomer legacy



“GLOBAL YET LOCAL...”

Synthomer’s completion of the acquisition of OMNOVA creates a significantly stronger enterprise

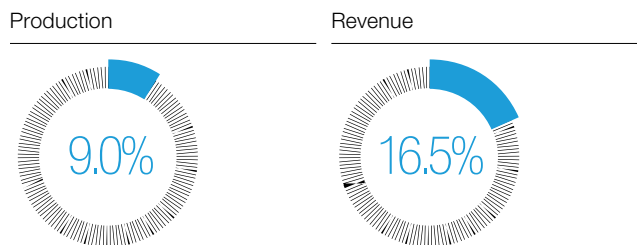
- Expanded global platform and portfolio to serve customers.
- Greater scale for more efficient production and distribution.
- Increased innovation pipeline to accelerate future growth.
- Opportunity to drive organic growth from ‘best in class’ product range.



We completed the acquisition of OMNOVA Solutions Inc in April 2020 which builds our strong base in North America and provides our first manufacturing base in China.

North America

Employees	Production sites
1,022	9



Synthomer acquired its first production site in North America in 2016 as part of its acquisition of the Performance Adhesives & Coatings business – with the enlarged network in place after the OMNOVA acquisition Synthomer now has a strengthened presence in the region which provides an excellent opportunity for further growth.

[+ Read more](#) on pages 28 to 35.

North America

- Beachwood (OH)
- Atlanta (GA)*
- Calhoun (GA)
- Columbus (MS)
- Akron (OH)
- Chester (SC)
- Fitchburg (MA)
- Mogadore (OH)
- Roebuck (SC)*
- Stafford (TX)
- Auburn (PA)
- Jeannette (PA)
- Monroe (NC)

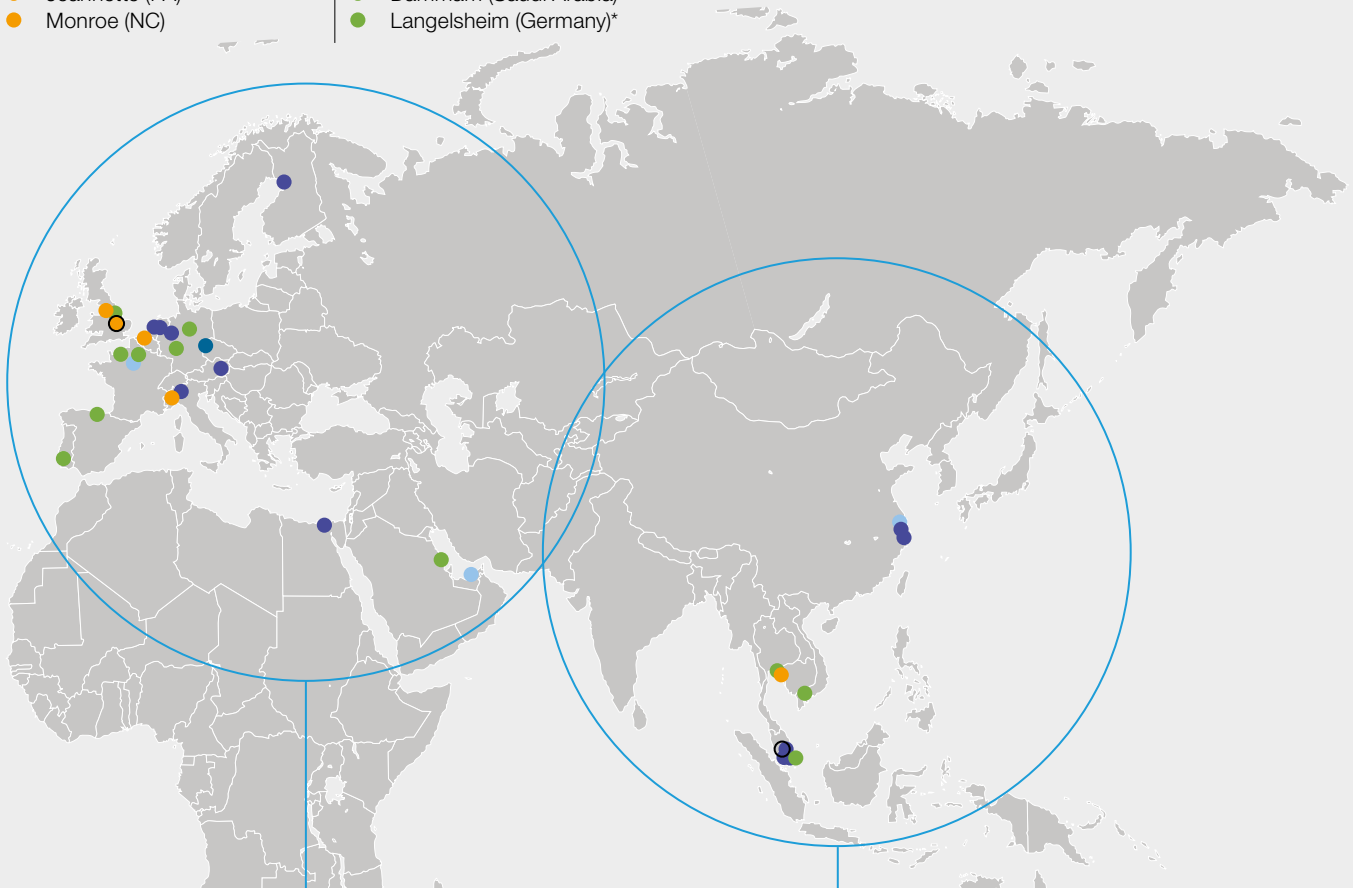
EMEA

- London (UK)*
- Dubai (UAE)
- Villejust (France)
- 10th of Ramadan City (Egypt)*
- Filago (Italy)*
- Hasselt (Netherlands)*
- Marl (Germany)*
- Oss (Netherlands)*
- Oulu (Finland)*
- Pischelsdorf (Austria)*
- Asua (Spain)*
- Dammam (Saudi Arabia)*
- Langelshiem (Germany)*

- Le Havre (France)
- Ribécourt (France)*
- Sintra (Portugal)
- Stallingborough (UK)*
- Worms (Germany)*
- Accrington (UK)*
- Evergem (Belgium)*
- Harlow (UK)*
- Sant'Albano (Italy)*
- Sokolov (Czech Republic)*

Asia

- Kuala Lumpur (Malaysia)*
- Shanghai (China)*
- Caojing (China)
- Kluang (Malaysia)*
- Kulai (Malaysia)*
- Ningbo (China)
- Pasir Gudang (Malaysia)*
- Chonburi (Thailand)*
- Ho Chi Minh City (Vietnam)*
- Rayong (Thailand)



EMEA

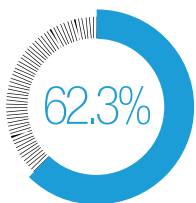
Employees

2,782

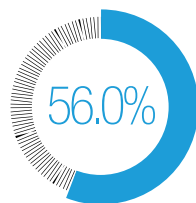
Production sites

20

Production



Revenue



With its market leading position in Europe further extended, Synthomer has an excellent position from which to continue to drive sales growth across its global blue-chip customer base, using the product range and deep technical knowledge to meet new regulatory requirements and to leverage excellent brand recognition in sustainable water-based polymer solutions.

+ [Read more](#) on pages 28 to 35.

Asia

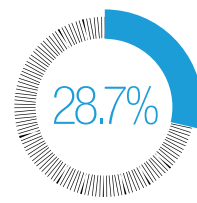
Employees

797

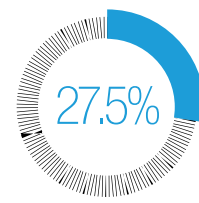
Production sites

9

Production



Revenue



As a leader in the fast-growing NBR business, Malaysia has been the ideal base from which to access fast growing markets, provide excellence in innovation with the newly commissioned AIC (Asia Innovation Centre), and manage its new manufacturing base in China which was acquired with OMNOVA and opens a platform for further growth across the Group.

+ [Read more](#) on pages 28 to 35.

Global reach – Diversified end markets

Synthomer is a global differentiated chemicals company and one of the world's leading suppliers of water-based polymer solutions. The strength and resilience of our business model comes from the diverse markets and blue-chip customer base we serve combined with strong geographic diversity and product differentiation. Synthomer holds leadership positions in a wide range of markets including coatings, construction, textiles, paper, adhesives, healthcare and oil & gas.



Health & Protection

22.8% Revenue

Synthomer is a global leading supplier of Acrylonitrile Butadiene Rubber (NBR latex) for glove dipping and associated healthcare industries. These products are designed to meet the highest performance requirements of medical and industrial glove manufacturers, providing high flexibility and comfort as well as a high barrier protection for the end user. Gloves manufactured from Synthomer's speciality NBR latex ensure a combination of high tensile strength, good elongation and relaxation to cater to the specific needs of medical, examination, clean room, food handling, medical drug handling and chemical laboratory applications.



Carpet, Compounds & Foam

11.9% Revenue

Our specialist high solid SBR and SA and SBR compounded products provide high performance binders for the backing of carpet and artificial turf and as gel foam elastomers for floor coverings, footwear and mattresses. In all types of carpet (from wovens to automotive) and artificial turf we provide compounded products with technical service and support to optimise the performance of the floor covering. As a global leader in high solid SBR our products provide the durability, elasticity and mechanical stability required in mattresses, foam pillows and foam toppers.



Paper

7.1% Revenue

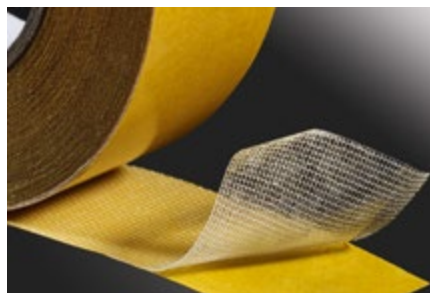
Synthomer is the European leader in styrene butadiene (SBR) and styrene acrylic (SA) high performance binders for graphic, packaging and speciality paper coatings. Products provide excellent binder stability and optimal coater performance to maximise production efficiency. Used across the entire paper spectrum the products support stringent regulatory requirements and are food contact compliant.



Coatings

14.8% Revenue

Synthomer offers an extensive range of binders specifically developed to meet the performance and regulatory requirements of the architectural and industrial coatings market. Our acrylic and vinyl copolymer dispersions are low VOC, low odour and APEO free to meet the increasingly demanding environmental standards without compromising application properties or durability.



Adhesives

6.6% Revenue

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



Oil & Gas

1.4% Revenue

The Group is a global leader in speciality polymeric solutions that promote wellbore stability, overall drilling efficiency and reduce non-productive time. Products are used in offshore and onshore application for the most challenging high temperature, high pressure and high differential pressure environments.

Key

- Performance Elastomers
- Functional Solutions
- Industrial Specialities
- Acrylate Monomers



Laminates & Films

5.7% Revenue

Synthomer's Laminates & Films business provides decorative laminates for residential and commercial interior environments. The products include innovative, durable surfaces for a wide range of applications from kitchen to bathroom, retail to recreational vehicles, and performance films for luxury flooring, signage and industrial applications.



Textiles

7.5% Revenue

Synthomer products find application in a broad range of woven and non-woven applications. Our products are used to bind mesh insulation systems in technical textiles, to provide the binder in distribution layers in non-woven nappies and in decorative laminates where our advanced dispersions for pre-impregnated paper provide outstanding performance due to their excellent compatibility with a range of resins and starches.



Coated Fabrics

1.4% Revenue

Our polyurethane and vinyl coated fabrics are valued by designers, OEMs and end users for excellent performance in a broad range of applications including automotive and bus seating, marine seating and trim, as well as healthcare, hospitality, education and corporate office seating. These products offer differentiated advantages including our industry leading PreFixx protective finish.



Construction

8.5% Revenue

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



Polymer Additives

9.1% Revenue

Across the Industrial Specialities and Performance Elastomers businesses our specialist products are leaders in a broad range of polymer solutions. From suspending agents for PVC manufacture, and thermosetting polyester resins for powder coatings, to thermal stabilisers in polyamide engineering plastics.



Acrylate Monomers

3.2% Revenue

Acrylic acid and acrylate monomers are produced at our Sokolov (Czech Republic) site. These versatile monomers improve the performance characteristics of thousands of polymer formulations including latex and solution copolymers and cross-linkable polymer systems. The business supplies the Group's European Functional Solutions and external customer monomer demand with increasingly sustainable products.

Diverse resilient business model underpins our strong investment case

Our strong geographic and end market diversity combined with increasing product differentiation and a clear strategy for growth offers a compelling investment case.

We are a **diversified and differentiated global** chemical company with **leadership positions** in attractive GDP plus end markets

- Broad industrial end market diversity delivered through three operating divisions and a global network.
- 6,000+ customers with diverse blue-chip base and limited revenue concentration and customer intimacy.
- Global product portfolio, 70% of which is differentiated.
- OMNOVA acquisition extends geography and product diversity.

We are continuing to grow the proportion of **speciality chemicals** in our portfolio

- Strong innovation focus with global R&D footprint.
- Total technology spend ~2% of revenue.
- Target 20% new product development KPI (sales volume from products less than five years old and patented products).
- OMNOVA acquisition increases speciality portfolio.

Increasing demand for our products is underpinned by global megatrends and our blue-chip customer base

- Markets consistently growing:
- Performance Elastomers, NBR 10% plus, SBR flat.
- Functional Solutions GDP plus.
- Industrial Specialities GDP plus.

Strong organic and inorganic growth drivers are at the core of our strategy – with our growth capex programme and highly synergistic OMNOVA acquisition driving further progress

- ~14% EBITDA CAGR delivered since 2014, broadly balanced between organic and inorganic strategy.
- Organic growth supported by self-help activities.
- Capex investment programme 2017-2019 lays foundation for future growth.
- Compelling mergers and acquisitions (M&A) track record – four acquisitions since 2016.

We are a **sustainable and responsible operator** – a global leader in water-based polymers, eliminating the need for volatile organic compound containing solvent-based products in diverse end markets

- Market need for sustainable water-based polymer solutions underpins growth beyond GDP.
- Strong ESG performance – reporting to GRI standards.
- Global top quartile safety performance – target zero harm.
- Investing in sustainability to accelerate performance in everything we do.

We have **attractive financial metrics** with resilient Group unit gross margin and strong Free Cash Flow

- Resilient Group gross margin per tonne.
- Strong Free Cash Flow through disciplined capex and working capital management.
- Conservative balance sheet targeting 1-2x net debt to EBITDA.
- Dividend policy of 2.5x earnings cover.

+ For more information on our investment case see www.synthomer.com

OMNOVA integration ahead of schedule on synergies and timing

Synthomer's management has extensive acquisition integration experience and appointed a dedicated team to oversee the integration of OMNOVA which has delivered higher levels of synergies to an accelerated timeline relative to Group's investment case.

JULY 2019 OMNOVA merger agreement signed and acquisition announcement	JULY 2019 £200m rights issue successfully completed to finance the acquisition	MARCH 2020 European Commission clearance for OMNOVA acquisition
APRIL 2020 OMNOVA acquisition completed	AUGUST 2020 OMNOVA integration ahead of schedule on synergies and timing \$40m run rate annual pre-tax synergy savings by 2022 \$20m synergy savings run rate expected by end of 2020	
JUNE 2020 €520m 3.875% unsecured 5 year loan notes issued to refinance the acquisition financing	DECEMBER 2020 \$30m synergy savings run rate achieved by end of 2020	

Chair's statement

Strengthening the platform for sustainable growth.



Caroline Johnstone

Chair

Highlights

- Steering and setting the tone through COVID-19.
- Maintaining the business focus on SHE, keeping everyone safe.
- Financial strength, de-leveraging and strong balance sheet to position Synthomer for future opportunities.
- Integrating OMNOVA through the pandemic, delivering synergies and assessing the culture of the combined business.
- Managing Board changes; transitioning the Chair and welcoming a new Non-Executive Director and Chair of the Audit Committee. First female Chair and Board Hampton-Alexander and Parker compliant.
- Strategic opportunities including accelerating sustainable innovation and Nitrile latex investment.

"I am very proud of the way our employees have used their considerable skills to adapt positively to the enormous challenge of the pandemic."

+ Read more on page 66.

I start my first report to you as Chair by recognising our great people and our resilient business. On behalf of the Board I would like to thank every one of our employees who have all worked so hard to deliver Synthomer's significant progress in the most challenging conditions. We have benefitted from the huge experience of the leadership team as the pandemic spread throughout the world – they took decisive actions to protect the business, our employees and continue to deliver for all our stakeholders. Throughout 2020, all our sites continued to produce without any significant interruption and we delivered record volumes to our customers. Alongside this, the business successfully completed and integrated the largest acquisition in its history, largely on a remote basis. Our business model has proven resilient in the toughest of COVID-19 circumstances.

Responding to the pandemic – in the interests of all stakeholders

A fuller description of how we responded to the pandemic is set out on page 17. Two of the Group's 'safety golden rules'; look after yourself and look after each other, have demonstrated the best of Synthomer this year. As an essential industry we have been able to contribute to the pandemic response in a very direct way, continuing to make products critical to society such as our Nitrile latex, which is used in the production of medical protective gloves. We have maintained our supply chains across the world to flexibly meet the needs of our customers where COVID-19 has impacted demand. We have introduced risk assessed social distancing across our plants, laboratories and offices and deployed technology to allow our business to continue safely.

Like many other businesses, the pandemic presented difficult choices for management and the Board. We took the difficult decision not to recommend the payment of a final dividend for 2019, to significantly reduce capital expenditure and to suspend senior management/Board salary reviews in order to protect the business and maintain Synthomer's strong liquidity, cash flow and financial position. We maintained a strong balance sheet throughout and closed the year with a return to target levels of leverage. The Group is well positioned to take full advantage of opportunities as we emerge from the immediate effects of the pandemic.

Due to the resilience and performance of the business, we reinstated a 2020 interim dividend. Before taking this decision, the Board agreed that £410,000 of UK Government furlough support should be repaid in October 2020; whilst our use of furlough was less than most other businesses, we felt strongly that repayment was the right thing to do. We also agreed that bonuses would be paid across our business where targets were achieved. We set out more examples of taking a wide range of stakeholder interests into account when making decisions such as these alongside our Section 172 statement on pages 38 to 41.

Integrating OMNOVA and strengthening the growth platform

With the acquisition of OMNOVA, which was completed on 1 April 2020, Synthomer extended its position as a global leader in water-based polymer solutions, strengthening our geographic platform, customer reach and operational network and capabilities. Synthomer welcomed 1,850 OMNOVA employees into the Group across 13 manufacturing sites in 6 countries.

We are focused on driving operational efficiencies, optimising our network and innovating for our 6,000 customers around the world. The speed of integration puts us in a strong position to invest in further growth, innovation and our people.

“THANKS TO THE DEDICATION AND HARD WORK OF OUR EMPLOYEES, AND THE DIFFERENTIATION AND DIVERSIFICATION OF THE BUSINESS, SYNTHOMER HAS DELIVERED A STRONG PERFORMANCE IN THE FACE OF COVID-19. WE HAVE PRODUCED RECORD PROFITS, DE-LEVERAGED AND ARE WELL FUNDED FOR FUTURE GROWTH.”

We appointed an external firm to review and confirm the delivery and reporting of synergies. The Board had regular updates on integration, ensuring systems were robust, receiving reports on risks around cyber security and the perceptions of employees, particularly important given the lack of face-to-face interactions due to the pandemic. One particular focus was the priority of sharing and unifying the safety culture which continues to be successfully implemented throughout Synthomer.

Embedding our Purpose, Values and Culture

Our purpose, which was refined in 2020, is to create innovative and sustainable polymer solutions for the benefit of customers and society. It is supported by our five values: Safety, Health and Environment (SHE), Accountability, Integrity, Teamwork and Innovation. The Board and Executive Committee team has worked hard to engage all employees across the business to build alignment around our purpose, our values and policies and practices, which underpin our culture. There is a can-do and open culture in Synthomer and this is evident in all the people with whom the Board and I interact.

For further information on alignment of strategy, purpose, culture and values see the inside front cover.

Our focus on SHE (Safety, Health and Environment) is paramount and we set out the further progress that we have made in this area on page 70. Our Code of Conduct has been rolled out, with positive feedback, across the enlarged Group to provide clarity for all our employees about the high standards we expect.

Our first ‘Employee Voice’ survey was completed in 2019 and the feedback from this, the resulting action plans as well as employee presentations to the Board and Board Committees, together with

our employee engagement programme (with site visits and virtual meetings to explore how we live up to our values and purpose), help us to test our views of the culture. In 2021, we are looking forward to some face-to-face interaction with colleagues who joined us from OMNOVA.

Committed to sustainability

Sustainability is an increasing priority for Synthomer, stakeholders and the whole of society. Our water-based polymers allow markets to substitute higher carbon containing solvent-based products which also contain high levels of volatile organic compounds. This water-based substitution drives stronger growth in our business and allows customers to comply with stringent sustainability regulations.

Our focus on innovation allows us to introduce latest generation products and processes to meet customer requirements and drive our differentiation strategy. Our Manufacturing Excellence toolkit allows us to minimise the use of resources by optimising the efficiency of our global operations. We have a strong foundation in sustainability but there is more to do in driving the use of alternative raw materials from the most sustainable suppliers, completing our assessment of Scope 3 greenhouse gas emissions, and minimising our carbon footprint to allow us to deliver a net zero position by 2050.

The Group has aligned its reporting on sustainability to Global Reporting Initiative (GRI) standards and has integrated the OMNOVA acquisition to allow reporting for the enlarged Group to a single common consistent standard. Quantifying, improving and communicating the sustainability of all our activities continues to strengthen through the use of this globally recognised standard. Full details of our carbon footprint and sustainability plans can be found on pages 72 to 77 with a summary of our ESG plans provided on pages 58 and 59.

In 2020, we took significant action to drive the ongoing improvement in both our carbon footprint and our sustainable supply chain. The Board made a decision to end the use of coal for energy generation across the Group. The closure of the coal fired power station at our Sokolov (Czech Republic) site will be completed in 2021. The Group made a significant commitment to source renewable electricity across Europe and North America and is exploring further moves in Asia. These decisions are expected to remove over 100ktes of our 415ktes total Scope 1 and Scope 2 greenhouse gas emissions by the end of 2022. Also in 2020, the Group completed and published a comprehensive Sustainable Procurement Strategy, setting new standards to provide assurance throughout our supply chain.

Our latest 2022 ESG targets reflect the new enlarged Group and in 2021 we plan to introduce 2030 targets and evaluate the introduction of science-based targets. We are committed to reporting using the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and will produce our first disclosure in our next Annual Report.

We recognise that there is much to do to meet the needs of society on sustainability through the setting of longer term targets and communicating our sustainability strategy, and the Board see this as a key priority for 2021.

Improving diversity and inclusion

Across our industry and at Synthomer, we must do better in developing diverse talent and bringing them through to senior leadership. We make better and more informed decisions when

Chair's statement continued

we have diversity right across our business and we will need this to continue to deliver our strategy, and to attract and retain the best talent. In Synthomer, the strategy of growth and sustainable innovation has clearly been attractive to graduates and other new recruits to the business; over the past three years, we have had over 50% female graduate recruits (85% in 2020). This will take time to come through to the very highest leadership roles of course, but we have a challenge to retain and develop more diverse senior leaders.

For senior management (Executive Committee and their reports) we have set a target of 20% gender diversity by the end of 2021, 25% by the end of 2022 and 33% by the end of 2025. For ethnicity we have set a target of having 20% senior management from a non-white background by the end of 2025 (see pages 67 and 68).

Board changes bring complementary skills and diversity

In March 2020, Neil Johnson announced that he would be stepping down as Chair, at the end of his tenure. During that time, Synthomer has established itself as a leading global differentiated chemicals business and this was, in no small way, due to Neil's deft and careful leadership. On behalf of us all, I would like to thank him for the contribution he made and wish him the very best for the future.

The Board and Nomination Committee completed a comprehensive process (see page 101) and I was privileged to be chosen as the next Chair by the Board. I am mindful of the long heritage of the business and I recognise the responsibility to protect and develop the business for future success.

I was delighted Cynthia Dubin joined the Board in July 2020 – Cynthia's industry, financial and banking experience complements other skills on the Board. She is already adding a different perspective to Board discussions.

In January 2021, Calum MacLean announced that, following 6 successful years, he intends to stand down as Chief Executive Officer of Synthomer by January 2022. I would like to thank Calum for everything that he has done to take Synthomer forward. His leadership and vision have transformed the business into a truly leading global diversified and differentiated chemicals company. The process to select a new Chief Executive Officer is well underway and will include both internal and external candidates.

In December 2020, I instigated a Board skills review alongside the triennial externally facilitated Board evaluation (see page 100). Board succession planning will evolve in the future and the skills review informed our search for a new Non-Executive Director to replace Just Jansz, who will have served on the Board for nine years in April 2021. Our work on Board and senior executive succession will continue in 2021.

I am pleased to confirm that, as we ended 2020, the Synthomer Board comprised one third female Board membership and 11% ethnically diverse membership, in line with the Hampton-Alexander target and Parker Review recommendations. At the same time, I recognise that we have more work to do, particularly in the Executive Committee and its direct reports on diversity.

Stakeholder engagement

In November, we held an investor event, focused on our Functional Solutions Division and providing more depth around our plans for this business for over 100 investors and analysts.

Most of the Board attended this virtual event and importantly, we heard investor questions around strategy, investment priorities and opportunities resulting from our achievement of target leverage. I also joined a virtual meeting with some of our largest investors where I introduced myself, discussed Board priorities and listened to investor questions. It was interesting to hear the positive feedback on our accelerated de-leverage post the OMNOVA acquisition and questions around potential M&A and organic growth opportunities – this fed into our strategic discussions at the Board. I look forward to meeting more shareholders in the coming year.

We have also continued to enhance our workforce engagement programme. As the designated lead Non-Executive Director, Alex Catto provided valuable feedback (see pages 66 to 67) and made sure we had the voice of our employees in our Board discussions.

Our wider stakeholder engagement processes and the impact of their views on our decision making is described throughout this report and in particular in our Section 172 report on pages 38 to 41.

Governance

Over the past 5 years, the Board has been very clear on its priorities – taking ambitious but careful decisions to grow the business. The Board regularly receives updates on all the major projects which underpin that growth including capacity expansion in Nitriles, OMNOVA integration, the new Asian Innovation Centre in Malaysia, the business process and system transformation Pathway programme. In each review, we assess performance against clear metrics, both financial and non-financial.

During the year, the Board reviewed the strategies for each of our divisions. We also had particular focus on our combined Innovation strategy, reviewed future investment opportunities in Nitrile latex and reflected on the likely longer-term impact of COVID-19. This will be an ongoing topic in 2021. Our Audit Committee has a programme of risk reviews with the divisions as well as with key functions and specific risk topics.

The Board also considered our site and product footprint and reviewed in detail management's assessment of how Synthomer could add the most value to all stakeholders. There was considerable debate and discussion which resulted in the Board approving the recommendations from the strategic review of SBR. In mid 2020, the Board asked management to reflect on the opportunities for further development in Nitrile latex, reflecting the need to balance short- and longer-term prospects and this will continue into 2021.

We were in full compliance with the Provisions of the 2018 UK Corporate Governance Code throughout 2020, except in respect of two remuneration-related Provisions connected with Executive Director pensions policy and employee engagement on Executive Director pay. Our approach to these matters has been carefully considered by the Board and is explained in the Directors' Remuneration report on page 103.

Looking ahead

Taking over as Chair is a good moment to reflect on priorities. The externally facilitated Board review was beneficial in this regard (see page 101). The Board has confirmed that it does not intend to change course and we continue to be focused on delivering our proven strategy, maintaining strong financial management and pursuing organic and inorganic growth when we identify the right opportunities for the Group.

We will maintain a relentless focus on the safety and resilience in our business. We have more to do in developing our engagement, to ensure we are listening to and supporting our employees, our shareholders and wider stakeholders. Other areas of particular Board focus in 2021 will be:

- Building on the strengths of the enlarged Synthomer businesses, delivering ongoing synergies from the OMNOVA acquisition and driving further Innovation;
- Continuing and increasing our focus on sustainability and climate change; and
- Investing in strong succession and people development plans, with a clear emphasis on driving greater diversity and inclusion, particularly in executive roles below Board.

The Group has a clear plan to deliver on its proven strategy of driving long-term growth through proactive organic and inorganic investment decisions. Our strong geographic and end market diversity combined with product differentiation means that we remain confident in driving value for all of our stakeholders in future years.

Dividend

Following the reintroduction of the 2020 interim dividend the Board has recommended a final ordinary dividend of 8.6p (2019: nil p) per share. Taken with the 2020 interim ordinary dividend of 3.0p (2019: 4.0p) per share, the total ordinary dividend is 11.6p (2019: 4.0p). The total dividend for the year is in line with the Group's dividend policy with the dividend representing 40% of the Underlying earnings per share. The final dividend per share is subject to shareholder approval at the Annual General Meeting on 29 April 2021 and will be payable on 5 July 2021 to those shareholders registered at the close of business on 4 June 2021.

Caroline Johnstone

Chair
4 March 2021

Chief Executive Officer's review

Delivering resilient sustainable growth in an unprecedented environment.



Calum MacLean

Chief Executive Officer

Strategic highlights

- World class Safety, Health and Environmental performance. Despite the complications associated with operating 38 manufacturing sites globally during the COVID-19 pandemic Synthomer delivered a 65% reduction in 2020 three-year rolling all injury rate.
- Record EBITDA at £259.4 million (+45.8%) with 14% compound annual EBITDA growth delivered between 2014 and 2020.
- Resilient trading during COVID-19, strong cash flow and accelerated de-leverage (<2x EBITDA) one year ahead of schedule.
- Group refinanced including first issue of high yield bond in July 2020 resulting in long-term conservative financing and robust balance sheet.
- Step change acquisition of OMNOVA Solutions Inc completed in April 2020. Successful integration ahead of target schedule. Brings further product and geographic diversity to the combined Group.
- Positive momentum in Group ESG platform with real progress in industrial chemistry for sustainable polymer solutions.
- Compelling investment case through strong track record, consistent and proven strategy, and resilient and diversified business model.

Safety, Health and Environment (SHE)

Synthomer's success is directly related to the Group conducting its business in a safe and responsible way. Synthomer sets high standards in relation to SHE activities, which are supported by appropriate levels of investment, improvement initiatives and by rigorous supervision of the Group SHE team. Our performance against these standards is reported at each Executive Committee and Board meeting and we target consistent world class performance in our safety key performance indicators.

2020 has seen significant activity in two areas – firstly the integration of OMNOVA, including the introduction of Synthomer SHE standards and policies and secondly, the safe operation of all our facilities during COVID-19. Our global network of sites operated throughout the pandemic during which time they were defined as “essential industry”. All our sites and offices were risk assessed and practices adopted to allow them to operate safely and effectively.

The acquisition of OMNOVA presented the opportunity to deploy our proven SHE techniques across our expanded network of 38 sites (OMNOVA added 13 sites to our 25 site Synthomer network). Intensive activity has seen Synthomer ‘Golden Rules and Principles’ introduced along with common methods of recording and reporting occupational, process and environmental results. Common ways of working are now fully introduced. OMNOVA sites have SHE key performance indicator results below those of legacy Synthomer sites and improvement plans are now in place to improve this performance.

In 2020 our legacy Synthomer three-year rolling all injury rate saw a 65% reduction to 0.21 and our process safety rate saw a 60% reduction to 0.11 over the last three years, with long-term underlying rates reducing significantly over the past six years.

Business environment and performance 2020

Synthomer employees have worked tirelessly in a hugely challenging environment to deliver the strong performance of 2020. Their determination to maintain and deliver products for the benefit of customers, society and the Company whilst continuing to work safely and with due consideration for others has been exceptional. I would like to thank each of them for all they have done in 2020.

At the outset of the pandemic, the Group took tough decisions early to manage the resulting uncertainty. We reduced capex to manage cash flows and preserve liquidity, whilst retaining our focus on SHE and key strategic growth projects. Our final 2019 dividend was cancelled, but 2020 dividends were reinstated at the earliest opportunity as the business delivered a strong and sustainable recovery in Q3 2020.

The Group's robust performance, despite the challenging conditions brought about by the pandemic, is testament to our differentiated portfolio of products serving diverse end markets across the globe. We continue to make strong progress in positioning the business to deliver on its strategy of driving long-term growth through organic and inorganic investment decisions.

Our strong performance in 2020 delivered a year of record Underlying profitability and Free Cash Flow. EBITDA increased by 46% to £259.4 million from £177.9 million in the prior year. Growth came from each of our core global divisions, Performance Elastomers, Functional Solutions and Industrial Specialities.

EBITDA

£259m

Reduction in our three
year rolling injury rate

65%

“THE £654M ACQUISITION OF OMNOVA WILL PROVIDE AN IDEAL PLATFORM FOR SYNTHOMER TO DELIVER AGAINST ITS EXCITING SUSTAINABLE GROWTH STRATEGY.”

Performance Elastomers saw a 48% increase in EBITDA to £142.5 million as our Nitriles business continued to benefit from our significant investment in capacity and technology combined with the ongoing growth in demand for medical protective gloves due to the COVID-19 pandemic and the health and hygiene megatrend. This could lead to significant further growth in 2021, but with anticipated further market capacity additions, we expect this to normalise over the second half of 2021 and into 2022. We made significant progress to restructure our SBR business by improving plant utilisation and reducing its cost base, the benefits of which we expect to start to see in 2021.

Functional Solutions saw a 37% increase in EBITDA to £95.6 million as OMNOVA added 9 months of additional profitability and the underlying business continued to benefit from improved differentiation, superior mix and geographical growth.

Industrial Specialities saw a 73% increase in EBITDA to £41.2 million benefitting from 9 months of OMNOVA profitability and the resilience of this business in the face of weaker automotive markets, which were impacted due to COVID-19.

Free Cash Flow of £167.6 million (2019: £92.8 million) was strong, primarily reflecting the growth in profitability, tight working capital control including the benefits derived from OMNOVA being managed in line with Synthomer processes. The cash saving from proactively reducing capex to £53.8 million reflected the early decisions taken to mitigate the impact of COVID-19 and preserve cash. Capital spend was in line with post COVID-19 plans as we focused on our strategic Nitrile latex capacity growth project, the Asian Innovation Centre as well as our SHE and essential sustenance projects.

Our strong cash flow allowed us to reduce our closing net debt to £462.2 million and our leverage to 1.8x, within our target range of 1 to 2x. This performance was delivered one year ahead of our investment case for the acquisition of OMNOVA and is a sign of the underlying strength of the cash flow of the Group.

Inorganic growth – OMNOVA

We completed the £654 million acquisition of OMNOVA, a US listed speciality chemicals company on 1 April 2020. The transaction creates a truly global differentiated chemicals company with significant scale and a robust platform from which to invest and drive its sustainable growth strategy. As a result of this transaction, Synthomer has extended its position as the global leader in sustainable water-based polymer solutions. We have greater

customer reach, improved market positions, stronger operational capabilities and superior innovation platforms. The strong strategic fit brings significant synergy potential which in turn will bring growth and additional stakeholder value.

The integration of the acquisition was completed successfully, ahead of schedule and with enhanced cost synergies. Integration took place during the pandemic and benefitted from the preparation in place prior to completion, the strong cultural overlap between the businesses and the commitment of all of those involved. We now expect to deliver \$40 million of recurring pre-tax cost synergies by April 2023 and have already delivered \$30 million run rate synergies in 2020.

Synthomer successfully introduced a new global business structure in 2019 to better serve our customers, drive operational efficiencies and leverage our product portfolio globally. Due to the common chemistry and markets with OMNOVA, this structure will continue to operate unchanged with larger, lower cost global divisions providing the most efficient and effective structure to operate the integrated business. Synthomer will continue to utilise its proven best practice manufacturing and commercial excellence processes to drive productivity, reduce costs and accelerate revenue synergy opportunities across the enlarged Group.

Whilst our focus in 2021 remains fully embedding OMNOVA and delivering cost and revenue synergies, the Group will resume its disciplined approach to assessing bolt-on and transformational acquisition opportunities to drive further stakeholder value.

Organic growth – benefitting from growth capex and transformation programmes

Our strategy of sustainable growth is built on our strong geographic and end market diversity combined with efficient production of increasingly differentiated chemicals characterised by high barriers to entry. Our market leading positions, focused innovation and global asset network provide the foundations for our organic growth strategy.

Our continued growth in 2020 came directly as a result of our growth capex programme between 2017 to 2019 and the commissioning of new low cost capacity as a result of de-bottlenecking existing facilities in Performance Elastomers and Functional Solutions. In Performance Elastomers our £45 million investment in 90ktes Nitrile latex capacity expansion at Pasir Gudang (Malaysia) delivered improved market share to serve the high growth health and protection glove market. This asset was sold out from Q1 2020 due to the strong growth of this market accelerated by COVID-19. Whilst we reduced our capital investment programme in 2020 as a prudent measure due to the uncertainty of COVID-19, we maintained our planned investment to deliver an additional 60ktes at Pasir Gudang in Q4 2021. Synthomer is committed to supporting long-term growth in the Nitrile latex market through capacity expansion and innovation of market leading products such as our patented SyNovus® range.

The strategic review of our European SBR network was announced in Q4 2019 to address lower plant utilisation rates across our SBR assets resulting from slower economic activity and ongoing weaker demand for coated graphic paper. Good progress has been made during the year with the European SBR network review, the benefits of which will start to feed through in 2021 with the closure of the Oulu (Finland) site and the streamlining of our operation in Marl (Germany), rationalising the cost base and increasing the utilisation rates on the remaining assets in Marl, Filago (Italy) and Pischelsdorf (Austria).

Chief Executive Officer's review continued

The Group continues to focus on transformation and cost reduction programmes across our wider network. Against a backdrop of challenging market conditions, these self-help opportunities are key to the delivery of performance and the generation of long-term value. In addition to work across our SBR network, transformation projects to drive improved long-term profitability are underway in Kluang (Malaysia), Sokolov (Czech Republic), and Ribécourt (France). Our 'Mindset' non-manpower fixed cost reduction programme commenced in 2019 in Europe and will continue to be rolled out further in 2021 with the goal of minimising the impact of inflationary cost pressures.

In order to deliver our long-term inorganic growth agenda and to ensure the efficiency, effectiveness and compliance of our organisation, the Group has commenced a business transformation Pathway programme. The programme is designed to deliver a consistent set of global business processes across a unified target operating model, to transform our technology architecture into a single set of proven integrated systems and to build additional efficiency and effectiveness globally. The programme will begin to deliver benefits in 2021 and is expected to be completed for the enlarged Group in 2024.

Innovation

Innovation continues to be a core pillar of our growth strategy. It allows Synthomer to secure improved and differentiated market positions and provide solutions to generate added value for our customers. The acquisition of OMNOVA presented a significant opportunity to increase the innovation pipeline, strengthen the technology portfolio across wider markets and geographies and optimise the structure for innovation globally.

Under the leadership of our newly appointed Chief Technology Officer, Marshall Moore, who joined us from OMNOVA and now sits on the Executive Committee, the Group will focus on four global technology and innovation centres of excellence, with strong local application and technical service centres to ensure we can maximise our global yet local operating model.

New product development is a key KPI for our business measuring innovation and is a measure of the percentage of sales volume coming from products introduced in the past five years and patented products. For the enlarged Group this was 22%, in excess of our 20% target. The legacy OMNOVA and Synthomer businesses have comparable levels of innovation.

To further enhance our innovation facilities and drive greater efficiency and scale, we opened our state-of-the-art Asian Innovation Centre in Malaysia in Q3 2020. The new facility will bring additional space and allow us to build upon the accelerated time-to-market for new innovations that we have delivered in recent years.

Sustainability

We continue to operate to the highest standards in this area and benefit from our focus on water-based polymer solutions, innovation and Manufacturing Excellence, and maintaining the highest levels of corporate governance. We are aware, however, that more needs to be done. In 2021, our priorities for ESG will be on our Carbon and Climate Change, Diversity and Inclusion, and Sustainable Supply Chain Assurance.

The decision was taken to close the coal fired power station at Sokolov (Czech Republic). This action will eliminate the use of coal for power generation across the enlarged Synthomer Group. The decision, combined with the move to electricity sourcing from renewable sources in Europe and North America, will begin a material reduction in our Scope 1 and 2 greenhouse gas emissions.

Summary and outlook

In January 2021, I informed the Board that following 6 years at the Company I intend to stand down as Chief Executive Officer of Synthomer by January 2022. I believe Synthomer has become a truly leading global diversified and differentiated chemicals company with a strong culture and an experienced team capable of driving further strong growth. The business has delivered significant EBITDA growth since I joined in 2015 and with the largest acquisition in the history of the Group now fully integrated, all core parts of the business growing and our financial outlook strong, now is the right time to hand over to build on this exciting momentum. A comprehensive search process has been initiated by the Nomination Committee and I will remain with the business to oversee a seamless transition of responsibilities to my successor.

As we look to the future, the business is in a strong position. Whilst the Group will continue to adapt its operations in response to the ongoing COVID-19 pandemic, at this stage we expect no meaningful disruption. The Board is confident that the benefits of the OMNOVA acquisition, recent investment in new capacity, further efficiency measures and a proven strategy will underpin future growth. The current performance of our Performance Elastomers business, driven by exceptional demand for Nitrile latex as a consequence of the COVID-19 pandemic, may drive particularly strong one-off profitability in 2021, but we expect this to return to more normal levels as we move into 2022.

Calum MacLean

Chief Executive Officer
4 March 2021

Synthomer COVID-19 timeline

Early decisions taken to protect our employees and supply chains

Managing our business through the COVID-19 pandemic has been a significant challenge for all our stakeholders in 2020. The chemical sector was designated as an essential industry in the geographies in which we operate and therefore our 38-site global network operated largely as normal. No significant issues were experienced with regard to raw material supply, the distribution of finished goods or the availability of operating personnel. With safety our priority we have managed all our sites in line with local safety requirements and we thank all our employees for their unstinting dedication, hard work and flexibility to maintain our supply chains in often very challenging circumstances.

In 2020 we took proactive action to protect our employees and their families whilst working in partnership to ensure our supply chains operated and we delivered for our customers:

- Implemented working from home arrangements for all roles that can do so.
- Upgraded video conferencing technology to enhance the ability to work remotely.
- Introduced risk assessed safe working practices, social distancing and heightened cleaning regimes across our operating sites.
- Introduced rapid response meeting structures to ensure communications inside and outside our company to address the fast changing environment.
- Suspended travel for our employees.
- Put self-isolation procedures in place for employees who were displaying symptoms or have been in contact with a confirmed infected individual.
- Reduced the risk of transmission by restricting visitors to our sites.
- Introduced rapid testing, as it became available, to take early action to protect our employees.
- Continued to ensure that SHE (Safety, Health and Environment) is our number 1 priority.

As a business we also increased our communication to all key stakeholders and took proactive and precautionary early decisions to mitigate the uncertainty created by COVID-19.

MARCH 2020

Competition clearance granted for the acquisition of OMNOVA Solutions Inc.

Decision taken to suspend 2019 final dividend to preserve liquidity and cash flow.

APRIL 2020

Completed the acquisition of OMNOVA Solutions Inc.

Q1 trading largely unaffected by COVID-19 with EBITDA 5% up on 2019 and no material impact seen from restrictions to Chinese business.

Capex reduced from proforma £90 million in 2019 to circa £50 million in 2020 to preserve cash flow. Significant leverage headroom confirmed. Board and senior management salaries frozen at 2019 levels. Fixed cost reduction programme underway.

Guidance withdrawn for 2020 due to uncertainty caused by COVID-19.

JUNE 2020

Improved trading seen in June. April and May volumes impact from COVID-19 ~20%. Over 60% of the portfolio of the Group in the 'resilient to COVID-19 category'.

Secured financing structure of Group through issuance of €520 million 3.875% unsecured 5 year loan notes due 2025, confirming significant covenant headroom and liquidity.

AUGUST 2020

Resilient performance in H1 confirmed; all 38 global sites operated safely. H1 2020 EBITDA (£100.2 million) in line with 2019 (£99.7 million). Reinstated 2020 EBITDA guidance at £211 million.

OMNOVA synergy target increased to \$40 million run rate by 2022. Integration cut and carve completed during Q2 with programme ahead of schedule on synergies and timing.

OCTOBER 2020

Strong trading momentum and recovery confirmed. EBITDA guidance raised 10% to £232 million and net debt/EBITDA leverage guidance set to reduce to ~2x EBITDA by end of 2020. 2020 interim dividend reinstated.

JANUARY 2021

Trading update provided confirming all core divisions performed ahead of comparative Q4 2019, upgraded EBITDA guidance by a further 10% to approximately £255 million and indicating net debt:EBITDA at circa 1.9x at December 2020.

MARCH 2021

Actual EBITDA reported at £259.4 million and net debt:EBITDA at 1.8x at December 2020.

Strategy at a glance

The key elements of our strategy, performance and plans are set out below.

Strategic priority

Research and development and technical expertise to exploit new markets



We anticipate market trends and customer requirements to deliver improved products with product differentiation and superior margin.

Driving efficiency and excellence through operations



We operate continuous improvement across our operations to optimise production efficiency, sales effectiveness and functional excellence. We seek to identify good practice in all areas of our business and ensure that relevant learnings are disseminated throughout the Group.

2020 achievements

- Sales volumes of new and patented products launched in the past five years for the enlarged Group was 22%, again exceeding 20% for this key target. Both legacy businesses have comparable levels of New Product Development which is reported on page 21.
- Introduction of 38 new products and 22 patents filed.
- Further commercialisation of patented SyNovus® next generation Nitrile latex product.
- Opened the new state-of-the-art Asian Innovation Centre in Malaysia.
- Completed the integration of OMNOVA and formed the redesigned Global Technology and Innovation (GTI) group under the leadership of Marshall Moore, appointed to the Synthomer Executive Committee in the newly created role of Global Technology Officer.
- Sustainability and ESG – recruited a new Director of Sustainability & ESG to provide additional resource and focus to support the business priorities for the Board and Executive Committee.
- 65% reduction in three year rolling all injury rates 2020 at 0.21.
- Completed the integration of the 13 OMNOVA sites and introduced SHE and Manufacturing Excellence principles to one company standards.
- Delivered synergies and identified options for further continuous improvement across the enlarged Synthomer Group.
- Commenced the network rationalisation and asset utilisation review in SBR.
- Progressed transformation activities at Ribécourt, Sokolov, and Kluang.
- Completed strategic procurement initiatives, securing additional tankage to enhance our supply chain resilience, mitigate risk and further leverage procurement of raw materials.
- Extended non-manpower fixed cost reduction programme to reduce costs and build accountability via improved management information.

2021 priorities

- Refocus innovation pipeline to deliver sustainable, differentiated products to target 20% new product development KPI.
- Embed the new Asian Innovation Centre to focus accelerated low-cost product development plan.
- Implement the Synthomer Innovation Excellence Ways of Working Framework.
- Implement process innovations to step change improvements in process safety, sustainability and cost competitiveness.
- Accelerate product transfer activities across wider geographic network to support business growth strategies and revenue synergies.
- Continued use of our SHE and Manufacturing Excellence to drive improved performance.
- Delivery of network rationalisation and asset utilisation review in SBR.
- Progress core system and process standardisation through our Pathway programme.
- Delivery of identified synergy programmes across Synthomer.
- Completion of site transformation activities at Sokolov (including the closure of the coal fired power station to deliver improvements to the carbon footprint of the Group and eliminate the use of coal in our Global operations).

Non-financial key performance indicators*

22%

Sales volumes from new products launched in the past five years and patented products

- Volatility and competition in chemicals and polymers market
- Innovation and intellectual property

0.2

Recordable accident frequency rate[#]

- Innovation and intellectual property
- Change programmes
- Mergers and acquisitions
- People and talent retention
- Loss or failure of a Synthomer site
- IT security
- Safety, Health and Environment
- Security of supply of raw materials, goods and services
- Ethics and regulatory compliance
- Financial risks

3.71

Energy consumption (GJ/tonne)[#]

[+ Read more](#)
Link to principal risks on pages 45 to 48

*All financial KPIs are relevant for each at the strategic priorities and these are defined and discussed further, along with the non-financial KPIs, on pages 20 and 21.

#Legacy Synthomer only.

Capacity utilisation

Our aim is to drive profitability through maximum utilisation of our assets. This involves identifying the root causes of production bottlenecks and finding innovative solutions.

- Utilised value gap analysis to embed Manufacturing Excellence tools and drive improved performance, asset utilisation and site restructuring opportunities.
- Operated 90ktes Nitrile latex capacity at Pasir Gudang (Malaysia) to maximum output rate in Q1 2020 and optimised the output of global NBR assets.
- In response to the strong demand for NBR, Manufacturing Excellence techniques were used at Kluang (Malaysia) and Filago (Italy) to maximise throughput, minimise downtime and focus on maximising production efficiency of sites.
- The commissioning of the new 36ktes capacity in Worms (Germany) and 12ktes in Roebuck (USA).
- Complete SBR asset utilisation study to optimise manufacturing network and extract value.

- Programme to review enlarged Group global asset network, including OMNOVA asset base and deploy value gap methodology to identify and unlock 'hidden capacity' in our assets.
- New capacity introduced in 2019 offers. Broader optimisation of the Functional Solutions network: opportunities for cycle time optimisation and de-bottlenecking as the capacity becomes fully utilised by 2023.

1,638.2

Volume (wet ktes)

- Volatility and competition in chemicals and polymers market
- Change programmes
- IT security
- Security of supply of raw materials, goods and services

Investment in capacity

We seek to add capacity in growth markets where investment opportunities meet our stringent capital management policies.

- Progressed the capacity expansion of Performance Elastomers 60ktes Nitrile latex at Pasir Gudang (Malaysia).
- Industrial Specialities introduced the capacity expansion for the products of specialised polyester resins for use in high performance powder coatings at our Sant'Albano (Italy) facility.
- Introduced 13 OMNOVA sites into the Synthomer network in key strategic locations (North America/Asia).

- Commission the capacity expansion of Performance Elastomers 60ktes Nitrile latex at Pasir Gudang (Malaysia) in Q4 2021.
- Complete the review of future investment options for Nitrile latex beyond the 2021 capacity expansion.

1,638.2

Volume (wet ktes)

- Volatility and competition in chemicals and polymers market
- Change programmes
- Safety, Health and Environment

Business growth through acquisitions

We actively seek opportunistic bolt-on acquisitions in similar chemistries or transformational step change transactions not limited by geography or chemistry.

- Completed acquisition of OMNOVA Solutions Inc on 1 April 2020, a highly synergistic complementary speciality chemicals business which will extend the Group's geographic presence in North America and Asia.
- Delivered the integration of OMNOVA ahead of schedule during the COVID-19 pandemic to cut and carve the acquired business into Synthomer.
- Increased the target for synergies and the speed of delivery. \$30 million run rate delivered in 2020, 9 months after completion, with the target run rate increased to \$40 million by the third anniversary of the acquisition (previously targeting \$15 million 12 months after completion and \$30 million respectively).
- Accelerated de-leverage of business to <2x by end of 2020 and to within Synthomer leverage target range of 1-2x net debt to EBITDA.

- Delivery of acquisition case business plan.
- Delivery of increased synergy plan.
- Continue to identify, target and review opportunities for M&A. Maintain disciplined approach to acquisitions in line with strategy considering both bolt-on acquisitions and transformational step change transactions in adjacent chemistries.
- Continue to consider opportunities for disposals.

1,638.2

Volume (wet ktes)

- Volatility and competition in chemicals and polymers market
- Mergers and acquisitions
- People and talent retention
- Financial risks

Key performance indicators

We have eight key performance indicators (KPIs) which we use to measure our financial and non-financial performance. Our KPIs measure progress against our strategy. Our performance against our KPIs is explained below.

Financial

EBITDA (£m)

2020	259.4
2019	177.9
2018	181.0
2017	176.2
2016	160.1

Strategy



Definition

Operating profit before depreciation, amortisation and Special Items.

Comment

- EBITDA increased by 45.8% to £259.4 million to deliver a record performance for the Group.
- Despite the challenges to the global economy caused by the COVID-19 pandemic, EBITDA improvements were recorded in Performance Elastomers, Functional Solutions and Industrial Specialities. Whilst the OMNOVA acquisition in April contributed £33.0 million to the result in 2020, the legacy Synthomer Group recorded year-on-year improvement in profitability, demonstrating the resilience of Synthomer and the effectiveness of the strategy and business model to deliver sustainable EBITDA growth.

Underlying profit before tax (£m)

2020	160.0
2019	116.2
2018	135.1
2017	130.0
2016	122.2

Strategy



Definition

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

Comment

- Underlying profit before tax increased by 37.7% to £160.0 million as a result of the rise in EBITDA but was offset by an increase in depreciation and interest mainly as a result of the OMNOVA acquisition.

Underlying earnings per share (pence)

2020	28.9
2019	25.3
2018	32.8
2017	30.7
2016	28.3

Strategy



Definition

Basic Underlying earnings per share before Special Items.

Comment

- The 14.2% increase in Underlying EPS in the year reflects the increase in Underlying profit before tax, offset by the rise in the effective tax rate and the increase in the weighted average number of shares as set out below.
- EPS figures for the years ended 31 December 2018 and prior have been restated by an adjustment factor of 1.0713 to reflect the bonus element of the rights issue which completed on 29 July 2019.

Free Cash Flow (£m)

2020	167.6
2019	92.8
2018	27.8
2017	81.5
2016	89.5

Strategy



Definition

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

Comment

- Strong Free Cash Flow driven by rise in EBITDA and reflecting tight working capital and capex control.
- Capital spend was reduced to £53.8 million (£68.8 million 2019 like for like expenditure) in response to the COVID-19 pandemic and the early decision taken to preserve cash due to the uncertainties created by the pandemic.

[+ Read more](#)

Link to strategy pages 18 and 19
Remuneration pages 102 to 118
Risks pages 45 to 48
Stakeholders pages 36 and 37



Research and development and technical expertise to exploit new markets



Driving efficiency and excellence through operations



Capacity utilisation



Investment in capacity



Business growth through acquisitions

Non-financial

Recordable accident frequency rate*

Year	Recordable accident frequency rate*
2020	0.20
2019	0.20
2018	0.23
2017	0.13
2016	0.30

*Legacy Synthomer

Strategy



Definition

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

Comment

- The legacy Synthomer business recorded another top quartile performance at 0.20 which was outstanding given the challenges of COVID-19. On a rolling 3-year basis this measure was 0.21, a 65% reduction compared to the 2015-2018 period.
- The legacy OMNOVA result for 2020 was 0.51, a 12% improvement on the 2019 equivalent. A clear roadmap for improvement has been agreed which replicates the improvements seen in Synthomer since 2015–2017.
- On a combined Group basis the 2020 performance was 0.36. 2021 targets have been agreed which set an improvement target for each site across the Group.

Energy consumption per tonne* (GJ/tonne)

Year	Energy consumption per tonne* (GJ/tonne)
2020	3.71
2019	3.63
2018	3.50
2017	3.54
2016	3.45

*Legacy Synthomer

Strategy



Definition

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

Comment

- The impact of COVID-19 on volume and the acquisition of OMNOVA made a significant impact on energy consumption in 2020.
- Energy consumption in Legacy Synthomer rose 1.9% to 3.7 GJ/tonne.
- The increased energy consumption of OMNOVA products meant that for the enlarged Group energy consumption per tonne increased 1.4% to 4.28 GJ/tonne compared to a 2019 baseline of 4.22GJ/tonne.

Volume (wet ktes)

Year	Volume (wet ktes)
2020	1,638.2
2019	1,465.7
2018	1,517.6
2017	1,443.8
2016	1,324.9

Strategy



Definition

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

Comment

- Growth in volume was mainly attributable to the acquisition of OMNOVA which contributed 200.8ktes to the Synthomer volume in 2020. In addition, NBR resulting from our new capacity expansion and the strength of the NBR market offset by the impact of lower industrial activity resulting from COVID-19 which impacted volumes in Q2 2020.

Sales volume from new products (%)

Year	Sales volume from new products (%)
2020	22
2019	22
2018	21
2017	20
2016	20

Strategy



Definition

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

Comment

- This KPI remained strong in 2020.
- Legacy Synthomer and OMNOVA new product development indices comparable.
- The result demonstrates the continued success in our strategy to innovate and create products to meet market and customer needs.
- New global innovation structure established under the newly created Chief Technology Officer Executive Committee role.

Our business model

The **highly diversified** nature of our business model helps **protect us from cyclical trends** and provides us with **resilience**. Additionally, the **specialised** nature of many of our products helps **differentiate** them in our markets and **creates value for our product portfolio**.

Our strategy is to create stakeholder value by creating a sustainable global speciality chemical business focused on providing customers with innovative and high performance solutions that enable them to efficiently produce their own high quality products.

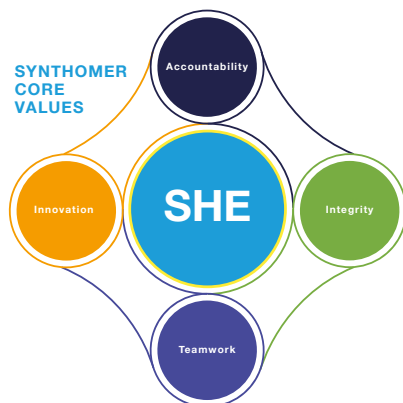
Our five strategic priority objectives

- Research and development and technical expertise to exploit new markets
- Driving efficiency and excellence through operations
- Capacity utilisation
- Investment in capacity
- Business growth through acquisitions

Underpinned by our values

Our values have been reviewed and relaunched in 2020 and focus on SHE, accountability, innovation, teamwork and integrity

[+ Read more](#) Page 65



Our key strengths and resources

R&D and technical expertise to exploit new markets

Strong track record of anticipating market trends and customer requirements to deliver improved and increasingly differentiated products.

Innovative products

R&D delivering sustainable growth, new products represent 22% of sales volume in 2020.

Strong customer relationships

Blue chip customer base of over 6,000 customers with long-established relationships and high barriers to entry.

Efficiency through operations

We deliver continuous improvement across our operations to improve production efficiency, sales effectiveness and functional excellence. We seek to identify good practice in all areas of our business and ensure that relevant learnings are disseminated throughout the business.

Investment in capacity

We seek to add capacity in growth markets where investment opportunities meet our stringent capital management policies. Our recent growth capex programme provides a catalyst for expansion over the next three years.

Global reach in growth markets

We have leadership positions in attractive GDP plus end markets and will further strengthen our global platform through the acquisition of OMNOVA.

Industry-leading talent

Our strengthened employer brand, coupled with our graduate and leadership programmes, have allowed us to access talent capable of delivering the growth strategy for the Group.

Strong acquisition expertise

We have deep experience of the delivery of successful inorganic growth and the extraction of synergy value.

Strong financial position

The Group benefits from resilient EBITDA and gross margin per tonne across the Group, strong cash flow and strong balance sheet.

Our business model delivering our strategic objectives

1 Research and development

Under the newly created Executive Committee Chief Technology Officer role, our four research and development 'centres of excellence' work to both develop products that meet our customers' and society's needs, and improve the efficiency of their manufacture and the sustainability of our product range.

2 Customers

Through intimate relationships with customers, we monitor megatrends and market developments to ensure our formulations meet the requirements not only of our customers but also of the end users of their products.

3 Technical services

Our global technical service teams work closely with our customers to ensure we provide the right formulation for their needs.

4 Formulations

Our formulations are designed for use in customer-specific products.

5 Sourcing raw materials

We work closely with our suppliers to obtain competitive prices, correct specification and to optimise supply chain resilience.

6 Production

Experienced operations teams continue to optimise the production process to be most efficient by using complex production techniques and removing bottlenecks.

7 Quality control

Our quality control procedures and laboratories ensure that we manufacture and store finished products in a manner that assures quality.

8 Logistics

Our specialist logistics teams work on ensuring safe and timely deliveries of excellent products in more than 140 countries.

9 Continuous improvement

Our continuous improvement culture allows us to target world class performance standards, learn from others and from our experiences and share efficiently across our organisation.

Our purpose – Creating innovative and sustainable polymer solutions for the benefit of customers and society.

Our business model underpinning our business structure

Performance Elastomers

Performance Elastomers is focused on healthcare, carpet and paper markets through our water-based Nitrile Butadiene Rubber latex (NBR) and Styrene Butadiene Rubber latex (SBR) products. In addition to its existing portfolio, the acquisition of OMNOVA has expanded the Division's scope to include the Performance Materials and Elastomeric Modifiers product lines. The Division continues to have its core chemistry platforms in Nitrile Butadiene Latex emulsion 'NBR' and Styrene Butadiene Latex emulsion 'SBR' with the addition of Powder NBR, Antioxidants and Speciality SBR for the tyre market. The Division produced 896ktes from its 12 manufacturing plants operating in Europe, Middle East, South East Asia and China, as well as shared assets with Functional Solutions in the USA.

[+ Read more](#) Pages 28 to 30

Functional Solutions

Functional Solutions is focused on coatings, construction, adhesives and technical textiles markets through our acrylic and vinylic water-based dispersions. Following the acquisition, the OMNOVA divisions of CAST (Coatings, Adhesives and Surface Treatment) as well as Oil & Gas have been integrated into Functional Solutions. Functional Solutions has added through the acquisition 7 manufacturing plants to significantly increase capacity in the global Division. 17 manufacturing plants located in Germany, the UK, Spain, Portugal, Italy, France, the Czech Republic, Saudi Arabia, Malaysia, Vietnam, Thailand and the USA produce in excess of 590ktes per annum.

[+ Read more](#) Pages 31 and 32

Industrial Specialities

Industrial Specialities is focused on our speciality chemical additives and non-water-based chemistry for a broad range of applications from polymer additives and polymer manufacture to emerging materials. Following the acquisition, the OMNOVA Laminates & Films and Coated Fabrics businesses have been integrated into the Division. Industrial Specialities has added 4 manufacturing plants and 25ktes through the acquisition, significantly increasing the volume sold across the global Division. In total the Division now operates 8 manufacturing plants located in the UK, Italy, Belgium, the USA and Thailand, producing in excess of 90ktes per annum.

[+ Read more](#) Pages 33 and 34

Acrylate Monomers

Acrylic acid and acrylate monomers are produced at our Czech Republic site.

[+ Read more](#) Page 35

The value we create

22%

sales volume from new products

£25.8m

spend on R&D

£211.3m

our payroll to employees

£32.0m

cash payments to pension plans

'We Care' and 'The Synthomer Foundation'

our global employee community engagement programme

£1.2bn

spend with suppliers

1,638.2ktes

volumes sold

£12.8m

returned to shareholders in FY20

23.4%

effective tax rate

£31.4m

corporate tax paid

The value we share

Customers

Our customers expect us to provide them with innovative sustainable, high quality, competitive products. We seek to work in partnerships with customers, using our skilled R&D and technical services teams, to develop products that support their goals.

Employees

Our employees are a critical part of our success. Employees contribute to all aspects of our value chain and all employees benefit from the success of our business. We are committed to providing a safe, rewarding, diverse and inclusive environment in which to work.

Communities

We look to be a valued part of communities in which we operate, providing highly skilled employment opportunities, being aware of how our plants may impact on a community and demonstrating that we respect the community and its environment. We recognise the importance to communities of being a sustainable company which produces products which meet society's needs.

Suppliers

Our suppliers are an important part of our business and we look to work closely with them using the skills of our strategic sourcing teams to ensure we get the right specification of products for our needs at competitive prices.

Shareholders

Our shareholders, as the owners of our business, should see the benefits of our focus on long-term sustainable growth, regulatory compliance and strong governance.

Governments

We see local safety and environment legislative compliance as the minimum level at which we should operate and strive for higher standards. We look to ensure that we follow the letter and spirit of tax regulations within each of the jurisdictions in which we operate and contribute fairly to public policy goals.

Resilient and sustainable growth

A GLOBAL APPROACH TO CUSTOMERS AND MARKETS

Following the acquisition of OMNOVA, Synthomer has strengthened its position as a leading global player of sustainable water-based polymer solutions with best in class process technology, a stronger innovation platform with enhanced geographic coverage and increased customer proximity.

The acquisition of OMNOVA has further enhanced Synthomer's position as a leading global speciality chemicals company catering to a diverse range of attractive end markets, with a broad range of chemistries ranging from acrylic, vinylic and speciality emulsions polymers to styrene butadiene and acrylonitrile-butadiene latexes. In addition, the acquisition enables us to build on our strategy of focusing on application development, with the opportunity to secure new long-term customer relationships through value-added solutions. Our global platform in speciality coatings and ingredients is enhanced, increasing our exposure to attractive coatings and additives for oil & gas drilling, cementing and stimulation end sectors, as well as creating a leading global player in water-based polymer solutions and expanding our international footprint. We manufacture products for a diversified customer base and produce chemical formulations for over 6,000 customers worldwide, including global blue-chip companies. We use our technical services expertise and R&D capability to understand

and anticipate our customers' needs. We are able to meet our customers' and society's requirements flexibly through our 38 manufacturing sites located across 24 countries, through product development at Synthomer's four Innovation centres and with the expertise of approximately 4,750 skilled employees.

We recognise the importance of innovation to our success and to that of our customers, and we have an impressive track record and pipeline of new product development through customer-focused R&D. For the year ended 31 December 2020, Synthomer invested £25.8 million in R&D and new products, while products developed in the preceding five years comprised 22% of Synthomer's sales volume.

We operate through four global operating divisions aligned to our product offerings: Performance Elastomers (NBR and SBR), Functional Solutions (Dispersions), Industrial Specialities (Specialities) and Acrylate Monomers.



Utilise research and development and technical expertise to exploit new markets

We monitor global trends, including demographic, political and economic trends, as well as market developments to anticipate and meet our customers' needs and deliver improved products with improved margin and product differentiation.

We anticipate market trends and customer requirements to deliver improved products in growth markets which offer improved margins and product differentiation. In 2020, 22% of Synthomer's sales volumes derived from products that were launched in the previous five years. Synthomer launched 38 new products in 2020 across multiple application areas and received further market approval and commercialisation of the patented SyNovus® next generation Nitrile latex product.

We view R&D and customer-focused innovation as a critical part of our business strategy. In 2020 we completed the investment in a new state-of-the-art innovation centre in Malaysia to add capacity and capability to enhance our innovation in a lower cost and high growth region of our network.

Highlights

Invested into innovation

£25.8m

2019: £16.6m

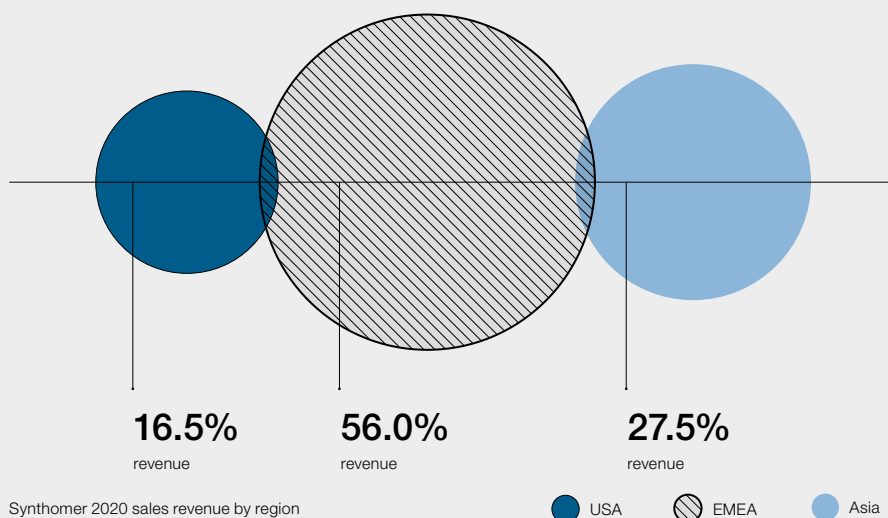
Customers served

6,000

Global Plant Network

38 sites

Synthomer revenue by region



Synthomer 2020 sales revenue by region

Blue-chip customer base with long-term established relationships and high barriers to entry

Synthomer now serves over 6,000 customers worldwide including many global blue-chip companies who can now benefit from our greater geographic presence. We believe we have strong and long-term customer relationships combined with strong customer intimacy, with an average length of over 12 years. Our customer base is widespread and well-balanced across geographies and end markets. Synthomer serves a broad customer base with our largest customer representing approximately 1.5% of total revenues while revenues from Synthomer's 20 largest customers represented 20% of total revenues.



Increased international presence in North America and Asia

Synthomer has enhanced its position as an international supplier by increasing its presence in North America, Europe and Asia. By acquiring OMNOVA we have materially strengthened our presence in North America with 16.5% of our revenue coming from North America. Our strengthened European and Asian network derived 56.0% of our revenue from Europe and 27.5% from Asia and the rest of the world. We now have the opportunity to penetrate further into Asia through our new Chinese manufacturing plants and presence in the market.

“THE HIGHLY DIVERSIFIED AND DIFFERENTIATED NATURE OF OUR BUSINESS MODEL HELPS PROTECT US FROM CYCLICAL TRENDS AND PROVIDES US WITH RESILIENCE.”

Market overview

HOW WE ARE RESPONDING TO MEGATRENDS

Megatrends are an emerging pattern of change likely to impact how we live and work. Megatrends are large, social, economic, political, environmental or technological changes that influence and impact a wide range of activities, processes and perceptions, possibly for many decades. They are the underlying forces that drive change in global markets, and our everyday lives.

Synthomer's strategy has been built with a focus on megatrends and our plans for growth are underpinned by the trends that will shape the world of tomorrow.

Accelerating urbanisation

In the 1950s less than 30% of the world's population lived in cities. Currently that proportion has risen to 50% and, by 2030 the UN projects that ~5 billion people will be urban dwellers. By 2050 72% of the world's population will live in urban settings. This change will require massive investment in smart infrastructure, and will see huge migration of people from rural areas into cities and large urban areas.

Why Synthomer is well positioned

Our construction and coating products are used in the buildings of tomorrow, providing more sustainable and compliant solutions for broad uses from waterproofing membranes to decorative coatings, and from insulation systems to tile adhesives. Our healthcare and hygiene products will meet the growing needs of new larger urban dwellers and our specialised products for transportation will be needed to support the rapid growth of infrastructure. All delivered through a global network with innovation tailored to the needs of the local market.

**“SYNTHOMER'S
STRATEGY HAS BEEN
BUILT WITH A FOCUS
ON MEGATRENDS.”**



Climate change and sustainability

Scarcity of resources and the impact of climate change are a growing economic concern which will drive a change in consumer and regulator behaviour. Demand for energy is forecast to increase by as much as 50% by 2030 and water withdrawals by 40%. Increasing levels of environmental regulation are expected with the opportunity for rapid innovation in more efficient, lower carbon and higher performance applications delivered with a reduced impact.

Why Synthomer is well positioned

The need for more sustainable solutions will drive the use of water-based and regulatory compliant polymer solutions and the need for products to deal with extremes of weather. Our water-based products find broad application in consumer and industrial use. Our regulatory compliant water-based products avoid the use of significant volumes of solvent-based VOCs. Our heat reflection coatings and insulation system textiles cater for the demands of extreme weather. Change will continue to come and Synthomer is committed to driving lower carbon use and zero impact through its supply chain as new products, better processes and alternative raw materials become a greater focus for our investment.



Shifting economic power

The economic centre of gravity is shifting from West to East with a significant and rising proportion of the global middle class population and the middle class consumption being located in Asia by 2030. The need to learn from the East and meet the needs of these markets with an increasingly strong network and delivery model will be key for the future.

Why Synthomer is well positioned

Synthomer has been present in Asia for over 100 years from its heritage in the days of Yule Catto. Our experience of these markets and the consistent investment in them over many years means that today Synthomer derives 27.5% of its revenue from Asia and it is a

focus for our organic growth plans.

Our Health & Protection business is headed from Malaysia with our high growth Nitriles business leading the way. Our new Asian Innovation Centre opened in Q4 2020 and is designed to allow more of our innovation to be completed in Asia, benefitting from close access to growing markets and the track record for fast innovation of differentiated products. Our global network of manufacturing has been strengthened through the acquisition of OMNOVA and we now have our first manufacturing sites in China. Our market leading products offer rapid opportunity to be manufactured locally in Asia to meet the needs of our global customers who increasingly require our products globally to meet their growth strategies.

Demographic and social change

The global population is forecast to increase by over 1 billion by 2030. With 10% of the world's population aged over 60 in 2000 the proportion is expected to rise to more than 20% by 2050. Changes in global demographics will bring about significant change with people living longer in retirement, people having fewer children and the growing middle classes with new standards of living changing dramatically.

Why Synthomer is well positioned

Our health and hygiene products for gloves and medical devices is forecast to grow strongly in response to the need to better protect the world from disease, the demand for superior products in emerging markets and reduced tolerance of medical risk. Our non-woven nappy products meet the needs of both the young and an ageing population. And changing living standards will drive the demand for adhesives and packaging as online growth continues and convenient food delivery increases.



Divisional review

PERFORMANCE ELASTOMERS

Performance Elastomers Nitrile latex products are used to produce medical protective gloves and have directly supported the societal need for additional hygiene to respond to the global pandemic. Our investment in new capacity in 2019 and the dedication of our employees to operate safely throughout the most testing conditions in 2020 have allowed us to deliver for our stakeholders.



Derick Whyte

President, Performance Elastomers

Highlights

- Record Nitrile latex volume underpinned by 90ktes capacity expansion in Pasir Gudang.
- Investment in new 60ktes Nitrile latex facility in progress, with capacity expected online Q4 2021.
- State-of-the-art Asian Innovation Centre investment completed Q3 2020.
- Challenging year in SBR latex with lower overall volumes and unit margin mainly driven by weakness of European graphic paper market, exacerbated by impact of COVID-19.
- SBR latex network review largely complete with clear plan to deliver required efficiencies.

Overview

The Performance Elastomers Division delivered EBITDA of £142.5 million (2019: £96.3 million) and represented 51% of Synthomer's 2020 divisional EBITDA primarily focusing on the Healthcare, Paper, Carpet and Foam markets. In addition to its existing portfolio, the acquisition of OMNOVA has expanded the Division's scope to include the Performance Materials and Elastomeric Modifiers product lines. The Division continues to have its core chemistry platforms in Nitrile Butadiene Latex emulsion 'NBR' and Styrene Butadiene Latex emulsion 'SBR', as well as Powder NBR, Antioxidants and Speciality SBR for the tyre market. The Division produces 896ktes from its 12 plants operating in Europe, the Middle East, South East Asia and China, as well as from shared assets with Functional Solutions in the USA.

SHE

2020 saw continued progress on our SHE journey with an improved performance in process safety versus 2019 recording zero tier 1 or 2 incidents during the year. The sustained efforts to raise the standard of the Permit to Work System, and in particular the focus on high hazard permits, paid dividends in 2020 with 42% reduction in the number of Fundamental Issues identified during the Permit Auditing process. Having set a new record with zero recordable cases in 2019 it is disappointing to report that in 2020 the Division sustained six recordable cases. The majority of these injuries can be categorised as slips and trips, they were wholly avoidable and attributable to Human Factors.

Financial results

2020 was an excellent year for Performance Elastomers setting a new EBITDA record and significantly ahead of 2019 driven by a strong NBR performance in Asia. This more than compensated for a weaker performance from SBR in Europe and the Performance Materials and Elastomeric Modifiers businesses from OMNOVA. Overall, EBITDA at £142.5 million was 48% above 2019, with Underlying operating profit 63% higher at £116.8 million.

The impact of COVID-19 was felt across the Division but in two quite different ways. Following a sluggish Q1 the NBR business recovered strongly as the impact of the COVID-19 pandemic increased the demand for Nitrile latex gloves. With no new Synthomer capacity scheduled until JOB6 comes online at the end of 2021, volume improvements were delivered through filling the 90ktes JOB5 capacity and additional process improvements. With a surge in customer demand, and limited competitor capacity coming to the market, margins progressively increased throughout the remaining three quarters, partly reflecting a longer raw material market, ensuring the NBR business continued its track record of improvement with its third consecutive record year.

Divisional performance

	2020	2019	%	Constant currency ¹ %
Volumes (ktes)	896.0	849.1	5.5	
Revenue (£m)	680.3	623.7	9.1	9.5
EBITDA (£m)	142.5	96.3	48.0	50.8
Operating profit –				
Underlying performance (£m)	116.8	71.5	63.4	67.0
Operating profit – IFRS (£m)	80.8	71.2	13.5	

Notes:

1. Constant currency revenue and profit measures retranslate current year results for legacy Synthomer using the prior year's average exchange rates. Results from businesses acquired in the year are not retranslated.

Conversely, the SBR business in Europe experienced the downside. The continuing overcapacity of XSBR latex was exacerbated by a COVID-19 driven decline in the demand for graphic paper. Demand dropped further from previous years and many customers faced enforced downtime while other mills closed and are unlikely to reopen. In addition, the drop in demand for Carpet and Foam during this period also contributed to a poor year for this business in Europe. Volumes showed a further reduction over 2019 with EBITDA similarly impacted. However, following the severe decline in the first half of 2020 the second half showed signs of recovery in Carpet and Foam and a slightly more stable environment in Paper.

The Performance Materials and Elastomeric Modifiers businesses inherited from OMNOVA are exposed to the Automotive and Plastics markets which also experienced difficult trading conditions throughout the year. However, similar to SBR, there were some signs of recovery in the final quarter.

Special Items for the year were £36.0 million (2019: £0.3 million) which includes £20.9 million of restructuring and site closure costs for the rationalisation of the Group's European SBR network and the associated £14.7 million impairment charge. The balance relates to amortisation of acquired intangibles. IFRS operating profit increased by 13.5% to £80.8 million.

NBR

March 2020 saw the start of what would be a series of Movement Control Orders (MCOs) in Malaysia as the Government sought to control the spread of the COVID-19 virus. Immediately all but essential or approved industry stopped and the population faced severe restrictions on daily life. Offices were closed and, like many other parts of the world, home working became the norm. Synthomer's plants in Malaysia required Government permission to operate in conjunction with the imposition of strict operating procedures. Our employees faced extended daily commutes to work as a result of police checkpoints. In Italy our Filago plant felt the full force of the COVID-19 outbreak in Lombardy. In what is a testimony to the Site Leadership, employee commitment, supplier support and effective business continuity planning, the plants managed to achieve maximum output during this very difficult period, ensuring our customers remained supplied.

With the impact of COVID-19 driving increased demand for NBR, and the plants running at nameplate capacity, we focused on product mix and process improvements. This allowed Pasir Gudang to set a number of new monthly production records during the year and Kluang also delivered consistently higher output. In total, the Malaysian plants increased volume by almost 16% in comparison to prior year underpinning the EBITDA delivery.

We also remained focused on the delivery of the 60ktes JOB6 project. The project remains on track with beneficial production expected before the end of December 2021.

The demand for Nitrile latex gloves has increased dramatically and while there will be an end to the surge in requirements as personal protective equipment stocks reach optimal levels, the underlying growth is forecast to remain in double digits for some time to come. Glove producers have continued to invest in additional global capacity, with China projecting significant capacity increases in addition to the prospect of new glove lines being set up in the USA and Europe. However, based on current forecasts, South East Asia and particularly Malaysia will continue to be the major production location for Nitrile latex gloves well into the future. The Company believes it is well positioned to serve future market needs through its global network of plants. The next phase of capacity investments is currently being assessed and the outcome will be announced following the conclusion of this work during H1 2021.

SBR

2020 saw a continuation of the decline in demand for graphic paper SBR latex in Europe. The introduction of COVID-19 lockdowns across the region only increased the pressures in an already challenged market. It remains to be seen if the declines have now bottomed out, but overcapacity has put volumes and margins under sustained pressure.

Throughout the year the operation of the plants in Europe continued largely uninterrupted despite COVID-19, although production schedules were adjusted to match the lower demand.

In response to the continuing decline and overcapacity in the SBR market the Company announced a network review which was completed during the first half of 2020. As a result of the review, the Company engaged in a consultation process with employees in Oulu (Finland) and Marl (Germany). The outcome from these consultations sadly has been a decision to close the Oulu site. The plant will cease production in Q1 2021 with decommissioning and demolition completed by the end of 2021. In addition, the streamlining of our Marl (Germany) site has been agreed, which will allow the cost base to be rationalised and utilisation rates on the remaining assets in Marl, Filago (Italy) and Pischelsdorf (Austria) to be increased. The exact timing is to be confirmed subject to regulatory approvals for product transfer to the Pischelsdorf site.

In addition to the capacity rationalisation the Division has continued to focus on its cost base. In 2021 the Division successfully delivered a range of cost improvements but, given the difficult trading conditions, there is a need for further cost optimisation work to be carried out to ensure the business remains competitive. As part of this ongoing focus in Marl the Company has announced previously a transformation process following the capacity rationalising. This will be initiated during 2021 and will lead to a further streamlining of the workforce in the Marl production operations.

Divisional review continued

Performance Elastomers continued

While these were difficult decisions, they were unfortunately necessary to protect the longer-term viability of the SBR business in Europe. Protecting the employment of the remaining workforce and, ensuring a high quality service to our customers remains the key focus. The Company remains committed to the European SBR latex market and has taken these steps to more effectively align capacity with market demand.

Innovation

Innovation is core to Synthomer's Nitrile latex business and the Division has an exceptional track record in bringing new products to market, making it a major contributor to Synthomer's Innovation KPI.

The innovation team has again had a busy year with a major focus on further development of the SyNovus® product range, while also giving significant support to our process improvement projects. The addition of the OMNOVA chemistries has also created an opportunity for the team to broaden the scope of the work in the AIC to support these new product applications and the development of some interesting product synergies across the portfolio.

As the demand for customer technical service support and product innovation increased, the existing technology centre in Kluang reached capacity. The Company response was to support a £6.5 million investment in a new Asian Innovation Centre in Kulai, equidistant between the Pasir Gudang and Kluang operations. This investment will build upon the successful first phase of the NBR latex capability upgrade and will support increased laboratory output, and more critically, replicate our customers' dipping processes. In addition, we firmly believe the new state-of-the-art facility will enhance Synthomer as an attractive employer, and the ability to attract and retain high quality staff in a prime location. The project was finished in Q3 2020 with all employees transferred by the end of November.

OMNOVA integration and synergies

The acquisition of OMNOVA brought several new market segments and chemistries to the Division through the integration of the Performance Materials and Elastomeric Modifiers portfolio. With minimal product or regional overlap, the integration required the formation of two new geographically focused organisations, EUUS focused on the EMEA and North America regions and ASEAN, incorporating Asia, Australasia and the Indian sub-continent. These were created to give the business the right balance of market coverage and opportunity to exploit product market synergies where they existed.

This new organisation was able to draw on skills and experience from both the legacy operations across the globe and has created a good platform for integration. However, as part of the integration synergy process several senior level personnel have left the business through the year. In addition, in the US the Pilot Paper Coater facility at Akron and the Carpet Laboratory in Dalton were closed and all technical service activity for the US refocused on the Akron Technology Centre.

Key priorities 2021

Capitalising on a very strong overall Divisional performance in 2020, the Division has a number of major projects to deliver in 2021 in addition to ensuring a commercial recovery post COVID-19 in the non-NBR businesses. The key deliverables for the Division in 2021 will focus on the following:

- **SHE:** Our Divisional aspiration is to run operations at world class level of safety and to deliver continuous improvement in environmental performance. In 2021 we will take focused initiatives at our sites to ensure a reduction in occupational recordable incidents while continuing to improve upon our process safety initiatives. In addition, the Division will continue the integration and deployment of standards and practices for legacy OMNOVA sites in China that now form part of the Division.
- **Capital projects:** With continued demand for Nitrile latex, the safe and timely delivery of JOB6 capacity at the end of 2021 is essential to bring much needed capacity to the market.
- **Strategic capacity:** Adding Nitrile latex capacity will be the priority for the Division, with focus on the immediate next phase of expansion following JOB6, in parallel with increased raw material storage infrastructure. At the same time the business will evaluate further phases of expansion towards the latter part of the current Five Year Planning cycle. The opportunity to consider new capacity in our European and US assets will also form part of this consideration to meet the potential growth of glove production outside Asia.
- **Asset consolidation:** Following the consultation process with employees at the impacted SBR sites, the focus in 2021 will be on the effective execution of the network optimisation announced in H2 2020 by the end of the year.

FUNCTIONAL SOLUTIONS

The acquisition of OMNOVA has increased the revenue of Functional Solutions by 21.3% building an excellent platform for growth with a global profile, excellent market leadership positions and water-based polymer solutions to meet the growing demand for sustainable products.



Rob Tupker

President, Functional Solutions

Highlights

- Successfully integrated OMNOVA:
 - Functional Solutions global volumes increased by 21%.
 - Expanded market leading positions in Europe, with increased presence and product portfolio, and now top 10 position in North America.
 - Established a manufacturing footprint in China.
- Resilient performance during 2020, with 80% of business feeling only limited impact from the COVID-19 pandemic.
- Delivered on cost synergy targets, which included the benefits from organisational realignment by merging two organisations.
- Delivering on new growth projects for Worms (Germany) and Roebuck (USA) sites, following 2018 and 2019 investments in differentiated acrylic dispersions capacity.

Overview

Functional Solutions saw a £25.7 million increase in EBITDA year-on-year to £95.6 million with 9 months of additional profitability from OMNOVA and a resilient legacy Synthomer performance. The business held up well during the COVID-19 pandemic, reflecting its diverse end markets, customer base and an increasingly differentiated product portfolio. The Division now produces 590ktes of products from its 17 plants operating in Europe, the USA, the Middle East, South East Asia and China as well as from shared assets with Performance Elastomers and Acrylate Monomers. The Division operates 11 technical centres, many of which contain application laboratories and a total of 240 employees including R&D, applications and technical service staff. The customer base consists of 3,000 customers with a portfolio of approximately 900 products.

SHE

Another year with a strong safety performance for the legacy Synthomer business with a recordable case rate of 0.15 per 100,000 hours and process safety event rate of 0.08. The legacy OMNOVA sites have been through an extensive SHE assessment and alignment programme with the aim to harmonise them with the rest of Synthomer in terms of standards and best practices.

Financial results

Functional Solutions EBITDA was increased by the acquisition of OMNOVA and by year-on-year growth of 3% in the legacy Synthomer businesses. Overall EBITDA of £95.6 million represented an increase of 37% over 2019.

Our Coatings, Adhesives and Surface Treatment (CAST) businesses exited the year trading ahead of 2019 year-end volumes, recovering strongly from the impact of Q2 lockdowns in our key markets. Our Coatings and Construction businesses returned to year-on-year growth in Q3. Benefitting from an increase in DIY demand in Europe, the business experienced double-digit volume growth in the region, whilst Construction showed annual global volume rises in all major chemistries.

Textiles experienced a slower turnaround in Q3, due to customer de-stocking in hygiene and a delayed recovery in automotive, before returning to year-on-year growth in Q4. Adhesives likewise returned to growth in Q4, driven by improvements in labels and speciality tapes, and strong mix delivered an increase in annual profits for the business as a whole.

Sharp falls in key raw material prices led to a temporary widening of CAST unit margins in Q2, before returning to more normal levels in H2, with prices showing upward trends as the year ended.

Divisional review continued

Functional Solutions continued

Divisional performance

	2020	2019	%	Constant currency ¹ %
Volumes (ktes)	591.2	487.4	21.3	
Revenue (£m)	646.7	612.8	5.5	5.3
EBITDA (£m)	95.6	69.9	36.8	36.5
Operating profit –				
Underlying performance (£m)	69.1	52.3	32.1	31.7
Operating profit – IFRS (£m)	31.1	48.0	(35.2)	

Notes:

1. Constant currency revenue and profit measures retranslate current year results for legacy Synthomer using the prior year's average exchange rates. Results from businesses acquired in the year are not retranslated.

The acquired Oil & Gas business suffered from weak demand due to reduced drilling activity during the global downturn. However, a stable customer base and strong product range mean it is well positioned to benefit from improving market conditions, and it ended the year on an improving trend.

Special Items for the year were £38.0 million (2019: £4.3 million) which includes £20.9 million amortisation of acquired intangibles, the £6.6 million loss on disposal of Synthomer's European Tyre Cord business and a £3.3 million impairment charge taken against our Chonburi site. IFRS operating profit decreased by 35.2% to £31.1 million.

OMNOVA integration and synergies

Following the acquisition, the OMNOVA businesses of CAST as well as Oil & Gas, in total representing circa 70% of OMNOVA EBITDA, have been integrated into Functional Solutions. A new organisational structure was announced with a Functional Solutions leadership team consisting of leaders from both legacy organisations. Cost synergies are being delivered ahead of schedule and projects have been set up for further synergy delivery over the coming two years, as part of the Company commitment to deliver \$40 million run-rate savings by the end of 2022. The commercial organisations of both legacy businesses were combined and harmonised with a rationalisation of channel partnerships ongoing. Similarly, the innovation pipelines of both businesses have been reviewed and strengthened by prioritising the best projects, benefitting from the increased combined know-how and product portfolio.

As an integrated business, Functional Solutions now has a substantially enhanced presence in North America, the size of which increased significantly with the addition of 5 production sites bringing the total numbers of Functional Solutions sites to 17. In Europe, the OMNOVA acquisition grew the business by 30% and in Asia by 28%. Capabilities were added in Textiles through OMNOVA's expertise in non-wovens and surface treatment, as well as through the addition of the Oil & Gas business.

The Oil & Gas business mainly focuses on the supply of additives applied in the drilling and cementing process, where it is the market leader. About two thirds of this business relates to onshore, with one third going to offshore. Although the business clearly felt the impact of the COVID-19 downturn in 2020, it is well positioned to benefit from growth in 2021 and 2022.

In Coatings, Adhesives and Textiles, and to a lesser extent Construction, OMNOVA has brought a new range of products that are additive to the legacy portfolio. Aside from a limited number of direct product overlap, in the vast majority of cases the business merger means Functional Solutions has a broader set of offerings to present to its customers.

Strategy for the combined Functional Solutions Division

The Functional Solutions Division is now a global top 5 provider of water-based dispersions with leading positions in EMEA and with the ambition to become a top 3 player through further organic and inorganic growth. Functional Solutions aims to be the development partner of choice to our customers, focused on innovation and customer intimacy and responsiveness that sets it apart from its competitors. It focuses on the development of a sustainable solutions platform that responds to and anticipates regulatory trends and customer expectations. These goals are underpinned by four strategic pillars of Growth, Mix, Productivity and Enablers:

- Growth is driven by the GDP+ markets in which it operates, with favourable megatrends and a drive to sustainability. Revenue synergies resulting from the combination of the two legacy businesses will provide further opportunity for growth during the coming years. Inorganic growth opportunities will also continue to be evaluated and pursued.
- Mix improvement towards more differentiated and low cyclical offerings continues to be a priority, propelled by platform based innovation.
- Productivity is the third pillar, aiming to be competitive against local players in each region and continent. Manufacturing Excellence is the vehicle driving ongoing improvement in this area. Best in class sourcing will continue to ensure highly competitive procurement of raw materials.
- Enablers that underpin the above include the cultivation of the performance culture of the Division and the focus on our people, processes and tools.

Key priorities 2021

In a challenging year, Functional Solutions has proven to be a highly resilient business benefitting from its diversity and differentiation, and is well placed, with self-help opportunities presented by the acquisition of OMNOVA and the recent growth capex invested in Worms and Roebuck, to capture marked opportunities resulting from megatrends. The key deliverables for the Division in 2021 will focus on the following:

- **SHE:** Deliver fully harmonised and integrated occupational and process safety targets for all 17 Functional Solutions sites.
- **Growth:** Continue to deliver GDP+ growth and increase revenue synergies.
- **Mix:** Accelerate New Product Introductions and continue to advance the Sustainable Solutions platform. Continue with globalisation of best in class products.
- **Productivity:** Deliver cost synergy commitments and programmes.
- **Enablers:** Continue to promote a performance-based culture across all regions supported by value driven leadership. Continue to promote diversity and inclusion across the organisation. Focus on Commercial and Manufacturing Excellence in all regions and plants.

INDUSTRIAL SPECIALITIES



Neil Whitley

President, Industrial Specialities
and Acrylate Monomers

Highlights

- All businesses maintained strong niche positions in their selected speciality chemical markets.
- The acquired OMNOVA Surfaces businesses are well placed in select end markets in the USA and Asia. Integration is progressing well, exceeding cost and operational synergy targets.
- The speciality chemicals business volumes were impacted by COVID-19 in Q2 with a good recovery in H2 2020.
- Investment in asset reliability delivered strong operational performance through increased utilisation and quality.

Overview

The acquisition of OMNOVA has further diversified the Industrial Specialities portfolio of businesses both in terms of geography and end markets, and has resulted in a step-change in the size of the Division and its platform for growth. The enlarged Division EBITDA was £41.2 million (2019: £23.8 million).

The Division produces over 91ktes of products from its 8 plants operating in Europe, the USA and South East Asia.

SHE

The recordable injury frequency rate across the Chemical plants has reduced to 0.16, which is comparable to a top quartile performance in the industry. Across all the sites there has been a sustained focus on strengthening practices and processes, particularly on permit to work and management of change system improvements with widespread sharing of lessons learned and engagement. This has resulted in the Division recording its lowest ever all injury frequency rate.

Since the OMNOVA acquisition, the focus for the Surfaces (Laminates & Films and Coated Fabrics) plants acquired has been on improving occupational health and safety performance by simplifying and embedding fundamental SHE practices. This has accelerated the improvement journey across the Surfaces sites and has been embraced by new colleagues with rapid adoption of existing Synthomer processes such as permit to work, line of fire, golden rules and sharing of lessons learned. In the time since acquisition, the surfaces sites have recorded their lowest ever recordable injury frequency rate of 0.55.

Financial results

The Industrial Specialities Division delivered a robust performance in markets significantly impacted by COVID-19. EBITDA in Industrial Specialities at £41.2 million was 73% higher than 2019, driven by 9 months of OMNOVA profitability and the resilience of the legacy Synthomer business in the face of weakened demand from end markets impacted by COVID-19. Despite the exposure to automotive markets in some parts of the Division, all businesses recorded stable unit margins during the year, in part due to improved product mix from higher sales of products with high performance properties in their customer processes.

The Vinyl Polymers business had a resilient year despite customer demand falling due to the impact of COVID-19, particularly in Q2. Targeted investment has enhanced plant reliability, delivering greater robustness in product supply and the ability to produce additional volumes from the plants. With the recovery of volumes through Q4, this places the business in a good position to support customers in the growing PVC market in 2021.

Divisional review continued

Industrial Specialities continued

Divisional performance

	2020	2019	%	Constant currency ¹ %
Volumes (ktes)	91.1	67.3	35.4	
Revenue (£m)	264.9	157.9	67.8	67.3
EBITDA (£m)	41.2	23.8	73.1	72.7
Operating profit – Underlying performance (£m)	29.0	18.4	57.6	57.6
Operating profit – IFRS (£m)	18.8	14.3	31.5	

Notes:

1. Constant currency revenue and profit measures retranslate current year results for legacy Synthomer using the prior year's average exchange rates. Results from businesses acquired in the year are not retranslated.

Despite the exposure of the Polybutadiene Lithene business to the automotive market, the business recorded a resilient year-on-year performance, recovering well from lower volumes which impacted performance in Q2 and Q3. Strong unit margins and product mix helped to offset the reduced volumes with significant volume recovery in Q4.

William Blythe delivered a flat performance year-on-year with underlying new product sales offsetting the segments adversely impacted by COVID-19 through the year. Growth in new and existing products is anticipated in 2021.

Our Speciality Additives business, which supplies speciality coatings, had a much improved performance with growth on prior year volumes, unit margins and market share. The business is targeting a number of new applications which should deliver growth in 2021 and beyond. The business also drove an aggressive cost improvement plan reducing site costs and costs associated with key raw materials.

The Powder Coatings business was impacted in Q2 with falling volumes in automotive markets as a result of COVID-19. The business experienced a strong recovery in volumes during Q3, and was able to take advantage of additional volumes following a modest capacity expansion project in 2019. The business is well placed for further growth in sales volumes of our differentiated products during 2021.

The Coated Fabrics business experienced a temporary dip in demand in Q2 with some exposure to the Asian automotive and motorcycle markets. Like other businesses, the Thailand-based operation experienced a strong recovery during Q3 and is well placed to deliver increased volumes into 2021.

Laminates & Films has grown significantly in 2020, partly due to the increased demand for products in the kitchen and bathroom and recreational vehicles segments during the COVID-19 period. The business has also achieved significant market share gains and continues to grow well ahead of market through substitution with superior performance and lower cost of Laminates & Films against traditional materials. The business also benefitted from significant operational efficiency from the manufacturing plants, with record operational performance during the year. With momentum in the business gaining during the second half of 2020, the business is well placed to deliver another year of growth in 2021.

Special Items for the year were £10.2 million (2019: £4.1 million) which mostly relates to amortisation of acquired intangibles. IFRS operating profit increased by 31.5% to £18.8 million.

Value-gap contribution

2020 delivered the targeted improvement in the efficiency and performance of the asset base as measured by availability, volumes and a range of manufacturing KPIs. At Harlow (Vinyl Polymers), Stallingborough (Polybutadiene Lithene), and Accrington (William Blythe), the key focus has been on improving plant reliability which has manifested in significantly improved operational efficiency. De-bottlenecking and cycle time improvement work has realised increased capacity at both Gent (Speciality Additives) and William Blythe and the instantaneous rate improvement work from the expansion project in Sant'Albano (Powder Coatings) was also proven in 2020. Since acquisition, the Surfaces plants, comprising Coated Fabrics and Laminates & Films, have been introduced to, and are now adopting, the Group's Manufacturing Excellence programme which targets resources in value accretive activity.

Targeted innovation

Innovation is a key feature across all businesses within the Division. A good example is the sustained innovation in the highly innovative inorganics business, William Blythe, which continues to develop a number of new products with strong IP. Recent successes have included the commercialisation of a new absorbent product for the gas processing industry, the development of high purity Graphene Oxide and also innovative doped Tungsten Oxide products for a wide range of market applications. Whilst product lead times can be long the business has a strong portfolio of new product families. In addition, the Laminates & Films business continues to successfully innovate in close partnership with its customers' product development teams to deliver customised designs and product solutions to the laminates industry.

Self-help initiatives

There was a significant focus on costs during 2019, as 'Mindset', our non-manpower fixed cost reduction programme, was executed across a number of locations. The full year benefit of those initiatives has been realised in 2020 and, in addition, to respond to the impact of COVID-19, additional variable and fixed cost reduction actions were taken in the year to further reduce the cost base.

Key priorities 2021

The acquisition of OMNOVA in 2020 has strengthened the portfolio of businesses in our Industrial Specialities Division. Whilst many of the businesses were impacted earlier in the year by COVID-19, more normal operating levels were returning in H2 2020 giving rise to optimism for growth in 2021. The key deliverables in 2021 will focus on the following:

- **SHE:** Embed the new SHE practices in the Surfaces plants and continue to drive improved performance through strengthening SHE processes and practices in the Chemicals plants.
- **Growth:** Grow sales volumes and continue to deliver GDP+ growth.
- **Operational performance:** Deliver further operational improvement and efficiency across the plants and minimise any potential risk of COVID-19 impacting our people and plants.
- **Raw materials:** Ensure a continuous supply of raw materials to sites such that production levels are not impacted.
- **Logistics:** Enhance our customer services and logistics processes to ensure the additional complexity and volume of work due to Brexit is efficiently handled.

ACRYLATE MONOMERS

Through a sustained focus on auditing and improvement, the site has delivered its lowest all injury frequency rate of 0.40.

This is another important milestone for the overall Sokolov site transformation.

Overview

The Acrylate Monomers Division was established in early 2021 to separate the internal supply and external sales of manufactured monomers from the Industrial Specialities Division. The Division comprises the Monomers production plant based at Sokolov (Czech Republic) which it shares with the Functional Solutions dispersion business. The Monomers site manufactures and supplies products internally to our Functional Solutions Division as well as being a medium sized supplier to the European Acrylates market.

SHE

An underpinning component of the transformation of the Sokolov site is the SHE improvement workstream. This is focused on strengthening practice and processes including permit to work, management of change and local involvement and accountability for driving SHE culture across the site.

Financial results

The Acrylate Monomers Division had a challenging year impacted by COVID-19. Volumes reduced by 3.2% and oversupply in Europe and unfavourable feedstock prices led to weaker unit margins during Q4 2019, which continued throughout 2020.

While there has been some improvement in unit margins during Q4 2020, the unit margins continued to run at record historical lows. As a result of the challenging year and the low unit margins, the Group has recorded an impairment of £18.6 million against the value of the Division's plant assets. The impairment was taken to Special Items along with £2.1 million of restructuring costs in relation to the Sokolov site transformation. Special Items for the year were £20.7 million (2019: £0.6 million) and as a result, the IFRS operating loss increased to £26.3 million (2019: 3.0 million).

Highlights

- Separation of Acrylate Monomers business from Industrial Specialities Division to provide greater management focus.
- Challenging market conditions with low margins for Acrylates across the industry.
- Sokolov site transformation programme launched in the year with good progress against key milestones.
- Decision taken to close the coal fired power station during 2021, eliminating coal fired power generation within the Group, and resulting in cost savings.

Self-help initiatives

A site transformation project was launched in 2020 with a clear plan to return the business to profitability. A significant component of the transformation project is the replacement of the coal fired utility plant with more modern, efficient, gas fired package boilers resulting in a significant reduction in headcount and variable cost savings.

In addition, a number of other headcount and cost savings opportunities were identified and implemented with the full year benefit to be realised in 2021. The cost savings also include lower cost procurement of key raw materials – essential for the ongoing viability of the business.

Key priorities 2021

The key priority is to restore the Acrylate Monomers Division to profitability through delivering the site transformation project. The key components of this for 2021 are the following:

- **SHE:** Continue to strengthen the SHE practices and processes to drive improved performance at the Monomers plant.
- **Utility plant:** Replace the utility plant with new package boilers, and realise the significant cost savings and materially reduce the Group's Scope 1 and 2 greenhouse gas emissions.
- **Cost reductions:** Ensure the cost reduction actions taken in 2020 are fully realised in 2021 and key raw materials are procured at the most favourable prices and terms.

Divisional performance

	2020	2019	Constant currency ¹	
			%	%
Volumes (ktes)	59.9	61.9	(3.2)	
Revenue (£m)	52.3	64.7	(19.2)	(17.8)
EBITDA (£m)	(2.4)	1.0	(340.0)	(350.0)
Operating profit –				
Underlying performance (£m)	(5.6)	(2.4)	133.3	137.5
Operating profit – IFRS (£m)	(26.3)	(3.0)	776.7	

Notes:

1. Constant currency revenue and profit measures retranslate current year results for legacy Synthomer using the prior year's average exchange rates. Results from businesses acquired in the year are not retranslated.

Stakeholder engagement

We actively engage and listen to our stakeholders to understand their views, seek opportunities to learn and continually improve. The views of our stakeholders help to shape and inform our strategy and are a key input to our decision making.

Further information, which forms part of this statement, is included on page 87 where we provide examples of how the Directors fulfil their duties in accordance with Section 172.

Customers

Through close and long working relationships with over 6,000 customers worldwide we aim to provide solutions to anticipate and meet their needs through customer and technical services.

What matters to them

Access to our broad portfolio of products to provide the following:

- Access to sustainable polymer solutions to allow regulatory requirements to be met.
- The supply of best in class sustainable solutions to meet their needs and the needs of society.
- The safety and regulatory compliance of our products.
- Access to our patented products.
- Access to our wider product range following the acquisition of OMNOVA.
- Opportunity to develop new products in partnership.
- Opportunity to collaborate with Synthomer in industry partnerships across the supply chain.
- Understanding of our new technologies and products from acquired companies.

How we engage

Through close and long-term technical partnerships we can better understand customer and society needs and deploy our extensive skills, broad product and technology portfolio to provide innovative solutions.

Our industry teams have expertise in chemistry, technology, product performance and technical service – this is provided through the following:

- Direct customer visits with sales and technical service representatives.
- Customer visits to our production sites and four research and development centres of excellence.
- Conferences and industry associations.
- Exhibitions and seminars.
- Customer satisfaction surveys.

Link to business strategy

- Innovation excellence and new product development.
- Opportunity to guide M&A activities through our understanding of market trends and unmet needs.
- Continuous improvement in product performance and manufacturing excellence coming from a deep understanding of our customer needs.

Link to our principal risks

- Early understanding of market changes affecting demand, product standards and regulatory changes in market volatility and innovation.
- Manufacturing capacity expansion – reducing risks of expansion projects through the deep understanding of customer requirements and production standards.

Employees

Our people drive our business. We have a culture that values meritocracy, openness, fairness and transparency and we seek to inspire our people to deliver their best.

What matters to them

- Working for a strong, successful and growing company providing opportunities for development and career progression.
- Ensuring our reward and compensation is competitive and structured.
- Opportunity to make a difference in a company that has an open and ethical culture.
- Working for a company that values their health and safety and has a culture of continuous improvement to drive towards world class performance.
- A company with a strong Code of Conduct, clear purpose and vision and commitment to improving levels of diversity and inclusion.
- A company with strong ESG (Environmental, Social and Governance) credentials and commitment to focus on the sustainability of its business.

How we engage

- We continue to drive improvements through our people agenda. Our first global Employee Engagement Survey and Employee Voice initiatives are helping us to address areas for improvement to make Synthomer a better place to work.
- Through our global Syntranet news and information platform.
- Regular engagement through town hall meetings, quarterly business briefings, works councils, business, site and functional meetings.
- Performance reviews and appraisals to provide feedback, development discussions and agreeing objectives.
- Mentoring programmes.
- Employee Voice NED engagement.
- Online training and support programmes.

Link to our business strategy

- Successful performance can be delivered only through a high level of engagement where our people share the Synthomer vision and values and feel supported by our culture and Code of Conduct.
- The skills and experience of our people is key to our competitive position as a business and to the delivery of the efficiency of our business model.

Link to our principal risks

- Retaining and recruiting people with the right skills is critical to the delivery of the Company strategy.
- The engagement and motivation of our people is key to our desire to grow and deliver on our continuous improvement culture.

Communities

Our global operations are an important part of the communities in which they are located. We seek to be a good corporate citizen in all our communities and have launched our 'We Care' initiative to support this approach.

What matters to them

- The safe and responsible operation of our sites.
- Clear and open disclosure of site changes and investment opportunities.
- Availability of high quality skilled employment.
- Being a reliable and supportive neighbour.

How we engage

- SHE. We prioritise the investment in SHE to ensure we minimise risks and operate sites responsibly.
- Employment. We employ a highly skilled workforce where the opportunity for development and progression exists.
- In North America 'The Synthomer Foundation' is a community programme focused on community support mainly around education. The Foundation is a long-established charitable legacy formed by a former OMNOVA benefactor.
- In the legacy Synthomer network our 'We Care' programme – Corporate Social Responsibility and sustainability ambassadors have been introduced at several of our sites aimed at creating engagement, inspiring opportunities and empowering Synthomer employees to engage with their communities and charitable causes.
- Our engagement and education programmes coupled with our charitable activities make an increasing difference to the communities in which we operate.
- We hold open days, science education programmes and engage through local Corporate Social Responsibility committees.

Link to our business strategy

- We want to be a good citizen in all communities in which we operate to make a positive impact, overcome concerns, be an employer of choice and to inspire our employees who are passionate about making a difference to the communities in which they work.
- Having a strong community programme provides access to local talent and resources, supports the reputation of the business which supports the development of the Company strategy.

Link to our principal risks

- Safety, Health and Environment is a priority for Synthomer and there is a risk that a significant incident could lead to injury, damage or loss of reputation.
- The engagement with communities allows us to explain how we operate, the programmes and resources committed to the safety of our sites and communities, and the investment plans we have. The relationship we have with communities provides reassurance, and an opportunity to engage positively over plans for our site development.

Suppliers

We work closely with our suppliers to ensure we can meet our business requirements in a cost effective and sustainable way. We are enthusiastic to work in partnership with suppliers and to allow additional value to be unlocked.

What matters to them

- Forming long-term strategic relationships.
- Opportunity to grow.
- Working with a strong, financial secure partner.
- Payment to agreed payment terms.

How we engage

- Through long-term partnerships.
- Through contracts and opportunities to meet our needs flexibly across our network.
- Through electronic platforms as we introduce more efficient business processes through our Pathway programme.
- Through our Sustainable Procurement Strategy which sets out our expectations of suppliers.
- Through sustainability platforms such as Carbon Disclosure Project (CDP) and EcoVadis.

Link to our business strategy

- Dialogue with suppliers is important to mitigate supply chain risk, ensure we have access to the most cost-effective and sustainable products and services and to be aware of new products and services which may be available and could provide the Company with advantage.

Link to our principal risks

- Our Code of Conduct sets out clear standards regarding our ways of working with suppliers. Building trust and long-term relationships is beneficial to both parties.
- Supply chain assurance is essential to ensure Synthomer policies are adhered to (Sustainable Procurement Strategy, Modern Slavery Act, Code of Conduct).

Shareholders

We are a public company listed on the London Stock Exchange and included in FTSE 250 index. We provide fair, balanced and understandable information on the prospects and performance of the Company.

What matters to them

- A clear strategy explaining our plans for the business and opportunities for growth.
- Commitment to our capital allocation policy, setting expectations for leverage, investment returns and dividend policy.
- ESG (Environmental, Social and Governance) performance.
- Remuneration policy.
- Reliable supply of information.
- Access to management.

How we engage

- We hold results presentations at full year and half year intervals to ensure that we provide sufficient meaningful relevant information on which investors can make informed investment decisions.
- We provide quarterly updates on performance, an AGM and regular information to update the markets and investors.
- We attend Investor Conferences where we hold one-on-one, group and large scale meetings.
- We hold Investor Seminars and Capital Market Events to provide a deep understanding of the Company, its products, markets and strategy.
- We provide an Investor section on our public website.
- Our Board will engage with investors to provide a direct link for investors.

Link to our business strategy

- Our Board and Executive Directors have regular interactions with shareholders which feed into strategic discussions and opportunities, ensuring clarity and alignment over strategy and future expectations of the shareholder and the Company, as the Company moves forward.
- Shareholder support is required for more significant M&A transactions, and is critical in establishing an appropriate financing structure.
- Shareholder engagement provides guidance on input into the remuneration policy of the Directors.

Link to our principal risks

- Support for investment, M&A and policies requiring shareholder approval requires the approval of a sufficient majority of our shareholders.
- Successful engagement with our shareholders is essential to explain our plans, strategy and return on shareholder investment.
- Retaining and rewarding people with the right skills is critical to the delivery of the Company strategy.

Governments

In science and technology areas we cooperate and engage constructively so that the purpose and strategy of the business can be best delivered.

What matters to them

- Clear industry opinion to advise, guide and support policy.
- Support for key initiatives such as sustainability and net zero, trade, Brexit and regulatory compliance.
- Compliance with local laws and regulations including personal safety, environmental and tax.
- Openness and ability to collaborate across supply chain and industry bodies.

How we engage

- We actively participate in the Chemical Industry Association, our industry trade body, and have contributed to the debate on a broad range of issues including Brexit, sustainability and de-carbonisation, growth and innovation.
- We attend meetings with Governments and regional authorities to put forward our opinions and suggestions for the direction of policy.
- We focus our meetings with Governments and authorities in the areas which affect us most directly – science, skills, trade and regulation.

Link to our business strategy

- Policy and regulatory change have a direct impact on our business. We need to understand and influence where appropriate to ensure we can anticipate the consequences of this change.
- M&A strategy requires effective engagement with Government and adherence to local and regional law.
- Markets can be influenced by regulations in individual countries. As this regulation can be a source of market growth for Synthomer we need to engage, guide and understand the requirements as they change internationally.
- SHE compliance requires an understanding of applicable local laws – this can have implications on investment and reputation of chemical companies.
- Expansion plans often require approval with laws needing to be understood to ensure that the Company optimises investment decisions.

Link to our principal risks

- Execution of M&A and major investment plans.
- Compliance with laws and regulations.

Section 172 statement

The principles underpinning Section 172 are not something that are only considered at Board level, they are part of our culture. It is embedded in all that we do as a company. The differing interests of stakeholders are considered in the business decisions we make across the Company, at all levels, and are reinforced by our Board setting the right tone from the top.

Our Section 172 approach

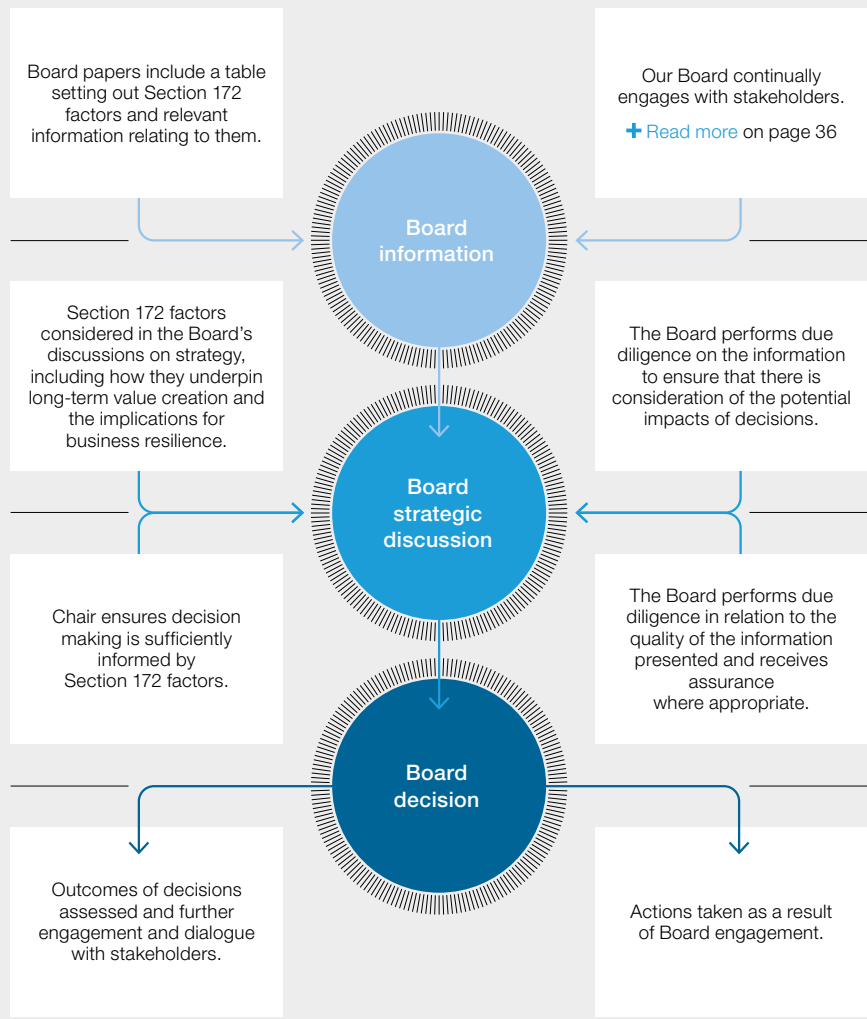
Stakeholder engagement is central to the formulation and execution of our strategy and is critical in achieving long-term sustainable success.

The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board. It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on the competing priorities of stakeholders.

Our stakeholder engagement processes enable our Board to understand what matters to stakeholders, and carefully consider all the relevant factors and select the course of action that best leads to the high standards of business conduct and success of Synthomer in the long term.

Our approach to Section 172 is set out below and provides examples of decisions taken by the Board and how stakeholder views and inputs have been considered in its decision making.

Leadership and management receive training on Directors' duties to ensure awareness of the Board's responsibilities



Key

- Likely consequences of decisions in the long term
- The interests of the Company's workforce
- ▲ The need to foster relationships with suppliers, customers and others
- ◆ Impact of operations on the community and environment
- ▼ High standards of business conduct
- + The need to act fairly between members of the Company



Section 172 reflected in our governance documentation
www.synthomer.com

Approval of the annual budget and strategic plan



Consideration of Section 172: impacts by the Board in its decision making

Customers

- Assuring continued successful evolution and growth of Synthomer for product development and as a valued supplier.
- Driving investment in product innovation to meet changing requirements.
- Planning further investment in Nitrile latex capacity to meet rising customer demand.

Employees

- Assuring continued successful evolution of Synthomer as a valued employer.
- Growth providing rewarding, stimulating and interesting career opportunities.
- Creating successful business to allow for improved remuneration and terms and conditions.
- Commitment to diversity and inclusion agenda.

Communities

- Providing valuable skilled employment opportunities in communities, contribution to social agenda supporting charities, schools etc.
- Funding sustainability team dedicated to ESG agenda.
- Commitment to reductions in CO₂ emissions through buying green energy, through Sokolov eliminating coal fired power station.

Suppliers

- Assured continued successful evolution and growth of Synthomer to provide more trading and supply opportunities as a valued customer.

Shareholders

- Assuring continued successful evolution and growth of Synthomer providing improved returns through dividends and rising share price.
- Managing cash flows, indebtedness and leverage to assure balance sheet strength.
- Driving innovation agenda increasing speciality and differentiated product portfolio, improving the rating of Synthomer.
- Planning ESG investment.

Governments

- Planning for employment and investment.
- Planning for ESG – and compliance with regulations today and tomorrow.
- Contribution to duty, sales tax and corporate taxes in respective jurisdictions.

Outcomes and actions

This year's budget and rolling strategic plan were approved following a comprehensive review of our strategic priorities and risks and opportunities.

OMNOVA integration



Consideration of Section 172: impacts by the Board in its decision making

Customers

- More products to offer to more customers globally based on expanded network of plants, application labs and sales and technical service resources.
- Creating the critical mass to strengthen innovation and focus on breakthrough innovation in sustainability and other areas of customer priority.
- Offering stronger partnership to global key accounts that look to be supported in each continent.

Employees

- As an enlarged organisation, increased career opportunities in many countries and across regions.
- Combine best practices from both companies in terms of training and development.
- Created a larger, more diverse organisation in more countries and regions, raising experience and expertise levels.

Communities

- Continued community engagement as each company was doing separately beforehand with some scope to combine activities.
- Specifically the activity of the charity programme of the OMNOVA Foundation in the USA focused on educational support programmes in North America will be maintained.

Suppliers

- The combined Company is offering a larger sales opportunity for our key suppliers.

Shareholders

- OMNOVA business was acquired on the basis of \$70 million EBITDA run rate. Synthomer has committed to achieving \$40 million run rate annual cost synergies within three years of the acquisition, thereby creating substantial shareholder value and delivering a post synergy acquisition multiple of ~7x.

Governments

- As a combined Company, more critical mass to pursue governmental priorities e.g. EU Green Deal and other sustainability initiatives.
- Maintaining strict practices to ensure full compliance with local regulations in expanded number of countries we operate in.
- Closely collaborated with authorities during the merger approval process, including agreeing to a small de-merger of legacy Synthomer's VP latex business.

Outcomes and actions

The Board approved the proposal for the integration of OMNOVA having considered the broad range of stakeholder factors.

Section 172 statement continued

We actively engage and listen to our stakeholders to understand their views, seek opportunities to learn and continually improve. The views of our stakeholders help to shape and inform our strategy and are a key input to our decision making.

Growth capex for expansion of Nitrile latex capacity



Consideration of Section 172: impacts by the Board in its decision making

Customers

- Demand for Nitrile latex gloves has continued to grow. Our expansion is aligned to meet our customers' and society's growing demand.

Employees

- Expanding the scope and capability of our operational, engineering and procurement employees.
- Building project execution capability.
- Deploying extensive experience to contribute to the broader operational functional organisation.

Communities

- Increased capacity brings increasing employment in our plants from the local and wider community.

Suppliers

- Increased demand for raw materials has ensured we increase our supply base and establish long-term supply contracts with our suppliers.

Shareholders

- This project is supported by a strong financial investment case and good internal rate of return and payback.

Governments

- This project is built to meet our global standards supporting the improvement in environmental and regulatory standards in Malaysia.
- Creating meaningful tax revenues and sales taxes for respective Governments.

Outcomes and actions

The Board approved the investment proposal for the expansion of our Pasir Gudang Nitrile latex facility.

Asian innovation centre



Consideration of Section 172: impacts by the Board in its decision making

Customers

- The Asian Innovation Centre was designed and built to host the expansion of NBR and other Asian focused research and development activities to respond to increasing demand for product innovation from our customers.
- The increase in capacity supports product innovation including developments in sustainability.

Employees

- Strengthening our technology investment is creating personal development opportunities for our staff.
- Collaboration with Universities through joint funded projects, contract research and higher degree sponsorship is opening new recruitment opportunities.

Communities

- Increased activity in a state-of-the-art facility brings increasing high skill employment from the local and wider community.

Suppliers

- Aside from the contracts awarded for the engineering and construction for the AIC, subsequent innovation should lead to further supplier opportunities.

Shareholders

- As a speciality chemical company, investment in research and development is a cornerstone of our strategy and value creation.
- Nitrile latex innovation activities have been a major contributor to our product innovation New Product Development, with over 20% of sales coming from products developed in the last five years ensuring a significant contribution to the Company EBITDA.

Governments

- Engagement with the Government led to a Government R&D grant in support of Science and Technology investment in Malaysia.

Outcomes and actions

The Board approved the £6 million investment in the Asian Innovation Centre which was opened in Q4 2020.

Key

- Likely consequences of decisions in the long term
- The interests of the Company's workforce
- ▲ The need to foster relationships with suppliers, customers and others
- ◆ Impact of operations on the community and environment
- ▼ High standards of business conduct
- + The need to act fairly between members of the Company



Section 172 reflected in our governance documentation
www.synthomer.com

European SBR strategic review



Consideration of Section 172: impacts by the Board in its decision making

Customers

- Significant oversupply of SBR latex in the European market and particularly in the Coated Paper segment has led to a deterioration in profitability.
- Whilst site rationalisation will lead to a reduction in SBR latex capacity, it will ensure the remaining capacity is available to support customers for the longer term.

Employees

- Extended consultation with employees on the impacted sites to ensure they are properly treated within the relevant country employment law and given support wherever possible within the Group or with outplacement following the closure.
- Protecting employment opportunities on the sites with remaining capacity.

Communities

- Actively work with local employment agencies to support employees.

Suppliers

- Active engagement with suppliers to give significant notice to the changes in the business model allowing them to adjust their business portfolios.
- Securing additional raw materials from suppliers for the sites with remaining capacity.

Shareholders

- This project is aimed at removing loss making operations and supporting the long-term profitability of the Group.

Governments

- Fully engaged with local authorities to ensure full compliance with national and local regulations for site closure.

Outcomes and actions

Although a difficult decision, the Board determined that the European SBR strategic review was necessary and, ultimately, in the best interests of all stakeholders.

Managing risk

HOW SYNTHOMER MANAGES RISK

Synthomer’s strategic objectives can only be achieved by taking an appropriate level of risk in accordance with our risk appetite. We use leading risk management techniques which facilitate good decision making in relation to business opportunities whilst protecting our sites, systems, employees and other key stakeholders.

Principal risk heatmap

Strategic

- 1 Volatility and competition in the chemicals polymers markets
- 2 Innovation and intellectual property
- 3 Change programmes
- 4 Mergers and acquisitions
- 5 People and talent retention

Operational

- 6 Loss or failure of a Synthomer site
- 7 IT security
- 8 Safety, Health and Environment
- 9 Security of supply of raw materials, goods and services

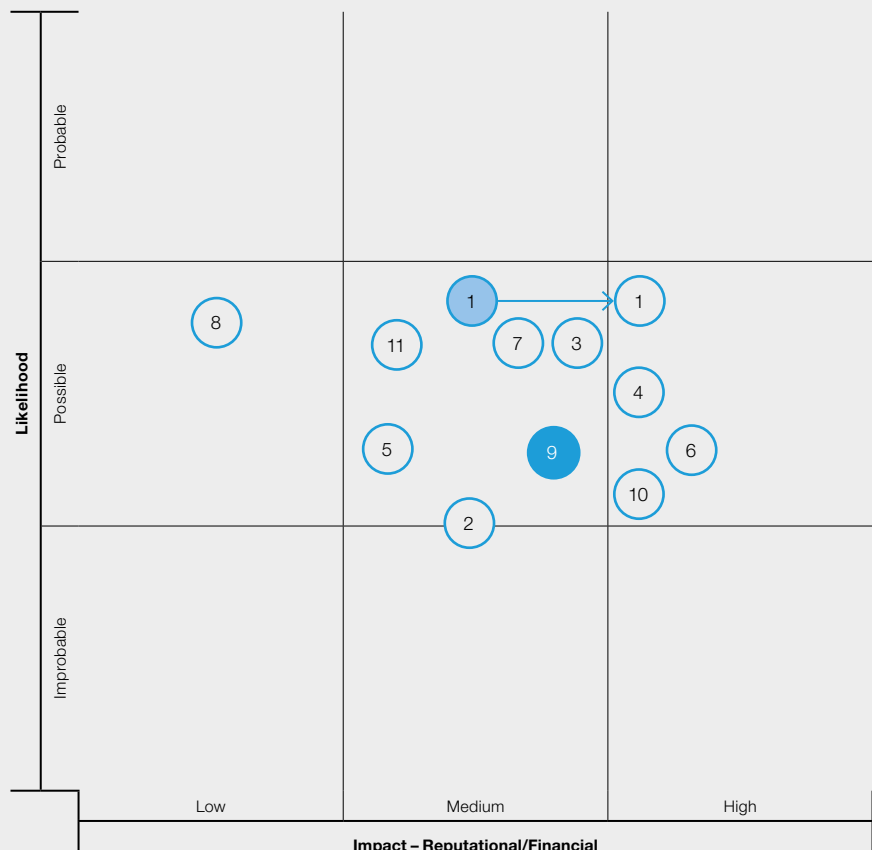
Compliance

- 10 Ethics and regulatory compliance

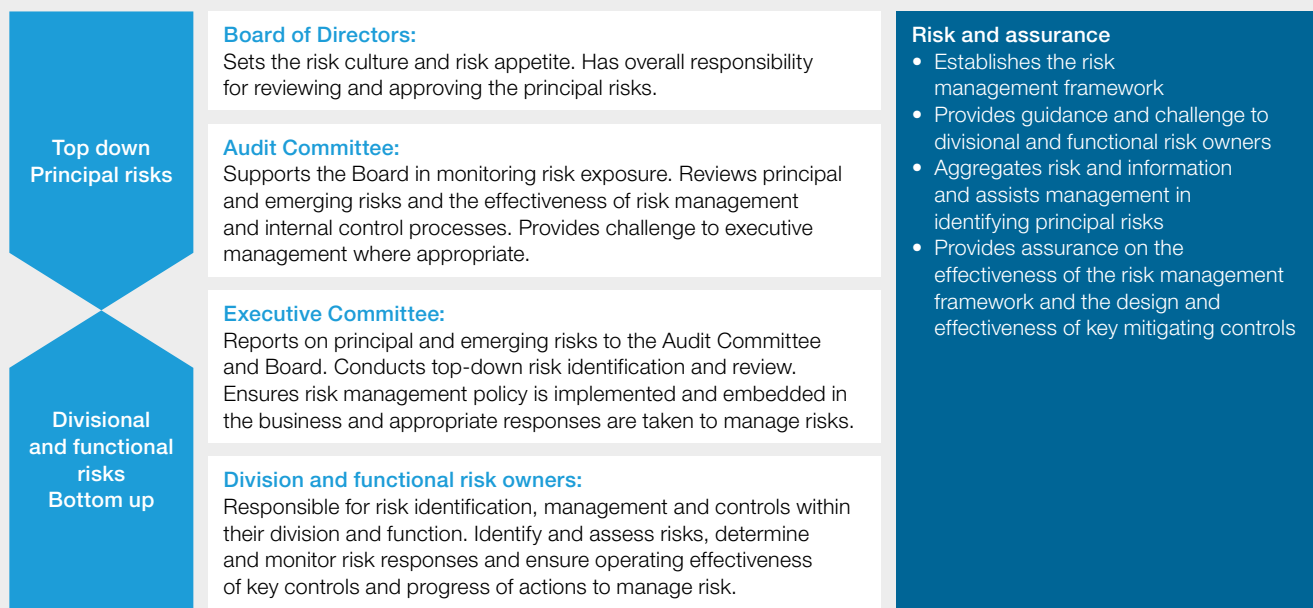
Financial

- 11 Financial risks

- New principal risk – previously included within principal risk 6
- Risk that has increased impact since 2019



Risk management framework



Risk governance and oversight

Synthomer plc Board

The Board has overall responsibility for ensuring that risk is effectively managed across the Group and for creating the framework for the Group's risk management to operate effectively. The Board continues to set the risk culture and the risk appetite it is prepared to accept to achieve the Group's objectives, and the wider risk tolerance within which it empowers the Executive Committee to manage the business.

Audit Committee

On behalf of the Board, the Audit Committee is responsible for reviewing and assessing the effectiveness of the Group's risk management and internal control processes and for monitoring the Group's risk exposure. In 2020, the Audit Committee continued its established programme of deep dives into our risk management process and reviewed divisional risk registers and certain specialist functional risk registers, including IT and cyber security, Brexit, pensions and strategic sourcing, where management has the opportunity to explain directly to the Audit Committee the assessed risks, and associated controls in place and in development. The Audit Committee also reviews summaries of the work undertaken by the Internal Audit team, which operates a risk-based audit plan.

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

Executive Committee

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

Division and functional risk owners

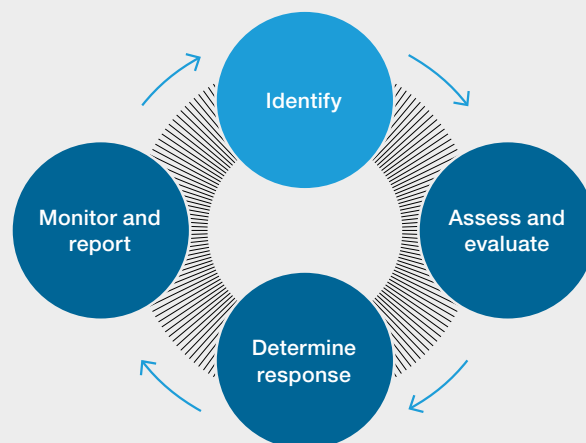
We have a structured risk management framework operated at division, function and Group level. The risk management methodology defines a set of risk categories with generic risk descriptions to assist management in identifying areas of risk. A standard methodology is used to quantify risk, with a risk assessment matrix used to ensure risks are assessed consistently. This matrix considers the likelihood of the risk materialising and its potential impact. We assess risks, taking into account the mitigating controls in place, and also identify any additional activities that could be undertaken to further mitigate the risk.

Divisions and functional departments conduct their own bottom-up assessment of the principal risks and record them in a risk register using the Group's standard risk management methodology. Group functions and the Board conduct a top-down review of strategic risks, taking into account the input from the divisions, and prepare a Group risk register using the same methodology. The Board reviews and approves the Group risk register.

Three Lines of Defence – Assurance providers

Synthomer operates a 'three lines of defence' assurance model. Our first line of defence, our operational management and employees, have a responsibility to manage day-to-day risk in their own areas guided by Group policies, procedures and control frameworks. Our second line of defence includes: our Group risk function who develop and manage the risk management framework and engage with management to identify, agree and update risk information on a regular basis; and other compliance and assurance functions for example Group Safety, Health and Environment (SHE), Regulatory Affairs and ISO audits which review the effectiveness of the mitigating actions and controls. Our Internal Audit team provides our third line of defence, providing independent assurance on internal controls and risk management processes. External assurance is provided by our statutory auditors, in respect of the financial statements, and also by an external specialist in respect of ISO standards.

Risk management methodology



Managing risk continued

Assessment of principal risks

Our key risks

Risks affect us in many ways. Across our business, we identify the likelihood and potential impact of risks through our formal twice-yearly risk assessment submissions encompassing the divisions and Group functions, and also management is empowered and encouraged to actively manage and react to risks as part of its normal day-to-day decision making process. We are also using the Group's risk methodology to assess the risks in all significant projects, including those associated with our Pathway programme and the integration of our OMNOVA acquisition. These reviews, together with our three lines of defence model, enable us to establish effective controls to manage these uncertainties.

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

- Strategic risks that could prevent us from achieving our strategic objectives.
- Operational risks which, if not successfully managed, would threaten our viability. These relate to our ability to operate a sustainable and safe business.
- Compliance risks where a breach of regulations or laws could lead to fines from regulators, and reputational risk that may affect our standing in the investor and wider community in a disproportionate manner to the size of the event leading to such damage.
- Financial risks relating to the funding and fiscal security of the Group.

During 2020 the Executive Committee and the Board have undertaken a robust assessment of the principal risks and uncertainties facing Synthomer. This assessment has led to some minor changes in the description of principal risks. Specifically three principal risks disclosed last year, 'Volatility in chemicals and polymers market', 'Competition and failure to innovate' and 'Intellectual property', have been consolidated into two new principal risks being 'Volatility and competition in chemicals and polymers market' and 'Innovation and intellectual property'; a further two principal risks disclosed last year, 'Manufacturing capacity expansion projects' and 'Pathway programme' have been combined this year into a Principal risk entitled 'Change programmes'; 'Security of supply of raw materials, goods and services' previously included within the principal risk 'Loss or failure of Synthomer site', has been split out and is now considered a stand-alone Principal Risk; and the 'Brexit' risk, following the conclusion of the Brexit negotiation, has been removed from our principal risks.

The table on pages 45 to 48 provides more detail on our principal risks identified at the end of 2020. Our Board and management consider that these pose the greatest threats to our business and they score highest on our risk assessment matrix. They fall into categories that relate closely to our business model. Not all risks facing Synthomer are listed and the risks are not listed in any order of priority.

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

Emerging risks

In addition to known risks, we identify and analyse emerging risks and the need for mitigation as part of our existing risk management processes. Emerging risks are events that present uncertainty. They may potentially impact us in the longer term but there is currently insufficient information to understand and assess the likely scale, impact or velocity of the risk, or to define an appropriate risk response. Emerging risks continue to be embedded in our risk programme to ensure they are appropriately considered and monitored. In some cases, emerging risks are superseded by others or cease to be relevant as the environment in which we operate evolves and changes.

Climate change is an emerging risk that is continuing to evolve. Whilst it is not currently considered one of our principal risks, it is incorporated in our risk management process and is recognised to have the ability to affect some of our existing principal risks, for example 'Volatility and competition in chemicals and polymers market', 'Innovation and intellectual property' and 'Loss or failure of a Synthomer site'. We are also continuing to develop our approach to climate risk reporting, guided by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Failure to effectively respond to this risk may compromise our reputation and strategy for growth, and accordingly we are closely monitoring this and will continue to evaluate whether this should be considered a principal risk in the future.

COVID-19

At the time of writing, the COVID-19 pandemic continues to dominate the world, and the impact to the global economic, social and political landscape remains uncertain for the foreseeable future. We therefore need to remain agile in managing the risks that this environment presents.

As outlined in the Environmental, Social and Governance section (pages 66 and 67, and 70 to 72) managing our business through the COVID-19 pandemic has been a significant challenge for all our stakeholders in 2020. Our business resilience has been tested over recent months, and the business has responded well to the variety of risks and challenges presented by COVID-19. The chemical sector was designated as an essential industry in the geographies in which we operate and our 38-site global network operated largely as normal with no significant issues experienced with regard to raw material supply, the distribution of finished goods or the availability of operating personnel. We continued to ensure that SHE (Safety, Health and Environment) remained our number one priority, and took rapid action to protect the safety of our employees and their families whilst working in partnership to ensure our supply chains operated and we delivered for our customers.

Whilst global pandemics have not previously been noted as a principal risk, many of the associated risks are captured within our risk framework. With this in mind we have reviewed the impact of the pandemic on our principal risks to identify new opportunities or material changes to existing principal risks. This review concluded that COVID-19 would be more appropriately managed by including its impact within existing principal risks, as illustrated on the following pages, rather than defining a separate COVID-19 risk. We will continue to review and challenge this to determine if it needs to be considered a principal risk in the future.

Principal risks and uncertainties

The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively.

We have listed below the most significant risks that affect our business, although there are other lower level risks that occur and impact the Group's performance which are also actively managed through our risk management framework.

Strategic risks

Volatility and competition in chemicals and polymers market

The markets we operate in are inherently volatile due to global macroeconomic and political uncertainty, and we expect this volatility to continue in 2021. Such volatility may impact our raw material costs and affect volumes and margins, potentially adversely affecting the results of the Group. The Group could lose market share to other producers of speciality chemicals if we fail to remain competitive.

[Link to strategy](#)



Change in risk

Increase

Response

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

2021 plans

- New product development and our acquisition strategy will continue to further diversify the Group's risk.
- Our integrated business planning process and the implementation of our Pathway programme will enable us to operate more efficiently.

Innovation and intellectual property

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

[Link to strategy](#)



Change in risk

No Change

Response

- The Group continues to invest in enhancing existing products and developing new products through our R&D programme and also our acquisition strategy includes technologies that are new to the Group.
- Our technical services teams work with customers to help them to use our products in the most efficient and sustainable way for their businesses and also to anticipate their future needs, which we feed back into our R&D programme.
- A Chief Technology Officer was appointed to the Executive Committee to increase oversight in this area.
- We continued to deliver our patent programme which included: ongoing strategic intellectual property support to the business; comprehensive patent portfolio reviews; and the integration of intellectual property support into R&D.
- The integration of the OMNOVA patent and trademark portfolio into the Group was successfully completed.

2021 plans

- We will continue to work closely with our customers to innovate to meet their needs, including sustainability and reducing the environmental impact of our raw materials, processes and products on the overall product life cycle.
- The implementation of the Innovation Excellence programme, by the Chief Technology Officer, includes an integrated initiation-development-launch process to manage communication, decision making and execution.
- We will continue to enhance the intellectual property service through the provision of ongoing strategic intellectual property support to the business.
- The Group intellectual property training programme will be formalised and rolled out including the relaunch of online resources to further build awareness.

Change programmes

Poor execution of change programmes, including capacity expansion projects, the delivery of streamlined and efficient standardised processes through our Pathway programme, and the rollout of our Shared Service Centres, could impact on our ability to deliver our aspirations to grow through acquisition and organic growth.

[Link to strategy](#)



Change in risk

No Change

Response

- Project Excellence methodology has been implemented across our portfolio of change programmes.
- We have a robust capital appraisal process in place to assess proposed projects to ensure they deliver value.

2021 plans

- We expect our first sites to go live with our new Pathway processes, and to implement our Global Shared Service Centres in 2021.
- Significant capacity enhancements in our NBR plant in Malaysia are expected to be delivered in Q4 2021.

[Link to strategy](#)

+ [Read more](#) on pages 18 and 19



Research and development and technical expertise to exploit new markets



Driving efficiency and excellence through operations



Capacity utilisation



Investment in capacity



Business growth through acquisitions

Principal risks and uncertainties continued

Strategic risks

Mergers and acquisitions (M&A)

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

[Link to strategy](#)



Change in risk

No Change

Response

- We successfully completed the acquisition of OMNOVA in April 2020. Despite the challenges of COVID-19, we are integrating OMNOVA to drive the business benefits ahead of our integration plan, and to ensure the acquired business is integrated into 'the Synthomer Way' covering processes and culture.

2021 plans

- The Group's M&A activity and the ongoing integration of OMNOVA will continue to be closely scrutinised by the Board.
- External advice is used to help identify targets, prepare bids and conduct due diligence.

People and talent retention

People are a key asset for Synthomer in driving our Company strategy to grow and enabling us to operate in our diverse markets whilst complying with regulations and corporate responsibility. We can only build our people resources if we are able to recruit and retain the right people across our business.

[Link to strategy](#)



Change in risk

No Change

Response

- Our new HR structure, extended to include OMNOVA employees, includes new dedicated global and regional Talent Acquisition, Talent Development and Compensation roles that have been designed to support our talent strategy.
- Our Your Voice survey conducted in 2019 identified strengths and development areas in employee engagement that have driven action plans.
- The long-term incentive plan assists retention of senior leaders and bespoke retention plans for limited number of critical role holders are in place.

2021 plans

- We are deploying a standardised global Talent Management process with key Talent & Succession reviews held at division, function, Executive Committee, and Board level.
- We are deploying Workday as our new global HR information system (HRIS): including recruitment, learning and talent management modules with enhanced employee data reporting and analysis capability.
- We will be rolling out a 2021 Your Voice employee survey.
- We are initiating an internal communication improvement plan and recognition scheme to drive increased employee engagement.
- Our long-term incentive plan will be extended to legacy OMNOVA employees.
- We are implementing a single global LinkedIn contract in 2021 with enhanced career page, functionality and recruitment tools and globalised talent acquisition processes.

Operational risks

Loss or failure of a Synthomer site

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

[Link to strategy](#)



Change in risk

No Change

Response

- Our existing crisis management procedures were tested by the COVID-19 pandemic and we were able to successfully operate across all 38 sites throughout the pandemic in 2020.

2021 plans

- Whilst our approach to COVID-19 enabled us to successfully continue operations, we will continue to review our response to ensure any learnings, where applicable, are incorporated in our approach to business continuity, crisis management and disaster recovery plans.

[Link to strategy](#)

+ Read more on pages 18 and 19



Research and development and technical expertise to exploit new markets



Driving efficiency and excellence through operations



Capacity utilisation



Investment in capacity



Business growth through acquisitions

IT security

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

[Link to strategy](#)



Change in risk

No Change

Response

- We continued to enhance IT security defences, including anti-virus and anti-phishing software, disaster recovery, data backup procedures, next generation firewalls, and network monitoring.
- Microsoft Teams software, virtual desktops and VPNs were deployed to enable secure remote working during the COVID-19 pandemic.
- Training programmes continued to enhance user awareness of the risks from phishing and social engineering.

2021 plans

- We will continue to enhance our security defences through further security investment and the ongoing implementation of the Group Security Risk reduction plan.

Safety, Health and Environment (SHE)

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

[Link to strategy](#)



Change in risk

No Change

Response

- Synthomer continues to operate a central safety audit function dedicated to SHE issues and it provides advice to, and monitors, our sites to enable continuous improvement across all major SHE areas.
- Our high safety standards and assurance activities were extended to OMNOVA immediately following its acquisition.
- Our Occupational Safety performance remains top quartile in our industry (65% reduction since 2015).
- 2020 equalled our best ever Process Safety performance (60% reduction since 2015).
- 95% of all SHE improvement plan actions have been completed (492/519), with 91/92 significant high priority actions also completed across all sites.
- All 141 audit actions from the previous round of audits have been completed and signed off.
- Controls including social distancing, temperature checking, hand sanitising, restrictions of personnel on site to critical employees, and COVID-19 testing of plant personnel were implemented.

2021 plans

- Group SHE audits will continue to focus on enabling continuous improvement across all major SHE areas. The process has been adapted to deliver the same value 'virtually'.
- We will continue with the SHE integration of OMNOVA and the improvement of OMNOVA SHE key performance indicators.
- Plans are in place to use an annual SHE health check in tandem with our Group SHE audit process to keep track on a number of key SHE risk elements of our management systems – our so-called 'SHE Dial'.
- SHE improvement plans in line with overall SHE objectives exist for the Group, businesses and all sites and labs.
- We will continue to progress our long-term ambition to implement a proactive approach to maintenance as a preventative measure.

Security of supply of raw materials, goods and services

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

[Link to strategy](#)



Change in risk

No Change

Response

- Sourcing strategies are in place to ensure multiple sources of key raw materials, bulk storage of strategic raw materials, regular review of inventory levels and the ability to manufacture finished products at different sites.
- We are working closely with our supply partners and operations to manage supply chain disruptions due to COVID-19. We successfully maintained supply of raw materials, goods and services to our sites throughout 2020.
- Our sustainable procurement policy and strategy was published in 2020, and we have partnered with specialist third parties to identify high risk areas and potential opportunities.

2021 plans

- We will continue our ongoing programme to diversify supply base and reduce supply chain risk.
- We will continue to educate and embed the sustainable procurement policy and strategy within Synthomer and with our supply chain partners.
- A programme to assess and audit high sustainability risk suppliers to ensure they comply with our policies and standards will be rolled out.

Principal risks and uncertainties continued

Compliance risks

Ethics and regulatory compliance

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

[Link to strategy](#)



Change in risk

No Change

Response

- Face-to-face and Microsoft Teams training on our Code of Conduct and other key compliance topics continued and was extended to include our legacy OMNOVA colleagues.
- A new training module on understanding and complying with sanctions was launched, alongside a refreshed Policy on Screening for Sanctioned Countries, Prohibited Parties and Export Restrictions.
- A new learning management system has been implemented and refreshed e-learning in key compliance topics is underway.
- New Core Values were launched highlighting, amongst other things, Integrity and Accountability as foundations for the Synthomer way of working.
- Our Regulatory Affairs team has extended its remit to include the OMNOVA sites, and to ensure the Group is well positioned to meet any challenges that arise from Brexit.

2021 plans

- We will continue to roll out face-to-face and Microsoft Teams training and e-learning in key compliance topics across the enlarged Group.
- We will further publicise our Ethics Helpline as a way of 'speaking-up' against unlawful/unethical behaviour.
- We will launch a campaign reminding the business of the importance of Gifts and Hospitality Registers.
- We will launch new 'dawn raid' guidance on how to respond to an unannounced inspection from a regulator.
- Learnings from the internal audit of Synthomer's Compliance framework will be carefully considered and an appropriately prioritised implementation plan agreed.

Financial risks

Financial risks

As a UK-registered Group with a diverse presence across the world we continue to be exposed to financial volatility from foreign exchange risks, credit markets and funding risks relating to our defined benefit pension plans which could significantly impact the results of the Group. This risk has been heightened by global economic uncertainty resulting from COVID-19.

[Link to strategy](#)



Change in risk

No Change

Response

- The Group hedges significant foreign exchange exposure, borrowing a proportion of its funding in overseas currencies to hedge net assets held in those currencies.
- Our Global Pensions team continues to closely monitor pension risks. This risk is being addressed through active scheme management and additional contributions.

2021 plans

- Currency risks will continue to be hedged in line with Group policy.
- The implementation of Global and Regional Pension and Benefits Governance Committees will further enhance pension risk oversight and management.

[Link to strategy](#)

+ Read more on pages 18 and 19



Research and development and technical expertise to exploit new markets



Driving efficiency and excellence through operations



Capacity utilisation



Investment in capacity



Business growth through acquisitions

Viability statement

In accordance with the requirements of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to December 2025, being the period covered by the Group's approved strategic plan. This plan is updated annually, in a process led by the Executive Committee with input from the respective businesses and functions. It includes analysis of product and profit performance, cash flow, investment programmes and returns to shareholders. The plan is presented to the Board each year as a part of its annual strategic review.

The Directors consider five years to be an appropriate time horizon for the strategic plan, being the period over which the Group actively focuses on its long-term product development and capital expenditure investments. A period above five years is considered by the Directors to be too long, given the uncertainties that exist beyond this time frame.

In making their assessment, the Directors have considered the diverse activities and product offering of the Group in terms of geographies, chemistry and end markets. The Directors have also considered the Group's current strong financial position, including the existing and future committed financing facilities, which have been assumed to be refinanced at maturity.

A sensitivity analysis has been undertaken, focusing on the impact of the principal risks (detailed above on pages 45 to 48) over the five-year period and the availability and likely effectiveness of mitigating actions. The risks have been assessed for their potential impact on the Group's business model, future trading and funding structure. The sensitivity analysis has considered a number of severe but plausible scenarios, linked to the risks considered to have the most significant financial impact. The Group's experience gained from the

COVID-19 pandemic has been used to prepare the sensitivities around trading volatility. In all cases, the impact was considered on both liquidity and the borrowing covenant.

The scenarios included:

- trading volatility driven by a COVID-19 type pandemic;
- trading downturns as a result of increased competition or lack of demand;
- additional duties as a result of Brexit;
- delays in project delivery;
- failure to successfully commercialise new products;
- the temporary loss of a major manufacturing site;
- a fine by a regulating body; and
- significant foreign exchange rate appreciation against sterling.

None of these scenarios individually, or when combined, threaten the Group, and the combined impact of these scenarios has been evaluated as the most severe stress scenario. No mitigating actions have been included for any of the scenarios and, should it need to, the Group could take action quickly to significantly reduce costs and cash outflows as demonstrated during the course of the COVID-19 pandemic in 2020.

While this sensitivity analysis did not consider all of the risks that the Group may face, the Directors consider that it is reasonable in the circumstances of the inherent uncertainty involved.

Based on the analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Chief Financial Officer's review

The Group's focus on differentiation and diversification has underpinned our strong EBITDA and Free Cash Flow performance in a challenging COVID-19 impacted environment. With a robust balance sheet, reducing leverage and significant liquidity and covenant headroom, the Group is well placed for future growth.



Stephen Bennett

Chief Financial Officer

Highlights

- Strong EBITDA and Free Cash Flow growth in a challenging environment.
 - EBITDA up 45.8% at £259.4 million.
 - Free Cash Flow up 80.6% at £167.6 million.
- Significant step down in net debt to EBITDA leverage at 31 December 2020, at 1.8x relative to year end covenant of 4.25x.
- 31 December 2020 committed available liquidity at circa £600 million.
- €520 million 3.875% unsecured senior loan notes successfully issued in June 2020 underpinning committed financing facilities and long term capital structure.
- Strong progress on key strategic projects, including OMNOVA integration, European SBR network review and Nitrile latex capacity expansion.

Presentation of financial results

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

- Underlying performance, which excludes Special Items from IFRS profit measures; and
- EBITDA, which excludes Special Items, amortisation and depreciation from IFRS operating profit.

The Board's view is that Underlying performance provides additional clarity for the Group's investors and so it is the primary focus of the Group's narrative reporting. Further information and the reconciliation to the IFRS measures are included in note 5 of the financial statements.

Volume

11.8%

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

Underlying PBT

37.7%

2020: £160.0m
2019: £116.2m

Underlying Basic EPS

14.2%

2020: 28.9p
2019: 25.3p

EBITDA

45.8%

2020: £259.4m
2019: £177.9m

IFRS PBT

(79.8)%

2020: £20.3m
2019: £100.5m

Free Cash Flow

80.6%

2020: £167.6m
2019: £92.8m

Financial overview

	2020 £m	2019 £m
EBITDA		
Performance Elastomers	142.5	96.3
Functional Solutions	95.6	69.9
Industrial Specialities	41.2	23.8
Acrylate Monomers	(2.4)	1.0
Corporate	(17.5)	(13.1)
Total EBITDA	259.4	177.9
Depreciation	(69.8)	(52.1)
Underlying finance costs	(29.6)	(9.6)
Underlying PBT	160.0	116.2
Special Items	(139.7)	(15.7)
IFRS PBT	20.3	100.5
Free Cash Flow	167.6	92.8

Synthomer has delivered a strong set of results in a truly exceptional year characterised by the marked global economic impact of COVID-19, and completion of the acquisition of OMNOVA Solutions Inc, the largest acquisition in the Group's history.

In a year of almost unprecedented economic turmoil, Synthomer demonstrated resilience as a global differentiated chemicals company benefitting from widespread geographic and end market diversity, and enhanced by the further differentiation and diversification brought by the highly synergistic OMNOVA acquisition. The Group's legacy businesses started the year well with Q1 2020 EBITDA trading ahead of prior year and, although COVID-19 adversely impacted Q2, the enlarged Group EBITDA gradually improved during Q3 with all core divisions performing well and trading ahead of the comparative period in Q4 2020.

In this environment, Synthomer delivered strong progress reporting EBITDA of £259.4 million, 46% higher than 2019, reflecting significant EBITDA growth of £48.5 million in the legacy business and £33.0 million from the OMNOVA acquisition, including the integration synergies delivering higher benefits in a shorter period of time.

Our Performance Elastomers Division reported a significant increase in profitability rising 48% to £142.5 million, largely borne out of the incremental JOB5 Nitrile latex capacity running at full capacity during 2020, and the marked increase in Nitrile latex margins initially benefitting from lower raw material prices at the onset of COVID-19 and subsequently as demand for Nitrile latex tightened. Investment in the further 60ktes of capacity at Pasir Gudang (Malaysia) is progressing and commissioning is expected in Q4 2021.

Good progress has been made during the year with the European SBR network review, the benefits of which will start to feed through in 2021 with the closure of the Oulu (Finland) site and the streamlining of our operation in Marl (Germany), rationalising the cost base and increasing the utilisation rates on the remaining assets in Marl, Filago (Italy) and Pischelsdorf (Austria). Most of our SBR business saw some improvement in trading performance in Q4 2020 relative to the comparative period, albeit our paper business continued to be challenged, not helped by the continuing impact of COVID-19.

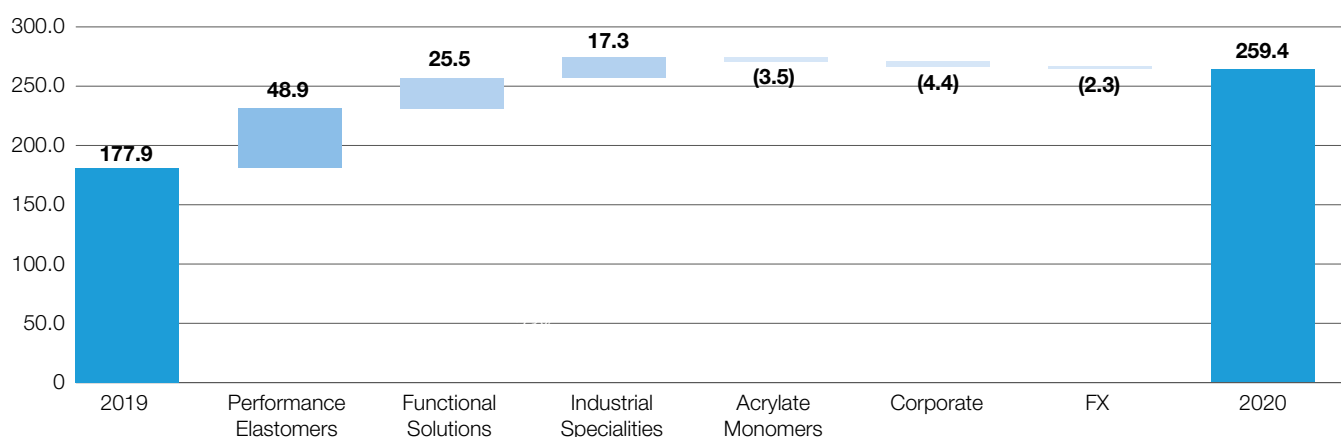
Consistent with the outcome of the network review, impairment and restructuring charges have been recorded within Special Items and are more fully described later in this report.

The addition of OMNOVA principally benefitted our Functional Solutions and Industrial Specialities Divisions, with these divisions reporting EBITDA of £95.6 million and £41.2 million, some 37% and 73% higher than the prior year, also a significant step up in profitability in a difficult economic environment. Further growth is expected in 2021 with the addition of a full year's results for OMNOVA, continued synergy delivery, a return to more normal economic activity levels particularly in relation to our Oil & Gas business which felt the brunt of the impact of COVID-19, and filling capacity invested in 2018 and 2019.

Acrylate Monomers, separately reported for the first time in 2020 and previously included in Industrial Specialities, produces monomers at our Sokolov (Czech Republic) site for internal consumption and external supply to its European hinterland and was adversely impacted by COVID-19 which brought monomer margins under pressure as the supply demand balance changed. The site is undergoing a site transformation programme, benefitting both our Acrylate Monomers and Functional Solutions assets on the site, including the closure of the coal fired power station. In line with the site transformation programme and the current lower profitability of the Acrylate Monomers Division, impairment and restructuring charges have been recorded in Special Items and are more fully described later in this report.

Corporate expenses have increased to £17.5 million (2019: £13.1 million) mainly reflecting the corporate expenses associated with the OMNOVA acquisition and higher variable remuneration costs associated with the delivery of a strong performance in 2020.

EBITDA reconciliation (£m)



Chief Financial Officer's review continued

Special Items

	2020 £m	2019 £m
Amortisation of acquired intangibles	(30.9)	(8.7)
Restructuring and site closure costs	(42.5)	(0.8)
Acquisition costs and related gains	(14.6)	(9.2)
Impairment charge	(36.6)	–
Sale of business	(6.6)	–
Foreign exchange gain on rights issue	–	3.5
Total impact on operating profit	(131.2)	(15.2)
Fair value loss on unhedged interest derivatives	(3.6)	(0.5)
Loss on extinguishment of financing facilities	(4.9)	–
Total impact on profit before tax	(139.7)	(15.7)
Tax Special Items	4.9	–
Taxation on Special Items	10.7	3.5
Loss for the year	(124.1)	(14.3)

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

- Amortisation of acquired intangibles increased during the year reflecting the acquisition of OMNOVA Solutions Inc which resulted in an amortisation charge of £22.6 million for the 9 month period since acquisition on 1 April 2020. The fair value of the intangible assets arising on the acquisition of OMNOVA amounting to £330.1 million are being amortised over a period of 9–11 years mainly dependent on the characteristics of the customer relationships.
- Restructuring and site closure costs in 2020 comprise £19.5 million for integration of OMNOVA, £20.9 million for the rationalisation of the Group's European SBR network and £2.1 million to rationalise the Acrylate Monomers site. OMNOVA integration costs were required to deliver the acquisition synergies and mainly relate to employee severance costs. Restructuring costs in the legacy Synthomer business again mainly relate to employee severance costs. In 2019 the costs related to the reorganisation of the Group into global business segments.
- Acquisition costs and related gains relate to the acquisition of OMNOVA and comprise £20.0 million of costs, mainly professional adviser fees, and the £3.3 million impact of unwinding the fair value adjustment on acquisition of inventory. This was offset by a gain of £8.7 million on a foreign exchange derivative entered into in July 2019 to hedge the acquisition price. Acquisition costs in 2019 also relate to the acquisition of OMNOVA.
- A £36.6 million impairment charge was taken in the year, relating to four sites. Following the strategic review of our European SBR network we have impaired fixed assets by £9.2 million in our Oulu site and £5.5 million in Marl. Unfavourable feedstock prices and continued oversupply in Europe, partly reflecting the impact of COVID-19, led to a £18.6 million impairment charge in relation to the Acrylate Monomers site in Sokolov. Reduction in demand for solvent-based products manufactured in our Chonburi site led to a £3.3 million impairment charge.

- Sale of business related to the disposal of Synthomer's European Tyre Cord business, which was a requirement of the European Commission Competition Authority in order to obtain clearance for the acquisition of OMNOVA. The disposal was completed on 1 May 2020 and the terms of the disposal agreement resulted in a loss on disposal of £6.6 million.
- Foreign exchange gain on rights issue represents a gain made on a forward contract which was entered into to swap the proceeds of the Sterling rights issue into Euro in order to pay down part of the Group's Euro borrowings in July 2019.
- In July 2018 the Group entered into swap arrangements to fix Euro interest rates on the full value of the then €440 million committed unsecured revolving credit facility. The fair value of the unhedged interest rate derivatives relates to the mark-to-market of the swap at 31 December 2020 in excess of the Group's current borrowings.
- Following the Group's successful refinancing in April 2020, capitalised debt costs relating to the 2018 refinancing and the 2019 bridge to bond were written off, leading to a loss on extinguishment of £4.9 million.
- A current tax charge arose in Malaysia from a disputed assessment from the Malaysian Tax Authorities regarding the tax treatment of the sale of plantation land from 2007 to 2017. This is offset by a current tax credit in relation to the closure of 2001 to 2003 open tax years in the UK by HMRC.

Acquisition of OMNOVA

On 1 April 2020, the Group completed the acquisition of OMNOVA Solutions Inc by acquiring all of the share capital and repaying its financing for a cash outflow of £587.6 million, net of cash acquired.

In accordance with IFRS, the assets and liabilities have been recorded at fair value at the date of acquisition with the balance of consideration recorded as goodwill. KPMG LLP was engaged to advise on the fair value of the property, Plant and Equipment (PPE) and intangible assets. The value of PPE was increased by £12.0 million to £190.2 million.

The most significant intangible assets identified were customer relationships. Accordingly, on acquisition the Group recognised goodwill and acquired intangibles in relation to the OMNOVA business of £180.2 million and £330.1 million respectively.

Net working capital of £32.1 million was acquired, offset by a retirement benefit obligation of £89.8 million. Acquired borrowings of £273.6 million were repaid as part of the acquisition refinancing.

The estimation of the fair value of the assets and liabilities is provisional, and this is planned to be finalised by 31 March 2021.

Finance costs

	2020 £m	2019 £m
Net interest payable	(24.3)	(5.8)
Net interest expense on defined benefit obligation	(3.7)	(2.7)
Interest element of lease payments	(1.6)	(1.1)
Underlying finance costs	(29.6)	(9.6)
Fair value loss on unhedged interest derivatives	(3.6)	(0.5)
Loss on extinguishment of financing facilities	(4.9)	–
Total finance costs	(38.1)	(10.1)

Underlying finance costs increased to £29.6 million (2019: £9.6 million), mainly reflecting the interest on the borrowings relating to the OMNOVA acquisition from 1 April 2020.

The finance costs reflect the interest on the €460 million committed unsecured 5 year revolving credit facility, the \$260 million committed unsecured 5 year term loan, the €520 million committed unsecured bridge, refinanced in June 2020 with the 5 year €520 million 3.875% unsecured senior loan notes, the associated debt amortisation costs, and the IAS 19 pensions interest costs in respect of our defined benefit pension schemes.

The charge for the fair value loss on unhedged interest derivatives has increased to £3.6 million (2019: £0.5 million) as a result of lower drawn amounts under the RCF, and the changes in the fair value between 31 December 2019 and 2020.

Taxation

The Group's effective tax rate is impacted by the tax impact of Special Items. It is therefore helpful to consider the Underlying and Special Items affecting tax rates separately:

- The effective tax rate on Underlying profit before tax for the year increased to 23.4% (2019: 14.0%) due to the previously announced end of the Group's Malaysian pioneer status in February 2020. The impact of COVID-19 on the geographical mix of profits also increased the proportion of profits generated in Malaysia.
- The effective tax rate for Special Items was 11.2% (2019: 8.9%) and was driven by deferred tax credits on the amortisation of acquired intangibles and restructuring and site closure costs and a current tax charge in relation to historical tax issues in the UK and Malaysia. A current tax charge arose in Malaysia from a disputed assessment from the Malaysian Tax Authorities regarding the tax treatment of the sale of plantation land from 2007 to 2017. This is offset by a current tax credit in relation to the closure of 2001 to 2003 open tax years in the UK by HMRC.

Non-controlling interest

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

Earnings per share

Earnings per share is calculated based on the average number of shares in issue during the year. The weighted average number of shares for 2020 was 424,843,000 (2019: 393,349,000), this being the first full year following the one for four rights issue in July 2019.

Underlying earnings per share for the year is 28.9 pence, an increase of 14.2% relative for 2019, and the IFRS earnings per share is 0.7 pence (2019: 21.5 pence). The increase in Underlying earnings per share reflects the increase in Underlying profit before tax as offset by the rise in the effective tax rate and the increase in the weighted average number of shares as set out above.

Balance sheet

Net assets of the Group decreased by 6.3% to £628.1 million mainly reflecting the £21.6 million net translation effect of foreign exchange on operating assets denominated in foreign currency, actuarial losses of £7.6 million and the interim dividend of £15.9 million.

Capital expenditure

Capital expenditure in the year was £53.8 million for the enlarged Group, including OMNOVA for the 9 months to 31 December 2020, relative to £69.1 million for the legacy Synthomer business for the year ended 31 December 2019. The marked reduction in capital expenditure reflects the proactive decision taken by the Board at the onset of COVID-19 to manage capital expenditure lower to preserve cash, liquidity and balance sheet strength. Investment continued to be made in the critical growth projects for the Group, including the JOB6 Nitrile latex expansion at Pasir Gudang (Malaysia), and in SHE and sustenance activities underpinning the ongoing safe and reliable operation of the Group's assets.

The Group invested a further £12.2 million in its Pathway business transformation programme in the year. This investment remains as an intangible asset under construction.

Provisions

As a result of the restructuring and site closure costs set out above, the restructuring provision has increased to £29.6 million (2019: £6.9 million).

The closing balance includes £5.9 million and £13.4 million in relation to the rationalisation of the Group's European SBR network in Oulu and Marl respectively and £5.7 million in relation to the onerous contract arising on the disposal of the European Tyre Cord business.

Retirement benefit plans

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

The Group's net retirement benefit obligation increased to £221.4 million at 31 December 2020 (31 December 2019: £140.0 million). The increase is principally attributable to the inclusion of OMNOVA obligations which at 31 December 2020 contributed £68.0 million to the Group's net retirement benefit obligation, and a further reduction in the valuation discount rates.

The trustees of the UK scheme have agreed that the Group will continue to fund the deficit recovery plan in line with the previously agreed recovery plan. Funding in the current year was £16.5 million (2019: £16.2 million). The next triennial valuation of the UK scheme will be undertaken in 2021, and a revised deficit recovery plan will be agreed with the trustees at the conclusion of the valuation.

Chief Financial Officer's review continued

Cash performance

The Group's primary focus is on managing net debt rather than on cash. The following table summarises the movement in net debt and is in the format used by management:

	2020 £m	2019 £m
Opening net cash/(debt)	20.7	(214.0)
Underlying operating profit (excl joint ventures)	188.4	124.9
Movement in working capital	23.5	18.5
Depreciation of property, plant and equipment	64.9	50.7
Amortisation of other intangible assets	4.9	1.4
Share-based payments charge	2.0	0.6
Capital expenditure	(53.8)	(69.1)
Business cash flow	229.9	127.0
Net interest paid	(14.0)	(7.2)
Tax paid	(31.4)	(11.1)
Pension funding	(18.8)	(17.5)
Dividends received from joint ventures	1.9	1.6
Free Cash Flow	167.6	92.8
Cash impact of restructuring and site closure costs	(25.3)	(4.4)
Cash impact of acquisition costs	(7.4)	(7.5)
Cash impact of foreign exchange gain on rights issue	–	3.5
Purchase of business	(587.6)	–
Sale of business	0.1	–
Rights issue proceeds	–	199.1
Repayment of principal portion of lease liabilities	(9.7)	(6.8)
Dividends paid	(12.8)	(47.9)
Dividends paid to non-controlling interests	(3.1)	(0.6)
Foreign exchange and other movements	(4.7)	6.5
Movement in net debt	(482.9)	234.7
Closing net (debt)/cash	(462.2)	20.7

At 31 December 2020, the Group had net debt of £462.2 million compared to net cash of £20.7 million at 31 December 2019. The increase in the level of debt is due to the acquisition of OMNOVA as offset by the strong Free Cash Flow generation during 2020.

Underlying operating profit increased by £63.5 million to £188.4 million and the addition of OMNOVA increased the depreciation and amortisation of other intangibles charge by £17.7 million to £69.8 million.

Capital expenditure was reduced to £53.8 million following the proactive measures taken by the Board to preserve cash and liquidity at the onset of COVID-19 in March 2020, and lower raw material prices led to a £23.5 million cash inflow on working capital (2019: inflow of £18.5 million).

Interest paid increased to £14.0 million reflecting a part of the interest charge on the borrowings relating to the acquisition of OMNOVA.

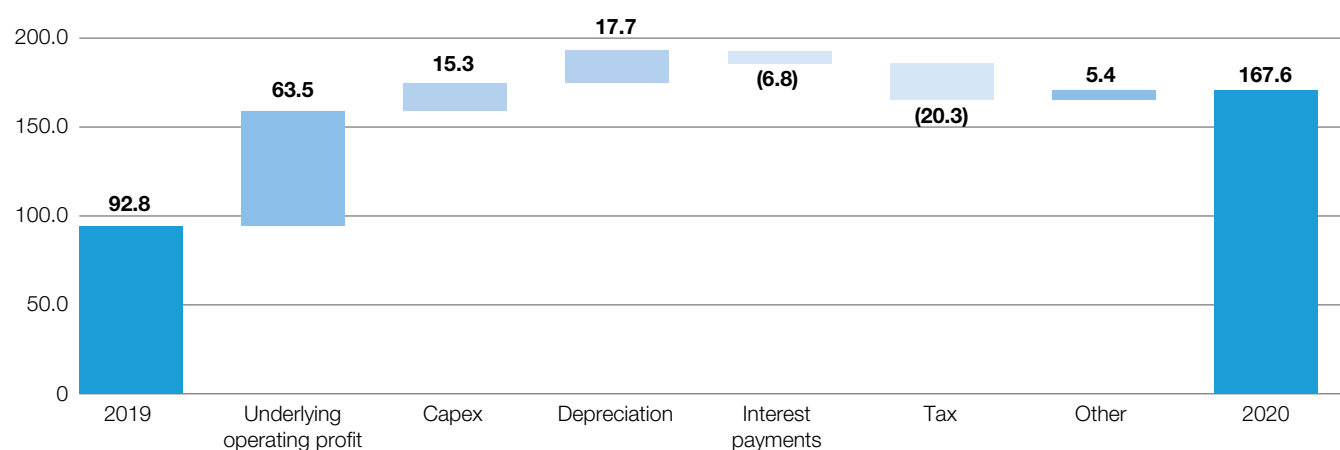
Tax paid increased by £20.3 million to £31.4 million due to tax repayments of £4.8 million received in 2019, higher profitability in 2020 and the end of the Malaysian pioneer status in February 2020, resulting in a higher overall effective tax rate and cash tax cost for the Group.

The cash impact of Special Items was £25.3 million for restructuring costs and net £7.4 million for acquisition costs which comprised £20.1 million of costs offset by a £12.7 million cash gain on deal contingent foreign exchange contracts.

The cash outflow for the purchase of OMNOVA was £587.6 million net of cash acquired, as more fully set out in note 29 to the financial statements.

Repayment of lease liabilities increased to £9.7 million due to the addition of OMNOVA.

Dividends reduced in the year due to suspension and subsequent cancellation of the 2019 final dividend to preserve cash, liquidity and balance sheet strength at the onset of COVID-19 in March 2020.

Free Cash Flow Bridge (£m)

Financing and liquidity

In July 2019, in preparation for the acquisition of OMNOVA, the Group refinanced its €440 million revolving credit facility with financing conditional on the completion of the acquisition. At the same time the Group put in place deal contingent foreign exchange contracts to deliver \$480 million at a fixed rate to Euro at completion of the acquisition to hedge the acquisition purchase price currency exposure. At completion these contracts reduced the amount of Euros borrowed to finance the acquisition relative to the spot foreign currency rates on 1 April 2020, by £12.7 million and the gain was recognised in Special Items in 2019 (£4.0 million) and 2020 (£8.7 million).

Upon completion of the OMNOVA acquisition on 1 April 2020, the Group's new facilities were drawn. These comprised a \$260 million term loan and a €520 million acquisition financing bridging facility, both of which were fully drawn, and the €460 million revolving credit facility which was partially drawn. Subsequently, on 25 June 2020, the €520 million acquisition financing bridging facility was repaid with the proceeds of the 5 year €520 million 3.875% unsecured senior loan notes. The committed unsecured term loan and the revolving credit facility have terms ending July 2024.

The Group now has committed unsecured borrowing facilities comprising the \$260 million term loan, €460 million revolving credit facility and the 5 year €520 million 3.875% unsecured senior loan notes, and accordingly has committed borrowing facilities of approximately £1,100 million through until July 2024. At 31 December 2020, the Group's net borrowings were £462.2 million and therefore the Group had approximately £640 million of liquidity.

The borrowing facilities are subject to one net debt to EBITDA leverage ratio maintenance covenant measured at 30 June and 31 December each year. At 31 December 2020 the Group's leverage ratio was 1.8x, well within the leverage ratio covenant of 4.25x at 31 December 2020 and well within the leverage covenant of 4.0x for the year to 31 December 2021.

Stephen Bennett
Chief Financial Officer
4 March 2021

Replacement of LIBOR and other inter-bank offered rates

The London Inter-Bank Offered Rate (LIBOR) and other benchmark inter-bank offered rates are widely used for many financial products and contracts including Synthomer's bank facilities. These inter-bank offered rates (IBORs) are expected to be discontinued after the end of 2021. In their place, replacement 'risk free' rates will be used, such as the Sterling Overnight Index Average (SONIA) and the Secured Overnight Financing Rate (SOFR).

Synthomer's exposure and approach

Synthomer has two bank facilities that use inter-bank offered rates as a benchmark or reference rate. Euro borrowings under the €460 million revolving credit facility and Euro interest rate swaps are based on Euribor which is not expected to be discontinued. However, the \$260 million term loan and other currency borrowings under the €460 million revolving credit facility are subject to LIBOR. We are working with our relationship banks and advisers to complete a smooth transition.

Environmental, Social and Governance (ESG)

BUILDING SUSTAINABLY

ESG is an increasing priority for our stakeholders and the Group. As Synthomer continues to make progress, we highlight our achievements and our goals to further strengthen performance in this area.



Tim Hughes

President, Corporate Development

ESG Highlights

- 8.5% reduction of Scope 1 and 2 emissions due to conversion to renewable electricity and roadmap to reduce by over 20% by end 2022 (2019 baseline).
- Decision taken to end the use of coal for energy by closing the Sokolov (Czech Republic) power station.
- 33% female Board membership and double the percentage of women in senior positions.
- Introduced gender and ethnicity targets for diversity and inclusion.
- Sustainable Procurement Policy and Strategy in place.
- Successful OMNOVA integration and impact assessment on ESG aspects.
- Alignment of our reporting to GRI standards for the enlarged Group.
- Launch of new Synthomer core values.
- Policies and practices implemented to comply in full with 2018 UK Governance Code, excluding two remuneration points explained at PX.
- Life Cycle Analysis for the major product lines.
- Alignment of ESG activities with the UN SDGs.
- Introduce a carbon footprint measure to PSP scheme 2020 and 2021.

The rate of change with which sustainability-related issues gained importance during 2020 was unprecedented. Society is more aware of climate change and its impact on our planet, and heightened awareness is reflected in communities with our stakeholders, including customers, employees and shareholders.

2020 saw a transformation of Synthomer with the acquisition of OMNOVA and the integration process dedicated particular attention to Environmental, Social and Governance (ESG) issues. Our six pillars of sustainability, Strategy and Business, Governance and Compliance, People, Health and Safety, Environment and Sustainable Value Chain, were established across the enlarged Group, ensuring that the new Synthomer will have a strong global positive Environmental and Social impact.

We have invested additional resources and have increased awareness for ESG across the organisation, setting as our main priority to do the right thing for the planet and society. Sustainability has been incorporated into all aspects of the Company including innovation, manufacturing and business management. In 2021 our ESG priorities are as follows:

- Carbon and climate change
- Diversity and inclusion
- Supply chain assurance

Synthomer is built on its reputation and the trust and confidence of each of its stakeholders. We report to Global Reporting Initiative (GRI) standards and our strategy and progress are aligned to our priority UN Sustainable Development Goals (SDG). This approach is built on solid foundations, including the gathering of stakeholder expectations and assessing materiality, building key performance indicators against which we can be judged, engaging our employees through our community-based 'We Care' initiative and finally communicating our progress through our annual Sustainability Report.

At Synthomer, we hold the highest standards and work together to deliver sustainable solutions to our customers, contributing to the development and well-being of society. We strongly believe our ESG activities build shareholder value and will drive a positive contribution to our business performance allowing us to deliver on our purpose: creating innovative and sustainable polymer solutions for the benefit of customers and society.





Tim Hughes



President – Corporate Development

Sustainable Development Goals

In 2015, the United Nations established a set of goals to end poverty, protect the planet, and ensure prosperity for all. Each of these 17 Sustainable Development Goals (SDGs) includes specific targets to be achieved by 2030. Achieving the SDGs requires the efforts of Governments, the private sector, civil society, communities and individuals.

Based on the impact of Synthomer products, operating sites and supply chain, seven SDGs have been identified as the most relevant for the Group. The selected SDGs are aligned with the Synthomer materiality assessment, goals and targets, internal values and external stakeholders' requirements and will be used as we define our roadmap to where we want to be by 2030.

<p>3 GOOD HEALTH AND WELL-BEING</p> 	<p>Health and Safety is at the heart of the Synthomer Core Values. We target zero Occupational and Process Safety-related incidents. We promote the health, well-being and of employees and the diversity and inclusion of our employees.</p> <p>Some of our products are directly used for the production of medical and hygiene and personal protective equipment which have a direct impact in meeting society's needs on healthcare.</p>
<p>6 CLEAN WATER AND SANITATION</p> 	<p>Water is a key component of Synthomer products. Our continuous improvement processes and innovation drive manufacturing practices that minimise water usage and improve efficiency in use, minimising release of hazardous chemicals and materials in our supply chain.</p> <p>We ensure all waste water is adequately treated and are increasing our focus on the recycling of water as a measure to minimise the use of all resources.</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>Effective energy management is core to ensuring long term sustainability of our business. We have in place a comprehensive programme to reduce energy intensity in our production sites.</p> <p>Synthomer is participating in projects to develop step change performance and environmental sustainability of batteries to meet the needs of electric vehicles. Our SyNovus® Nitrile product range allows significant energy reduction in the life cycle of gloves.</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>Synthomer operates through 38 sites across 24 countries globally, employing over 4,500 people. Synthomer makes a contribution towards economic growth and offers safe work under decent conditions.</p> <p>Our Code of Conduct and Sustainable Procurement Policy and Strategy describe the labour and human rights standards to comply with throughout Synthomer's operations and our entire value chain.</p>

<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>Innovation is a Synthomer core value. We add value by implementing creative and innovative ideas and solutions. Our innovative products are used in a diverse range of industrial and infrastructure applications from Nitrile medical gloves for hygiene to waterproofing membranes for construction.</p> <p>We perform Life Cycle Analysis for our main ranges of products and increasingly focus on projects around alternative raw materials and lower energy intensive products and technologies</p>
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>Manufacturing Excellence is one of the long-recognised areas of importance to Synthomer. From the use of raw materials to production and logistics, our operations focus on driving efficiency and excellence to minimise the use of resources.</p> <p>We focus on maximising the utilisation of our assets, identifying and delivering value enhancing debottlenecks and adding further capacity into our network supporting our long-term business development strategy, addressing our cost base and minimising our environmental intensity.</p>
<p>13 CLIMATE ACTION</p> 	<p>As a chemical company climate change is one of our biggest challenges. Our water-based products eliminate the use of significant volumes of volatile organic compounds containing solvents which avoids greenhouse gas (GHG) emissions downstream.</p> <p>We are rapidly accelerating the use of emission free electricity across our network with decisions taken for all European and US manufacturing sites. The decision to end the use of coal for energy generation was taken in 2020.</p> <p>Our innovation activities increasingly focus on less energy intensive products and look to ensure ease of recyclability throughout our supply chain.</p>



Environmental, Social and Governance (ESG) continued

ESG in 2020 at a glance

Our six pillars of sustainability

1. Strategy and Business



Link to SDG



Strong

- Global leader in sustainable water-based polymer solutions.
- OMNOVA integration and assessment of the impact on sustainability targets.
- Alignment with SDGs.
- GRI reporting to one standard.
- Member of Sustainability Groups of the main Chemical Sector Associations.

Improve

- Climate change related risks and opportunities.
- Confirmed commitment to Net Zero 2050.

Next year

- Set Goals 2025/2030 aligned with 2030 UN Agenda.
- Refresh materiality assessment.
- EcoVadis Silver for the enlarged Group.
- Report against Task Force on Climate-related Financial Disclosures (TCFD).
- At least 50% of total electricity consumption from renewable sources.
- Evaluate the alignment of the Net Zero programme to the Science-Based Targets Initiative.

+ [Read more](#) on page 62

2. Governance and Compliance



Link to SDG



Strong

- UK Corporate Governance Code.
- 33% female Board membership.
- 11% BAME Board membership.
- Code of Conduct.
- External Ethics Helpline.
- Core values.
- Compliance Programme Review.
- Improved Learning Management System.
- Sustainability Procurement Policy and Strategy.

Improve

- Gender diversity in senior management (20% 2021, 25% 2022, 33% 2025).
- Ethnicity 20% BAME at senior management by 2025.

Next year/2022 target

- Continue to roll out training and e-learning.
- Implement learnings from Compliance Programme Review.
- Board evaluation process.
- Target for senior management diversity.

+ [Read more](#) on page 64

3. People



Link to SDG



Strong

- Improvement plan based on Your Voice Employee Engagement Survey.
- Core values communication.
- Diversity and Inclusion Steering Group.
- Engender Network for women.
- Synthomer Foundation programme in USA.

Improve

- Diversity and inclusion in senior management.
- Community support alignment across enlarged Group.

Next year

- Implement the 2021 Diversity and Inclusion plan.
- 2021 Your Voice Employee Engagement Survey.
- Review and expand the Board Employee Voice Strategy.
- Leverage the experience of Synthomer Foundation programme in USA to expand community support activities.

+ [Read more](#) on page 65

4. Health and Safety



Link to SDG



Strong

- Top quartile levels of occupational health and Process Safety performance at legacy Synthomer sites.
- SHE Principles and Golden Rules embedded across our enlarged Group.
- Safety culture programme across enlarged Group.

Improve

- Move to world class Health and Safety performance of the enlarged Group.
- Improvement roadmap for legacy OMNOVA sites.

Next year

- Alignment of targets to enlarged Group.

[+ Read more](#) on page 70

5. Environment



Link to SDG



Strong

- Reduction of GHG by the use of renewable electricity.
- Disclosure and verification of Scope 1 and 2 GHG emissions.
- Waste management.
- Commitment to end use of coal in energy generation.

Improve

- Energy intensity reduction.
- Water strategy and policy.

Next year/2022 target

- End the use of coal for energy generation.
- 20% reduction in GHG emissions (tCO₂e/t production).
- 12% reduction in waste to landfill (metric ton/metric ton production).
- Efficiency plans in place to reduce energy and water.
- Disclosure of Scope 3 emissions.

[+ Read more](#) on page 72

6. Sustainable Value Chain



Link to SDG



Strong

- Sustainable Procurement Policy and Strategy.
- Life Cycle Analysis for the major product lines.
- Strong Technology & Innovation Team.

Improve

- Supply Chain Assurance Validation.
- Processes and products with lower carbon burden.
- Use of alternative raw materials.

Next year/2022 target

- Internal and external roll out of Synthomer's Procurement Policy.
- Minimum 50% of new product launches with positive sustainability impact.
- Technology Platform to develop products with minimum 20% of low carbon intensive raw materials.

[+ Read more](#) on page 78

Environmental, Social and Governance (ESG) continued

Managing sustainability

Sustainability Committee

The Sustainability Committee is responsible for the development of the Group's sustainability strategy and coordination of sustainability-related activities across the organisation. Formed in 2018, it is a cross-functional group comprising representatives from all key functions and businesses including Corporate Development, Human Resources, Procurement, Technology & Innovation and SHE, alongside the Divisional Presidents. In order to manage the increasing interest and opportunity in sustainability the Group added additional resource in 2020. The network to drive sustainability will be expanded to include greater representation of people and functions from across the global organisation. This will ensure that the Group captures every opportunity to improve, as well as addressing the needs of stakeholders. The Sustainability Committee meets quarterly, is chaired by the Group Sustainability Director and reports directly into the Executive Committee, assuring alignment of the ESG agenda with the Group's strategy and ensuring this agenda is embedded into the business strategy for each of our global businesses.

ESG topics are reviewed routinely with the Board with increasing focus on carbon and climate change, diversity and inclusion and supply chain assurance as ESG priority areas for 2021 (see page 11).

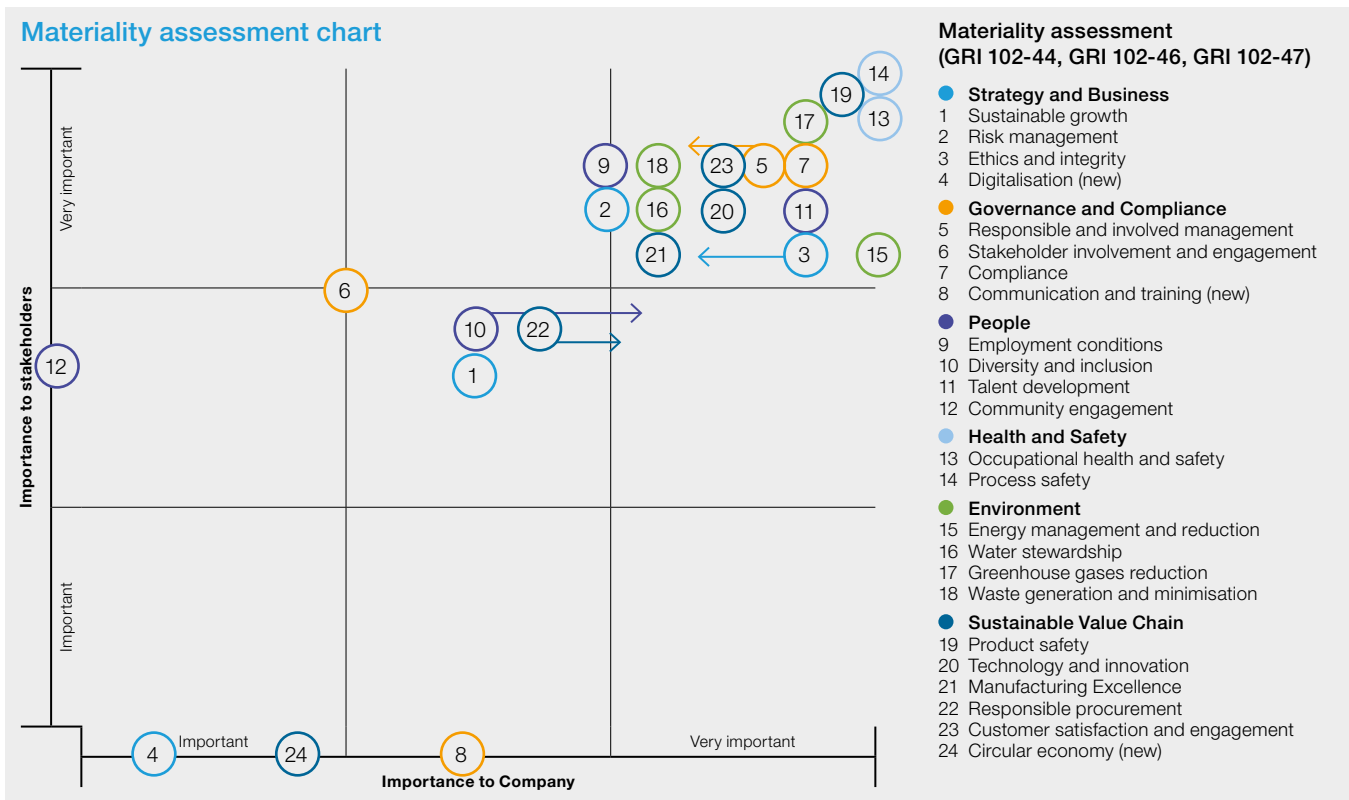
Stakeholder engagement and materiality assessment

Completing a materiality assessment is in line with the requirements of GRI reporting. With ESG covering a broad range of topics the materiality assessment allows the Group to respond to the material items that matter most to our stakeholders.

The last extensive materiality assessment was carried out in 2018 and included input from a significant number of the Company's stakeholders: customers, employees, suppliers, shareholders, legislators, authorities and local communities. The impact of the acquisition of OMNOVA on the business and geographic landscape of Synthomer, coupled with the increasing priority of ESG, have been the catalysts for an update of the materiality assessment. A comprehensive internal update has been performed with the external stakeholder input to be completed in 2021.

The six pillars of the Synthomer ESG strategy have been endorsed. In the latest materiality assessment 21 of the previous 22 topics remained unchanged or were slightly modified. Quality was incorporated into Customer satisfaction and engagement, and three new topics were added. Following the acquisition of OMNOVA and the stronger presence in North America, focus was placed on Communication and training to ensure clear communication of procedures, targets and achievements. Digitalisation was introduced as it becomes an increasing opportunity to reduce our carbon footprint as we learn lessons from managing during COVID-19 and take advantage of the transformation Pathway programme. Synthomer's activity relating to product life cycle is now incorporated within Circular economy.

To make changes in our internal materiality assessments transparent they are represented by arrows on the graph.



Progress against 2020 targets and objectives

Good progress was made against 2020 targets set for the legacy Synthomer Group. The acquisition of OMNOVA will require the Group's targets to be redefined in 2021 to reflect the newly formed enlarged Group.

		Target year	Progress
1. Strategy and Business	Consider the alignment of the sustainability aspects, pillars and targets and objectives with the UN Sustainable Development Goals	2020	●
	Integrate OMNOVA into the sustainability reporting of Synthomer and consider the impact on targets for the enlarged Group	2020	●
	Improve EcoVadis rating	2020	●
2. Governance and Compliance	Introduce Code of Conduct e-learning module	2020	●
	GDPR – complete initial data security audit and begin implementing resulting improvements	2020	●
3. People	Communicate the 2019 'Your Voice' Employee Engagement Survey results and build and deliver an improvement action plan	2020	●
	Review and expand the Board Employee Voice Strategy	2020	●
	Communicate and embed the new Synthomer values	2020	●
	Implement the Synthomer Diversity and Inclusion Plans	2020	●
	Conduct a comprehensive review on Organisational Effectiveness as part of Manufacturing Excellence Framework deployment	2020	●
4. Health and Safety	0.21 Recordable case rate (incidents per 100,000 working hours)	2020	●
	0.16 Process Safety Event rate (incidents per 100,000 working hours)	2020	●
5. Environment <i>– Targets carried forward, based on 2017 revised baseline</i>	6% reduction in specific energy consumption (GJ/t production)	end 2021	●
	9% reduction in GHG emissions (tCO ₂ e/t production)	end 2021	●
	6% reduction in water withdrawal (m ³ /t production)	end 2021	●
	7.5% reduction in waste to land (metric ton/metric ton production)	end 2021	●
	Scope 3 emissions calculation	2020	●
	Scope 1 and 2 emissions verification	2020	●
6. Sustainable Value Chain	Complete five key supplier audits for each procurement function (at least one per region)	2021	●
	Complete desktop sustainability assessment of top 10 key suppliers (in each region)	2022	●
	Develop and implement a Group Policy on Conflict Minerals	2020	●
	Develop and implement a Group Policy on Sustainable Procurement	2020	●
	Complete the EPDLA life cycle assessment for major product lines	2020	●
	Launch at least three new products with improved sustainability impact	2020	●

Environmental, Social and Governance (ESG) – review of our six pillars

1. Strategy and Business

Our ESG priorities

Safety, Health and Environment (SHE) are at the heart of Synthomer's core values. Our ultimate goal is to have zero accidents or incidents and to have no adverse impact on the health of those who work in or live near our operations, nor on the health of those who use our products. We care about the environment as we care about our peoples' health, whilst minimising any environmental burden created by our activities.

As a chemical company that uses natural resources in its production, mainly energy and water, climate change is our first priority. We are aiming to respond to the climate emergency by reducing significantly Scope 1 and 2 greenhouse gas emissions by no less than 20% in the short term and defining the Net Zero 2050 roadmap in alignment with the Paris Climate Agreement.

Employing 4,500 people across the globe, Synthomer contributes to improved social conditions in all geographies. Synthomer's diversity and inclusion plan expresses our commitment to further expand ethnic, gender, age and cultural diversity and to work hard to welcome diversity in an inclusive way, believing that is the path to build a socially sustainable development.

Launched in 2020, Synthomer's Sustainable Procurement Policy and Strategy clearly sets our ambition to work together with our partners upstream, ultimately ensuring that there are no supply outages due to environmental or social aspects covered by this policy. We are working continuously to minimise risks and catch opportunities while contributing to a more sustainable and secure supply chain.

More and more society is driving towards zero waste, reducing, re-using and recycling as much as possible. Synthomer operates in a variety of markets with a diversity of water-based chemistries, exhibiting a wide spectrum of requirements. Our goal is to move towards a circular economy, reducing the impact of our activities and working together with our customers to offer sustainable solutions with increased performance and manage the end of life of our products.

Integrating Sustainability across the enlarged Group

The significant inorganic growth in 2020 from the OMNOVA acquisition led naturally to a deep process of re-shaping the Company's structure and operating models. The Group's culture promotes a diverse and inclusive environment, ensuring training and improving communication.

Synthomer took this opportunity to consider sustainability as a business imperative and a decision factor in all processes and projects. Having a more diverse environment will allow Synthomer to enlarge the Sustainability Committee, which is the main governance group that coordinates our ESG agenda across our Company and businesses. We aim to expand the 'We Care' initiative, a community engagement programme, of which the Synthomer Foundation is an important piece. The first step towards supply chain assurance is already completed within the procurement team, through the awareness of our Sustainable Procurement Policy and Strategy. And all our ESG activities are aligned with the UN SDGs considered material for Synthomer.

Growing in a sustainable way

We have recognised the impact that the acquisition of OMNOVA had on the Company's overall sustainability profile and have integrated effectively the two legacy companies in which ESG topics are concerned. Synthomer's sustainability agenda takes 2019 as the baseline year to define targets for the next two years. During the first half of 2021 we will set the 2025/2030 Goals in accordance with the 2030 UN Agenda and the Net Zero 2050 roadmap, followed by the evaluation of the alignment of this programme to the Science-Based Targets Initiative (SBTi) during 2022.

Addressing sustainability risks and opportunities

Climate change is our top priority; therefore, our aim is to strengthen the climate-related financial risks and opportunities assessment, already started in 2013 when we first reported through the Carbon Disclosure Project (CDP). In 2021, Synthomer will also report against the Task Force on Climate-related Financial Disclosures (TCFD) framework.

We have already integrated the potential impact of corporate responsibility issues in the Group's risk management processes pages 42 to 44 of our Annual Report and our investment decisions take into account potential consequences for employees, customers and suppliers as well as all stakeholders and the environment.

Meeting our customer needs in a sustainable way

Our product portfolio is centred in water-based products avoiding the use of hundreds of thousands of tonnes of VOC containing solvents and we worked closely with our customers and suppliers in more sustainable solutions, reducing the environmental impact of our raw materials, processes and products on the overall product life cycle, including the end of life management. Our global technology and innovation team is focused on projects around alternative raw materials and lower energy intensive products and technologies to minimise the use of resources.

Gaining knowledge to improve performance

We record, monitor and make publicly available the potential impact of our activities through our Annual Report and Sustainability Report and continuously improve processes to ensure we are best in class in SHE and Manufacturing Excellence (ManEx).

Strong partnerships will lead to an important reduction on Scope 1 and 2 emissions by investing in renewable electricity sourcing and understanding the impact of Scope 3 emissions in the fulfilment of the targets set by the Paris Climate Agreement.

Synthomer works closely with the main sector groups, namely the Chemical Industries Association (CIA) in the UK, European Polymer Dispersion and Latex Association (EPDLA) in EU and American Chemistry Council (ACC) in the USA, amongst others, and has a seat on their sustainability committees.

Demonstrating sustainability performance

Our work in this area has been recognised through the Group's inclusion in the FTSE4Good Index since 2004. The FTSE4Good Index is operated by FTSE and highlights the performance of stock market listed companies against a range of ESG criteria. To be eligible for inclusion in the index, companies must demonstrate a high level of commitment in areas such as climate change, environmental management and human rights.

Our work on sustainability is also reported through EcoVadis, CDP, ISS, Sustainalytics and MSCI amongst others. Through our extensive reporting and granular data, we continue to support open reporting, aligned with the internationally recognised GRI standards.



FTSE4Good Index
FTSE Russell's ESG Index
Score 3.6/5.0



EcoVadis
Silver Score



CDP – Carbon Disclosure Project
Rating B-

Non-financial information statement

The table below summarises where key elements of our governance reporting (including non-financial matters as required by the Non-Financial Reporting Directive) can be found, some of which are integrated into other sections of our Annual Report.

Reporting requirement	Relevant policies and standards that govern our approach	Where to read more in this report
Environmental matters	<ul style="list-style-type: none"> Code of Conduct Group SHE Policy Sustainable Procurement Policy and Strategy Taskforce on Climate-related Financial Disclosures (TCFD) 	<ul style="list-style-type: none"> Risk assessment 42 to 44 ESG page 70 Risk Report page 44, ESG page 62
Employees	<ul style="list-style-type: none"> Our values Code of Conduct Group SHE Policy 	<ul style="list-style-type: none"> Whistleblowing line/reports Gender pay gap 103 Section 172 38 ESG page 70
Social Matters	<ul style="list-style-type: none"> Responsible Care Principles We Care Initiative 	<ul style="list-style-type: none"> Section 172 38 ESG page 62
Respect for Human Rights	<ul style="list-style-type: none"> Code of Conduct Modern Slavery Act Statement Conflict Minerals Policy Statement Sustainable Procurement Policy and Strategy 	<ul style="list-style-type: none"> ESG page 64
Anti-Corruption and Anti-Bribery	<ul style="list-style-type: none"> Code of Conduct Ethics Helpline Core values 	<ul style="list-style-type: none"> ESG page 64 and 67
Our business model	<ul style="list-style-type: none"> and how it links to strategy and delivers value to stakeholders 	<ul style="list-style-type: none"> Our business model page 22
Principal risks and uncertainties	<ul style="list-style-type: none"> Risk assessment 	<ul style="list-style-type: none"> Managing risk page 42 to 48
Non-financial KPIs	<ul style="list-style-type: none"> Relevant key performance indicators 	<ul style="list-style-type: none"> Key performance indicators page 20

Environmental, Social and Governance (ESG) – review of our six pillars continued

2. Governance and Compliance

Ensuring and demonstrating a high standard of effective and compliant corporate governance is a key priority of the Group and expectation of our stakeholders. Our governance structures are covered in more detail in later sections of this Annual Report.

Code of Conduct and Ethics Helpline

Our current Code of Conduct was published in 2018 in 13 languages in interactive online and hard copy formats and was delivered to all of the Group's employees by e-mail and/or hard copy.

The underlying ethos of the Code of Conduct in terms of openness and transparency is supported by an externally hosted Ethics Helpline, which provides employees and stakeholders with an anonymous platform (where legally able to do so) available at all times to report unlawful or unethical behaviour, workplace incidents or concerns and to raise any queries regarding the application of the Code of Conduct.

In 2020, the Group relaunched its core values highlighting, amongst other things, Integrity and Accountability as foundations of the Synthomer way of working, and the importance of the Code of Conduct in guiding employees in ensuring they always act in accordance with these values.

Compliance training

During 2020, face-to-face/online scenario-based workshops continued to be held across the Group to reinforce the importance of applying the highest ethical standards as set out in the Code of Conduct. This included the legacy OMNOVA management team following the acquisition.

The workshops have continued to receive very positive feedback. A recent survey undertaken across the enlarged Group in connection with the Compliance Programme Review (see section below) reinforced the outcome of the 2019 'Your Voice' employee survey which demonstrated, amongst other things, that most employees understand the Code of Conduct and how it applies to their role, and that they know how to report suspected unethical and/or unlawful behaviour.

2020 also saw significant developments in the Group's e-learning capabilities, with the launch of an improved in-house Learning Management System (LMS), as a platform for hosting e-learning content. Consequently, in 2020, we saw the launch of a new e-learning module relating to facilitation of tax evasion under the UK Criminal Finances Act, together with the finalising of two new e-learning modules on Bribery & Corruption and Anti-Competitive Practices, which were launched at the start of 2021. The LMS also enhances the Group's ability to record training (e-learning and face-to-face/online), to track completion, and to escalate incidences of required training not being completed in a timely manner.

The development of e-learning modules for Code of Conduct and GDPR/data protection was purposefully delayed in 2020 as a consequence of the OMNOVA acquisition, mainly due to the positive feedback received about the training and the opportunity it provided to interact with legacy OMNOVA colleagues. E-learning modules on these topics are currently being developed for roll-out during 2022.

Bribery, corruption and anti-competitive behaviour

The Group's bribery, corruption and competition law policies are key aspects of the Group's Code of Conduct. As such, these topics have featured heavily in the scenario-based workshops held across the Group as part of the Code of Conduct training.

In addition, during 2020, enhanced competition law training continued to be given to employees more highly exposed to competition law risk, and we have continued to improve our online 'toolboxes' for Competition Law and Bribery & Corruption. Due diligence processes also continue to be in place to manage risks related to bribery and corruption, for example in connection with the appointment of agents and/or distributors, to ensure we are partnering with third parties who share in Synthomer's commitment to do business legally and ethically.

As mentioned above, 2020 also saw the development of new e-learning content covering bribery, corruption and anti-competitive behaviour, which was launched at the start of 2021.

In 2021, the Group will be launching new internal guidance on how to respond to, and manage, unannounced inspections from regulators (so-called 'dawn raids'), which will be supported by a phased roll-out of training.

Compliance Programme Review

In 2020, the Group's legal team launched a new project aimed at understanding what opportunities there are to further improve the Group's Compliance Programme. The project comprises three phases: Assess, Design, Implement.

The Group's internal audit function completed the 'Assess' phase during late 2020, which involved a combination of desktop reviews, surveys and interviews, and an assessment against best practice and external guidance. The findings of the assessment are currently being finalised and will provide the basis for designing an improvement plan, for implementation over the course of 2021 and the coming years.

Human rights

The Group is committed to promoting a culture that values diversity, meritocracy, openness, fairness and transparency, and which encourages a safe and trusting working environment. These are reinforced through the Group's Code of Conduct, and through the work undertaken in 2020 and being undertaken in 2021 in the context of diversity and inclusion. A particularly significant step in 2020 was the establishment of a Diversity and Inclusion Leadership Team, to help drive the Diversity and Inclusion agenda within Synthomer.

The Group is committed to ensuring that slavery and human trafficking is not taking place in any of its supply chains, as set out in our most recent Modern Slavery Statement available here: www.synthomer.com/company/corporateresponsibility/group-policies/. The Group has also published a Conflict Minerals Policy in relation to its use of tin within the business operated by William Blythe Limited.

In 2020, a Procurement Excellence team was established alongside the publishing of a new Sustainable Procurement Policy and Strategy. The team conducted specific assessments to identify the Group's sustainability impact areas, one being Human Rights. The team is committed to further Synthomer's understanding of its risks within the Human Rights area and to driving the development of appropriate measures and controls to ensure Synthomer's compliance with Human Rights.

3. People

Synthomer is committed to supporting and developing its people and to ensure they can contribute positively to society.

Our commitment to science and education

Chemistry Council: Calum MacLean, Chief Executive Officer, is on the main council and leads industry activities on Brexit. Robin Harrison, VP Technology Platforms and External Innovation, sits on the Innovation Group and has supported activities on the UK Industrial Strategy and sector deal, mainly around battery technology and sustainable materials for consumer products.

Society of Chemical Industry: Robin Harrison continues in his role as a member of the Board of Trustees and also on the Mid-Careers Committee supporting the development of future leaders for the chemistry related-industries.

Synthomer has once again sponsored the Society of Chemical Industry's SCIdeas competition. We have already committed to the 2021 competition as sponsor. SCI's Bright SCIdeas challenge is an annual entrepreneurship competition that allows UK and ROI students to develop and showcase their business skills. Teams are asked to develop a plausible scientific concept that could be commercialised for the benefit of society and receive free, accredited business planning training throughout the competition. They submit a full business plan, detailing how their idea can be taken to market, and shortlisted teams are then invited to pitch their idea to a panel of experts at the final to win a significant cash prize.

Despite the cancellation of many physical conferences and educational events in 2020 many of our employees continued to participate in events as they switched to virtual formats and we have continued to work with local schools and educational establishments.

One example of how our employees work with local schools is the Synthomer plant in Sokolov (Czech Republic) where staff have continued to work with local schools and develop relationships built up over several years. This year several of our health and safety specialists have worked with three local schools teaching pupils how to handle chemicals that can be found in the home safely and donating samples of work safety equipment. The Sokolov team has also been working closely both with both elementary and secondary schools in the region as part of an 'Applied chemistry' initiative providing practical training at our site. Launched in cooperation with the Secondary Technical School of Ceramics and Glassmaking, Karlovy Vary, this initiative gives students an opportunity to learn directly from Synthomer specialists, gaining insights in technology, safety and business.

Our commitment to our people

Attraction and retention

External recognition

Our OMNOVA colleagues celebrated their second year as a Northcoast 99 winner in 2020. Northcoast 99 is an annual recognition programme and event in its 22nd year that honours 99 great Northeast Ohio workplaces for top talent. The recognition project to compete for this award was managed – and led – by a group of our employees. As well as recognising our business as a great place to work, the process of competing for this award has provided invaluable learning in support of the continuous improvement that we strive for.



Values

The introduction of global businesses and the acquisition of OMNOVA created an opportunity to reflect on our core values and therefore this year we launched our new values, which are a blend of legacy business values, with updated language for a global organisation, and some new priorities that reflect our growth and our changing market. Our values are fully aligned with our purpose and strategy and describe the culture and behaviours we want to build and sustain within our business. On the inside front cover the relationship between our values and our purpose is illustrated.

Employee engagement was at the heart of developing our new values; over 200 of our employees from across our organisation contributed to the redesign by completing surveys or attending a focus group. Surveys produced a large volume of input in the form of numerical data, written feedback and suggestions. Focus groups enabled us to gain additional insights from employees and develop ideas. This process, in addition to other feedback received in our 2019 Your Voice Employee Engagement Survey, helped us to define our new values.

Three Executive Committee members were part of the Steering Group for the initiative with the whole Executive Committee closely involved to ensure that our values were fully integrated and aligned to our business strategy and that they received very clear and visible senior leadership sponsorship.

Our core values are intended to become our guiding compass describing what we aspire to as a company. At the same time they outline clearly what is expected of each of us individually. It is important to recognise it not only matters what we do, but also how we do it. We see this as even more important as delivery of our business strategy is creating a larger and more geographically and culturally diverse organisation.

SHE (Safety, Health and Environment) is our central value and is aligned to the significant importance we place on SHE, evidenced by an established track record over the last six years of investment and improved performance. Our objective is consistent delivery of world class levels of SHE performance and our aim is zero SHE incidents.

Our strong SHE performance has in part been delivered by behavioural initiatives and we have created a close alignment between our values and SHE performance with initiatives like our '10 Golden Rules'.

The inclusion of Integrity in our values reflects and links to other key strategic priorities including our increased focus in recent years on compliance and our Code of Conduct, and our commitment to increase diversity and inclusion in our business.

Environmental, Social and Governance (ESG) – review of our six pillars continued

3. People continued

Innovation as a value is aligned to our purpose which is to continually innovate to meet the needs of our customers and society, and the execution of our strategic objective to grow in part via differentiation and innovation. Synthomer is a differentiated business that invests significantly in innovation, allowing us to keep ahead of competition and anticipate future needs. Emerging sustainability issues and the opportunity they provide will also require innovation to be central to how we operate.

Accountability and Teamwork both appeared high in the suggestions that our employees advocated when asked what values they felt were most important. Our organisation has changed significantly over recent years and evolved into a larger and more matrixed organisation where these attributes become even more critical than they were previously. We also know from talking to those joining Synthomer at an earlier stage of their career that these features of our culture are particularly important in attracting and retaining talent.

In launching our new values we used multiple communication channels and varied techniques to engage employees. During 2020 more than 600 employees attended virtual workshops and we ran additional local face-to-face workshop sessions wherever possible. These sessions included input from senior leaders who shared personal stories, case studies and insights to bring sessions to life. The sessions all included opportunities to ask questions and give feedback.

Our Value of the Month poster and intranet video campaign, with sponsorship from our Executive Committee, used personal examples and cases studies from across our global business to engage employees. Additional activities undertaken by our core values ambassadors, a Team Leader Toolkit and Workshop Train-the-Trainer sessions have all contributed to a highly integrated and effective deployment process.

Our new values will be increasingly integrated into the employee life cycle and our people processes; they have, for example, been incorporated into our recruitment and performance management processes. Our values have been designed to sit alongside our Leadership Attributes which, launched in 2019, underpin our leadership development model and are also included in our performance management process and in development tools such as our global 360 feedback tool. The alignment of these separate areas over two years is part of a strategic plan designed to maximise organisational benefit through single, simple global models that reflect the modern Synthomer business.

In 2021 we intend to run a second Your Voice Employee Engagement Survey following the survey we ran in 2019 and we will again include questions that closely align to our values.

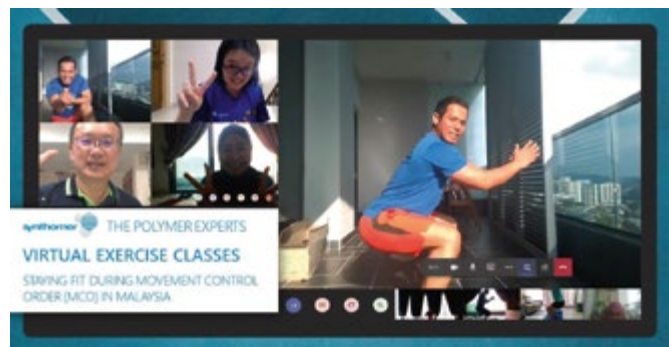
This is in addition to regular monitoring of other potential sources of data related to values including pulse surveys, feedback and discussions in training workshops, exit interview feedback, grievances and Ethics Helpline calls.

Supporting our employees during the pandemic crisis

Like many organisations COVID-19 created a challenging environment for us this year. Some of our employees continued to perform essential work at sites that remained in operation throughout the crisis. Other employees were required to work from home for long periods of time. To support the physical and mental well-being of our employees as well as continuing to operate as a business we deployed a range of support measures.

Some examples of how we supported our employees include:

- In Malaysia, employees received frequent newsletters throughout lockdown and periods of working from home that have included regular business updates and tips on how to work from home effectively. Virtual exercise classes have helped employees socially interact, catch up, and exercise at the same time. The 'Grab Some Help!' programme run in partnership with external expert healthcare partners provided virtual workshops and remote psychological support for employees.
- In Germany, employees have been able to participate in virtual coffee breaks and virtual social events designed to keep people connected whilst working remotely.
- In the UK our 'Be Supported: Virtual Working' initiative provided training and support for team managers and employees working from home for extended periods.
- Our global Learning & Development team has developed a series of packages with internal and external learning options addressing challenges of the pandemic crisis, like 'Working from home', 'Embracing new ways of working' or 'Working or Leading Virtually'.

**Listening to our employees**

It is now two years since the UK's Financial Reporting Council updated its Corporate Governance Code to encourage activity in the area commonly referred to as 'Employee Voice'. Alex Catto remains the Non-Executive Director with responsibility for 'Employee Voice' on the Board.

During 2020, Alex visited our UK sites in Harlow and Stallingborough, spending time with managers, union representatives and a range of different employees. When visiting sites, Alex meets with members of the site leadership team but to encourage openness and transparency he also meets employees and employee representative groups without managers being present. When forming employee groups, care is taken to include employees from different business areas and with different service profiles. Discussions are flexible with employees invited to talk openly about a wide range of issues linked to our Company strategy, culture and values.

In addition Alex held virtual calls with managers to review employee-related issues – including the impact of COVID-19 – in the USA and Italy. Managers provided employee data, including turnover data and detailed overviews of key projects and initiatives impacting employees.

The Board receives regular feedback on the employee discussions with Alex and reflects on this when making key decisions. During the pandemic, the Board has had positive feedback from employees, for example on aspects of our handling of the pandemic, but has also identified room for improvement in areas such as communication and employee recognition.

The Board has also received updates on various elements of our people strategy and has had a detailed report on the results of the 2019 Your Voice Employee Engagement Survey and an update on the communication process and progress against actions defined following the survey.

Leadership Development

Talent Programmes and Leadership Development:

Having established the programme in 2018, we welcomed our third European and Asian Graduate Programme cohorts in 2020 with seven new programme participants in Europe and four in Asia. In total, this adds up to more than 30 Graduates across the different cohorts. Despite the pandemic, we have run more than 60 learning modules and virtual learning sessions in total for our Graduates in 2020, covering topics like Leading Self, Leading Others, Business Acumen, Negotiation and Change Management. Members of our first cohorts are about to graduate from the 24-month programme and over 90% of candidates in Asia and Europe have moved into post-programme roles.

We also continued our High Potential Programmes across all regions of the organisation.

Our early talents have continued to represent Synthomer externally by publishing articles and giving speeches at conferences.

In order to further strengthen our talent pipeline, we developed a new global Talent Toolkit in 2020 and established a harmonised framework for our annual talent reviews. This was supported by a series of global briefing calls for leaders.

Manufacturing Excellence Academy:

This year saw Synthomer extend our existing Talent Programme with discipline specific elements. Our Excellence Academy saw 12 individuals participate in a new programme to provide fundamental skills and knowledge in how to improve safety and productivity on our manufacturing facilities.

The programme is modelled around the key pillars of the Synthomer Manufacturing Excellence Framework, including Occupational Safety, Process Safety, Manufacturing Execution, Organisational Capability, Project Excellence, Integrated Business Planning, Reliability & Asset Integrity and Process Technology & Engineering Best Practice. Delivered in a format that blended various learning techniques, the programme included practical project-based learning and modules delivered by senior manufacturing leaders and subject matter experts. The programme delivered almost 50 hours of learning over a five month period.

Compliance Initiative:

Linking to our core value of Integrity, and building on strong results in our 2019 Employee Survey, we have continued our investment in building capability in compliance with a refreshed compliance related e-learning curriculum partly launched in 2020.

Our Compliance e-learning offer consists of three key modules, covering Facilitation of Tax Evasion under the UK Criminal Finances Act, Anti-Bribery & Anti-Corruption, Code of Conduct and Competition Law. The roll-out has been supported by the legacy OMNOVA Learning Management System and an improved legacy Synthomer in-house Learning Management System and the modules will each reach people across the Group who have been identified by applying a risk matrix. The roll out, which will continue into 2021, spans across 16 countries.

Diversity and inclusion

The acquisition of OMNOVA has increased the number of people we employ outside of Europe, with significantly more employees in the USA, China, and Thailand. We have also added a site in Portugal to our European footprint and increased our presence in France. We now have sites in 24 countries across the USA, Europe and Asia. As we grow, we continue to be a truly global business with a culturally diverse employee base from across the world.

We recognise that increased diversity and inclusion links to business performance. To achieve our strategic objectives we need to attract and retain diverse talent and through an inclusive culture enable all our employees to perform to their full potential.

This has been a significant year for diversity, with Caroline Johnstone appointed Chair of the Company on 16 December 2020, our first female Chair and an important milestone. Cynthia Dubin also joined the Board in 2020 and we now have three women on our Board. We now meet the target set by the Hampton-Alexander Review of 33% female representation on FTSE 350 boards by the end of 2020.

	Female	Male	Total
Board	3	6	9
Senior management	8	40	48
Other employees	948	3,603	4,551
Total	959	3,649	4,608

Further diversity progress made during the course of the year included the following:

- Throughout the acquisition and integration of OMNOVA, we focused on diversity in all of our appointment decisions and the resulting reorganisation.
- We attracted more women than men to our graduate programmes and in total 60% of the 30 Graduates across the different cohorts currently operating in Asia and Europe are female.
- Across our whole organisation women account for 21% of our workforce, with greater representation at more senior leadership.

We have also made progress in diversity, with women representing 17% of our Executive Committee and direct reports (a significant increase from 8% over the last 12 months).

However, we have not yet reached the Hampton-Alexander Review target of 33% of our Executive Committee and direct reports and, in particular, recognise that there are no women on our Executive Committee. We have more to do and we have set tough but achievable goals.

Environmental, Social and Governance (ESG) – review of our six pillars continued

3. People continued

We have set a target of 33% of Executive Committee and direct reports being women by the end of 2025 at the latest. We recognise that this will fall short of the original Hampton-Alexander target date but feel that this time frame is more realistic to achieve a genuinely sustained change. We intend to increase this target to 20% by the end of 2021, 25% by the end of 2022 and 33% by the end of 2025.

One member of our Board is from an ethnically diverse background and therefore we are pleased to meet the target for Board representation set by the Parker report. In total, 14% of our Executive Committee and direct reports population represent colleagues from a diverse ethnic background, with representation across all functions and business areas. To support our continued efforts to increase ethnic diversity in our senior leadership population we have set a target of 20% by the end of 2025.

This year we have created a new Diversity and Inclusion Steering Group and Leadership Team that includes representatives from the Board and the Executive Committee and leaders from across our business. This leadership team has a defined programme of activities including awareness building, training, communication and process reviews designed to increase both diversity and inclusiveness across our business. We have made the following commitments:

- We will increase diversity and inclusion in our organisation by focusing on all aspects of the employee life cycle.
- We will measure and report on a wide range of diversity characteristics including but not restricted to gender, ethnicity and age (where it is culturally and legally appropriate to do so).
- Our Diversity and Inclusion Leadership Team will develop and maintain our global diversity and inclusion action plan; this plan will be shared with key stakeholders including our Board and our employees annually.
- Our Board and our Executive Committee will regularly review diversity and inclusion.
- We will measure and report on a range of inclusion indicators, including but not restricted to employee surveys.

Given the geographical and cultural diversity within our business our Diversity and Inclusion actions will address a broad range of Diverse characteristics and will be tailored to address regional priorities and cultures.

We have launched 'Engender', a new networking and resource group for women in Synthomer with virtual events commencing in Quarter 4 2020 and a full programme planned for 2021.

A review of 'family friendly' policies in 2020 across our major employee locations – the UK, Germany, Malaysia and the USA – has resulted in a number of improvements that create a suite of policies that are all in line with regional best practices. We are pleased to be supporting prospective and new parents – including those who are adopting – with progressive policies that reflect the changing nature of family life.

We have continued to improve our recruitment processes and develop recruitment skills across our organisation to ensure that we recruit the best talent.

Across our business we celebrated a wide variety of local holidays, festivals and culturally significant dates.



Our commitment to corporate social responsibility

Supporting communities during the pandemic crisis:

In what was an unprecedented year we were very pleased to be able to provide specific support to local communities in the fight against COVID-19 in a number of ways:

- In Malaysia Synthomer donated a consignment of protective gowns and N95 face masks to the Kluang General Hospital. In addition to the Company donation, a group of Kluang employees independently gathered donations in the form of personal protective equipment (PPE) and food supplies for the hospital. With the support of the Kluang site procurement team, they were able to donate other materials required by the hospital.
- Synthomer donated 450,000 medical gloves to the municipal hospital Papa Giovanni XXIII in Bergamo, Italy. The hospital is situated in the heart of the Lombardy region of Italy which has been severely affected by the COVID-19 pandemic. Our Filago plant, which produces Nitrile latex for the medical glove industry, is situated just 17km from the hospital.
- In Germany we donated used but functional laptops to the Aloysius elementary school in Marl. The set of laptops were prepared with updated software by the Synthomer IT team and then donated to the school, which passed the devices to pupils who used them for their home schooling.

Synthomer employees supporting local community initiatives:

Synthomer employees around the world continue to support a wide variety of events and projects. Examples in 2020 have included the following:

- Our Global Technology Centre in Akron (USA) donated laboratory-grade glassware to Kent State University. We were delighted to support the local community and help the next generation of STEM students in their academic journey.
- Our Monroe, USA plant held a food drive to benefit the Union County Community Shelter. In total, they donated \$760 and over 400lbs of food.



- This year, colleagues from Roebuck (USA) participated in the 'Bags of Love' charity project and donated gift bags to home bound seniors in their community for Valentine's Day. The bags included Valentine's cards, books as well as pharmacy items and were given to elderly community members who are home bound due to mobility limitations. Synthomer has been taking part in this annual project for several years and cooperates with 'United Way of the Piedmont' and 'Meals on Wheels' to provide the bags to their recipients.
- Colleagues in Malaysia have supported a rural hospital in Tanzania with a medical glove donation. This initiative was started by a medical student at Glasgow University, who volunteered at the Kilimatinde hospital in Tanzania during her final year project in 2019. Seeing the serious shortage of essential medical supplies she approached a family member who works for Synthomer with a request for help. We were able to source a supply of gloves and also help with the significant challenge of getting the consignment from Malaysia to an extremely remote location in rural Tanzania.
- On the environmental side, several colleagues volunteered to take part in the 'Broom Day' in Marl, an annual event with the goal to clean up the neighbourhood. The volunteers from the Marl office split into three groups and cleaned the surrounding pavements and green spaces on planned routes. Broom Day in Marl has seen its 21st anniversary this year. In total 1,884 volunteers helped to clean up the community and collected 9.8 tonnes of litter. The day is part of the 'Let's Clean Up Europe' campaign, an initiative active throughout all European countries.

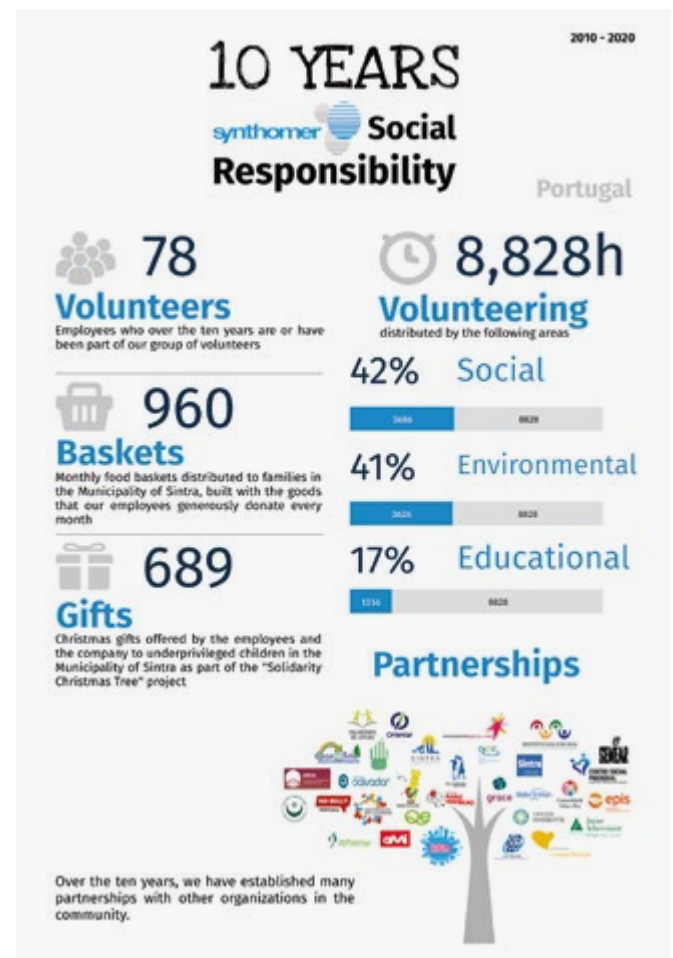
Synthomer Foundation

- Whether providing grants to non-profit organisations or volunteering with employees through our We Care initiative, we are dedicated to making a positive impact in the communities where we operate throughout the USA. In 2020, the Foundation awarded nearly \$1.2 million to non-profit organisations in the USA who provide services that improve the quality of life through education, health and human service, civic initiatives and the arts (note this was a Synthomer Foundation donation and not a Company donation).



Sintra site celebrates 10 years of corporate volunteering

- Active in a broad range of activities such as painting, cleaning fields in the woods, performing sessions on chemistry, waste and safety in elementary schools, supporting activities with the elderly population, making donations of food or gathering and donating clothes to homeless people, the volunteers' group in Portugal is active in three areas: social, environment and education. The figures below illustrate some of the work that has been done.



Environmental, Social and Governance (ESG) – review of our six pillars continued

4. Health and Safety

Management of Safety and Health together with Environment (SHE) is the most mature aspect of the Group's sustainability activities and remains a critical material aspect for both internal and external stakeholders. Having safe plants is a basic expectation of sites' license to operate, in line with the Synthomer philosophy that 'we always have time to work safely'.

In line with our SHE Policy, the Board, Chief Executive and Executive Committee are fully committed to improving SHE performance and engaging and involving employees at all levels in all locations in our SHE programmes. Effective SHE Leadership to deliver SHE performance is a primary duty and expectation of management at all levels in the Group, aligned to our three long-term goals:

1. to have no accidents or incidents;
2. to have no adverse impact on the health of those who work in or live near, our operations, nor on the health of those who use our products; and
3. to minimise any environmental burden created by our activities.

Key practices and programmes

The table below highlights some of the Health and Safety management practices and activities undertaken in 2020 and planned for 2021. Because of its relevance during 2020, one new practice related to COVID-19 management has been included.

Alongside the items noted below, a significant focus in 2020 was the integration of the new OMNOVA sites, undertaking assessments of current performance and alignment to critical Synthomer standards, and the subsequent development and successful implementation – through the efforts and full engagement of our new colleagues – of intensive 90 day action plans to address the main areas for improvement.

Key measures, SHE performance indicators and SHE audit results are reported to the Board, the Executive Committee and to the regional management meetings on a monthly basis.

2020 was a year of change. The acquisition of OMNOVA has had a noticeable impact on our Health and Safety performance and our 2021 targets have been set taking into consideration the performance of the enlarged Group.

Key SHE programmes	2020 SHE key actions	2021 SHE key focus
Group's Safety, Health and Environment Management System (SHEMS) standards and policies	Following the extensive Management System review in 2019, the sites have started to review standards and policies to align with the new requirements.	Continue the review of standards and policies to align with the new requirements.
Group SHE audits	Due to the COVID-19, the audit programme has been redefined: 2020 planned on-site audits have been replaced by online audits.	Continue online audit activities until situation allows site visits.
COVID-19 management	Practices have been developed to prevent COVID-19 outbreaks at working places. COVID-19 measures have been tested regularly and indicators have been defined.	Continue testing COVID-19 measures. Review and confirm adequacy of cleaning/disinfection arrangements.
Accident and incident management and sharing	Introduce the 'Yellow Book', a collection of lessons learnt for the most frequent types of occupational injury across the Company. Continue lessons learnt: reviews undertaken on anniversaries of most significant internal/external Process Safety incidents.	Continue sharing lessons learnt with increased focus on high potential incidents. Sites to start using the 'Yellow Book' as a tool to share learnings from site of most frequent injuries.
SHE training, communication and support	Start cascading Process Safety training through organisational levels. Special support provided to sites having worse performance: 'Assisted sites'. Support provided to recently acquired OMNOVA sites for the implementation of Synthomer practices.	Complete the cascade of Process Safety training to all legacy Synthomer Operations personnel, and through the OMNOVA legacy site leadership teams. Continue supporting sites to improve performance until 'graduation' and to align practices.
Process Safety – strengthening our barriers	Completion of High Priority Process Hazard Analysis (PHA) actions. Identify common themes behind the Process Safety incidents. Publication and sharing of 'Behind the Black Book' guidance setting out the background to significant Process Safety Events and the controls that can be implemented to minimise the potential for such events in the future.	Review data regarding flammable Losses of Containment and Process Safety Events with high potential. Establish regular routines to identify common causes/themes and define actions to improve. Build up a dedicated Process Safety network to support the implementation of actions at site level.
Good practice sharing SHE routines	Good Practices library built and shared. Continue the focus on tracking and learning from 'Fundamental Issues' identified during Permit to Work monitoring. Other Process Confirmation routines rolled out to improve monitoring and reviewing of other critical activities such as monomer offloading, shift handover and batch monitoring.	Continue building and sharing the Good Practices library. Focus on tracking and learning from 'Fundamental Issues' identified during Process Confirmation routines. New indicators defined to increase focus in additional critical activities.

Except where stated the performance figures quoted in this report will show both legacy Synthomer and the enlarged Group with full year 2020 data.

Significant action was taken to prevent possible introduction and transmission of COVID-19 cases at our factories and offices. A lot of precautions were put in place to prevent COVID-19 cases at our factories and offices. All non-essential employees worked from home whenever possible. Strict practices and controls were implemented to continue our operations in a safe way and to limit contacts between employees at work. The success of the measures was confirmed by the yearly injury and Process Safety rates that were similar to previous years. Of the COVID-19 cases that were reported, only a few were identified as potentially work-related transmissions. None of the production sites had to stop work-related activity due to high levels of employee COVID-19 cases during 2020.

Occupational Safety

Frequency rate – all recordable accidents

Injuries per 100,000 hours

2020 Enlarged Group	0.36
2020 Legacy Synthomer	0.20
2019	0.20
2018	0.23
2017	0.13
2016	0.30

Legacy Synthomer

- Recordable injury case rate (RCR) of 0.20 per 100,000 hours worked.
- No accidents resulting in fatality or permanent disabling, limited number with potential for disabling injury.

Legacy OMNOVA

- Recordable injury case rate (RCR) of 0.51 per 100,000 hours worked since acquisition (1 April) and 0.58 per 100,000 hours for the full year.

The Group's main lagging indicator of SHE injury performance is the recordable injury rate for injuries requiring more than first aid treatment involving employees and contractors that operate on Synthomer's premises, as well as short stay visitors, such as truck drivers or cleaners. Even in a complicated working environment, due to COVID-19, 2020 saw the same number of recordable injuries reported as in 2019 in legacy Synthomer: 13. The associated frequency rate of 0.20 per 100,000 hours worked was equal to the second best rate in the Company's history.

Legacy OMNOVA injury rate, even being 2.5 times higher and over the line than Synthomer since acquisition, was 12% better than the 2019 OMNOVA rate, reflecting the extensive work that has been carried out by the SHE teams to harmonise Health and Safety procedures. The 2020 full year recordable injury rate resulting from the combination of both companies was 0.36. In 2021 efforts will be focused on reducing the enlarged Group number of injuries, providing special support to the sites showing higher rates and implementing different key practices and programmes.

There were no reported cases of disease attributed to occupational factors during the year in legacy Synthomer. There was one hearing loss in legacy OMNOVA where work conditions could have contributed.

There were no fatalities across the Company.

Process Safety

Recordable Process Safety Event rate

Events per 100,000 hours

2020 Enlarged Group	0.10
2020	0.11
2019	0.11
2018	0.14
2017	0.19
2016	0.17

Legacy Synthomer

- Best ICCA Process Safety Event rate since tracking started of 0.11 per 100,000 hours.
- No incidents resulting in serious injury or damage.

Legacy OMNOVA

- Process Safety Event rate (PSER) of 0.07 per 100,000 hours worked since acquisition – different reporting protocols in Q1 2020.

Ensuring the safety of our operations is of paramount importance to the Group. Since 2015 we have recorded, rated and tracked Process Safety Events (PSE) using a four-tier scoring system where tier 1 and 2 incidents (tier 1 being more severe) meet the definition for a 'Reportable PSE' from the International Council of Chemical Associations (ICCA).

Legacy Synthomer reported seven incidents in 2020, the same figure as in 2019. The Process Safety Event rate achieved in 2020 was equal to the best ever rate.

Legacy OMNOVA Process Safety Event rate since acquisition was 0.07. Before the acquisition, OMNOVA Process Safety reporting was aligned with different reporting criteria from the API (American Petrol Institute) in Quarter 1, whereas the ICCA reporting criteria were implemented from April.

To help drive further improvement toward world class performance, 2021 will see the introduction of regional Process Safety Networks, supported by Group experts, focused on working together to reduce losses of containment and identifying and responding to Process Safety 'weak signals'.



Environmental, Social and Governance (ESG) – review of our six pillars continued

5. Environment

COVID-19 driven changes and the acquisition of OMNOVA had a noticeable impact on our environmental performance. Except where stated, performance figures quoted in this report will show both legacy Synthomer and the enlarged Group with full year 2020 data.

Environmental improvement efforts continue to be focused in areas most impacted by the Group: energy consumption, air emissions, waste generation and water consumption.

Environmental work programmes are focused on ensuring both legal compliance and driving continual improvement as part of our commitment to our matrix ISO 14001 certification (all legacy Synthomer and OMNOVA non-US operating sites are certified) and ISO 50001 certification in the UK, Germany, the Czech Republic and one site in France.

Following the acquisition of OMNOVA in 2020, the Company’s baseline for target setting and approach to delivering Group level improvements has been revised. 2019 has been considered the new baseline of the enlarged Group. The targets that were initially defined for 2021 will be extended to 2022.

2020 was a challenging year with regard to meeting some of our environmental performance targets. Achieving the targets set last year remains our objective, with continued focus on the sites contributing most to the overall figures.

The Environmental information provided in this section complies with the UK’s new environmental Streamlined Energy and Carbon Reporting (SECR) regulation requirements.

Energy

Numbers below are aligned with GRI definitions and include any fuel consumed and any imported electricity, steam, heating and cooling. Consumption is either metered or based on received invoices.

Legacy Synthomer

- Overall primary energy consumption increased 1.6% to 5,690,496GJ
- Specific Energy Consumption increased 2.1% to 3.71 GJ per tonne sales production.

Enlarged Group

- Overall primary energy consumption decreased 1.4% to 7,802,418GJ compared with the 2019 baseline of 7,913,813.
- Specific Energy Consumption increased 1.4% to 4.36GJ per tonne sales production compared with 2019 baseline of 4.30.

UK only

- Overall primary energy consumption increased 0.1% to 455,056GJ (454,390GJ in 2019). Measured in GWh overall primary energy consumption was 126.4GWh (126.2GWh in 2019).

- Specific Energy Consumption decreased 9.1% to 5.28GJ per tonne sales production (5.81GJ per tonne sales production in 2019). Measured in GWh, Specific Energy Consumption was 1,467kWh per tonne sales production (1,614 in 2019).

2019 energy consumption values have been amended to reflect improved accuracy in data collection. The amended consumption values have resulted in an increase of 0.02%.

Regarding legacy Synthomer, the increase in both absolute and specific energy consumption is related mainly to changes in the production mix coming from an increased production of high energy demand products. The higher demand by the city of Sokolov (Czech Republic) in relation to steam produced from coal at the Sokolov site also contributed to the energy consumption increase.

The reduction of absolute consumption by the enlarged Group is mainly due to a reduction in the production of legacy OMNOVA sites.

In the UK, although the situation differs from site to site, overall the three UK sites increased production by 10% whilst maintaining the energy consumption at previous year levels. This resulted in a significant reduction of specific energy consumption driven mainly by a change in production mix and an improved efficiency of the processes.

Several projects that have both energy and emissions improvement benefits are in the pipeline and will deliver results in the next few years. These projects are targeted around the sites with the largest energy and carbon footprint. The 2020 implementation plan was impacted by the COVID-19 pandemic, with restrictions imposed to limit non-essential contractor time on site, as well as short-term restrictions on capital availability. The most important involves the replacement of our coal burning power station on the Sokolov site in the Czech Republic. A project is underway to install a new, more efficient Combined Heat and Power (CHP) system utilising natural gas as the fuel.

Total primary energy use

GJ per sales production tonne

2020	4.36
Enlarged Group	
2019	4.30
Enlarged Group	
2020	3.71
2019	3.63
2018	3.50
2017	3.54
2016	3.45

Performance in 2020

(enlarged Group, baseline 2019)

- Total CO₂ equivalent emissions decreased 8.5% to 382,379 tonnes
- Emissions per sales production tonne decreased 5.9% to 0.214 per tonne
- VOC emissions dropped 26.4% to 379 tonnes
- Reduction of 33.5% in reported refrigerant losses to 1,719 tonnes/ equivalent CO₂, associated losses reduced to 4,936 tonnes

Water withdrawal and water consumption

Water withdrawal and water consumption definitions are aligned with GRI 2020. Water withdrawal includes any raw water and water from the public supply. Water consumption is estimated as water withdrawal – water release unless it can be better calculated by other means.

Legacy Synthomer

- Water withdrawal increased 3.8% to 6,137,967m³.
- Specific water withdrawal rose 4.4% to 4.00m³ per tonne.

Enlarged Group

- Water withdrawal increased 0.6% to 7,314,142m³ compared with the 2019 baseline of 7,273,959.
- Specific water withdrawal rose 3.4% to 4.09m³ per tonne compared with the 2019 baseline of 3.95.

Since 2019 we are collecting information to enable more accurate reporting of Company 'water consumption' aligned with the GRI definitions.

Legacy Synthomer

- Water consumption increased 4.4% to 1,801,614m³.
- Specific water consumption rose 5.0% to 1.17m³ per tonne.

Enlarged Group

- Water consumption increased 2.8% to 2,000,059m³ compared with the 2019 baseline of 1,945,754.
- Specific water consumption rose 5.7% to 1.12m³ per tonne compared with the 2019 baseline of 1.06.

2019 water withdrawal and water consumption values have been amended to reflect improved accuracy data collection. The amended withdrawal and consumption values resulted in a reduction of 3% in water withdrawal and in a reduction of 0.5% in water consumption.

The increases in 2020 water withdrawal and consumption were driven mainly by changes in production mix and higher cleaning requirements.

Variance is expected year-on-year since the majority of our products are water-based dispersions with some changes down to product mix and volumes. As with energy, opportunities to improve water efficiency will be built in to sites' manufacturing strategies and environmental targets on a prioritised basis in order to return the enlarged Group to a trajectory consistent with the reduction in longer-term targets.

Total water withdrawal

m³ per sales production tonne

2020		4.09
Enlarged Group		
2019		3.95
Enlarged Group		
2020		4.00
2019		3.83
2018		3.90
2017		3.79
2016		3.96

Waste

Waste definitions are aligned with GRI 2020. Total waste includes hazardous and non-hazardous waste. Waste is categorised by disposal operation: recycled, incinerated (with or without energy recovery) or disposed to landfill.

Legacy Synthomer

- Total waste generated fell 16% to 28,298 tonnes and waste to landfill decreased 7% to 5,749 tonnes.
- Specific waste generation decreased 16% to 0.018 tonnes per tonne sales production.
- Specific waste to landfill decreased 6% to 0.0037 tonnes per tonne.

Enlarged Group

- Total waste generated fell 19% to 40,291 tonnes compared with 2019 baseline of 49,609.
- Waste to landfill decreased 22% to 10,721 tonnes compared with 2019 baseline of 13,785.
- Specific waste generation decreased 16% to 0.023 tonnes per tonne sales production compared with 2019 baseline of 0.027.
- Specific waste to landfill decreased 20% to 0.0060 tonnes per tonne compared with 2019 baseline of 0.0075.

Some projects for waste reduction were implemented but the reduction in waste and waste to landfill was mainly influenced by lower production levels of specific products that typically yield higher amounts of waste. 2020 also included significantly less one-off waste quantities than 2018 and 2019.

Waste disposal to landfill

Kg waste per sales production tonne

2020		5.99
Enlarged Group		
2019		7.49
Enlarged Group		
2020		3.74
2019		3.99
2018		5.08
2017		3.57
2016		3.67



Environmental, Social and Governance (ESG) – review of our six pillars continued

5. Environment continued

**Greenhouse gas emissions**

The Group reports environmental KPIs in the format recommended by the Department of Environment, Food and Rural Affairs (DEFRA), with Annual Reports containing data for each year since 2005 on a three-year rolling basis.

Reporting parameters

The 2020 financial year reporting includes all manufacturing operations, all office locations co-located with manufacturing and those listed as contact locations in the Annual Report or on the Company's website. It does not include some very small locations such as home offices. These locations will have no material effect on the Group's overall GHG emissions, being estimated at considerably less than 0.1% of the Group total.

All known emissions from manufacturing processes have been included. Specifically, this covers direct energy usage and the indirect energy costs of heating, cooling and other site services where these are provided by a third party. They include estimates for the effects of the release of refrigerant gases. The release of volatile organic compounds (VOCs) that was included previously, is no longer included and has been also removed from previous years' calculations. The only known emissions which have not been included are direct emissions of CO₂ from on-site waste treatment facilities that have not currently been quantified, but which are not believed to have significant material impact on the overall figures reported.

The Group has no known uses or releases of perfluorocarbons or sulphur hexafluoride. All releases of nitrous oxide or methane are associated with energy production and are not separately quantified. The Group continues to report Scope 1 and 2 emissions. The Group continues to use emissions per production tonne as its intensity ratio.

Calculation methods

All direct energy production from fossil fuels has been aggregated on a Group-wide basis and converted to CO₂e by using the appropriate emissions factors. No allowance has been made for possible country to country variation in calorific value or CO₂ emission factors for primary fuels.

Electricity has been converted to CO₂e on a country by country basis. Scope 2 emissions have been calculated using three different approaches:

- **Market Base:** using market-based emissions factors for electricity from suppliers of standard grid fuel mix tariffs. In case of suppliers emissions factors not available, the residual mix was used for the EU sites and Location Base approach for non-EU sites.
- **Location Base:** using emissions factors from DEFRA (dataset published in June 2019) were used for UK grid electricity and for overseas grid electricity from the relevant IEA (International Energy Authority) 'World CO₂ Emissions from Fuel Combustion' databases. In accordance with UK Government guidance, factors used for 2020 reporting are based on 2018 validated data.
- **Hybrid Approach:** using Location Base info except for sites within the Group that purchase certified 'Green' electricity. Electricity for these locations has been given a CO₂e emissions factor of zero in calculating energy-related emissions totals. These include the sites in the Netherlands, Spain, Marl (Germany) and all sites in the UK.

The hybrid approach is the approach that has been used by the Group in previous years to establish the baseline and the targets. In order to be able to compare historical performance year to year, the total emissions (Scope 1 and 2) have been calculated using the hybrid approach.

Synthomer's site in Stallingborough (UK) takes most of its electricity from an exclusive contract with an adjacent waste incinerator operated by Newlincs. This electricity is certified as 'Green' by the UK Government. As a mixture of waste is deemed both renewable and non-renewable, it does not have a zero emission factor. For 2020 the applied emission factor for electricity from Newlincs is based around that determined for the site's Climate Change Agreement (CCA) reporting of around 0.404 kg CO₂e per kWh. The site is also provided with indirect heating in the form of hot water from Newlincs.

Although no longer included in the greenhouse gases emissions calculations, VOC emissions are continuously monitored and have been aggregated on a Group basis and converted to CO₂e using a factor of 11. This figure has been used by UK CIA member companies since 2005 and is at the upper end of the range for VOCs. Information on the release of refrigerant gases has been collected for the past years. Releases of each individual gas have been aggregated each year to give a Group release total and then converted to CO₂e using the equivalence factors given by DEFRA for each gas. The emissions factors applicable to refrigerant release in 2020 are as per those in the previous two years, as no changes were reported by DEFRA–Global Warming Potential (GWP) factors from the IPCC fourth assessment report.

Performance in 2020

Scope 1 and 2 emissions

Legacy Synthomer

- Total CO₂ equivalent emissions decreased 7.6% to 286,717 tonnes.
- Emissions per tonne sales production decreased 7.1% to 0.187 tonnes per tonne.
- Reduction of 14% in reported refrigerant losses to 1,640kg/ equivalent CO₂ associated losses reduced to 4,785 tonnes.

Enlarged Group

- Total CO₂ equivalent emissions decreased 8.5% to 382,379 tonnes compared with 2019 baseline of 417,898.
- Emissions per tonne sales production decreased 5.9% to 0.214 tonnes per tonne compared with 2019 baseline of 0.227.
- Reduction of 33.5% in reported refrigerant losses to 1,719 kg/ equivalent CO₂ associated losses reduced to 4,936 tonnes compared with 2019 baseline of 2,586 tonnes/8,483 equivalent CO₂ associated losses.

UK only

- Total CO₂ equivalent emissions increased 5.6% to 18,731 tonnes. (17,737 tonnes in 2019).
- Emissions per tonne sales production decreased 5.5% to 0.213 tonnes per tonne (0.226 tonnes per tonne in 2019).
- Reduction of 100% in reported refrigerant losses to 0 (46 kg of refrigerant/97 tonnes of equivalent CO₂ associated in 2019).

2018 and 2019 emissions were modified to exclude VOCs, which resulted in around 1% reduction of total emissions. 2019 emissions were modified also taking into consideration the mentioned changes in energy consumption. However, the changes were limited and not regarded as having relevant influence on overall reported performance.

The reduction in absolute and specific emissions both in legacy Synthomer and the enlarged Group was largely due to the reduction of Scope 2 emissions due to the increasing purchase of renewable electricity.

In the UK, although the situation differs from site to site, overall the increase in absolute emissions was due to an increase in production. UK sites have already been using certified renewable electricity for several years.

Moving forward the Group will continue to invest in moving to renewable electricity supplies, increasing the number of countries purchasing renewable electricity. Following significant progress in Europe, the next areas of focus are USA and Asia. This ongoing work will significantly drive down the Company's Scope 2 emissions and be an important factor in meeting our proposed 2022 greenhouse gases targets.

The biggest contributor to Scope 1 emissions is the Sokolov plant in the Czech Republic that uses brown coal. A project to move from coal to natural gas has been approved and should deliver significant Scope 1 emissions reductions over the next few years.

Scope 1 and 2 – location based and market based 2020 – emissions have been verified by a third party.

Scope 1 and 2 emissions

Tonnes CO₂ equivalent released per sales production tonne (includes CO₂ from energy generation/use from energy generation use)

2020		0.214
Enlarged Group		
2019		0.227
Enlarged Group		
2020		0.187
2019		0.201
2018		0.195
2017		0.201
2016		0.199

Scope 3 emissions

An initial estimation has been made of Scope 3 emissions of legacy Synthomer sites. Legacy OMNOVA Scope 3 emissions estimation is ongoing and was not completed in time for inclusion in this report.

Downstream processing emissions were not included in the initial assessment given the limited data available in this area.

- Total estimated Scope 3 emissions raised to 2.1 million of CO₂e tonnes with purchased goods and services accounting for 97% of the total Scope 3 emissions.

Moving forward a data collection improvement plan will be developed to ensure estimations accuracy and adequate targets for Scope 3 emissions reduction will be defined.

Environmental, Social and Governance (ESG) – review of our six pillars continued

5. Environment continued

Energy and GHG KPIs

This table presents environmental KPIs for 2019–20, with a coverage and format in line with UK Government guidance, to comply with the reporting required under the Companies Act 2006 (Strategic Report and Report of the Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

		Units	2020	2019 ⁷	2018 ⁷	% change 2018-20 ⁸	% change 2019-20 ⁸
Energy consumption¹							
Gas	Legacy Synthomer	GJ	1,550,872	1,525,851	1,519,649	2.1%	1.6%
	Enlarged Group	GJ	2,414,002	2,479,253			-2.6%
	UK	GJ	241,620	240,497			0.5%
Light oil	Legacy Synthomer	GJ	18,607	21,599	22,625	-17.8%	-13.9%
	Enlarged Group	GJ	19,141	21,898			-12.6%
	UK	GJ	1,540	498			209.2%
Heavy oil	Legacy Synthomer	GJ	4,666	6,657	5,533	-15.7%	-29.9%
	Enlarged Group	GJ	4,731	6,701			-29.4%
	UK	GJ	184	184			0.0%
Steam (metered)	Legacy Synthomer	GJ	675,293	763,100	751,545	-10.1%	-11.5%
	Enlarged Group	GJ	863,414	988,627			-12.7%
	UK	GJ	0	0			0.0%
Electricity (primary basis)	Legacy Synthomer	GJ	2,726,231	2,664,649	2,634,611	3.5%	2.3%
	Enlarged Group	GJ	3,782,087	3,791,693			-0.3%
	UK	GJ	198,992	202,549			-1.8%
Total energy consumption	Legacy Synthomer	GJ	5,690,639	5,602,704	5,520,570	3.1%	1.6%
	Enlarged Group	GJ	7,802,418	7,913,813			-1.4%
	UK	GJ	455,056	454,390			0.1%
Greenhouse gas emissions²							
Energy consumption							
Energy consumption (CO ₂ equivalent) ^{3, 8}	Legacy Synthomer	tCO ₂ e	281,932	302,963	299,693	-5.9%	-6.9%
	Enlarged Group	tCO ₂ e	377,443	409,416			-7.8%
	UK	tCO ₂ e	18,364	17,639			4.1%
Refrigerant releases (HCFC and others)							
Refrigerant releases	Legacy Synthomer	kg	1,640	1,918	2,355	-30.4%	-14.5%
	Enlarged Group	kg	1,719	2,586			-33.5%
	UK	kg	0	46			-100.0%
Refrigerant emissions (CO ₂ equivalent)	Legacy Synthomer	tCO ₂ e	4,785	7,324	7,627	-37.3%	-34.7%
	Enlarged Group	tCO ₂ e	4,936	8,483			-41.8%
	UK	tCO ₂ e	0	97			-100.0%
Total emissions⁶							
Total greenhouse gas emissions – hybrid approach⁵	Legacy Synthomer	tCO ₂ e	286,717	310,287	307,320	-6.7%	-7.6%
	Enlarged Group	tCO ₂ e	382,379	417,898			-8.5%
	UK	tCO ₂ e	18,731	17,737			5.6%
Comprising:							
Total Scope 1 emissions	Legacy Synthomer	tCO ₂ e	156,484	149,382	143,863	8.8%	4.8%
	Enlarged Group	tCO ₂ e	201,017	199,561			0.7%
	UK	tCO ₂ e	12,464	12,429			0.3%
Total Scope 2 emissions – hybrid approach	Legacy Synthomer	tCO ₂ e	130,233	160,906	163,457	-20.3%	-19.1%
	Enlarged Group	tCO ₂ e	181,362	218,338			-16.9%
	UK	tCO ₂ e	6,266	5,308			18.0%
Total Scope 2 emissions – Market Base	Legacy Synthomer	tCO ₂ e	136,347	177,023			-23.0%
	Enlarged Group	tCO ₂ e	187,205	234,022			-20.0%
	UK	tCO ₂ e	6,266	5,308			18.0%
Total Scope 2 emissions – Location Base	Legacy Synthomer	tCO ₂ e	174,079	173,189			0.5%
	Enlarged Group	tCO ₂ e	225,662	230,621			-2.2%
	UK	tCO ₂ e	8,785	8,367			5.0%

		Units	2020	2019 ⁷	2018 ⁷	% change 2018-20 ⁸	% change 2019-20 ⁸
Other emissions to air²							
Volatile Organic Compounds (VOC)							
VOC emissions	Legacy Synthomer	tonnes	214	184	303	-29.3%	16.3%
	Enlarged Group	tonnes	379	515			-26.4%
	UK	tonnes	163	141			15.6%
VOC emissions (CO ₂ equivalent)	Legacy Synthomer	tCO ₂ e	2,358	2,024	3,330	-29.2%	16.5%
	Enlarged Group	tCO ₂ e	4,171	5,667			-26.4%
	UK	tCO ₂ e	1,796	1,551			15.8%
Sulphur Dioxide (SO ₂)	Legacy Synthomer	tonnes	133	125	143	-6.7%	6.4%
	Enlarged Group	tonnes	134	126			6.3%
	UK	tonnes	0	0			0.0%
Nitrous Oxides ⁴ (NO _x)	Legacy Synthomer	tonnes	206	171	130	58.5%	20.5%
	Enlarged Group	tonnes	240	208			15.4%
	UK	tonnes	5	5			0.0%
Emissions per sales production tonne							
Total production sales tonnes	Legacy Synthomer	ktes	1,536	1,545	1,578	-2.6%	-0.5%
	Enlarged Group	ktes	1,789	1,840			-2.7%
	UK	ktes	86	78			10.2%
Energy consumption	Legacy Synthomer	GJ/t	3,705	3,628	3,499	5.9%	2.1%
	Enlarged Group	GJ/t	4,360	4,301			1.4%
	UK	GJ/t	5,281	5,811			-9.1%
Emissions to air							
Energy consumption ³	Legacy Synthomer	tCO ₂ e/t	0.184	0.196	0.190	-3.4%	-6.4%
	Enlarged Group	tCO ₂ e/t	0.211	0.223			-5.2%
	UK	tCO ₂ e/t	0.213	0.226			-5.5%
Refrigerant Releases (HCFC and others)	Legacy Synthomer	kg/ktes	1,068	1,242	1,493	-28.5%	-14.0%
	Enlarged Group	kg/ktes	0,961	1,406			-31.7%
	UK	kg/ktes	0,000	0,588			-100.0%
Total greenhouse gas emissions	Legacy Synthomer	tCO ₂ e/t	0.187	0.201	0.195	-4.2%	-7.1%
	Enlarged Group	tCO ₂ e/t	0.214	0.227			-5.9%
	UK	tCO ₂ e/t	0.217	0.227			-4.2%
Volatile Organic Compounds (VOC)	Legacy Synthomer	kg/t	0.139	0.119	0.192	-27.4%	16.9%
	Enlarged Group	kg/t	0.212	0.280			-24.3%
	UK	kg/t	1.892	1.803			4.9%
Sulphur Dioxide (SO ₂)	Legacy Synthomer	kg/t	0.087	0.081	0.090	-4.2%	7.0%
	Enlarged Group	kg/t	0.075	0.068			9.3%
	UK	kg/t	0.000	0.000			0.0%
Nitrous Oxides ⁴ (NO _x)	Legacy Synthomer	kg/t	0.134	0.111	0.082	62.8%	21.1%
	Enlarged Group	kg/t	0.134	0.113			18.6%
	UK	kg/t	0.058	0.064			-9.3%

Notes

1. Data relates to site usage of all fuels, excluding transport of goods to and from site and the movement of these vehicles on site. Internal transport on site is included.
2. Emissions to air have been calculated from the usage of all fuels, excluding transport fuel. They therefore include both direct emissions and indirect emissions related to bought-in electricity, steam, compressed air, cooling water etc., with the exception of transmission and distribution losses for electricity (these losses are in Scope 3, this report is for Scope 1 and 2).
3. CO₂ equivalent emissions include contributions from CH₄ and N₂O associated with combustion.
4. NO_x emissions are predominantly those from combustion processes. The CO₂ equivalent Global Warming Potential contribution from these releases is already included in the CO₂ from the energy figure above.
5. Hybrid approach takes into consideration Location Base emissions for all sites except for the ones consuming green energy that are accounted as Market Base.
6. The total CO₂e figure is the total of the CO₂ equivalent from energy and the refrigerant contribution.
7. 2019 data has been modified according to the details provided in the Environment section.
8. Percentage changes are calculated from the base data and may differ slightly from changes calculated from the data in the tables because of rounding.

Environmental, Social and Governance (ESG) – review of our six pillars continued

6. Sustainable Value Chain

Strategy and progress in 2020

Synthomer requires any individual or entity acting on its behalf, whether as a consultant, representative, agent or distributor, to know, understand and abide by the laws and regulations applicable in the country or countries in which they act for Synthomer. These requirements are covered in detail within the business policies in our Code of Conduct.

During 2020 the procurement team was reorganised, as part of the integration of the OMNOVA business, and a Procurement Excellence team was created. This team has, as part of its mission, global responsibility and increased resources to build on and strengthen our supplier management processes. The team has brought together our management controls for suppliers under a new Sustainable Procurement Policy and Strategy. This commits us to a deeper understanding of our sustainability risks and opportunities. During the latter part of the year, this Policy has been communicated across the global procurement team to ensure awareness and specific assessments have been conducted to identify our impact areas. We are also looking to adopt new and enhanced supplier assessment tools that cover wider sustainability aspects.



The procurement team needed to respond quickly and effectively to supply chain disruptions following COVID-19. This started early in the year with China and then following through to Europe and the rest of the world. The team successfully managed the inventory levels, alternative supplies and extended lead times to keep the assets supplied. One of the biggest issues was to manage the extensive and global logistics disruptions, limiting the movement of raw materials and finished products at a global, regional and local level. The response to the pandemic and supply chain disruption was managed without compromising our business policies or Code of Conduct, which are fundamental to our values and ways of working.

Technology & Innovation

Innovation is a core value of Synthomer and providing value to our customers through innovative new products is a pillar of our strategy. 2020 was an exciting year with the advancement of ongoing programmes and strengthening of our product and process innovation capacity through integration of the OMNOVA R&D resources. The integration of these organisations has resulted in 50% higher capacity to design new products to meet new market and customer needs.

A universal trend across all market segments is a demand for new products with improved sustainability including the avoidance of an adverse environmental impact, and characteristics to support a circular economy. Making water-based polymers and speciality chemicals from renewable raw material sources which require less energy to produce, do not contain hazardous substances, and are recyclable or biodegradable are objectives of our innovation pipeline.

To more effectively tackle this complex challenge our new Technology & Innovation organisation includes a dedicated, centralised team of scientists to work on new chemistry platforms for the future. This team will work closely with divisional R&D teams to accelerate the exploration, development and commercialisation of more sustainable solutions that achieve even higher levels of performance.

Sustainability improvements in new products continue to fall into five categories, namely: air quality, energy or material efficiency, elimination of materials of concern, recyclability and biodegradability, and renewable or lower impact raw materials, with greater emphasis on circular economy and use of renewable resources.

The products below are examples of recent innovations and platforms for growth that are aligned with one or more criteria for sustainable innovation:

Less materials of concern and energy efficiency

As reported in our 2019 Annual Report, Synthomer's SyNovus® technology for medical gloves is an innovative, proprietary way of making Nitrile latex in a way that significantly reduces energy usage and the use of hazardous materials. SyNovus® products are used to produce gloves on state-of-the-art dipping lines that meet all stringent European and North American performance and regulatory requirements. The novel curing system eliminates the need to use accelerators known to be allergens. The technology also allows glove producers to significantly reduce the line curing temperature, decreasing overall energy usage by up to 20%. A third-party specialist prepared a full Life Cycle Analysis which indicated that SyNovus® has a 15–20% lower CO₂ impact than conventional Nitrile latex technology and has an impact of up to 30% lower compared to other non-NBR latex technologies.

Litex QuickShield™ and Litex SkyShield™ are formaldehyde-free binders for the impregnation of textiles that cure at lower temperature and quicker than the standard products, thus reducing energy and contributing to better air quality.

Air quality, renewable raw materials and recyclability

Suncryl® HP 114 is one of a family of new products produced with a new class of polymers made via a proprietary monomer system with over 65% bio-content. This technology offers a water-based alternative to solvent-based release coatings for packaging tape, thus reducing the amount of solvents released to the environment. The outstanding release performance allows for replacement of silicone containing coatings in many applications which improves the recyclability and repulpability of paper tapes and release liners. This excellent balance of performance and sustainability has led to ongoing programmes to expand its use into coating applications.

While our commitment to ongoing programmes continued in 2020, the ability to commercialise these products was delayed due to resource limitation and priority changes related to the COVID-19 pandemic. We continue to reassess ongoing programmes as well as new market needs that have surfaced as a result of the pandemic.

Synthomer has participated in the European Polymer Dispersion and Latex Association (EPDLA) cradle-to-grave life cycle inventories of our key emulsion polymer families, namely: Styrene-Butadiene, Lipaton, Styrene-Acrylics, Revacryl, Pure Acrylics, Plectol and VACO, Emultex. Results show that Synthomer performs better than the benchmark in all the categories.

Product safety

The majority of Group products are water-based emulsions that are not deemed to be hazardous chemicals.

However, for those that are hazardous, Synthomer is committed to providing its customers with comprehensive and legally compliant safety data sheets in all the markets we serve.

Our central Regulatory Affairs Department also manages our ongoing REACH compliance activities through our supply chain and has been active in preparing for the impact of Brexit on chemicals registered within and transported to the UK, as well as managing REACH-like schemes being introduced globally.

As part of the sustainability assessment of our new product developments, we are committed to avoid the use of substances of very high concern and a project is in place to phase out the products that still contain these raw materials.

The Strategic Report was approved by order of the Board.

R Atkinson
Company Secretary
4 March 2021

Board of Directors



C A Johnstone

Chair

Nationality: British

Position and date of appointment: Chair of the Board and the Nomination and Disclosure Committees. Caroline joined the Board in March 2015 and was appointed Chair in December 2020 having been Chair of the Audit Committee and a member of the Nomination and Remuneration Committees prior to appointment as Board Chair.

Key appointments: Caroline is a Non-Executive Director and Chair of the Employee Engagement Committee of Spirax-Sarco Engineering plc, and is a Non-Executive Director and Chair of the Audit Committee of Shepherd Building Group Limited, a private company which owns Portakabin Limited. Caroline also has an honorary role on the board of the University of Manchester.

Skills and experience: Caroline has nearly 40 years' experience of working with large global organisations in the chemicals and other industries. Her experience includes delivering value from merger and acquisitions, turnaround, culture change and cost optimisation. She was a partner in and sat on the board of the Assurance practice of PricewaterhouseCoopers (PwC) with responsibility for all people matters. Caroline is a chartered accountant and a member of the Institute of Chartered Accountants of Scotland.



C G MacLean

Chief Executive Officer

Nationality: British

Position and date of appointment: Chief Executive Officer since January 2015; member of the Disclosure Committee.

Key appointments: Calum was appointed as a Non-Executive Director of Saudi Basic Industries (SABIC) headquartered in Riyadh in October 2017 and of Clariant Limited, an associated company of SABIC, in October 2018.

Skills and experience: Calum was a founder member of the INEOS Group which was established in 1998. Between establishment and his departure at the end of 2014 he held senior board executive roles in the group including Executive Chairman of Styrolution and Petroineos, two joint ventures established between INEOS and BASF and Petrochina. He was also Chief Executive of a number of principal INEOS divisions including Olefins & Polymers, ChlorVinyls and Phenol whilst being intimately involved in merger and acquisitions, strategy and integration projects. Prior to INEOS he spent six years in various commercial and technical roles at INSPEC, BP Chemicals and Water Services. Calum is a Chemist and studied at Aberdeen University.



S G Bennett

Chief Financial Officer

Nationality: British

Position and date of appointment: Chief Financial Officer since May 2015; member of the Disclosure Committee.

Key appointments: No external appointments.

Skills and experience: Stephen was previously at INEOS where he had been Chief Financial Officer at Petroineos Refining since 2006. In addition to this role, Stephen had acted as Chief Financial Officer of INEOS Upstream Limited, a start-up oil and gas exploration business, and of INEOS Olefins and Polymers South and INEOS Phenol. He joined Coopers & Lybrand in 1986 and is a qualified chartered accountant. He was at Full Circle Industries plc as company secretary and group controller before moving to PricewaterhouseCoopers LLP (PwC) in 1997 as a Director in transaction services. At PwC, he specialised in public and private equity transactions across a variety of sectors including chemicals.

Experience and skills

Independence	●●●●
Finance and audit	●●○
Operational management	●●●●○
M&A	●●●●●●●●○
Chemicals/Broader industrial	●●●●●●●○
Sustainability	●●
Innovation	●●
People and culture	●●●●○
International experience	●●●●●●●○

● Non-Executive Directors ○ Executive Directors



The Hon. A G Catto

Non-Executive Director

Nationality: British

Position and date of appointment: Non-Executive Director since 1981. Designated Non-Executive Director to lead workforce engagement.

Key appointments: Alex is managing director of CairnSea Investments Limited, a private investment company, and a Non-Executive Director of several early stage companies that have been backed by CairnSea.

Skills and experience: Prior to the establishment of CairnSea, Alex was a Director of Morgan Grenfell & Co and then Lazard Brothers & Co Ltd.



B W D Connolly

Senior Independent Director

Nationality: British

Position and date of appointment: Independent Non-Executive Director since January 2014; Chair of the Remuneration Committee; member of the Audit, Disclosure and Nomination Committees. Senior Independent Director since April 2015.

Key appointments: Brendan is a Non-Executive Director of Victrex PLC and two private equity backed companies, one of which he chairs.

Skills and experience: Brendan has over 30 years' experience in the oil and gas industry. Until June 2013 Brendan was a senior executive at Intertek Group plc and had previously been Chief Executive Officer of Moody International (which was acquired by Intertek in 2011). Prior to Moody, he was managing director of Atos Origin UK, and spent more than 25 years of his career with Schlumberger in senior international roles over three continents. Brendan has previous experience as chairman of the remuneration committee of a UK listed company.



Dr J J C Jansz

Independent Non-Executive Director

Nationality: Dutch

Position and date of appointment: Independent Non-Executive Director since April 2012; member of the Audit and Remuneration Committees.

Key appointments: Just is founder and Managing Director of Expertise Beyond Borders BV, an independent business and technology management consultancy providing services to the global chemical industry. He is a senior advisor at Natrium Capital Limited.

Skills and experience: Just has over 30 years chemical industry experience at Shell, Basell and LyondellBasell. Until July 2010 Just was President, Technology Business, and a member of the management team of LyondellBasell, overseeing process technology licensing, polyolefin catalysts and new ventures. Just has extensive experience in the polyolefin industry and related value chains, in commercialising innovation and in monetising IP. Just has previous experience as a Non-Executive Director in the USA and as an advisor in Saudi Arabia.



Dato' Lee Hau Hian

Non-Executive Director

Nationality: Malaysian

Position and date of appointment: Non-Executive Director since 2002; first joined the Board in 1993 and stood down in 2000 to become an Alternate Director.

Key appointments: Hau Hian is a Director of Kuala Lumpur Kepong Bhd and is the President of the Perak Chinese Maternity Association. He also serves as a Director of Yayasan De La Salle and Chemical Company of Malaysia Berhad.

Skills and experience: Hau Hian is the Managing Director of Batu Kawan Bhd, a listed Malaysian investments holding company, with interests in plantations and chemicals manufacturing. He has experience in organisational transformations, acquisitions, chemical and manufacturing operations and sustainability issues.



H A Van Deursen

Independent Non-Executive Director

Nationality: American

Position and date of appointment: Independent Non-Executive Director since September 2018; member of the Audit and Remuneration Committees.

Key appointments: Holly is a Non-Executive Director of Kimball Electronics Inc, Albermarle Corporation and Capstone Turbine Corporation.

Skills and experience: Until 2005, Holly was Group Vice President, Petrochemicals, at BP. She has worked in the global chemical industry for over 25 years and held senior positions across North America, Europe and Asia. In addition, Holly has since 2006 held Non-Executive Director roles in the USA and spent 12 years on the board of a Norwegian listed company.



C S Dubin

Independent Non-Executive Director

Nationality: American and British

Position and date of appointment: Independent Non-Executive Director since July 2020; Chair of the Audit Committee and a member of the Nomination and Remuneration Committees.

Key appointments: Cynthia is a Non-Executive Director of the Competition and Markets Authority, where she is a member of and currently acts as Chair of the Audit and Risk Assurance and Nomination Committees, an independent Non-Executive Director and member of the Audit Committee of Hurco Companies Inc and an independent Non-Executive Director and member of the Audit and Risk Committee of ICE Futures Europe, a subsidiary of Intercontinental Exchange.

Skills and experience: Cynthia has served in senior finance and business roles in the power, oil, gas and broader clean energy technology sector having started her career in the banking industry in New York specialising in advising and lending to large energy projects before relocating to London in 1992.



R Atkinson

Chief Counsel and Company Secretary

Nationality: British

Position and date of appointment: Company Secretary since 1998; Group Chief Counsel.

Key appointments: No external appointments.

Skills and experience: Richard qualified as a solicitor in 1988 practising as a corporate lawyer before moving into industry.

Introduction to corporate governance

Refreshing our governance



Caroline Johnstone

Chair

Chair's introduction

Our governance and Company purpose have been crucial to managing through the pandemic, supporting us in making what were sometimes difficult decisions and choices throughout the last year. They also help us to act with integrity, ensure shareholders have a good return and treat our employees, customers, suppliers, our communities and our environment appropriately and with respect. I am pleased to present my first report to you on the functioning of our governance.

In the following pages, we set out the approach to governance and the activities of the Board in 2020. We also set out our statement on pages 38 to 41 describing how we had regard to matters set out in Section 172(1) of the Companies Act 2006.

2018 Code compliance

I am pleased to report that, in all material respects, we were in compliance with the 2018 UK Corporate Governance Code (the 'Code') and we have made significant progress this year, particularly in terms of diversity in our Board. We have also carefully considered and reflected on the FRC review of corporate governance reporting published in November 2020 and we report for completeness two areas of the Code where we explain our approach page 83.

We are in compliance with the Hampton-Alexander recommendations and the Parker Review as regards our Board composition and we have made progress but recognise that we have more to do on the diversity and ethnic balance of our executive team and their direct reports page 101.

2021 focus

2021 will be a year of transition for the Board as we build on the changes that have already taken place and prepare to welcome further appointments as a result of the processes in hand to recruit a new Chief Executive Officer to succeed Calum MacLean and an additional independent Non-Executive Director to replace Just Jansz during the course of 2021. I do consider, however, that the governance framework set out in the following pages of this report will support the Board well in serving the interests of all our stakeholders.

In the brief period since my becoming Chair, succession planning activity has been a key area for the Board and the work done in December 2020 to review the skills set of the Board has already proved to be of great value. The externally facilitated Board evaluation process commenced toward the end of 2020 (we set out the process for the review on page 100) has been finalised, with the independent reviewer concluding that the Board and its Committees are run in an effective and collaborative manner and suit the current governance needs and Company obligations. Some areas of development were identified for Board operations and logistics which will be addressed in the short term and specific areas of focus for 2021 were identified:

- Succession planning
- Diversity and inclusion
- The increasing ESG agenda and climate change in particular

The conclusions of the evaluation are in line with the Board's established priorities for 2021 and will be key areas for ongoing Board focus. With a number of changes, and the opportunity to reflect on learnings from operating with COVID-19 restrictions, we are also looking forward to visiting Company locations and developing the Board agenda and culture for the future.

AGM

The restrictions on gatherings imposed by the pandemic meant that, like many companies, we were forced by circumstance to resort at short notice to holding a closed meeting at the end of April 2020 and were unable to put any shareholder participation facilities in place. As there is uncertainty over both the gathering restrictions that will be in force at the time of the 2021 AGM and any extension of current temporary legislative provisions allowing virtual meetings, we are reviewing what arrangements can be put in place to best serve the interests of our shareholders. We will communicate further on this nearer the time of issuing the AGM notice.

We welcome questions from any shareholder at any time, ahead of the AGM, and I am happy to meet with shareholders at any time.

Caroline Johnstone

Chair

4 March 2021

Corporate governance

Compliance with the UK Corporate Governance Code

The Board considers that it has complied throughout the financial year ended 31 December 2020 with the provisions set out in the Code* except in respect of the following matter:

- *Provision 38* – Alignment of pension contributions. The payments in lieu of pension contribution rates for Executive Directors were not aligned with those available to the workforce, however as set out on page 105 a plan is now in place to achieve this for the Chief Executive Officer and Chief Financial Officer by 2021 and 2022 respectively.
- *Provision 41* – Engagement with workforce on Executive remuneration. The Remuneration Committee (page 102) has a rigorous process for setting and evaluating executive remuneration and performance. Our employee engagement processes (page 65) also provide us an opportunity to hear from employees around all aspects of the business, including any feedback on executive remuneration, although there was no direct engagement on the alignment of Executive remuneration with the wider Company pay policy. We will continue to keep the deployment of such engagement under review.

Application of the Code – our approach to governance

The Chair

Caroline Johnstone joined the Board in March 2015 and was considered independent upon appointment as Chair. Her external appointments are set out on page 80 and these are approved by the Board and are aligned with the time commitment required for her role as Chair of the Board. The rigorous process of evaluating and appointing Caroline to the role of Chair is set out on page 101.

Independence and balance

As at 31 December 2020, our Board comprised two Executive Directors, two non-independent Non-Executive Directors and four independent Non-Executive Directors. We had five independent Non-Executive Directors from 15 July until 16 December, when Neil Johnson resigned from the Board. Accordingly, we have ensured that no one person or group of interests can dominate Board decision making and debates.

Non-Executive Directors

Brendan Connolly was appointed Senior Independent Director in April 2015. He has extensive experience as a Chief Executive Officer and as a member of other FTSE boards and the Board is satisfied that he has the necessary skills, experience and attributes for the role.

During the year, Brendan led the process for appointing a new Chair of the Board (page 101).

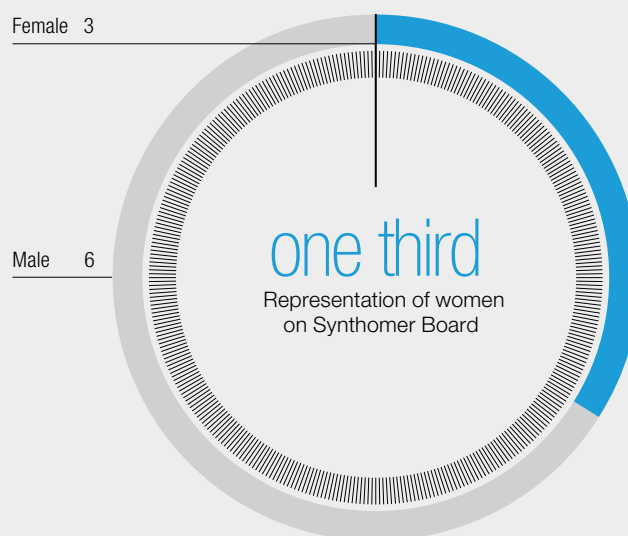
The Non-Executive Directors regularly hold meetings without management present, with the internal and external auditors and also with Deloitte, independent remuneration consultants. The Chair and the non-executive director responsible for employee engagement also meet with a range of employees without management present.



*A full version of the Code can be found on the Financial Reporting Council's website: www.frc.org.uk

Governance snapshot

Board diversity – gender



Board diversity – ethnicity

White	8
Asian	1

Board diversity – nationality

British	5
Dutch	1
Malaysian	1
American	1
American/ British*	1

* Cynthia Dubin holds dual British and American citizenship.

Board tenure

0-5 years	2
5-10 years	5
>10 years	2

A balanced Board during 2020

Chair	
Independent Non-Executive Directors	Executive and non-independent Non-Executive Directors
Caroline Johnstone (appointed Chair 16 December 2020)	Calum MacLean
Just Jansz	Stephen Bennett
Holly A Van Deursen	Alex Catto
Brendan Connolly	Lee Hau Hian
Cynthia Dubin	

Non-Executive Directors are appointed for one-year terms. All Directors submit themselves for annual election at each AGM.

Corporate governance continued

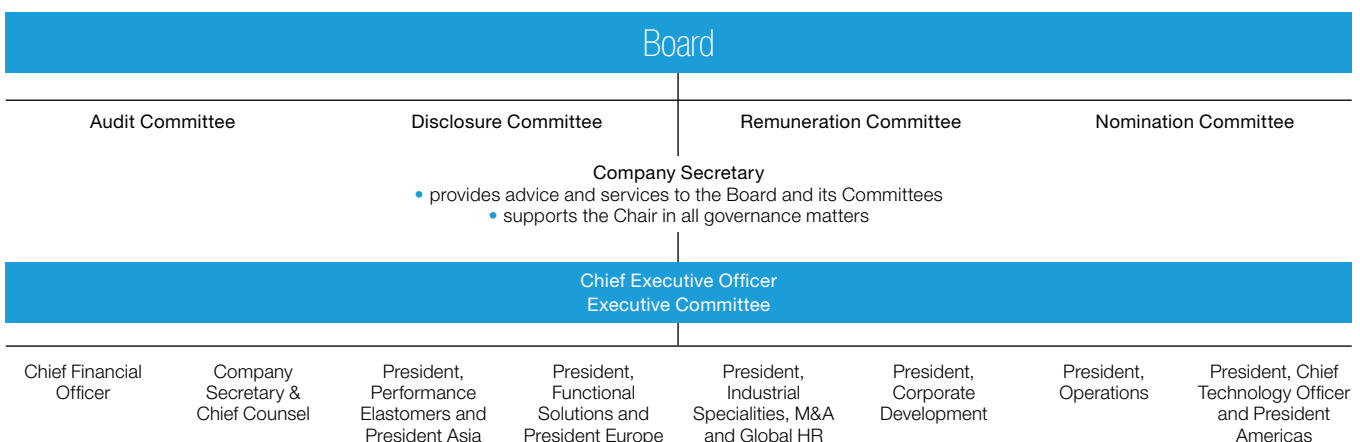
Division of responsibilities

The Board has delegated to the Chief Executive Officer responsibility for the development and preparation of the Group's strategy, business plan and the annual budget for recommendation to the Board. As the Senior Executive Director, the Chief Executive Officer is responsible for all aspects of day-to-day operational control of the Group and execution of the Group strategy. The Chief Executive Officer has established and chairs an Executive Committee (whose other members are the Chief Financial Officer, the Chief Counsel and Company Secretary, and the operational and functional presidents for the Group) to assist him in the performance of his duties and which meets once a month.

All Directors receive a monthly management report comprising business, financial and safety, health and environmental reviews from the Chief Financial Officer.

Chair	<ul style="list-style-type: none"> Responsible for leading and overall effectiveness of the Board Promotes a Board culture of openness and debate, and effective contribution of all Non-Executive Directors Coordinates the performance evaluation of the Chief Executive Officer and of individual Non-Executive Directors Holds meetings with and without Executive Directors present as appropriate Leads on all aspects of corporate governance
Chief Executive Officer	<ul style="list-style-type: none"> Senior executive responsible for operational management of the Group Development, preparation and implementation of the Group's strategy as approved by the Board Communication of the Group's culture and values Communicating the Group's financial performance to investors in conjunction with the Chief Financial Officer Keeping the Board fully informed of all material issues
Senior Independent Director	<ul style="list-style-type: none"> Provides a sounding board to the Chair An alternative contact for the other Directors and shareholders Leads an annual meeting process to evaluate and feedback on the Chair's performance Provides constructive challenge, strategic guidance and offers specialist advice
Non-Executive Directors	<ul style="list-style-type: none"> Challenge constructively and scrutinise, hold to account the performance of management and individual Executive Directors against agreed performance objectives Responsible for employee engagement
Key Board reserved activities	<ul style="list-style-type: none"> Approval of corporate and strategic business plans Approval of annual and interim results, trading updates Oversight of the business risk management framework Decisions on major acquisitions and disposals as well as major capital expenditure Director appointments Material litigation Approach to governance, processes and procedures Other matters reserved to the Board under the Group Delegated Authorities policy
Company Secretary and Chief Legal Counsel	<ul style="list-style-type: none"> Advises the Board on all governance matters Supports the Board to ensure that it has the policies, processes, information, time and resources required to function effectively and efficiently Advises the Board on important legal and regulatory matters

Board structure



During 2020 the Board held 19 meetings (2019: 13 meetings) with a full meeting dedicated to a review of the five-year strategic plan and key strategic initiatives. Despite the significant increase in the number of Board meetings held in 2020, some at relatively short notice due to the monitoring of the COVID-19 pandemic and other strategic issues, attendance was close to 100%. The Directors receive in advance full information on all matters to be discussed at Board meetings as well as a detailed review of performance. The Non-Executive Directors ordinarily meet once without the Chair to appraise his or her performance but did not do so in 2020 in view of the impending retirement of Neil Johnson. The Board met once without the Executive Directors to appraise their performance.

In addition, arrangements are made each year for the Board to visit up to two of the Group's operational sites and meet local management. Ad hoc site visits are facilitated for individual Non-Executive Directors on request. In view of the COVID-19 pandemic no site visits were made by the Board in 2020.

The table below sets out the number of meetings of the Board, Audit, Remuneration, Nomination and Disclosure Committees held during the year and the number of meetings attended by each Director. Where a Director is unable to attend a Board or Committee meeting, his or her views on agenda items are canvassed in advance of the meeting and incorporated into the discussions. The Non-Executive Directors disclose to the Board their other significant commitments prior to appointment and any proposed new significant commitments require prior Board approval.

Board attendance throughout the year

Attendance during the year for all Board and Board Committee meetings is set out in the table below:

	Board of 19	Audit of 5	Remuneration of 4	Nomination of 4	Disclosure of 5
Stephen Bennett	19	–	–	–	5
Alex Catto	19	–	–	–	–
Brendan Connolly	18	5	4	4	5
Holly A Van Deursen	19	5	4	–	–
Cynthia Dubin ¹	10	2	2	–	–
Just Jansz	19	5	4	–	–
Neil Johnson ²	18	–	–	2	5
Caroline Johnstone ²	19	5	4	2	–
Lee Hau Hian	18	–	–	–	–
Calum MacLean	19	–	–	–	5

1. Cynthia Dubin was appointed to the Board on 15 July 2020 and attended all meetings for which she was eligible to do so.

2. Due to the subject matter of the meetings concerning the Board Chair succession Neil Johnson and Caroline Johnstone did not attend two of the four meetings of the Nomination Committee and other Non-Executive Directors were co-opted to attend.

Board composition, succession and evaluation

The Chair, Chief Executive Officer, Chief Financial Officer and Senior Independent Director together with Chairs and members of the Audit, Nomination, Remuneration and Disclosure Committees are identified on pages 80 and 81. The Board considers that Holly A Van Deursen, Cynthia Dubin, Just Jansz and Brendan Connolly are independent in accordance with Provision 10 of the Code. The Board composition was balanced between the number of independent and non-independent Directors throughout 2020 and comprised one third women with effect from 16 December 2020.

Corporate governance continued

Board activity in 2020

Framework focused on delivering sustainable growth



Steering and setting the tone through COVID-19

The impact of the pandemic on the Company, performance, operations and its employees became a standing agenda item at all meetings from February 2020 and the Board processes were quickly adapted to accommodate virtual meetings.

Safety, Health and Environment (SHE)

SHE performance and initiatives are reviewed at every meeting supported by a written report and presentation by the President for Operations.

Investing in organic growth

Material capital expenditure projects are subject to Board review and approval. During the year, investments in the sites at Stallingborough (UK) and Langelshheim (Germany) were approved. Investment in the Pathway programme was approved and progress monitored with the help of a third-party review of the programme delivery approach. The progress of the Nitrile latex capacity expansion project at Pasir Gudang (Malaysia) was also monitored. Regular reports were received on operational optimisation and transformation projects.

OMNOVA integration and synergy delivery

Regular reports were received on integration, implementation and synergy delivery with an external firm providing oversight of synergy reporting.

Financial and commercial performance

Financial and commercial performance and strategic initiatives are reviewed at every meeting, supported by reports and presentations from the Executive Directors and Presidents. Detailed reviews of specific business areas were provided by the responsible President or functional head in conjunction with budget and strategy discussions.

Monitoring financial strength

Financing, cash flow and liquidity were an area of particular focus and the Company's debut bond issue was approved in June 2020.

Leadership and people

Succession planning processes and progress were reviewed with support from the Global HR Director. The Nomination Committee completed the search process and recruitment for an additional female Non-Executive Director and initiated a search process for a replacement Non-Executive Director in anticipation of the retirement of Dr J Jansz during 2021 following completion of his nine year tenure.

ESG and stakeholder relations

Routine reports on governance, investor relations and Employee Voice matters were given at each meeting. An external evaluation of the Board and its Committees was carried out. A number of significant decisions relating to sustainability were taken and targets set for diversity for the first time.

Internal control and risk management

As well as receiving regular reports from the Audit Committee on the Company's internal control and risk management processes, particular attention was paid to risks related to the pandemic and Brexit.

Strategy & Innovation

The Board dedicated a full meeting to a review of the five-year strategic plan and key strategic initiatives with a particular focus on innovation and future investment opportunities in Nitrile latex.

Employee Voice

In view of the onset of the COVID-19 pandemic early in the year no site visits were made other than by Alex Catto in his capacity of Non-Executive Director responsible for representing the 'Employee Voice' on the Board. Mr Catto made visits to our UK sites in Harlow, Accrington and Stallingborough, spending time with managers, union representatives and a range of different employee groups.

How the Board assesses and monitors culture

Cultural identifier	Promoting integrity and openness	Cultural priorities	Valuing diversity and inclusion	Being responsive to the views of stakeholders	Culture aligned to purpose and values	Culture aligned to strategy
Employee survey data	●	●	●	●	●	●
Code of Conduct compliance	●	●	●		●	●
Compliance training data	●	●			●	●
Use of Ethics Helpline	●	●		●	●	●
Site visits and workforce engagement	●	●		●	●	●
Risk and risk assessment reports	●	●			●	●
Reports on the promotion of diversity and inclusion	●	●	●	●	●	●
Whistleblowing reports	●	●		●		
Gender pay gap progress	●	●	●		●	●
Payment practice reports	●	●		●	●	●
Health and safety performance	●	●			●	●
Environmental targets	●	●		●	●	●

Purpose, values and strategy

The Board endorsed the Company's revised 'purpose' which is set out on the inside front cover in November 2020 with the review process described on page 11. Details of the launch of our new values during 2020 are set out on page 65. We describe the linkage between our purpose, values and strategy on the inside front cover.

Culture

The Board is conscious of its responsibility for setting the cultural tone and deploys a number of monitoring and assessment tools.

During 2020 significant effort was devoted to extending and embedding our culture within OMNOVA through the roll-out of the following:

- Safety, Health and Environmental practices
- Training workshops on our Code of Conduct
- Town hall meetings and other employee communications including Chief Executive Officer videos
- New values

The work on our diversity and inclusion policies and practices during the year, as described on pages 67 and 68, is fundamental to ensuring our culture respects and values differences which supports business performance and innovation.

Stakeholder engagement

Our key stakeholder groups and the topics that are materially significant are set out on pages 36 and 37. Based on our engagement with and feedback from stakeholders, we include consideration of their views in the decision making of the Board. Our statement describing how the Board has had regard to the matters set out in Section 172 (1) (a) to (f) of the Companies Act 2006 when performing its duty under Section 172 is set out on pages 38 to 41. The information below supplements the details on stakeholder engagement on pages 36 and 37.

Relations with shareholders

Dialogue with institutional investors is conducted on a regular basis by the Chief Executive Officer, Chief Financial Officer and the President, Corporate Development and meetings take place following the announcement of half and full year results and at other times according to circumstances. In addition to half and full year reporting, the Board has decided to continue with the practice of providing interim management statements notwithstanding that it is no longer a regulatory requirement to do so.

The Board has adopted a set of shareholder communication principles in order to ensure that Board members develop an understanding of the views of the Group's major shareholders. These principles require the Chair to be present with the Chief Executive Officer and the Chief Financial Officer at sufficient shareholder presentations and meetings to provide assurance that she fully understands the issues and concerns of major shareholders. Alternatively, the Chair is also available for meetings with major shareholders at their request.

The Chief Executive Officer reports on shareholder relations at each Board meeting. Communications with shareholders relating to corporate governance matters are conducted by the Chair with the assistance of the Chairs of the Audit and Remuneration Committees. Reports on all meetings between Non-Executive Directors and institutional shareholders and their representative bodies are given to the Board at the first opportunity following such meetings, as is all correspondence with them.

The Senior Independent Director is available to shareholders if they have concerns and where contact through the normal channels of the Chair or the Chief Executive Officer has failed to resolve or for which such contact is inappropriate.

All resolutions proposed at the 2020 AGM were very well supported including the approval of a new Directors' Remuneration Policy which has been implemented as is reported in the Directors' Remuneration report on pages 102 to 118.

The Board seeks to encourage participation of all shareholders, and in particular private investors, at the Company's AGM and endeavours to ensure all Board members are in attendance. In particular, the Chairs of the Audit, Nomination and Remuneration Committees are available to answer questions.

The Company makes use of its website www.synthomer.com to communicate with its shareholders and also publishes half and full year results, Company announcements, share price and corporate governance and other investor information can be found there.

Information on the Company's major shareholdings and share capital is included in the Directors' Report on pages 119 and 120.

Corporate governance continued

Engagement with employees

The engagement with our employees is detailed on pages 65 to 67 and includes: the appointment of Alex Catto as the designated Non-Executive Director for gathering the views of the workforce; social media and the Company intranet; the use of surveys; town hall meetings at sites and with specific groups such as members of the graduate development programme hosted by the Chief Executive Officer and other members of the Executive Committee; the externally hosted Ethics Helpline which provides a way of raising concerns in confidence; appraisal processes and structured career and competency reviews. During 2020 these processes have been adapted to take account of the COVID-19 pandemic.

In addition the Board and its Committees routinely invite members of management to attend meetings to present on the matters being discussed. Board members take the opportunity to engage more widely with employees during site visits.

Induction and training

Induction arrangements are in place in order to ensure new Directors receive a full formal and tailored induction on appointment. Induction arrangements conducted during the year for Cynthia Dubin, who was appointed in July 2020, are set out on page 101. The Chair reviews and agrees the training and development needs of the Directors, and the skills and knowledge of the Board as a whole are updated by briefings provided by the Company's internal resources and materials, workshops and seminars offered by external advisers. During 2020 briefings were delivered to the Board on developments in corporate governance reporting and to the Remuneration Committee on governance and best practice in remuneration. The Audit Committee was provided with updates on governance and corporate reporting by PwC and in addition considered a presentation on ongoing reviews and potential reforms of the audit profession and practices, and the future of internal audit.

Board Performance evaluation

The performance evaluation process in 2020 involved the following:

- the performance of the Executive Directors was reviewed against their personal objectives for 2020 by the Non-Executive Directors and the Chair;
- the effectiveness of the Board and its Committees (Audit, Nomination, Remuneration) was evaluated by way of an externally facilitated evaluation, details of which are set out below; and
- an assessment of the performance of individual Non-Executive Directors was carried out by the Chair through a programme of one-to-one discussions.

The performance of the out-going Chairman was not evaluated during 2020 in view of his retirement at the end of the year.

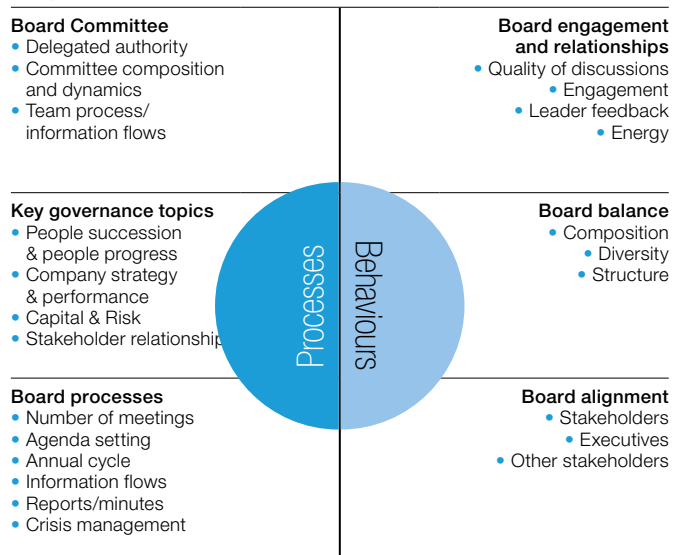
Board and Committee evaluation process

In accordance with Provision 21 of the Code the evaluation of the Board and its Committees in 2020 was externally facilitated using Egon Zehnder, the previous externally facilitated evaluation having been carried out in 2017. The evaluation was commissioned by the Board and overseen by Caroline Johnstone, in her capacity of Deputy Chair at the time, with input from the Chairman and the Senior Independent Director and the process was supported by the Company Secretary.

Proposals were obtained from three board evaluation specialists and Egon Zehnder (which had on appointment no other connection with the Company, other than having been engaged to conduct a search exercise for an additional Non-Executive Director as described on page 100, and has no connection with individual directors) was selected. Egon Zehnder has subsequently been appointed to lead the search exercise for a new Chief Executive Officer as also described on page 101.

The approach taken to the evaluation process was to include not only Board members and the Company Secretary but also members of the Executive Committee who had regularly attended Board meetings over the previous two to three years so as to gain a wider management perspective of the Board. Questionnaires were issued and completed before one-to-one interviews with all 15 participants were held lasting some 90 minutes in order to bring increased rigour and elicit greater candour through the process. Details of the output from the evaluation are set out in the Chair's governance letter and below.

Scope of evaluation review



Board evaluation timeline

End November & Early December 2020		→	
Kick off meeting with the Deputy Chair, Company Secretary and Group HR Director		December 2020 – Mid January 2021 →	
Finalisation of questionnaire	Questionnaires issued to and completed by the Company Secretary and four Executive Committee members followed by one-to-one interviews	21 January 2021	→
	Board update and status report	Early February 2021	→
		Draft report issued for Chair's review with Company Secretary	1 March 2021 →
			Report presented to the Board, facilitated by Egon Zehnder and action plan agreed

Board Committees

The Board has formally established Audit, Nomination, Remuneration and Disclosure Committees, each with their own terms of reference which set out their respective roles and the authority delegated to them by the Board. Copies of the terms of reference are available upon request from the Company Secretary and can also be downloaded from the Company's website. All Non-Executive Directors have a standing invitation to attend Committee meetings unless they are notified otherwise.

The Audit, Nomination and Remuneration Committees' reports are set out at the end of this Governance report.

Succession

All matters relating to succession are dealt with in the Nomination Committee report on pages 100 and 101.

Risk and internal control

Accountability

An explanation of the Directors' responsibilities for preparing the financial statements, their report that the business is a going concern, a viability statement, a responsibility statement and their statement as to disclosure of information to the auditor are set out on pages 119 to 121. Statements by the auditors about their reporting responsibilities are set out on pages 122 to 128.

A report on the approach to internal control is set out below.

The Directors endeavour to make the Annual Report and financial statements as informative and understandable as possible.

Risk management and internal control

The Board of Directors has ultimate responsibility for the Group's systems of risk management and internal control and for reviewing their effectiveness and sets appropriate policies to ensure that the Code requirements are met. The systems of risk management and internal control deployed within the Group are designed to reduce the risks of failure to meet business objectives, but these risks cannot be eliminated. The risk management and internal control systems adopted can therefore only provide reasonable, not absolute, assurance about meeting such business objectives or against material misstatement or loss. The Group risk management framework is set out on pages 42 to 44. Risks associated with safety, health and the environment are, by the nature of the Group's business, always of the utmost concern and the ESG report on pages 56 to 79 reviews the Group's performance in this regard in 2020. The Board confirms that a robust assessment of the emerging and principal risks facing the Group has been carried out and that it has monitored and reviewed the effectiveness of the Group's risk management and internal control systems in 2020.

The Group's internal controls over the financial reporting and consolidation processes are designed under the supervision of the Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes in accordance with IFRS.

The processes which are used by the Board either directly or, where appropriate, through the Audit Committee to review the effectiveness of the internal control and risk management systems in relation to the financial reporting process and the process for preparing consolidated accounts include the following:

- a review of the external and internal audit work plans;
- consideration of reports from management and external parties, including the internal and external auditors, on the system of internal financial control and any material control weaknesses; and
- discussion with management of the actions taken on any possible problem areas for the business that are identified.

In addition, the Board:

- receives copies of minutes from all Audit Committee meetings; and
- receives regular written and oral reports from management on all aspects of production, operations, financial and risk management matters.

Safety, Health and Environmental matters

The maintenance of high standards of environmental (together with health and safety) protection is central to the Group's business. A separate statement on Safety, Health and Environmental (SHE) matters has been a feature of the Annual Report for a number of years and is contained in the ESG section of the Strategic Report on pages 70 to 71.

Audit Committee report



Cynthia Dubin

Audit Committee Chair

“THE IMPACT OF COVID-19 FROM LATE IN Q1 2020 RESULTED IN SOME REALIGNMENT OF PRIORITIES BUT WE CONTINUED TO FOCUS ON MONITORING THE INTEGRATION OF OMNOVA AND PROGRESSED WORK TO DEFINE AND AUGMENT OUR INTERNAL AUDIT AND RISK MANAGEMENT ARRANGEMENTS FOR THE ENLARGED GROUP”

This is my first report as Chair of the Audit Committee having joined the Group during 2020. I would like to thank my predecessor, Caroline, for welcoming me to the Committee and for the extensive handover of the responsibilities of Committee Chair.

Audit Committee membership

Since 1 January 2020	Position	Appointment date	Number of meetings attended	Attendance ¹
Cynthia Dubin	Chair from 16 December 2020	August 2020	2/2	100%
Caroline Johnstone	Chair to 15 December 2020	April 2015	5/5	100%
Just Jansz	Independent Non-Executive Director	May 2012	5/5	100%
Brendan Connolly	Senior Independent Non-Executive Director	March 2014	5/5	100%
Holly A Van Deursen	Independent Non-Executive Director	March 2019	5/5	100%
Other attendees:				
Chief Executive Officer	Company Secretary (secretary to the Committee)			
Chief Financial Officer	Group Internal Audit and Risk Director			
VP Group Finance	External auditors			

1. Based on number of meetings eligible to attend.

Key areas of focus in 2020	Key areas of focus in 2021
As the significance of COVID-19 became clear, we reassessed priorities for internal audit and we increased our focus on financial resilience, liquidity, integrity of internal controls and the resilience of our cyber security and business continuity plans.	Designing and developing our Audit and Risk Assurance Policy. Oversight of and embedding the internal audit and risk management function for the enlarged Group.
Alongside the Board, we had a clear focus on the integration of OMNOVA, with our particular focus around the integrity of the control environment.	Formalisation and alignment of internal control reporting across the Group to reflect the recommendations of Bryden, Kingman and the Competition and Markets Authority.
We have undertaken a review of our internal audit and risk function in light of the acquisition of OMNOVA, established a new Group Internal Audit and Risk Director role commensurate with the increased size and scale of the enlarged Group and overseen the integration of the internal audit arrangements of OMNOVA.	Continuation of our programme of deep dives into key risk areas including the following: <ul style="list-style-type: none"> • Climate change – review of the processes for collating the required data and the preparation of disclosures required under the Task Force on Climate-related Financial Disclosures (TCFD) as the Board agrees targets for the business. • Fraud risk – we will have an in-depth review of fraud risk across the business and the appropriateness of the control framework in place to mitigate against fraud.
We assessed the impact of COVID-19 on the timing of the deployment of our Pathway programme and in particular maintaining the control environment as a result of any delays.	Continue to assess the impact of COVID-19 and apply the lessons learnt to our internal controls and risk management approach.

Areas of focus in 2020

COVID-19

The impact of COVID-19 and the business response is set out on page 17. I would like to highlight the huge effort and professionalism of all colleagues throughout an extraordinary year and in completing the year end processes and audit in good time. I would like to thank all members of our finance, internal audit and external audit teams for all their hard work. It was always going to be a significant year for Synthomer, completing the largest acquisition in our history, and with the finance team supporting the integration of OMNOVA, the reporting of synergies and in completing a successful refinancing of acquisition bridging facilities in June 2020.

During the year, we had regular discussions with the Chief Executive Officer, Chief Financial Officer and Group Internal Audit and Risk Director as well as our external auditors. As the COVID-19 pandemic started to impact the business, the Committee approved all changes to the internal audit plan and received reports to assure it on the increased focus on financial processes and controls as well as on tight cost and working capital management. Updated forecasts were prepared and downside sensitivity analyses developed to enable the Board to assess liquidity and covenant headroom. We challenged underlying assumptions and scenarios developed to evaluate whether sufficiently severe scenarios were considered. This work fed into the Board's proactive decisions to reduce capital expenditure, suspend and subsequently cancel the final dividend for 2019 and freeze all senior employees' salaries. It also provided assurance in relation to the significant liquidity and covenant headroom available to the Group and assured the Board that no revision to the financing covenant was required.

The Committee reviewed the financial information and sensitivity analyses again prior to issuing the €520 million 3.875% Senior Unsecured Notes due 2025, in June 2020, and again before the interim results. As the outlook for the business improved, we had a watching brief as the business revisited and updated this work. We completed our final formal review of this work in conjunction with our going concern and viability assessments at year end (see page 96).

Internal audit and risk management

As indicated in last year's Committee report, we undertook a process to assess the internal audit and risk function required for the enlarged Group. Whilst the internal audit function was fit for purpose before the acquisition of OMNOVA, the acquisition provided an appropriate opportunity to clarify the remit and scope of the function as well as improve the depth and formality of our audit programme and risk processes. At the conclusion of this process the decision was taken to combine the internal audit and risk management functions of the Synthomer and OMNOVA businesses and to establish a new Director role to lead the combined function. The Committee conducted a rigorous internal and external search process, using a leading specialist in senior level internal audit and risk management recruitment, which led to the appointment of Ginette Grant to the newly created role of Group Internal Audit and Risk Director in September 2020. Ginette brings over 20 years of internal audit and risk management experience and knowledge to the Group which will prove invaluable to develop our approach to internal audit and risk management for the combined entity. Ginette undertook a thorough induction and review of the business, taking time to meet with multiple stakeholders across divisions and functions, including all of the members of this Committee as well as other Non-Executive Directors. During Q4 2020 and Q1 2021, we reviewed detailed internal audit plans for changes within the function, and approved the internal audit and risk management plans, including new proposals for identification, classification and evaluation of risk. Additionally, we reviewed and approved changes to the function's human capital resources to deliver these plans.

We engaged with large external audit service providers who also offer outsourced internal audit services to benchmark the performance of our internal function against similar-sized organisations, for the period from the breakout of COVID-19 to the end of 2020. We concluded that our internal audit function continued to operate broadly in line with our peers providing assurance throughout that period. At the Committee's request, additional work was undertaken to assess the risks (and mitigations) of remote working, well-being and the operation of key financial controls. The internal audit team will complete a lessons

Audit Committee report continued

learnt exercise, as part of a wider Group exercise, on how best to provide assurance on controls as elements of our business continue working remotely in 2021.

During 2020, we also spent time considering reports and best practice recommendations on the quality and effectiveness of audits from the Institute of Internal Auditors and the Brydon Report. The recommendations will feed into future development of our internal audit and risk function.

In light of the COVID-19 travel restrictions in place during the year, and given the significance of the OMNOVA acquisition to the Group, we approved the appointment of EY to undertake a formal review of internal controls over financial reporting at OMNOVA during 2020. The continuation of this service will be reviewed as we implement changes to our internal audit function.

Risk reviews

As part of my induction I met with all members of the Executive Committee, senior members of the finance team and other senior commercial and operational executives and discussed the key risks in each of their areas of responsibility with them to ensure that these are included in our risk matrix.

Site visits within the business were necessarily reduced this year. However, we had a number of employees present to the Committee, in person and virtually, during the year as part of the Committee's programme of deep dive risk reviews (set out below). This included presentations from teams on cyber security, procurement, OMNOVA and Brexit.

Set out below are further details on our activities, including the Committee evaluation and priorities for 2021. I, along with my fellow Board colleagues, am happy to meet with any shareholder and answer any questions at any time.

Cynthia Dubin

Audit Committee Chair
4 March 2021

Audit Committee role

Our role is to assist the Board's oversight of our financial systems and reporting, and the adequacy and effectiveness of our internal controls and risk management. We also lead the oversight of both external and internal audit. The full terms of reference, reviewed and updated during the year, are available on the Company's website www.synthomer.com.

Committee members

The Committee comprised four members until August of 2020; Caroline Johnstone, as Chair, and all of the other independent Non-Executive Directors. Cynthia Dubin joined the Committee in August 2020 and assumed the Chair role from 16 December 2020, when Caroline Johnstone resigned from the Committee to take up her role as Chair of the Board. The experience of Committee members is set out on pages 80 to 81. The Board considers that each member is independent within the definition of the Code. Both Cynthia and Caroline have recent and relevant financial experience for the purposes of Provision 24 of the Code. In Cynthia's case, her long career in finance, including being Chief Financial Officer at a premium-listed London Stock Exchange company alongside being a member of and chairing audit committees at both Nasdaq and NYSE-listed companies, respectively, demonstrates her relevant experience and qualifications. Caroline is a Chartered Accountant and her relevant experience includes roles chairing and as a member of other audit committees and her previous position as a partner at PwC. Together, the Committee members have a wide range of financial, operational and commercial experience across the chemicals and engineering sectors and the Board has agreed that the Committee as a whole has competence relevant to our sector.

Committee meetings and operation

Other members of the Board have a standing invitation to attend meetings unless notified otherwise and we regularly have the full Board in attendance. In order to address our remit effectively, we believe it is important to have those working in the business attend our meetings and we are pleased that the Chief Executive Officer and the Chief Financial Officer attend our Committee meetings and other senior managers, at our request, have regularly attended Committee meetings in 2020. Our programme of risk reviews and updates has allowed us to invite high potential and diverse members of the management team to attend the Committee. Senior members of the Group finance team and the Group Internal Audit and Risk Director attend our meetings as well as PwC, led by audit partner Matthew Mullins.

The Committee meets on a regular basis with PwC and with the Group Internal Audit and Risk Director without management present. The Chair also liaises with Brendan Connolly, the Senior Independent Non-Executive Director and Chair of the Remuneration Committee, to discuss matters such as setting compensation targets for the Executive Directors.

Outside of the formal meetings, the Chair meets regularly on a one-to-one basis with the Chief Executive Officer, the Chief Financial Officer, other senior members of the Group finance team and PwC to develop the Committee's programme of work as well as to review progress in addressing actions agreed by the Committee. This interaction also enables us to explore and understand key issues as they arise and focus on ensuring that we have appropriate information prepared for and sufficient time to address key issues in Committee meetings.

How we addressed our core remit in 2020

Integrity of corporate and financial reporting, significant judgements and estimates

- Reviewed and approved the Group's annual and interim financial statements, including preliminary results announcement.
- Reviewed and approved significant accounting policies, estimates and judgements and Alternative Performance Measures reported. This included management's assertions regarding taxation and pensions provisions, accounting for the acquisition of OMNOVA and the impact of COVID-19.
- Reviewed and challenged the assumptions and sensitivities in the scenarios modelled to support preparing the accounts on a going concern basis and in assessing the longer-term viability of the Group.
- Reviewed the FRC guidance for 2020 annual accounts and corporate governance reporting along with a summary of the management's approach to implementation, paying particular attention to the reporting and disclosures around the impact of COVID-19, going concern and cash flows.
- Assessed the processes for assuring the Board that the 2020 Annual Report and Accounts, when taken together, is fair, balanced and understandable.
- Undertook regular reviews of the Group's material litigation and concluded, in March 2021, that the Group's provisions are appropriate.
- Reviewed the UK payment practices report, discussed the underlying data and challenged management on aspects of the report.

External audit

- Approved, after discussion and challenge, the external audit plan for 2020, including assessment of significant audit risks, business risk profile, scope of the audit, materiality level and the de minimis reporting threshold. We also discussed the experience and expertise of the key members of the engagement team, in the light of a mainly remote audit. The audit fee was approved, again after some challenge and discussion.
- Detailed review of auditor's reports, including PwC views on significant accounting judgements and estimates and their assessment of the internal control environment.
- Reviewed compliance with the FRC's Ethical Standard for auditors and the restrictions on auditors to provide non-audit services. Approved the provision of certain permissible non-audit services by PwC (see the detailed information on page 99).
- Considered and confirmed the independence of PwC (pages 98 to 99). Monitored the plans for and execution of the cessation of PwC's internal control review engagement with OMNOVA Solutions Inc to ensure that there was no impact on the independence of PwC as a result of the acquisition.
- Reviewed and assessed the performance of PwC and our lead audit partner. The Chair oversaw and was actively involved in the process for recruiting his replacement as he rotates off the engagement after five years.
- Considered the need to put the external audit out to tender. With PwC re-engaged five years ago, and after discussion and challenge, agreed to recommend the re-appointment of PwC for the coming year.
- We also reflected on the Future of Audit debate and discussed the various reviews of the profession with PwC, their peers and the Chief Financial Officer.

Audit Committee report continued

How we addressed our core remit in 2020

Internal audit, risk management and internal controls

- Oversaw and approved the review of the internal audit and risk function of the Group as part of the integration of OMNOVA and participated in the recruitment of the Group Internal Audit and Risk Director.
- Reviewed the risk processes in place across the business to identify and mitigate risks.
- Regularly reviewed and challenged the risk framework and risk matrix – reviewed management's assessment of the impact of COVID-19 on key risks and mitigations in place.
- Continued our programme of deep dive reviews on the approach to risk management of our global businesses and functions. This allowed us to meet staff and managers from across the business. The Functional Solutions business leaders reported their key risks and approach to risk management and, in addition to our regular deep dive reviews of pensions and tax, we also held reviews of the following:
 - The identification of risks and mitigation actions undertaken by the Group for Brexit.
 - The OMNOVA control environment – we met with the Chief Accounting Officer of OMNOVA, who provided a report on the OMNOVA control environment, finance team, technology and reporting resilience during COVID-19. OMNOVA as a former SEC registrant was required to be compliant with Sarbanes-Oxley and other than some realignment with policies in the Synthomer control environment no changes have been made to the control environment since acquisition.
 - Group-wide cyber security, addressed in three sessions during the year, including arrangements for the integration of the OMNOVA.
 - Security and reliability of our industrial automation and control systems, and initial assessment as part of the integration of OMNOVA.
 - Strategic sourcing operations, including operational, market and credit risk management.
 - Capital project reviews of recent major investments, including our expansion projects at Pasir Gudang, Worms and Sant'Albano.
- Received a report at each meeting on the status of ongoing and completed internal audits and actions arising.
- Considered the results of the 2020 controls assurance internal audits and the IT audits, the self-assessment process, the adequacy of management's response to matters raised and the time taken to resolve such matters. Where appropriate, we invited management to the Committee to discuss its response and action plan to address findings of the internal audit review.
- Reviewed and approved the 2021 internal audit plan and ensured there is sufficient resource to deliver the plans.

Governance

- Reviewed the corporate governance reporting and whether, as part of the Annual Report, it was fair, balanced and understandable.
 - Reviewed the effectiveness of the Group's anti-bribery and anti-fraud procedures.
 - Discussed the effectiveness of the Group's Code of Conduct and Ethics Helpline across the Group including the roll-out to OMNOVA shortly after acquisition.
 - Received reports on the independent investigations that had been conducted in response to concerns raised under the whistleblowing policy and reported to the Board that we were satisfied with the outcome and follow-up actions.
 - Met with internal audit and external auditor without management on a number of occasions.
 - Undertook an effectiveness review of the Committee, reviewed the results and concluded that the Committee was operating effectively.
 - Reviewed our terms of reference to ensure the role and responsibilities of the Committee are aligned with the Code.
-

Significant areas of judgement and estimate

As part of our monitoring of the integrity of the financial statements, the Committee assesses whether suitable accounting policies have been adopted and considers particular areas where management has to exercise significant judgement or make significant estimates. The main areas which we reviewed during the year ended 31 December 2020, together with a summary of our work, are set out below:

Taxation

The Group holds total tax provisions amounting to £45.9 million relating to matters raised by tax authorities in several jurisdictions; significant judgement has to be exercised by management, with advice from appropriate tax advisers, to arrive at tax provisions, given that the final tax outcome is uncertain and may not be known for several years.

During the year, the Group Tax Director presented to both the Board and to the Committee. In assessing the year end judgements for 2020, she reported on the basis for calculating the effective tax rate of 23.4% and the reconciliation to the statutory tax rates of the Group. She provided regular updates on interactions with tax authorities who regulate the jurisdictions in which our business operates setting out the detailed rationale and judgement made by management for each of the current tax liabilities. The Committee challenged management's judgements to ensure that they were aligned with our Group tax strategy. PwC presented their findings on the management's judgements, using tax specialists as required, and provided the Committee with its assessment of their appropriateness. The Committee concluded that the estimates and disclosures were appropriate.

Pensions

The Group operates a number of defined benefit schemes (predominantly in the UK, the USA and Germany) which have significant liabilities, as outlined in note 26 to the Group financial statements. Although the UK and US schemes are closed to future accrual, the assessment of liabilities of each of the schemes is sensitive to changes in actuarial assumptions.

Our Group Pensions and Benefits Director regularly attended the Committee in 2020 to provide updates on each of our pension arrangements. The Committee was pleased with progress in the UK scheme, where the lower risk liability driven investment approach has proved effective through 2020; the trustees have also implemented recommendations from a further strategic investment review to ensure best value. We reviewed the annual financial statements of the UK scheme and had sight of the management letter points of the auditor which were not significant and are being addressed.

A particular focus this year were the plans we acquired with OMNOVA with the largest being in the USA. The liabilities exceed assets by £62 million at 31 December 2020. The Group Pensions & Benefits Director and the Company Secretary have been appointed to the governance board of the US pension plan. A review of the investment advisers and investment strategy is in progress, with a view to implementing a lower risk liability driven investment approach in line with the UK defined benefit pension scheme.

We received a report from management setting out the key assumptions and the rationale for their use in valuing the liabilities of the main plans in the UK, the USA and Germany. The Group uses appropriately qualified external actuarial advisers to help establish the actuarial assumptions used in the valuation of the Group's pension liabilities. PwC evaluated the assumptions and methodologies used by the Group's actuarial advisers and management and assessed whether the assumptions made were appropriate and not materially different from external benchmarks for similar types of schemes. PwC reported to us that it was satisfied with the assumptions used and with the way that the schemes had been accounted for.

The Committee reviewed the assumptions and methodology used by management, including comparisons to those used by other companies, and concurred with the conclusions.

Accounting for the acquisition of OMNOVA and the associated acquisition costs

The accounting for the acquisition OMNOVA is shown in note 29 to the accounts. The assets and liabilities of OMNOVA have been included at fair value, with the balance of consideration shown as goodwill. KPMG LLP was engaged to advise on the fair value of the property, plant and equipment (PPE), intangible assets and inventory and Mercer (US) Inc was appointed to provide a valuation of OMNOVA's pension scheme assets and liabilities. The deferred tax assets and liabilities were assessed by our in-house tax team.

- Overall, KPMG concluded that the total fair value of the property, plant and equipment was marginally higher than the carrying value, mainly in relation to land and buildings.
- KPMG also concluded that the only significant intangible asset (customer relationships) should be valued at \$394 million and this asset will be amortised over 9-11 years, depending on underlying characteristics of various customer groups.
- As required by IFRS 3 Business Combinations the acquired inventory was valued at fair value. This adjustment results in a distributors profit accruing to the Group for this inventory when it is sold. Management deemed that excluding the manufacturing profit from Underlying performance is a technical adjustment to ensure that the financial statements are in compliance with IFRS and would lead to a distortion of trends. As this meets the definition of Special Items the manufacturing profit of £3.3 million realised on the sale of this inventory was included in Underlying performance and adjusted to exclude it from our IFRS results in Special Items.

PwC, as external auditors, reviewed the work undertaken by KPMG LLP, Mercer (US) Inc and our tax team. The Committee reviewed the methodologies, along with their conclusions and discussed them with the external auditor. In particular, we challenged the valuation of customer relationships and the appropriateness of the periods of amortisation. The Committee also focused on the profit in inventory, ensuring that the accounting treatment and disclosures were appropriate. Overall, the Committee concurred with management's view on the fair value of the acquired business.

Other items monitored by the Committee

Alternative Performance Measures – Special Items

The Committee regularly challenges management in relation to what is included in Special Items and reviews in detail every such item which is excluded/separated from reported Underlying profit. The Committee is satisfied that it is helpful to a reader of the financial statements to report Underlying profit without Special Items. Special Items are either irregular, and therefore including them in the assessment of the Group or a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance in the year, or both. The Committee was satisfied that all items reported as Special Items met with the Group's definition of such items.

Audit Committee report continued

COVID-19 impact

Alongside the people and operational considerations set out on pages 66 to 71 and the work undertaken to ensure liquidity and covenant management (set out in our introductory comments above) the Committee received reports from management on the financial management, accounting and disclosure implications of COVID-19.

Areas of focus for the Committee included the following:

- Asking management to assess and provide assurance on the resilience of the finance function and continuity arrangements.
- Receiving confirmation from management that no costs relating to operating through COVID-19 had been included in Special Items and accordingly all were recorded in Underlying performance.
- Confirming that any furlough monies received from the UK Government were repaid in the year.

Overall, we were satisfied with the accounting and disclosures relating to COVID-19.

Brexit

Our Brexit working group reported to the Committee and presented on how the business was preparing for the end of the transition period. The Committee reviewed the detailed plans for a no-deal Brexit which addressed the key risks to our supply chain and the associated potential costs and tariffs.

Going concern and viability statements

For the Board and Committee's assessment of both going concern and viability, management sets out its assumptions, the potential risks to the business and potential mitigations, together with various economic and business scenarios. This year particular attention was paid to the impact of the acquisition of OMNOVA, COVID-19 and Brexit. The process conducted by management, and reviewed by the Committee to support the Board's statement, included the following:

- Reviewing the Group's available sources of funding and, in particular, testing the leverage covenant in our financing arrangements and assessing the available headroom using a range of sensitivities.
- Reviewing the short-, medium- and long-term cash flow forecasts in various severe but plausible scenarios as well as reverse stress testing forecasts. Details of the assumptions in these scenarios are set out for going concern on page 133 and viability on page 49.
- Assessing the Group's current and forecast activities and those factors considered likely to affect its future performance and financial position.

The Committee discussed the going concern statement at a meeting in March 2021 and recommended that the Board provide the statement in the form set out on page 120.

Fair, balanced and understandable

The work undertaken by management (and reviewed by the Committee) to support the Board's statement on the 'fair, balanced and understandable' statement included the following:

- 1 Establishing a working group of key individuals, who are appropriately qualified, within the Group to oversee the drafting of the Annual Report and Accounts. A detailed timetable was agreed by the Committee and the Board, and the working group met regularly to ensure good progress and to consider the appropriateness of disclosures for the benefit of all stakeholders.
- 2 Ensuring that the guidance letter and reports issued by the FRC in November 2020, along with other relevant guidance on corporate financial and governance reporting, were taken into account in the drafting of the Annual Report and Accounts.
- 3 The Chief Executive Officer and Chief Financial Officer confirming that, in their opinion, the drafting of the Annual Report was 'fair, balanced and understandable'.
- 4 Requesting that certain key contributors to sections of the Annual Report (for example, Presidents and Finance Directors of our global divisions) sign a declaration confirming the accuracy of the information provided.
- 5 Arranging for Deloitte LLP, the Company's remuneration consultants, to review the Directors' Remuneration report and having our design agency, Luminous, proofread drafts of the Annual Report.
- 6 An audit trail being completed by the VP, Group Finance for material data underpinning non-financial information in the Annual Report.
- 7 Circulating drafts of the Annual Report to PwC, the Committee and the Board for review.
- 8 Discussing material disclosure items at a meeting of the Committee held in March 2021.

The Committee discussed the 'fair, balanced and understandable' statement at a meeting in March 2021 in the light of the above and, having done so, recommended that the Board provide the statement in the form set out on page 121.

The Committee discussed the viability statement at a meeting in March 2021, debated and challenged the scenarios modelled and, having done so, recommended that the Board confirm the statement in the form set out on page 49.

Risk management and internal controls

Each year, the Board is required to conduct a review of the effectiveness of the Group's systems of risk management and internal control. The Board's statement relating to this review is set out on page 89. At a meeting in March 2021, the Committee reviewed management's assessment of the key elements of these systems and confirmed their overall effectiveness. In forming its conclusion, the Committee reflected on matters including the following:

- The internal audit programme completed during 2020 (including in the OMNOVA entities acquired in the year) and the progress in implementing actions arising therefrom.
- Our own programme of risk reviews and discussions with senior managers and other staff across the Group throughout the year.
- Assurance (via Committee papers, Board and Committee presentations and discussions) that management continued to review the Group's key financial controls to ensure that they supported the Group's continued growth.
- The key controls questionnaire, which is completed and signed by each operating unit across the Group on a quarterly basis.
- Representations from financial and commercial management in the divisions to the Chief Financial Officer, that the financial information reported to Group has been prepared in accordance with the Group's accounting policies and all relevant information has been provided for the Group's Annual Report and Accounts to be prepared. These representations are made twice each year in line with our external reporting timetable.

The recently appointed Group Internal Audit and Risk Director has a direct reporting line to the Audit Committee Chair and provides an independent assessment of our internal control and risk management processes' effectiveness, highlights key issues, makes recommendations and monitors implementation of mitigations and recommendations.

Code of Conduct, Ethics (whistleblowing) and GDPR

The updated Code of Conduct and external Ethics Helpline was implemented in December 2018 and the Committee has overseen the roll-out, communication and embedding of this. This has been very positively received across the Group with high awareness of the helpline being reported in the Employee Voice Engagement Survey. In 2020, this helpline was further refined and rolled out to OMNOVA as part of the integration.

The Committee received an update on the development of an e-Learning and Learning Management System which will be rolled out across the Group in 2021. This will provide a common platform for all our employees and enable us to monitor more effectively training needs and completion of mandatory training.

At each Committee meeting during the year, the Committee was provided with details of the issues reported to the external Ethics Helpline during the period and had a detailed report on how management had investigated them, together with any update on ongoing investigations. All issues and their resolution were reported to the Board as a matter of course.

Business continuity planning (BCP)

In 2019, using the business Project Excellence methodology, a dedicated team at Pasir Gudang, with involvement across the site, identified seven predefined scenarios and developed business impact analyses and recovery strategies for each. At the beginning of 2020, the team had developed a comprehensive plan for each scenario and, before the onset of the pandemic, the BCP team started to develop a template to roll out across the Group.

The pandemic provided an immediate and ultimate stress test of the work done and the Committee was satisfied that the work done in 2019 had been robust as the team implemented plans in responding to the challenges the site faced through 2020. In 2021, we will ask the team to reflect on lessons learned and to share this and the approach to developing a BCP across the enlarged Group.

Internal audit and risk management assurance

Developments in our internal audit arrangements are set out in my introduction on pages 90 to 92. We have a dedicated in-house internal audit function, which draws on specialist resources as required. At each meeting, the Committee reviewed progress against the internal audit annual plan and explored areas identified for action. The Committee also reviewed completed audit reports, focusing on recurring themes, which might require Group actions, and areas where there was divergence from self-assessments prepared.

Given our Group Internal Audit and Risk Director joined us in September 2020, it was appropriate that she spent time understanding the business and forming her own views of priorities. She gave the Committee initial views and we discussed in outline the internal audit plan for 2021 at our meeting in November 2020 and the Committee reviewed and approved the final 2021 plan at our meeting in March 2021. We mapped the 2021 plan to our key risks and it includes auditing areas which account for more than 60% of Group EBITDA as well as certain thematic audits e.g. IT user management, procurement and change programmes.

Audit Committee report continued

External audit

PwC was re-appointed external auditor in 2016, following a full re-tender process, having been the Group's auditor since 2012. This is the last year that Matthew Mullins will be our lead partner as he comes to the end of his five year tenure.

At its meetings in November 2020 and March 2021, the Committee discussed the 2020 audit process:

The Chair of the Committee was in regular discussion with PwC's lead audit partner to discuss the progress of the audit. Ahead of and following the conclusion of the March 2021 meeting, the Committee met PwC without management being present and no significant issues were raised.

Auditor independence and objectivity and non-audit services provided by the auditor

PwC provided us with a report setting out how they assessed the firm to be independent. This referred to the tax compliance and internal audit services that were provided to OMNOVA but which ceased on the acquisition of OMNOVA in April 2020. No member of any PwC team providing services to OMNOVA prior to acquisition has been part of the external audit team for 2020. PwC confirmed that they remained independent in respect of the 2020 audit.

November 2020	Outcome/action taken by the Committee
PwC's audit risk assessment – set out on pages 122 to 123	PwC undertook a detailed risk assessment and set out their view of the significance of such risks and the potential risk of material mis-statement. The Committee discussed this and challenged PwC on whether goodwill impairment should be a key area of risk. Management demonstrated significant levels of headroom available in its preliminary review which PwC had reflected in their risk assessment and, after further debate and acknowledging that we would review management's impairment evaluations further at the year end, we concurred with PwC's view.
Materiality level for the audit (pages 125 to 126)	PwC proposed materiality set at £7.9 million, 5% of Underlying profit before tax and the Committee felt, after discussion, that it was appropriate for 2020.
PwC's audit plan	<p>We reviewed in detail the audit coverage and agreed scope (set out on page 125) and agreed this was appropriate. In coming to that conclusion we considered the increased scope and scale of the business, including OMNOVA, the legal entity structure, location of significant global operations and our forecast and actual financial results. The continued high level of coverage was noted and approved by the Committee.</p> <p>We discussed, in particular, the areas of significant judgements and estimates, the approach to the OMNOVA business and sites, the remote deployment approach during COVID-19 restrictions and the ability of the PwC teams for our major locations to effectively carry out their work remotely.</p> <p>The Committee recognised that planning would be key to a well-executed year end and audit process and spent some time reviewing the proposed timetable and the areas which PwC would progress ahead of the year end, including areas such as goodwill impairment assessment.</p> <p>We also asked PwC to provide the Committee with feedback on any learnings or particular areas where remote working had impacted the year end processes around the business and any insights around the culture they experienced.</p>
PwC's resources	Reviewed and discussed with PwC, in particular, the experience and tenure of PwC audit partners in our key territories.
Audit fee and terms of engagement	Having discussed the impact of COVID-19, increased audit requirements and the enlarged scope of the audit following the acquisition of OMNOVA, we concluded that the proposed plan was appropriately comprehensive and we approved the proposed fee of £1.8 million, compared to £0.9 million in 2019.
March 2021	Outcome/action taken by the Committee
Confirmation of PwC's audit plan	PwC confirmed no material changes made to agreed plan. It was noted that the Synthomer and PwC teams worked effectively despite working remotely.
Audit findings, significant issues and other accounting judgements (pages 123 to 125)	Discussed these with PwC and management – the work of the Committee is set out below.
Management representation letter	The Committee reviewed and approved this.
PwC's independence and objectivity and quality control procedures	The Committee evaluated and confirmed PwC's independence, objectivity and quality control procedures.

This is the last year that Matthew Mullins will be the lead audit partner for Synthomer as he comes to the end of his five year tenure. We have regularly reviewed the rotation and experience of PwC lead partners in each of our key territories to ensure that we have the right mix of continuing and new partners. A number of candidates to replace Matthew were presented to the Chair of the Committee and Chief Financial Officer and it was agreed that David Beer would become the new lead audit partner after the 2020 AGM.

The Committee has a clear policy on the provision of non-audit services by the external auditor. We have defined the very limited non-audit services which can be provided by the external auditors. Services can only be provided if approved by the Committee and subject to a cap of 70% of the average of audit fees for the preceding three years. All engagements for non-audit services with any external audit firm must be pre-approved by the Committee to ensure that as many firms as possible would be independent for the purpose of any audit tender.

Details of audit and non-audit fees paid to the auditor in 2020 are set out in note 7 on page 141.

Both the proposed acquisition of OMNOVA Solutions Inc with the rights issue in 2019 and the subsequent issuance of debt securities

in June 2020 required substantive reporting accountant services. Whilst the use of the statutory auditor as reporting accountant is not strictly required by law it is customary and more efficient for them to be engaged for such work. The Committee challenged management on the need to use PwC, our external auditors, for this work as reporting accountants. We explored other options but concluded that as the evidence of market standard arrangements was strong that, particularly in a period of huge market uncertainty and the need for efficiency, it was the right thing to do. As is required, PwC requested the Financial Reporting Council (FRC), as the Competent Authority, to authorise an exemption from the 70% cap on fees for non-audit services for 2020 only and this was granted ahead of the work being undertaken.

The Committee concluded that PwC's independence and objectivity were not compromised by providing these services and that, as a result of its knowledge of the Group and its financial statements, it was in the Group's interests to engage PwC to do so.

Having considered the steps taken by PwC to preserve its independence and the approach to non-audit services set out above, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

Audit quality – how we reviewed PwC's performance

During the year, the Committee evaluated the performance and effectiveness of the external auditor, PwC and our audit partner, Matthew Mullins in the following ways:

External evidence	The Committee reviewed the FRC's 2019 Audit Quality Inspection Report covering its conclusions from a review of a selection of PwC audits. Matthew Mullins was asked to share actions taken by PwC in response to this and, in particular, to focus on areas particular to Synthomer, including the auditing of impairment reviews.
Management evidence	At our request, management sought feedback from people across the business who were involved in working on the year end with PwC teams. The feedback was positive to all questions asked and indicated that PwC had performed their audit well. The highest ratings were for exhibiting professional scepticism in their work and providing constructive challenge to management. We concluded that slightly lower ratings around communication of recommendations reflected remote working as a result of COVID-19.
Auditor evidence	<p>Matthew Mullins attended all Committee meetings during the year and was involved as the Group undertook the issuance of the €520 million 3.875% Senior Unsecured Notes due 2025 in June 2020. He has developed clear and focused reporting for the Committee, highlighting the key matters arising and where the PwC team has challenged management.</p> <p>In discussing the audit plan for 2020, for instance, he set out clearly the initial judgement on materiality but recognised that this was impacted by the results of the first half of the year which had been impacted more by COVID-19 and this was revisited and discussed prior to finalising the Annual Report.</p> <p>We assessed the input from Matthew Mullins and his team as we considered the FRC guidance during the year and he clearly articulated where PwC required additional or enhanced disclosures and this was communicated early and regularly through the year.</p>
Audit Committee evidence	<p>In each of the Committee meetings and in meetings with the Chair throughout the year, the Committee reflected on the performance of PwC. Committee meetings are very open and constructive and the Committee hears from management and PwC, with any areas of challenge set out and the final conclusions highlighted.</p> <p>We met as a committee with PwC without management on two occasions during the year, in addition to regular discussions between the Chair and PwC.</p>

Having considered all of the above inputs, the Committee concluded that the external auditors were effective.

Re-appointment of the auditor

Having assessed the effectiveness of the external audit referred to above and the independence of PwC, the Committee recommends the re-appointment of PwC at the 2021 AGM.

The Committee considered the Group's position on its audit services contract in the context of the regulations concerning the audit market.

Although there is no immediate intention to tender the audit contract, the Company will re-tender at the latest by the 2025 year end.

Committee evaluation

Feedback from the externally facilitated evaluation of the Board and its Committees (undertaken in December 2020 and January 2021) confirms that the Committee is working well and we regularly have all members of the Board in attendance. Following feedback, our training plan in 2021 will include corporate reporting on climate change and sustainability.

Nomination Committee report



Caroline Johnstone

Nomination Committee Chair

Role

The Committee's overall purpose is to ensure the Board has the appropriate skills, knowledge, experience and diversity to lead the business now and in the future. The Committee takes the lead on the process of all Board appointments and ensures succession planning for all Board and Executive management roles. Our key responsibilities include the following:

- The regular review of the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and recommending any changes for the future requirements of the Group.
- Leading the process and making recommendations for appointments, re-appointments or replacement of all Board members.
- Considering succession planning for Directors, the Executive Committee and other key management roles, reviewing and challenging the succession plans put forward.

Activities in 2020

The Nomination Committee held four formal meetings during 2020 as well as meetings in combination with other formal meetings of the Board, where it was appropriate to do so. In addition, a number of informal meetings and telephone calls have taken place in connection with succession planning and recruitment processes.

Chair appointment

The Committee had a very active year which began with succession planning for the role of Board Chair. For the purposes of leading this process Brendan Connolly, Senior Independent Director, assumed the Chair of the Committee. The rigorous process followed is set out on page 101.

Non-Executive Director appointment

The Board gave a commitment to recruit an additional female Non-Executive Director in 2020 and the Committee, under the Chairmanship of Neil Johnson, led the process which culminated in the nomination and appointment of Cynthia Dubin, who brings a wealth of experience to the Board. Russell Reynolds Associates (with which neither the Company nor the Directors had any other connection other than in relation to the Board Chair appointment process described below) was appointed by the Committee as independent consultant to conduct an extensive search exercise. A thorough review of a range of candidates that were put forward was carried out and Cynthia joined the Board in July 2020. A tailored induction process was arranged for Cynthia and as this was necessarily limited by the COVID-19 pandemic it will be continued in 2021 with site visits when circumstances permit.

This appointment also allowed us to fulfil a commitment made following the significant minority vote against the re-election of Neil Johnson as a Director of the Company at the 2019 AGM.

Board skills review and future Non-Executive Director recruitment

Toward the end of 2020, and following my appointment as Chair of the company and the Committee, I initiated a full succession planning process for the independent Non-Executive Directors. The first step was to undertake an externally led independent skills review, in order to assess our skills, experience and knowledge against the needs of the business in the future and to compare our Board with the relevant external market. The skills review considered a number of parameters, together with a peer review and was supported by Egon Zehnder. The overall conclusions were that we will continue to develop diversity in future Board appointments as well as seek further expertise in innovation, sustainability and digitisation.

The skills review also fed into developing a candidate profile and search strategy, supported by Egon Zehnder, to conduct a search exercise for a Non-Executive Director to replace Just Jansz, who will retire from the Board during 2021 after nine years' service. The Committee specified that long and short lists of candidates should seek to continue to add to the Board's diversity in its widest sense.

Nomination Committee membership

Since 1 January 2020	Position	Appointment date	Number of meetings attended	Attendance
Caroline Johnstone	Chair (from December 2020)	April 2015	2/2	100%
Brendan Connolly	Senior Independent Non-Executive Director	March 2014	4/4	100%
Cynthia Dubin	Independent Non-Executive Director	December 2020	n/a	n/a

+ Terms of reference

www.synthomer.com/investor-relations/shareholder-documents/corporate-governance

Externally led evaluation of the Board and its Committees

Egon Zehnder was appointed to carry out an effectiveness review of the Board as described on page 88. Egon Zehnder is an independent company and, other than the activities noted here, has no other connection with the Company or any of its Directors. The Committee was satisfied that, as Egon Zehnder's effectiveness review focused on Board processes and behaviours and not behaviours of individual Board members, together with their policies and procedures, no potential conflicts of interests arose from its provision of recruitment consultancy services.

Details of individual Director contribution to the long-term success of the Company will be contained in the 2021 Notice of Annual General Meeting in support of the resolutions for Director re-appointment.

Diversity

The Board believes that diversity and inclusion drives innovation and improved business performance. As a growing, global business we recognise the importance of reflecting the diversity of our customers and markets in our workforce. Equally, we encourage equality, diversity and inclusion in our business because we seek to recruit, retain and develop the best talent which in turn drives business success. It is also aligned to our values and it is the right thing to do.

We encourage differences in skills, knowledge, ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking styles, experience and education. Diverse perspectives are valued at Synthomer. Every employee should be treated fairly regardless of their differences and everyone should be treated with respect at work.

We have made significant progress in embedding diversity into all of our decisions as a board and we approved an updated Board diversity and inclusion policy (available at www.synthomer.com) in February 2021. The purpose of this policy is to ensure an inclusive and diverse membership of the Board of Directors of Synthomer plc and to create a framework to align Board activity to support diversity and inclusion in Synthomer.

Progress and plans for our diversity and inclusion agenda is set out on pages 67 and 68 and I am pleased to report that we have now included approved measurable objectives. We remain mindful of the need to make further progress on gender diversity at a senior management – with focus on this, we have increased the proportion of women across our Executive Committee and its direct reports from 8% in 2019 to 16% in 2020 but we acknowledge that this is below the target of 33% set by the Hampton-Alexander Review. We have now set a formal target to get to 20% in 2021, 25% in 2022 and 33% by 2025 and have a plan in place to achieve this.

To support our continued efforts to increase ethnic diversity in our senior leadership population we have set a target of 20% by the end of 2025.

Tailored induction for Cynthia Dubin

- Discussions with Chairman, Deputy Chair and Company Secretary to tailor and agree induction programme.
- Structured introduction to Group strategy with the Chief Executive Officer.
- Access to Board portal providing previous Board and Committee meeting papers, minutes, and strategy and business presentations; provision of policies and procedures.
- Guidance on corporate governance arrangements provided by the Company Secretary.
- One-to-one meetings with each of the Executive Directors and other Executive Committee members, Director of Group Finance, Internal Audit team and the Group CIO.
- Meeting with Chair of Audit Committee and external auditor.

Succession planning

The Committee, in combination with the Board, reviewed progress against the 2020 management succession action plan presented to the Board at the start of 2020, reviewed the 2021 management succession action plan and had regular updates on actions throughout the year.

Chief Executive Officer recruitment

Following Calum MacLean's notification to the Board in January 2021 of his intention to stand down by January 2022, I initiated a recruitment process. This started with a competitive selection exercise which resulted in Egon Zehnder being appointed to assist with the search process, which will include both internal and external candidates. Egon Zehnder's other engagements with the Company are noted above. A formal recruitment process has been discussed with the Board and we have developed a clear role and person specification, around which there is alignment around the Board. The process will be managed by a committee comprising myself, the Senior Independent Director, as well as our HR President and Group HR Director. The Nomination Committee and the Board will be involved at key points of the process.

Caroline Johnstone

Chair
4 March 2021

Appointment of Caroline Johnstone as Chair

Caroline Johnstone was appointed to succeed Neil Johnson as Chair of the Board following a process that complied with Principle J of the Code. Brendan Connolly, Senior Independent Director, was appointed by the Board to chair the Nomination Committee for the purposes of preparing the Board Chair succession plan in view of Neil Johnson reaching the ninth anniversary of his joining the Board in September 2020.

Neither Neil nor Caroline participated in the process in order to ensure the independence of the Committee. Russell Reynolds Associates (with which neither the Company nor the Directors had any other connection other than in relation to the search exercise which led to the appointment of Cynthia Dubin described above) were appointed to assist the Committee in the preparation of a role specification which was approved by the Board. As a key factor in the succession plan was to build on the Company's purpose, culture and values, consideration was given to the identification of an internal candidate. Following identification of Caroline as a potential candidate and her confirmation that she wished to be considered for the position, Russell Reynolds Associates was requested to assist the Committee with the evaluation of Caroline against the role specification and separately interviewed her and produced a candidate report. References were taken and Russell Reynolds Associates took feedback from all Directors who had also interviewed Caroline and carried out a benchmarking exercise against a number of potential external candidates.

Following the presentation of these materials to the Committee it was determined that Caroline was well qualified to perform the role and she was formally nominated to succeed Neil Johnson as Board Chair and that recommendation was unanimously approved by the Board. In approving Caroline's appointment the Board took into account that:

- she would be independent on appointment in accordance with Provision 10 of the Code; and
- she would have sufficient time to meet her responsibilities to the Company, taking into account her other commitments, as shown on page 80, in accordance with Provision 15 of the Code.

Caroline became Deputy Chair on announcement of her intended appointment and shadowed Neil ahead of her taking up the Chair role in December 2020.

Directors' Remuneration report



Brendan Connolly

Remuneration Committee Chair

Dear Shareholders,

I would like to thank our shareholders for their support for the new Directors' Remuneration Policy which received a 92% vote in favour at the 2020 AGM, and the Directors' Remuneration report (vote in favour of 90%) in what was a very complex and uncertain year.

Despite an initial impact in the second quarter of 2020 from COVID-19 related market constraints, performance was strong, predominantly driven by the Performance Elastomers Nitriles market (latex gloves), the OMNOVA contribution including integration synergies, and the strengthening of selective end markets for Functional Solutions and Industrial Specialities. This has resulted in an over performance against both budget and previous year.

Management has also continued to focus on the strategic initiatives despite the demanding conditions and has moved forward on the site transformation and rationalisation programmes, maintaining planned investments and improving SHE performance. ESG has also received more prominence with an additional 'CO₂ reduction' goal added to the 2020 PSP awards.

Following the decision to cancel the 2019 final dividend, salaries for the Executive Directors, the Executive Committee, senior executives and the Board were frozen in April 2020 at 2019 levels. The 2020 salary review was subsequently applied on the 1 October 2020 based on the performance of the Company and the reinstatement of the 2020 interim dividend. All other workforce increases were awarded as normal during the year. It should be noted that during this period, the minor amount of furlough funding received from the UK Government was subsequently repaid in full.

Implementation of Policy for 2021

Base salaries

For 2021, base salaries for the Executive Directors and the Chair have been increased in line with the 2021 inflationary pay increase for the wider UK workforce of 2.5%. The Chief Executive Officer's salary will therefore be £594,752 and the Chief Financial Officer's salary will be £378,052. The Executive Committee annual salary review takes effect on 1 April and will be carried out at that time.

Performance measures

The 2021 annual bonus performance measures will remain the same with 80% based on Underlying profit before tax, 10% on SHE targets (in both cases for the Group as enlarged by the acquisition of OMNOVA), and 10% on strategic/personal targets.

For PSP awards granted in 2021, the measures will be EPS growth (40%), relative TSR (40%) and strategic targets (20%) which will include New Product Development and an ESG measure.

Remuneration Committee membership

Since 1 January 2020	Position	Appointment date	Number of meetings attended	Attendance ¹
Brendan Connolly	Chair	March 2014	4/4	100%
Just Jansz	Independent Non-Executive Director	May 2012	4/4	100%
Caroline Johnstone	Independent Non-Executive Director	April 2015	4/4	100%
Holly A Van Deursen	Independent Non-Executive Director	March 2019	4/4	100%
Cynthia Dubin	Independent Non-Executive Director	July 2020	2/2	100%
Other attendees:				
Chief Executive Officer				
Group HR Director				
Company Secretary				
Deloitte LLP				

1. Based on number of meetings eligible to attend.

As communicated to shareholders last year and in line with the Policy, the second stage of the phased increase in maximum PSP awards will apply to 2021 awards with an additional 25% and 15% of salary being added to the PSP awards granted to the Chief Executive Officer and Chief Financial Officer respectively. The maximum PSP award for 2021 will therefore be 200% of salary for the Chief Executive Officer and 150% of salary for the Chief Financial Officer.

The maximum annual bonus will continue to be 150% of base salary for the Executive Directors. The one third bonus deferral into shares will be applied to the 2021 bonus payments and the additional clawback & malus conditions (corporate failure and serious misconduct) have been incorporated into the plan documents. New shareholding guidelines will come into effect in April 2021.

Chief Executive Officer departure

On the 14 January 2021 we announced that, after 6 years in role during which time Synthomer has transformed as a business, our Chief Executive Officer, Calum MacLean, had informed the Board that he wished to step down. Calum will leave the business by January 2022.

Calum will remain entitled to an annual bonus for 2021 and will be treated as a good leaver for the purpose of his outstanding share awards. Given Calum will be in role for the whole of 2021 the Committee determined that it was appropriate for him to continue to receive a 2021 PSP award to reward him for his contribution during the year and to ensure that he continues to drive long-term sustainable performance. This award will be pro-rated for time on his departure and remain subject to performance conditions being achieved at the end of the performance period.

Remuneration outcomes in 2020

Performance has been strong and progress against strategic objectives was also meaningful resulting in 100% bonus achievement. The bonus plan consisted of financial (80% on Underlying profit before tax), SHE (10% on personal safety and process safety targets) and strategic/personal goals (10%). Details of our year of record financial performance can be found on page 110. Performance against strategic/personal goals is set out on page 111. It should be noted that both the SHE and strategic/personal goals are not subject to an affordability measure but are subject to Committee discretion. The SHE targets are applied Company-wide and 2020 saw a year of world class SHE performance. The Committee felt that the shareholder experience was well aligned to the outcomes and as such no discretion was applied.

Bonus plan: 100% of maximum opportunity achieved

As in the previous years the Bonus Plan consisted of three parts:

- Financial: 80% of award. This target was adjusted upwards to include the OMNOVA budget for 9 months. Maximum achievement implies at least 10% above the budgeted number.
- SHE: 10% of award. For 2020 only legacy Synthomer was considered. The recordable injury rate target was 0.21 or less and the process safety event rate target was 0.16 or less. 2021 will see a combined target for legacy Synthomer and OMNOVA.
- Strategic/personal objectives: 10% of award. For the Chief Executive Officer and the Chief Financial Officer, integration effectiveness with synergies delivered, business transformation and restructuring, the Pathway programme deliverables and executive succession planning. Additionally, and specifically for the Chief Financial Officer the issuance of the Bond, which was oversubscribed and successfully completed in May. The above

were all delivered as planned except for the Pathway programme timetable which was impacted by the pandemic.

Two thirds of the bonus will be paid in cash with one third deferred into shares which are held for two years.

PSP: 31.8% achieved: The 2018 award consists of EPS growth (40%), relative TSR (40%) and strategic targets (20%).

- EPS growth: 0% achieved. Adjusted for OMNOVA the threshold was 32.8p with a result of 28.9p.
- Relative TSR: 21.8% achieved. This measures the Group performance against the FTSE 250 (excluding investment trusts and financial services) was at the 60th percentile.
- Strategic targets: 10.0% achieved. (6.67% each)
 - New Product Development between 15 and 20%. Fully achieved at over 20%.
 - Cumulative PBT from acquisitions: threshold is £30 million. Despite the OMNOVA acquisition, the threshold was not met.
 - ROIC on major capital expenditure projects. Threshold average was 18.3% and half of the maximum target was achieved.

Activities during the year

All the required topics, as set out in the Committee's terms of reference (www.synthomer.com), have been covered to ensure best practice. Additionally, training was given to the Committee which included the updated Investment Association guidance, any changes in Regulations, a review of voting outcomes for the FTSE 250 and remuneration trends. A review of alternative remuneration structures was also commissioned and carried out by our advisors. The output was discussed with the Committee and the Executive Directors with the conclusion that the current remuneration structure was best aligned to our strategic goals, industry and outlook.

We agreed to fully align the Executive Committee bonus plan to that of the Executive Directors. We also had sight and input into a Group wide project to look at remuneration levels across all geographies and levels which has now been implemented and is broadly aligned with the Executive Directors and Executive Committee.

In line with our normal practice our LTIP awards for 2020 were granted on 12 March 2020. Due to the speed of the COVID-19 outbreak and the impact on share prices throughout the market in early March 2020, the share price used to determine awards was circa 32% lower than the share price used to determine awards in 2019.

The Committee is aware of shareholder guidance that the face value of awards should be reduced where share prices have fallen significantly. Awards were not reduced; however, the Committee has committed to reviewing awards on vesting in March 2023 considering whether there has been a windfall gain for management.

UK Corporate Governance and other regulations and guidance

Our most recent gender pay gap report was published in April 2020 and though some progress had been made this remains an area of focus. The Chief Executive Officer to all employee pay ratio shows at 28:1 at the 50th percentile using Option B, an increase compared with 2019 (23:1) primarily because the bonus payment for 2020 was larger than in 2019 when there was a minimal bonus payment for all employees including the Executive Directors.

The remuneration package of the Executive Directors remains structurally the same, easily understandable and in line with the majority of FTSE 250 companies. We believe that this aligns well to the strategy and is aligned to the performance of the Company. We note the need to have a viable plan to align the pensions to general workforce levels and we have previously committed to align the pensions of the Executive Directors at the start of the next policy period. We now intend to align the pensions of both Chief Executive Officer and Chief Financial Officer to the workforce average by the end of 2021 and 2022 respectively. The Policy already contemplates

Directors' Remuneration report continued

this alignment for new Executive Directors and therefore the incoming Chief Executive Officer will receive the workforce average as per the policy.

We have a structured process in place for post-employment shareholdings which comes into force from April 2021, bonus deferral and 5 year holding periods for PSP awards from the date of grant which are enforceable and transparent.

Engagement took place and feedback was received on various aspects of the employee experience at Synthomer (see page 66) and pay in the boardroom was not raised by employees although there was no direct engagement to explain how executive remuneration aligns with the wider Company pay policy. We will continue to keep the deployment of such engagement under review.

Remuneration report

The Policy remains the same as that approved at the 2020 AGM, but the Director's Remuneration report is subject to an advisory vote at the 2021 AGM.

Summary

We believe that the outcomes reflect the shareholder experience in a challenging year.

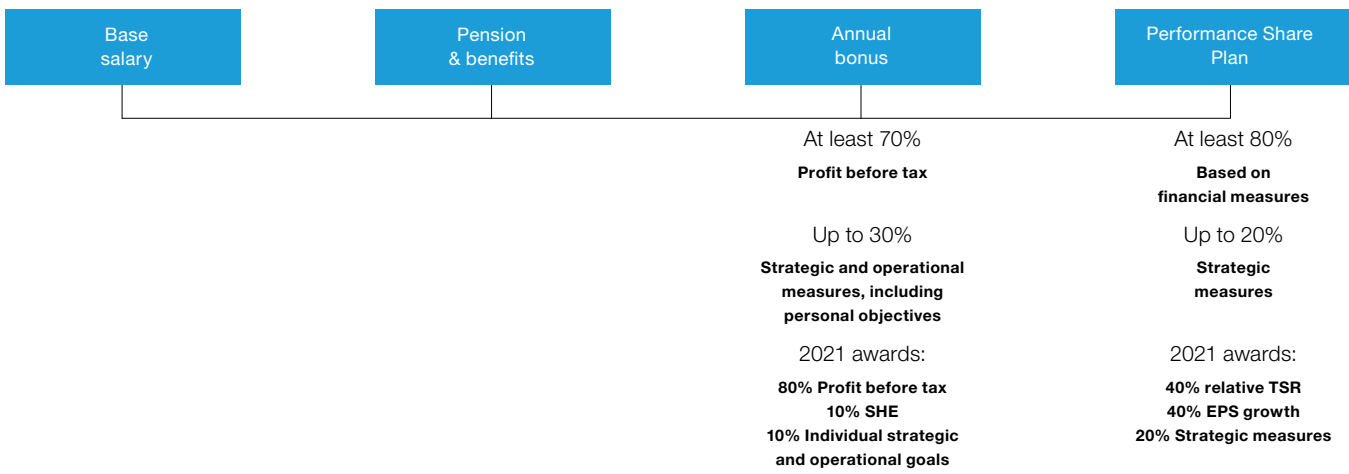
In 2021 we will continue to work towards our pension alignment target, improve our engagement with the workforce to further explain and ensure that executive remuneration aligns with the broader Group's pay policies, and obtain feedback from the Employee Voice on the Board representative to get a broader input. We will also look at continuing to bring our ESG strategy and targets into our variable pay measures.

I would like to thank all our stakeholders and shareholders and the Remuneration Committee for their time, input, guidance and support.

Brendan Connolly

Remuneration Committee
Chair
4 March 2021

Key elements of reward



Policy table			
Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			
<p>Supports the recruitment and retention of Executive Directors.</p> <p>Reflects the individual's skills, experience, performance and role within the Company.</p>	<p>Salary levels are generally reviewed annually by the Committee.</p> <p>When reviewing salary levels the Committee takes into account:</p> <ul style="list-style-type: none"> the individual's skills, experience and performance; the size and scope of the individual's responsibilities; pay and conditions elsewhere in the Group; pay at companies of similar size; and the complexity and international scope of the Group. 	<p>There is no overall maximum for salary opportunity or increases. Salary increases will normally be in line with the increases awarded to other employees within the Group.</p> <p>Larger increases may be made under certain circumstances, including but not limited to:</p> <ul style="list-style-type: none"> an increase in the scope and/or responsibility of the individual's role; the development of the individual within the role; alignment to market levels; and corporate events such as a significant acquisition or Group restructuring which impacts the scope of the role. <p>For 2021, Executive Director salaries are as follows:</p> <ul style="list-style-type: none"> C G MacLean: £594,752 (increase of 2.5% on 2020 salary of £580,246) S G Bennett: £378,052 (increase of 2.5% on 2020 salary of £368,831) 	<p>None, although individual and Company performance are factors taken into account when considering salary increases.</p>
Benefits			
<p>Provided to support the retention and recruitment of Executive Directors.</p>	<p>Benefits to Executive Directors may include private health insurance, life insurance and a car allowance. From time to time the Committee may review the benefits provided. The Committee may remove benefits that Executive Directors receive or introduce other benefits if it considers it is appropriate to do so. Any other benefits will be proportionate with the current benefits provided and will be set taking into account the benefits provided to other employees in the Group.</p> <p>Where Executive Directors are required to relocate or complete an international assignment, the Committee may offer additional benefits (either on a one-off or ongoing basis) or vary benefits according to local practice.</p> <p>Executive Directors may participate in any all-employee share schemes or other benefit arrangements on the same basis as other employees.</p>	<p>There is no overall maximum for benefits, as the cost of insurance benefits may vary from year-to-year depending on the individual circumstance and the level of any relocation benefits, allowances and expenses will depend on the specific circumstances.</p>	<p>None.</p>
Pension			
<p>Provide a competitive level of retirement benefits to support both retention and recruitment of Executive Directors.</p>	<p>Executive Directors are eligible to participate in the Group personal pension plan.</p> <p>Executive Directors may receive payments as a cash allowance which they may use either in conjunction with that plan and/or to enable them to make their own arrangements.</p>	<p>For new Executive Director hires, a maximum percentage of base salary aligned to the pension contribution rate available for the majority of the workforce.</p> <p>Allowances for current Executive Directors are:</p> <ul style="list-style-type: none"> C G MacLean: frozen at its 2019 cost value of £137,891 (or 20% of salary if higher) S G Bennett: 20% of salary 	<p>None.</p>

Directors' Remuneration report continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus			
Incentivises the delivery of financial, strategic and operational objectives selected to support our business strategy within the year.	<p>Performance targets will be determined by the Committee at the beginning of the annual performance period.</p> <p>The Committee will assess performance against these targets following the end of the performance period.</p> <p>The Committee may in its discretion, adjust annual bonus payments, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as the Committee considers relevant.</p> <p>The Committee may reduce or defer the level of payment of an award to take into account exceptional business circumstances, if there are circumstances giving rise to material reputational damage to the Group, if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.</p> <p>A proportion of any bonus earned is deferred for two years. For current Executive Directors this is as follows:</p> <ul style="list-style-type: none"> • C G MacLean: one third of any bonus • S G Bennett: one third of any bonus <p>The Committee may claw back awards up to three years after payment if the Group's accounts have been materially misstated, there has been an error in the calculation of any performance conditions which results in overpayment, if there are circumstances giving rise to material reputational damage to the Group, if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.</p>	<p>The maximum opportunity is up to 150% of salary.</p> <p>Opportunities for current Executive Directors are as follows:</p> <ul style="list-style-type: none"> • C G MacLean: 150% of salary • S G Bennett: 150% of salary 	<p>At least 70% of awards are subject to Underlying profit before tax (or other relevant financial measure) targets.</p> <p>Up to 30% of awards are subject to strategic and operational measures, including personal objectives.</p> <p>For 2021 awards, performance measures will be 80% Underlying profit before tax, 10% SHE objectives, and 10% personal strategic and operational objectives.</p> <p>The award for threshold performance in relation to financial measures is normally 0% of maximum.</p> <p>The award for target performance in relation to financial measures is normally 50% of maximum.</p>

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan (PSP)			
Approved by shareholders at the 2020 AGM			
Incentivises Executive Directors to deliver sustained performance and sustainable returns for shareholders over the longer term.	<p>The vesting of awards is conditional on the Group's performance against long-term targets over a performance period of at least three years.</p> <p>The Committee may in its discretion, adjust the level of vesting of an award, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as the Committee considers relevant.</p> <p>The Committee may reduce or defer the level of vesting of an award where an event has occurred, such as a material SHE incident or which otherwise gives rise to material reputational damage to the Group (for awards from 2020 onwards) or if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.</p> <p>The Committee may claw back awards up to three years after vesting if the Group's accounts have been materially misstated, there has been an error in the calculation of any performance conditions which results in overpayment, if there are circumstances giving rise to material reputational damage to the Group, or (for awards from 2020 onwards) if an Executive Director has committed an act of serious misconduct or in the event of corporate failure.</p> <p>Vested awards relating to grants made from 2017 onwards are subject to a holding period post vesting of an additional two years.</p>	<p>Under the plan rules approved by shareholders, the value of shares awarded to an individual in respect of any one year may not normally exceed 200% of salary.</p> <p>For 2021 annual awards to current Executive Directors are:</p> <ul style="list-style-type: none"> • C G MacLean: 200% of salary • S G Bennett: 150% of salary 	<ul style="list-style-type: none"> • At least 80% based on financial measures. This may include TSR, EPS, Return on Invested Capital (ROIC) or any other measure considered appropriate by the Committee. Any change to the financial measures used would be subject to prior shareholder consultation. • Up to 20% based on performance measures linked to the delivery of the business strategy. • No single measure will constitute more than 50% of an annual award. <p>For 2021 awards, performance measures will be 40% relative TSR, 40% EPS and 20% strategic measures.</p> <p>A maximum of 25% of each element will vest for threshold performance.</p>

Shareholding guidelines during and post employment

The Company operates shareholding guidelines for Executive Directors to strengthen the alignment between the interests of the Executive Directors and the shareholders. The Chief Executive Officer and the Chief Financial Officer will be expected to build interests in shares of at least 220% and 175% of salary respectively within five years of appointment.

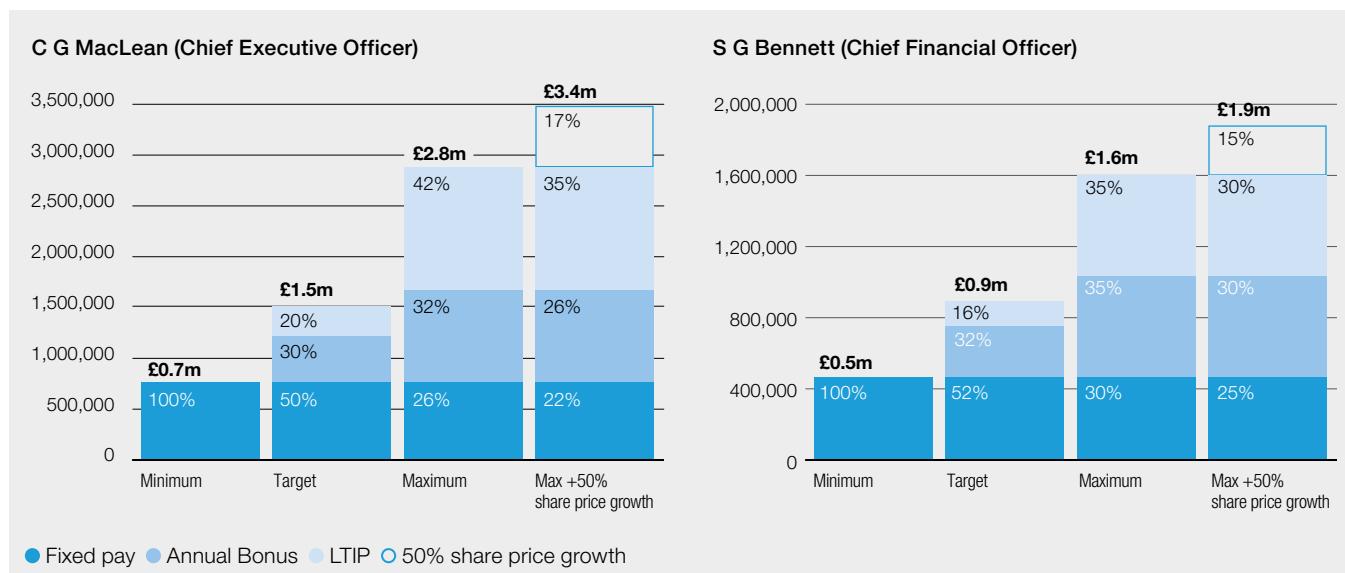
Executive Directors that step down from their role from April 2021, will normally be expected to maintain their minimum shareholding (or actual shareholding if lower) for the first 12 months following departure from the Board and 50% of their minimum shareholding (or actual shareholding if lower) for the subsequent 12 months. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstances.

Provisions to withhold or recover sums paid under incentives are as detailed in the table above. No other elements of remuneration are subject to recovery provisions.

Directors' Remuneration report continued

Illustrations of application of Remuneration Policy

The following charts illustrate the different elements of the Executive Directors' remuneration under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'. The assumptions used are provided below the charts. The illustrations are based on annual bonus awards for 2021 and PSP awards to be made in 2021.



Minimum

Consists of base salary, benefits and pension.

- Base salary is the salary to be paid in 2021.
- Pension is measured as the value of cash supplement for 2021.
- Benefits are based on the 2020 taxable value.

	Base salary	Pension	Benefits	Total fixed
C G MacLean	£594,752	£137,891	£13,200	£745,843
S G Bennett	£378,052	£75,610	£13,530	£467,192

Target

Based on a portion of maximum:

- Annual Bonus: 50% of maximum.
- PSP: 25% of maximum.

Maximum

Based on the maximum remuneration receivable (excluding share price appreciation and dividends):

- Annual bonus: consists of maximum bonus of 150% of base salary for both C G MacLean and S G Bennett.
- PSP: based on the face value of annual awards under the Policy at 200% and 150% of 2021 base salaries for C G MacLean and S G Bennett respectively.

Maximum + 50% share price growth

As the maximum scenario plus the value resulting from share price growth of 50% from the PSP award.

Annual Report on Remuneration for the year ended 31 December 2020

Operation of the Executive Director Remuneration Policy for 2021

The current Policy has been in force since 29 April 2020. The specific remuneration arrangements for 2021 are described below.

Base salary	<p>Salary increases were awarded with effect from 1 January 2021 of 2.5% for the Chief Executive Officer and the Chief Financial Officer in line with that for the average of the UK workforce, giving 2021 salaries as follows:</p> <ul style="list-style-type: none"> • C G MacLean: £594,752 • S G Bennett: £378,052
Pension and benefits	<p>No changes. Executives receive a cash allowance in lieu of pension contributions, car allowance and private health insurance.</p> <p>The Chief Executive Officer's pension allowance has been frozen at its 2019 value (or 20% of salary if higher). 2021 cash allowances in lieu of pension contributions are:</p> <ul style="list-style-type: none"> • C G MacLean: £137,891 • S G Bennett: 20% of salary
Annual bonus	<p>For 2021, performance under the annual bonus will be measured on the following basis:</p> <ul style="list-style-type: none"> • 80% subject to performance against Underlying profit before tax targets. • 10% subject to performance measures against key SHE targets. • 10% subject to performance against individual strategic and operational goals. • Targets and objectives for 2021 are, by their financial and commercial nature, considered by the Board to be unsuitable for disclosure in advance. However, the Committee will provide information on targets and objectives retrospectively. <p>2021 maximum award opportunity:</p> <ul style="list-style-type: none"> • C G MacLean: 150% of salary • S G Bennett: 150% of salary
Performance Share Plan	<p>For awards to be made in 2021, performance will be measured as follows:</p> <ul style="list-style-type: none"> • 40% based on relative TSR performance versus FTSE 250 (excluding investment trusts and financial services companies): <ul style="list-style-type: none"> – 25% of this element will vest for median performance. – 100% vesting for upper-quartile performance. – Vesting on a straight-line basis between these points. • 40% based on Underlying EPS growth: <ul style="list-style-type: none"> – 25% of this element will vest for EPS growth of 4.5% per annum. – 100% vesting for EPS growth of 10% per annum. – Vesting on a straight-line basis between these points. – This target range was set following consideration of the long-term strategy and the outlook for the markets in which we operate. • 10% based on sales derived from new products launched in the last five years and patented products¹ • 10% based on an absolute reduction of carbon dioxide equivalent emissions¹ <p>2021 maximum award opportunity:</p> <ul style="list-style-type: none"> • C G MacLean: 200% of salary • S G Bennett: 150% of salary
Shareholding guidelines during employment	<p>The Chief Executive Officer and the Chief Financial Officer are expected to build interests in shares of at least 220% and 175% of salary respectively.</p>
Chair and Non-Executive Directors	<p>The fees to be paid in 2021 to the Chair and the Non-Executive Directors were reviewed in November 2020 and as a result:</p> <ul style="list-style-type: none"> • the Chair's fee was increased by 2.5% from £184,860 p.a. to £189,500 p.a. with effect from 1 January 2021; • the fees for Non-Executive Directors were increased in line with the average pay increase for the Group's UK workforce with effect from 1 January 2021.

Note:

1. The targets for these measures, and the level achieved, will be disclosed following the end of the performance period.

Directors' Remuneration report continued

Single figure of remuneration for Executive Directors (audited)

	Year	Base salary £	Benefits ¹ £	Pension £	Total Fixed Remuneration £	Annual bonus £	Long-term incentives ^{2,3} £	Total Variable Remuneration £	Total £
Executive Directors									
C G MacLean	2020	558,735	13,200	137,891	709,826	838,103	241,326	1,079,429	1,789,255
	2019	551,565	13,200	137,891	702,656	137,891	52,334	190,225	892,881
S G Bennett	2020	355,158	13,530	71,032	439,720	532,737	120,617	653,354	1,093,074
	2019	350,600	17,820	70,120	438,540	80,638	26,155	106,793	545,333

Notes:

- This is the total taxable value of benefits received by each Executive Director during the year. The table below provides details of the main component of the relevant benefits paid to Executive Directors.
- For 2020 the values relate to awards granted under the 2011 PSP and made in 2018 and which vest on 8 March 2021. Further information about the level of vesting is provided in this report. As these awards have not yet vested they have been valued based on the average share price for the period 1 October 2020 to 31 December 2020 of 403.8 pence, along with accrued dividends from the date of grant. There was no share price appreciation that impacted the value of the award and the Remuneration Committee did not exercise discretion in respect of the share price changes.
- 2017 PSP awards vested on 4 May 2020. For the purpose of the 2019 single figure these awards were valued based on the average share price for the period 1 October 2019 to 31 December 2019 of 306 pence. These awards have been revalued based on the share price on the date of vesting of 267.6 pence. The values disclosed in the 2019 single figure were: C G MacLean, £58,998 and S G Bennett, £29,485. The share price used to value the awards on the date of grant of 4 May 2017 was 496.9 pence. The share price used to value the PSP for single figure purpose of 267.6 pence represents a decrease of 229.3 pence per share. The Remuneration Committee did not exercise discretion in respect of the share price changes.

Additional information for single figure remuneration

Benefits

	Car expenses/benefit £	Others £	Total £
C G MacLean	13,200	–	13,200
S G Bennett	12,500	1,030	13,530

Annual bonus

2020 award

For 2020 the Company operated a cash bonus plan for the Executive Directors related to the achievement of Underlying profit before tax targets, SHE targets and individual strategic and operational goals.

The achievement of the Underlying profit before tax target represented up to 80% of the maximum bonus opportunity achievable of 150% of annual basic salary for C G MacLean and S G Bennett.

The SHE targets were given a 10% weighting of the maximum achievable, with the balance of 10% relating to individual strategic and operational goals.

Overall bonuses for the year ended 31 December 2020.

Executive Directors	Maximum bonus as a % of salary	Total bonus as a % of maximum	Total bonus £
C G MacLean	150	100	838,103
S G Bennett	150	100	532,737

2020 saw performance that was ahead of financial and SHE targets and meaningful progress and achievements against individual strategic and operational goals.

Further information on the three elements of the bonus is as follows:

1. Underlying profit before tax (80%)

The Underlying profit before tax targets set and achievement are set out below:

	Threshold	Target	Maximum	Achieved ²
Level of award (% of element)	0%	50%	100%	131%
Underlying profit before tax ¹	£118.3m	£124.5m	£137.0m	£163.5m

Notes:

- Targets are set by reference to the Board approved internal budget for the Group and measured on a constant currency basis.
- For the purposes of calculating achieved Underlying profit before tax, adjustments were made for currency.

2. SHE (10%)

Targets with an aggregate weighting of 10% related to improvements in recordable injury and process safety.

	Recordable injury (measured as injury rate)	Process safety (measured as process safety event rate)
Target	0.21 or less	0.16 or less
Level of award	0% for a rate greater than 0.21; 5% for a rate less than 0.21	0% for a rate greater than 0.16; 5% for a rate less than 0.16
Rate achieved	0.20	0.11
Award outcome	5%	5%

Further details of the definition and measurement of the recordable injury rate and the process safety event rate are given on page 71.

3. Individual strategic and operational goals (10%)

Individual goals and achievements against them considered by the Remuneration Committee with an aggregate weighting of 10% included:

	Chief Executive Officer	Chief Financial Officer
Target	<ol style="list-style-type: none"> 1. Integration of OMNOVA and synergy delivered 2. Management of the Pathway programme 3. Resourcing and delivery of restructuring and investment plans 4. Support succession planning 	<ol style="list-style-type: none"> 1. Integration of OMNOVA and synergy delivered and maintenance of reporting and controls 2. Refinancing of acquisition bridge facilities through bond issuance 3. Effective sponsorship of the Pathway programme
Level of award	Up to 10%	Up to 10%
Performance against targets	<p>Integration of OMNOVA and synergy delivered</p> <ul style="list-style-type: none"> Integration plans established and implemented from completion on 1 April 2020. Largely completed on a remote basis but this was successfully delivered through a rigorous process of business and functional teams and a detailed integration plan, effected by remote meetings and integration team meetings. Synergies delivered ahead of schedule (verified by external, independent firm KPMG) and additional synergy opportunities identified for 2021. <p>Management of Pathway programme</p> <ul style="list-style-type: none"> Leadership of the project, providing vision and guidance at key stages and regular attendance at project leadership meetings. Reviewed and re-assessed progress and need for internal and external resource balance. As pandemic impacted in 2020, led a reassessment and phasing of the programme to ensure momentum maintained in line with the focus on safety and continued operation through the pandemic. <p>Resourcing and delivery of restructuring and investment plans</p> <ul style="list-style-type: none"> The Group continued with a number of key investments in 2020. The investment in and opening of the Asia Innovation Centre in Q4 was completed on time and to budget. The ongoing investment into Nitriles capacity at our Pasir Gudang site has continued through the pandemic and is on track for commissioning in Q2 2021. The Group undertook a review of site and product footprint which led to the announcement of certain restructuring which is currently being implemented on time and to budget. <p>Support succession planning</p> <ul style="list-style-type: none"> Supported the transition in Chair of the Board in the latter part of 2020 and supported the other Board changes and succession planning. Undertook detailed succession planning for each of the executive team roles, focusing on diversity, and developed a roadmap for further work in 2021. 	<p>Integration of OMNOVA and synergy delivered</p> <ul style="list-style-type: none"> Integration plans established and implemented from completion on 1 April 2020. Largely completed on a remote basis but this was successfully delivered through a rigorous process of business and functional teams and a detailed integration plan, effected by remote meetings and integration team meetings. Synergies delivered ahead of schedule (verified by external, independent firm KPMG) and additional synergy opportunities identified for 2021. Ensured that internal audit arrangements were replaced and oversaw a detailed review of existing reporting and controls across legacy OMNOVA business units. <p>Refinancing of acquisition bridge facilities through bond issuance</p> <ul style="list-style-type: none"> Leadership and management of overall process of refinancing for the Group following completion of the acquisition of OMNOVA. Reviewed and ensured the financial stability of the Group as the pandemic rolled across the geographies in which the Group operates, led the process of planning, engaging with stakeholders and successfully secured bond facilities for the Group. <p>Effective sponsorship of Pathway programme</p> <ul style="list-style-type: none"> A key leader in the project and provided challenge and insight at key stages and regular attendance at project leadership meetings. Reviewed and reassessed progress and need for internal and external resource balance. As pandemic impacted in 2020, led a reassessment and phasing of the programme to ensure momentum maintained in line with the focus on safety and continued operation through the pandemic. Ensured that all plans were aligned with future reporting and control environment for the enlarged group.
Award outcome	10%	10%

Directors' Remuneration report continued

Additional information for single figure remuneration (audited)

Long-term incentives

2011 Performance Share Plan

The awards made on 8 March 2018 for C G MacLean and for S G Bennett under the 2011 PSP were subject to a relative total shareholder return performance condition, an absolute Underlying earnings per share performance condition and a strategic measures condition as follows:

Relative TSR condition	EPS condition ¹		
Company relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over three-year period ended 31 December 2020	EPS for the 2020 financial year	Percentage of award that vests	Performance achieved
Upper quartile	38.3 pence or more	40%	EPS of 28.9 pence gives nil vesting for that condition.
Between median and upper quartile	Between 32.8 pence and 38.3 pence	On a straight-line basis between 10% and 40%	
Median	32.8 pence	10%	TSR performance at the 60th percentile gives vesting of 21.8% of award.
Below median	Less than 32.8 pence	0%	

Note:

1. The targets have been adjusted to take account of the bonus factor of 1.0713 for the rights issue in 2019 and additional OMNOVA earnings from 1 April 2020.

A further 20% of the award was subject to three equally weighted strategic measures:

- Percentage of Group sales (by volume) in the 2020 financial year derived from new products launched in the last five years and patented products.

New product percentage ¹	Percentage of award that vests	Percentage achieved
< 15%	0%	22% gives vesting of 6.6% of award.
15% – 20%	1.65% – 6.6%	
> 20%	6.6%	

Note:

1. Excluding volume attributable to Monomers, where there is no scope for new product development.

- Cumulative Underlying profit before tax (PBT) added through acquisitions for the three years ended 31 December 2020.

Cumulative PBT added through acquisitions	Percentage of award that vests	Percentage achieved
< £30.0m	0%	<£30.0m gives vesting of 0% of award.
£30.0m – £60.0m	1.65% – 6.6%	
> £86.5m	6.6%	

- Return on Invested Capital (ROIC) target tracks four growth projects commissioned in 2018 that were expected to impact the Group in the 2020 financial year. The four projects selected were JOB5 in Malaysia, Worms in Germany, Oulu in Finland and Sant'Albano in Italy.
- An overall ROIC threshold was set at 18.3%, based on the weighted average of the four individual project targets. Given the greater importance of the larger projects, the ROIC part of the award was weighted at 50% for JOB5, 25% for Worms and 12.5% for each of Oulu and Sant'Albano. The award started to vest for each individual project at 80% of the anticipated ROIC, based on the original investment cases that were brought before the Board at the time the projects were approved. The overall ROIC on these projects was 38.0% which exceed the threshold of 18.3%. Of the individual projects, only JOB5 reached the vesting threshold and exceeded 100% of its target ROIC. This led to 50% vesting of the ROIC portion and therefore 3.3% of the overall award.

In aggregate, 31.8% of the 2018 award vested and the Committee did not exercise any discretion with the level of vesting.

The 2018 award will vest for C G MacLean and S G Bennett in March 2021 as follows:

	No. of shares in original award ¹	No. of shares that lapse	No. of shares that vest
C G MacLean	176,206	120,173	56,034
S G Bennett	88,069	60,063	28,006

Note:

1. Number of shares in original award were adjusted to take account of the bonus factor of 1.0713 for the rights issue in July 2019.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2020 and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

Pension entitlements (audited)

Both Executive Directors receive a cash allowance in lieu of pension contributions as outlined above. No additional benefit is receivable in the event of a Director retiring early.

Single figure of remuneration for Non-Executive Directors (audited)

Non-Executive Directors		Base fee	Committee membership fee	Committee Chair fee	Total
N A Johnson	2020	182,430	–	–	182,430
	2019	180,000	–	–	180,000
The Hon. A G Catto	2020	41,571	–	–	41,571
	2019	41,200	–	–	41,200
B W D Connolly ¹	2020	45,731	15,000	5,000	65,731
	2019	45,000	15,000	5,000	65,000
Cynthia Dubin ²	2020	18,965	6,935	217	26,117
	2019	–	–	–	–
Dr J J C Jansz	2020	40,742	15,000	–	55,742
	2019	40,000	15,000	–	55,000
C A Johnstone ³	2020	46,367	15,000	4,783	66,150
	2019	40,000	15,000	5,000	60,000
Dato' Lee Hau Hian	2020	41,849	–	–	41,849
	2019	41,200	–	–	41,200
H A Van Deursen	2020	40,742	15,000	–	55,742
	2019	40,000	15,000	–	55,000

Notes:

1. Base fee includes an amount of £5,000 per annum for role as Senior Independent Director.
2. Appointed to the Board on 15 July 2020 and to Audit Committee Chair on 16 December 2020.
3. Appointed Chair of the Company on 16 December 2020.

Directors' shareholding and share interests (audited)

Directors	Interests in Company shares 31 December 2020	Vested unexercised performance related options 31 December 2020	Total unfettered interests in shares and vested options 31 December 2020	Unvested performance related options 31 December 2020 ¹	Share options exercised during 2020	Share ownership requirements (% of salary) ²	Interests in shares at 31 December 2020 (% of salary)
C G MacLean	954,941	–	954,941	782,572	17,316	200%	740%
S G Bennett	156,060	4,587	160,647	390,087	–	150%	196%
The Hon. A G Catto	1,614,239	–	1,614,239	–	–	–	–
	7,072,441*	–	7,072,441	–	–	–	–
B W D Connolly	4,000	–	4,000	–	–	–	–
C S Dubin	–	–	–	–	–	–	–
Dato' Lee Hau Hian	99,953	–	99,953	–	–	–	–
Dr J J C Jansz	12,500	–	12,500	–	–	–	–
C A Johnstone	11,136	–	11,136	–	–	–	–
H A Van Deursen	6,250	–	6,250	–	–	–	–

Notes:

* Non-beneficial interest.

1. Unvested performance related options comprise: (i) the awards made under the 2011 PSP in 2018 and 2019 and which have been adjusted to take account of the bonus factor of 1.0713 for the rights issue in 2019 and (ii) the awards made under the PSP in 2020. Details of the performance conditions attaching to the 2018 awards are set out on page 112; 2019 and 2020 awards are set out below.
2. Until this requirement is met, no sales of shares that vest under long-term incentive plans are permitted other than to satisfy tax liabilities that arise on the exercise of share awards under such plans. The Committee considers that unfettered unexercised vested nil-cost awards are economically equivalent to shares and as such that they should count (on a net of tax basis) toward compliance with the share ownership guidelines.

Directors' Remuneration report continued

2019 award (audited)

The awards made on 11 March 2019 to C G MacLean and S G Bennett were as follows:

	Scheme	Basis of award	Number of shares ¹	Face value	Percentage vesting at threshold performance	Performance period end date
C G MacLean	2011 PSP – nil-cost options	150% of salary	235,069	£886,304	25%	31/12/2021
S G Bennett	2011 PSP – nil-cost options	120% of salary	119,536	£450,699	25%	31/12/2021

Note:

1. Number of shares in original award were adjusted to take account of the bonus factor of 1.0713 for the rights issue in 2019.

The face value of the awards was calculated using a share price of 377.04 pence per share, the average share price on the five dealing days prior to the date of grant.

The awards made on 11 March 2019 under the PSP are subject to the following performance conditions:

Relative TSR condition	EPS condition ¹	
Company relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over three-year period ending 31 December 2021	EPS for the 2021 financial year	Percentage of award that will vest
Upper quartile	41.0 pence or more	40%
Between median and upper quartile	Between 35.2 pence and 41.0 pence	On a straight-line basis between 10% and 40%
Median	35.2 pence	10%
Below median	Less than 35.2 pence	0%

Note:

1. The targets have been adjusted to take account of the rights issue in 2019 and additional OMNOVA earnings from 1 April 2020.

A further 20% of the award is subject to strategic measures including ROIC, the targets for which will be disclosed following the end of the performance period.

2020 award (audited)

The awards made on 12 March 2020 to C G MacLean and S G Bennett were as follows:

	Scheme	Basis of award	Number of shares ¹	Face value	Percentage vesting at threshold performance	Performance period end date
C G MacLean	PSP – nil-cost options	150% of salary	321,524	£827,346	25%	31/12/2022
S G Bennett	PSP – nil-cost options	120% of salary	163,500	£420,718	25%	31/12/2022

The face value of the awards was calculated using a share price of 257.32 pence per share, the average share price on the five dealing days prior to the date of grant.

Further awards were made on 6 May 2020 to C G MacLean and S G Bennett following the approval of the Directors Remuneration Policy at the AGM held on 29 April 2020, were as follows:

	Scheme	Basis of award	Number of shares ¹	Face value	Percentage vesting at threshold performance	Performance period end date
C G MacLean	PSP – nil-cost options	25% of salary	49,780	£137,891	25%	31/12/2022
S G Bennett	PSP – nil-cost options	15% of salary	18,985	£52,588	25%	31/12/2022

The face value of the awards was calculated using a share price of 277.00 pence per share, the average share price on the five dealing days prior to the date of grant.

Therefore, the total award for C G MacLean and S G Bennett were as follows:

	Scheme	Basis of award	Number of shares ¹	Face value	Percentage vesting at threshold performance	Performance period end date
C G MacLean	PSP – nil-cost options	175% of salary	371,304	£965,237	25%	31/12/2022
S G Bennett	PSP – nil-cost options	135% of salary	182,485	£473,306	25%	31/12/2022

The 2020 awards under the PSP are subject to the following performance conditions:

Relative TSR condition	EPS condition ¹	Synergies delivered from the OMNOVA acquisition	
Company relative TSR performance against the FTSE 250 Index (excluding investment trusts and financial services companies) over three-year period ending 31 December 2021	EPS for the 2022 financial year	Percentage of award that will vest	Percentage of award that will vest
Upper quartile	33.8 pence or more	US\$29.6m or more	30%
Between median and upper quartile	Between 29.0 pence and 33.8 pence	Between US\$25.0m and US\$29.6m	On a straight-line basis between 7.5% and 30%
Median	29.0 pence	US\$25.0m	7.5%
Below median	Less than 29.0 pence	Less than US\$25m	0%

A further 10% of the award is subject to a strategic measure relating to a reduction of carbon dioxide equivalent, the targets for which will be disclosed following the end of the performance period:

Payments to past directors (audited)

No payments were made to past directors.

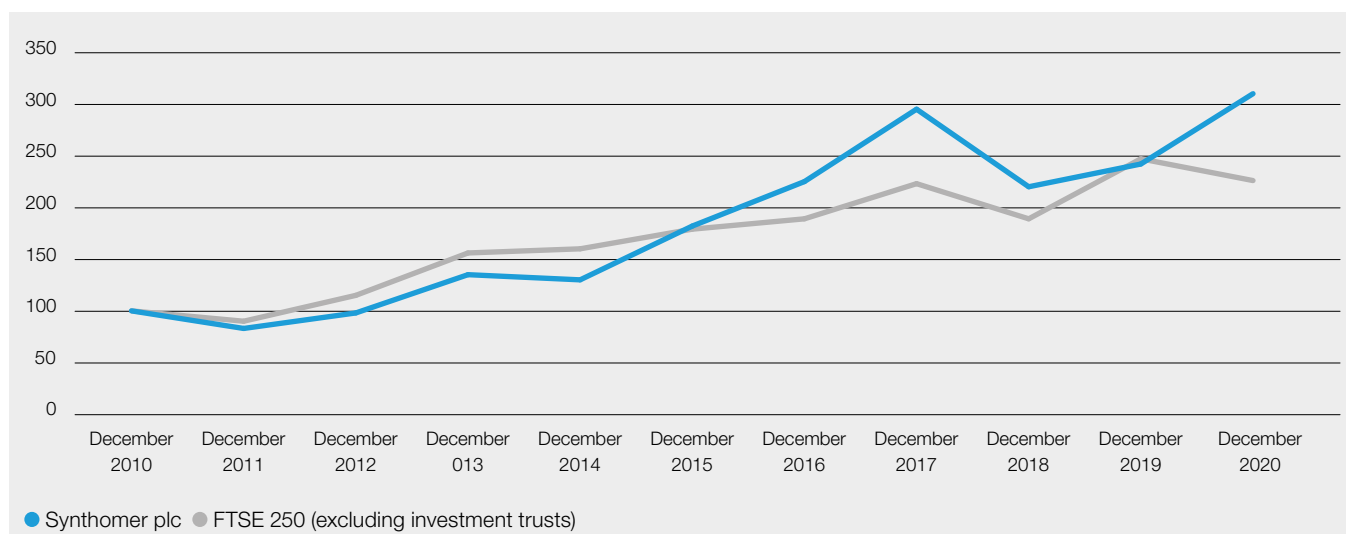
Payments for loss of office (audited)

No payments for loss of office were made during the year.

Performance graph and table

The graph and the table below allow comparison of the TSR of the Company and the Chief Executive Officer remuneration outcomes over the last ten years.

TSR chart



The graph above compares the TSR performance of the Company with that of the FTSE 250 (excluding investment trusts) which is considered to be the most appropriate index against which to make a comparison and was chosen because it represents a broad equity market index of which the Company is a constituent.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Chief Executive Officer total single figure of remuneration (£'000)	3,934	1,487	923	967	1,246	1,218	2,516	1,807	893	1,789
Bonus (% of maximum awarded)	100	27	0	57.3	96.7	100	100	76.5	20.0	100
PSP (% of maximum vesting)	100	100	50	0	n/a	n/a	96.3	86.2	10.0	31.8

The Chief Executive Officer total single figure of remuneration includes salary, benefits and pension contributions paid in the year together with bonuses and long-term incentive awards which vested based on performance in the year.

Directors' Remuneration report continued

Chief Executive Officer to all employee pay ratio

The following table provides pay ratio data in respect of the Chief Executive Officer's total remuneration compared to the 25th, median and 75th percentile employee.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option B	37:1	28:1	22:1

The employees used for the purposes of compiling the table above were identified on a full-time equivalent basis as at the pay period during which 5 April 2020 fell. Option B, which involves identifying the employees at the 25th, 50th and 75th percentile from our gender pay gap report, was chosen as the calculation methodology.

Option B was considered to be the most simple and accurate way of identifying the relevant employees. Using this methodology we were able to identify specific employees to make the required comparisons.

The definition of pay used included the following:

- Annual salary
- Car allowances
- All other cash allowances
- All bonuses and incentive scheme payments for services delivered in the year
- Private medical insurance value

The value of company cars has been excluded from the data. The UK car scheme is closed to new entrants and very few employees are now provided with a car, the scheme will close completely within the next 12 months as remaining leases expire. The Chief Executive Officer is not provided with a company funded car.

The following table provides salary and total remuneration information in respect of the employees at each quartile.

Financial year	Element of pay	25th percentile employee	Median employee	75th percentile employee
2020	Salary	35,472.42	46,979.90	55,501.43
	Total remuneration	42,029.54	55,854.15	70,400.75

Our Chief Executive Officer pay is made up of a higher proportion of incentive pay than that of the majority of our employees. This is likely to introduce more variability in the Chief Executive Officer total compensation.

The Board have confirmed that the ratios is consistent with the Company's wider policies on employee pay, reward and progression.

Percentage change in remuneration of the Directors

The table below sets out the increase in salary, benefits and annual bonus of the Directors compared with a selected group of employees. The parent company, Synthomer plc does not have any direct employees so a comparator group of employees of the Group's main UK trading subsidiary has been used, comprising 423 employees. The Directors consider that this employee population is the most relevant for comparison purposes, taking into account geographical location and remuneration structure.

	Salary % increase	Taxable benefits % increase/ (decrease)	Annual bonus % increase
C G MacLean	1.3	–	507.8
S G Bennett	1.3	(24.1)	560.7
N A Johnson	1.4	n/a	n/a
The Hon. A G Catto	0.9	n/a	n/a
B W D Connolly	1.1	n/a	n/a
Cynthia Dubin	–	n/a	n/a
Dr J J C Jansz	1.3	n/a	n/a
C A Johnstone ¹	10.3	n/a	n/a
Dato' Lee Hau Hian	1.6	n/a	n/a
H A Van Deursen	1.3	n/a	n/a
Average change for employees	1.4	(4.4)	622.7

Note:

1. The increase relates to Caroline Johnstone being appointed Chair on 16 December 2020.

Relative importance of spend on pay

The table below shows the relative importance of the Group's all employee remuneration expense compared with returns to shareholders by way of dividends.

	2020 £m	2019 £m	% change
Dividends	12.8	47.9	(73.3)%
Total employee remuneration	211.3	115.5	83.5%

Dividends are the dividends paid in the year. The proposed final 2019 dividend was suspended and subsequently cancelled to preserve cash, liquidity and balance sheet strength at the onset of COVID-19 in March 2020.

Total employment remuneration is the consolidated salary and bonus cost for all Group employees.

External appointments

Executive Directors are permitted to accept external appointments with the prior approval of the Board, provided that there is no adverse impact to their role and duties to the Company. Any fees arising from such appointments may be retained by the Executive Directors where the appointment is unrelated to the Group's business. S G Bennett does not currently hold any external appointments. C G MacLean was appointed as a Non-Executive Director of Saudi Basic Industries (SABIC), headquartered in Riyadh, in October 2017 and receives a board membership fee of \$157,500 per annum and a committee fee of SAR 259,000 per annum. Mr MacLean was appointed as a Non-Executive Director of Clariant Ltd on 16 October 2018 following his nomination by SABIC under the terms of the governance agreement between Clariant and SABIC, and receives a fee of CHF 280,000 per annum in aggregate for board and committee roles in relation to Clariant Limited.

Remuneration Committee

Remuneration Committee membership since 1 January 2020:

Brendan Connolly (Chair)

Cynthia Dubin (from 15 July 2020)

Just Jansz

Caroline Johnstone (to 15 December 2020)

Holly A Van Deursen

Attendance at Committee meetings is set out on page 102.

Directors' Remuneration report continued

Key duties of the Committee

During 2020 the Committee was responsible for determining, in agreement with the Board, the Company's policy on executive remuneration and the specific remuneration for the Chairman and each of the Executive Directors, including pension rights, within the terms of the agreed policy. The Committee was also responsible for the specific remuneration of the Executive Committee and reviewing remuneration elsewhere in the Group.

Advisers

The Chief Executive Officer, Company Secretary, Group HR Director are invited to attend Committee meetings to contribute to the Committee in its deliberations. However, no individual is involved in discussions, or is part of any decisions, relating to their own remuneration.

The Committee received independent advice from Deloitte LLP (Deloitte) which was appointed as the Committee's independent remuneration adviser in April 2013.

During the year, Deloitte provided advice on governance and market trends and other remuneration matters that materially assisted the Committee. The fees paid to Deloitte in respect of this work were charged on a time and expenses basis and totalled £22,250 for advice in 2020. The Committee is comfortable that the Deloitte engagement team that provides remuneration advice to the Committee do not have connections with the Company or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts. Deloitte also provided tax services to part of the Group in the year. The Committee was satisfied that this did not compromise the independence of the advice received.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct. Deloitte was appointed directly by the Committee, and the Committee is satisfied that the advice received was objective and independent.

Statement of voting at the AGM

The table below sets out the results of the votes on the Directors' remuneration at the 2020 AGM (Annual Report and Directors' Remuneration Policy).

	Votes for		Votes against		Votes withheld
	Number	% of vote	Number	% of vote	Number
2020 Annual Report on Remuneration	304,084,940	89.94	34,028,369	10.06	12,158,141
2020 Directors' Remuneration Policy	322,152,827	91.98	28,090,122	8.02	28,501

By order of the Board

R Atkinson

Company Secretary
4 March 2021

Directors' Report

The Directors submit their Annual Report and the audited consolidated financial statements for the year ended 31 December 2020. None of the matters required to be disclosed by Listing Rule 9.8.4R apply to the Company other than the amount of capitalised interest (see financial statements note 2), details of long-term incentive schemes (see Directors' Remuneration report (pages 102 to 118) and shareholder waiver of dividends (see financial statements note 32). The Directors' Report comprises pages 119 to 120 and the following sections of the Annual Report which are incorporated by reference:

Item	Location in Annual Report
Statement of Directors' responsibilities	Page 121
Financial risk management	Financial statements – note 22
Present membership of the Board	Pages 80 to 81
Corporate Governance report	Pages 82 to 89
Strategic Report (including principal activities)	IFC to 79
Management of risk and viability statement	Pages 42 to 49
Employee engagement	Pages 65 to 69
Directors' Remuneration report	Pages 102 to 118
Share capital	Financial statements – note 27
Greenhouse gas emissions	Pages 74 to 77
ESG report	Pages 56 to 79

Results and dividends

The profit attributable to shareholders for the year was £3.1 million. An interim dividend of 3.0 pence per share was paid on 10 November 2020. The total dividend paid for the year was £15.9 million.

The Directors recommend a final ordinary dividend of 8.6 pence per share payable on 5 July 2021 to those shareholders registered at the close of business on 4 June 2021. A dividend reinvestment plan is available to shareholders and this alternative will continue to be offered until further notice.

Acquisitions and disposals

On 1 April 2020 the Company completed the recommended acquisition of the entire issued share capital of OMNOVA Solutions Inc at a price of \$10.15 per OMNOVA share.

On 1 May 2020 Synthomer Deutschland GmbH completed the sale of its Pyratex VP Latex business to Trinseo.

Further details of these transactions are contained in notes 29 and 4 respectively to the consolidated financial statements.

Directors

All the Directors will retire and will be seeking election or re-election at the forthcoming AGM.

None of the Directors seeking re-election has a service contract other than C G MacLean and S G Bennett, who each have a service contract which contains a 12 month notice period.

Director indemnity provisions

Under the Company's Articles of Association, the Directors of the Company have the benefit of a qualifying third-party indemnity provision which provides that they shall be indemnified by the Company against certain liabilities as permitted by Sections 232 and 234 of the Companies Act 2006 and against costs incurred by them in relation to any liability for which they are indemnified. The Company has purchased and maintains insurance against Directors' and officers' liabilities in relation to the Company.

Share capital and control

During 2020 no shares were issued or repurchased. A total of 22,185 shares were purchased on the open market on behalf of the shareholders who elected to participate in the dividend reinvestment plan.

The rights and obligations attaching to the Company's ordinary shares, being the only class of issued share capital, 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 or can be downloaded from the Company's website www.synthomer.com. There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to the control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Other than in relation to its borrowings which, unless certain conditions are satisfied, become repayable on a takeover, the Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid. The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover.

All of the Company's share schemes contain provisions relating to a change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

Major shareholdings

Other than the shareholdings disclosed as Directors' interests in the Directors' Remuneration report as at 19 February 2021, the Company had been notified under Section 5 of the Disclosure and Transparency Rules of the UK Listing Authority of the following significant holdings of voting rights in its ordinary shares:

	Ordinary shares (number)	Percentage of ordinary shares in issue	Nature of holding
Kuala Lumpur Kepong Berhad Group	89,145,981	20.98	Direct interest
Jupiter Fund Management plc	24,965,862	5.87	Indirect interest
Ameriprise Financial Inc	22,063,086	5.19	Direct and Indirect interest
Kames Capital Plc	14,117,612	3.32	Direct and indirect interest

Directors' Report continued

Employment policies and employee involvement

The Group gives every consideration to applications for employment from disabled persons. Employees who become disabled are given every opportunity to continue employment under normal terms and conditions with appropriate training, career development and promotion wherever possible. The Group seeks to achieve equal opportunities in employment through recruitment and training policies.

The Group encourages employee involvement in its affairs. Dialogue takes place regularly with employees to make them aware of the financial and economic factors affecting the performance of the Group. Performance related bonus schemes are in operation throughout the Group. Alex Catto has been designated as the Non-Executive Director responsible for gathering the views of the workforce and further information on the Board's workforce engagement methods are on page 36. The Group's approach to diversity and inclusion is on pages 67 and 68.

Authority to purchase own shares

The Company has a general authority, which expires at the conclusion of the 2021 AGM, to make market purchases of not more than 42,485,096 of the Company's ordinary shares in accordance with the terms of the special resolution passed at the 2020 AGM. A resolution will be tabled at the 2021 AGM to renew this authority for an amount representing approximately 10% of the Company's issued share capital as at 3 March 2021.

Political donations

No political donations were made in the year.

UK pension funds

The trustees have reviewed the independent investment management of the assets of the Company pension schemes in the UK and assured themselves of the security and controls in place. In particular, it is the trustees' policy not to invest in Synthomer plc shares nor lend money to the Company.

Subsidiaries

All the Group's subsidiaries, joint ventures and related undertakings are listed on pages 170 to 171.

Statement as to disclosure of information to auditor

Each Director of the Company confirms that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. For these purposes, relevant audit information means information needed by the Company's auditor in connection with preparing its report on pages 122 to 128.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Going concern

The Directors have acknowledged the latest guidance on going concern and in reaching their conclusions have taken into account factors which include (i) the putting in place of new financing facilities on the completion of the acquisition of OMNOVA comprising a \$260 million term loan and a €460 million RCF with five year terms ending on 3 July 2024 and (ii) the issue of a €520 million bond due 2025 which replaced a €520 million acquisition financing bridging facility. After making enquiries and taking account of reasonably possible changes in trading performance, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and the Company.

Cautionary statement

The purpose of this report is to provide information to the members of the Company. It contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast.

Independent auditors

A resolution to appoint PricewaterhouseCoopers LLP as the Company's auditor will be proposed at the AGM.

Annual General Meeting

The AGM will be held at the offices of the Company at 45 Pall Mall, London SW1Y 5JG on 29 April 2021 at 12.00 noon.

By order of the Board

R Atkinson

Company Secretary
4 March 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006 and 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). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable, for the Group, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed and, for the Company, United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the 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, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

C G MacLean
Chief Executive Officer

S G Bennett
Chief Financial Officer

Independent auditors' report

to the members of Synthomer plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Synthomer plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2020; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Overview

Audit scope

- Audit procedures provide coverage of 85% of revenue, 91% of operating profit, and 91% of underlying profit before tax.
- Audit scope covers 10 countries, performing procedures over 17 entities.
- Financially significant components in the UK, Germany and Malaysia.

Key audit matters

- Valuation of Defined Benefit Pension Liabilities (group)
- Provisions for Uncertain Tax Positions (group)
- OMNOVA acquisition accounting (group)
- Impact of the Covid-19 pandemic (group and parent)

Materiality

- Overall group materiality: £7,900,000 (2019: £5,810,000) based on approximately 5% of underlying profit before taxation.
- Overall company materiality: £18,660,000 (2019: £11,739,000) based on approximately 1% of total assets.
- Performance materiality: £5,925,000 (group) and £2,250,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental, health and safety and competition regulations, tax legislation and equivalent local laws and regulations applicable to significant component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to provisions for uncertain tax positions, the valuation of defined benefit scheme liabilities and OMNOVA acquisition accounting (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations (for example credit to revenue with a debit entry to an unexpected account) or journals posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due

to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

OMNOVA acquisition accounting, Carrying value of the company's investment in subsidiaries and Impact of Covid-19 are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

How our audit addressed the key audit matter

Valuation of Defined Benefit Pension Liabilities (group)

As set out in Note 26, the Group has significant defined benefit pension schemes. These primarily represent the Yule Catto Group retirement benefits scheme in the UK, the OMNOVA Solutions Consolidated Pension Plan in the US and an unfunded scheme in Germany, which account for £52.3 million, £61.8 million and £87.8 million respectively (91% in aggregate), of the net pension deficit of £221.4 million recorded on the Group balance sheet at the year end. We focused on the pension liabilities as the amounts reflected in the financial statements for defined benefits scheme liabilities are sensitive to relatively small changes in a few key assumptions such as the inflation rate, mortality tables and the discount rate applied. The Group uses third party actuaries to calculate the amounts to reflect in the financial statements in respect of these schemes' liabilities and accordingly it is important for us to assess the work they perform and their competency to undertake the work in order to conclude on the results of their work.

We obtained external actuarial reports of the UK and German schemes which set out the calculations and assumptions underpinning the year end pension scheme liabilities valuation and our US component team obtained an external actuarial report for the US scheme. We read these reports and held discussions with the external actuaries and were satisfied that the scope of their work was such that we could use this work to provide evidence for the purpose of our audit. We assessed the competency and objectivity of the external actuaries commissioned by the Group to perform the year end calculations by considering their technical expertise and independence from the Group. We identified no concerns over their competency or objectivity. We used our own specialist actuarial knowledge to evaluate all the key assumptions used in each of the two schemes by comparing these assumptions to our expectations for similar schemes as at the year end. We found management's assumptions to be within an acceptable range. We also considered the appropriateness of the disclosures within the financial statements and considered these to be acceptable.

Independent auditors' report continued

to the members of Synthomer plc

Key audit matter	How our audit addressed the key audit matter
<p>Provisions for Uncertain Tax Positions (group) The Group has a wide geographic footprint and is subject to a range of tax laws in a number of different tax jurisdictions. In determining the amount to record at the year-end for tax liabilities there is an element of judgement as to what amounts will ultimately be payable for assessed tax exposures. As set out in Note 10 at 31 December 2020, the Group has recorded current tax liabilities totalling £58.5 million. A significant element of this tax liability relates to uncertain tax positions. We focused on this area due to the size of the amounts involved and level of judgement needed to determine the estimated provisions.</p>	<p>We used our tax specialists to assess the level of provisions held against various tax exposures and to consider the appropriateness of any provisions and their disclosure in the annual report. In our assessment we had regard to the nature of the individual exposures, including their origin, and any developments in the year to assess the rationale for their continued validity at the current year end. As part of this work we inspected correspondence with tax authorities and the Group's tax advisors. We challenged the judgements made by assessing individual provisions against our expectations of potential exposures, having regard to the facts of each case. No significant issues arose from this work to suggest that the judgements made and amounts recorded were inappropriate. We also considered the appropriateness of the disclosures within the financial statements and considered these to be acceptable.</p>
<p>OMNOVA acquisition accounting (group) On 1 April 2020, the Group completed the acquisition of OMNOVA Solutions Group ("OMNOVA"). Management engaged KPMG to perform a purchase price allocation ("PPA") exercise in relation to intangibles, plant and machinery, real estate and inventory. Management also engaged Mercer to consider the pension scheme valuation in the opening balance sheet. In determining the appropriateness of the PPA exercise and the resultant goodwill of £180.2 million (as per note 14), there is an element of judgement and significant estimates were involved.</p>	<p>We used our valuation specialists to review the purchase price allocation ("PPA") and consider the appropriateness of the valuation methodologies, key assumptions and the useful lives assigned to the assets and we consider the overall approach to be reasonable. The tangible and intangible fair values have been determined by KPMG as part of the PPA exercise, and are considered to be reasonable. The intangible assets are customer relationships and trademarks and patents within the Functional Solutions and Industrial Specialities divisions, which were valued with reference to royalty revenue forecasts and cash flows projections. We challenged the appropriateness of the forecasts by comparing to actual outturns of the divisions post-acquisition. As a result, further challenge was made regarding the valuation of Functional Solutions intangible assets due to the impact of Covid-19 on the oil and gas industry, however evidence regarding the return of this industry was found to support the assessment that no impairment was required.</p> <p>Tangible assets of primarily land, real estate, building improvements and plant and equipment were acquired. We have tested the key assumptions made by management in KPMG's valuation exercise, namely the land value per acre, building base cost per square foot, building soft costs and entrepreneurial incentive, plant and machinery replacement costs, obsolescence factors, residual values, discount rate, terminal growth rate and cash flow growth assumptions, with no findings to report. We have considered the useful economic lives applied to the tangible and intangible assets and we consider these to be reasonable. We also reviewed the reconciliation of the accounting policies/GAAP alignment for completeness and have no findings to report. The component teams in the US and France performed audit procedures over the significant adjustments, in addition to attending the stockcounts at the point of acquisition to confirm opening inventory balances and assisting with the audit of the acquisition accounting and acquired asset valuations. No exceptions were noted from our work. We also considered the appropriateness of the disclosures within the financial statements and considered these to be acceptable.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Impact of Covid-19 (group and parent) Since the outbreak of Covid-19, the Group and Company have continued to operate and trade, albeit there was a period when trade slowed during April 2020 and May 2020, with the pandemic therefore impacting the financial results of the Group for the year. Management has considered the impact of Covid-19 on the financial statements, with these considerations principally relating to the ability of the Group and Company to continue as a going concern and the potential impairment of intangible assets, including goodwill. Disclosure of the risk to the Group and Company of the impact of Covid-19, and management's conclusions on going concern and viability, have been included within the relevant sections of the financial statements.</p>	<p>In advance of the year end, and throughout the course of our audit procedures, we assessed the risks arising from Covid-19. We focused on areas that we considered might be susceptible to a material financial impact on the performance and position of the Group and Company for the year ended 31 December 2020. We assessed the base case going concern model prepared by management which includes the anticipated future impacts of Covid-19, as well as the downside scenarios - including management's severe but plausible scenario – which have been used to sensitise the base case model. We have obtained management's forecasts and assessed the underlying assumptions, which principally focused on the expected growth rates for the business. We performed sensitivity analysis to consider the impact of changes in the assumptions on the forecasts. In conjunction with the above, we have reviewed management's analysis of both liquidity and covenant.</p> <p>We similarly considered the cash flow projections used within the goodwill impairment model, in the context of the potential impact of Covid-19 and analysis of management's historic forecasting accuracy, ensuring the consistency of these projections to those reviewed through the procedures performed over going concern. Management recognised a goodwill impairment charge in the Acrylate Monomers Cash Generating Unit ("CGU") due to factors not considered to be related to Covid-19. No exceptions were noted from our work. We also considered the appropriateness of any relevant disclosures within the financial statements and considered these to be acceptable.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As set out in note 5 'Segmental analysis', the Group reports its results as four segments: 'Performance Elastomers', 'Functional Solutions', 'Industrial Specialities' and 'Acrylate Monomers'. The Group financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and operating companies, across 24 countries.

Three countries, being the UK, Germany and Malaysia, account for the majority for the Group's results. We accordingly focused our work on three of the reporting units in these countries, which were subject to audits of their complete financial information. In addition, to increase our coverage of the Group's revenue and underlying profit before tax we performed audit procedures at an additional thirteen reporting units located in the UK, Italy, Germany, Malaysia, Finland, the Netherlands, the Czech Republic, Austria, France, and the USA. These components accounted for 85% of the Group's revenue, 91% of the Group's operating profit and 91% of the Group's underlying profit before tax.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. During the audit, senior members of the Group team held a number of meetings with the audit teams from the Key reporting units in the UK, Germany and Malaysia, and also the USA, and reviewed the work performed by these teams over those areas of higher audit risk.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditors' report continued

to the members of Synthomer plc

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£7,900,000 (2019: £5,810,000).	£18,660,000 (2019: £11,739,000).
How we determined it	approximately 5% of underlying profit before taxation	approximately 1% of total assets, restricted for group reporting
Rationale for benchmark applied	We believe that underlying profit before taxation, being profit before tax adjusted for special items, is a key metric against which the Group's financial performance is measured in the Chairman's and CEO's statements within the Annual Report. It is also a key metric for investors.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted benchmark. This has been capped at a level below that of the group materiality for group reporting (capped at £3,000,000).

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £300,000 and £7,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £5,925,000 for the group financial statements and £15,700,000 for the company financial statements, restricted for group reporting.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £395,000 (group audit) (2019: £290,000) and £395,000 (company audit) (2019: £290,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed the Directors' model supporting their going concern assumption, tested its mathematical accuracy and considered the reasonableness of the revenue and cost assumptions made and the available headroom throughout a period of at least twelve months from the date of approval of the financial statements. Our procedures included: understanding

and evaluating the drivers for the revenue and level of costs included in the model, considering whether judgements/estimates are appropriately disclosed within the financial statements, applying sensitivities to the model, including timing and quantum of revenue forecast in the period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report continued

to the members of Synthomer plc

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.; or

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 12 July 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods.

The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2012 to 31 December 2020.

Matthew Mullins (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

4 March 2021

Consolidated income statement

for the year ended 31 December 2020

	Note	2020			2019		
		Underlying performance £m	Special Items £m	IFRS £m	Underlying performance £m	Special Items £m	IFRS £m
Revenue	5	1,644.2	–	1,644.2	1,459.1	–	1,459.1
Company and subsidiaries before Special Items		188.4	–	188.4	124.9	–	124.9
Amortisation of acquired intangibles	4	–	(30.9)	(30.9)	–	(8.7)	(8.7)
Restructuring and site closure costs	4	–	(42.5)	(42.5)	–	(0.8)	(0.8)
Acquisition costs and related gains	4	–	(14.6)	(14.6)	–	(9.2)	(9.2)
Impairment charge	4	–	(36.6)	(36.6)	–	–	–
Sale of business	4	–	(6.6)	(6.6)	–	–	–
Foreign exchange gain on rights issue	4	–	–	–	–	3.5	3.5
Company and subsidiaries		188.4	(131.2)	57.2	124.9	(15.2)	109.7
Share of joint ventures	18	1.2	–	1.2	0.9	–	0.9
Operating profit/(loss)	6	189.6	(131.2)	58.4	125.8	(15.2)	110.6
Interest payable	9	(25.5)	–	(25.5)	(6.7)	–	(6.7)
Interest receivable	9	1.2	–	1.2	0.9	–	0.9
Fair value loss on unhedged interest derivatives	4	–	(3.6)	(3.6)	–	(0.5)	(0.5)
Loss on extinguishment of financing facilities	4	–	(4.9)	(4.9)	–	–	–
		(24.3)	(8.5)	(32.8)	(5.8)	(0.5)	(6.3)
Net interest expense on defined benefit obligations	9	(3.7)	–	(3.7)	(2.7)	–	(2.7)
Interest element of lease payments	9	(1.6)	–	(1.6)	(1.1)	–	(1.1)
Finance costs		(29.6)	(8.5)	(38.1)	(9.6)	(0.5)	(10.1)
Profit/(loss) before taxation		160.0	(139.7)	20.3	116.2	(15.7)	100.5
Taxation	10	(37.4)	15.6	(21.8)	(16.3)	1.4	(14.9)
Profit/(loss) for the year		122.6	(124.1)	(1.5)	99.9	(14.3)	85.6
(Loss)/profit attributable to non-controlling interests		(0.3)	(4.3)	(4.6)	0.4	0.6	1.0
Profit/(loss) attributable to equity holders of the parent		122.9	(119.8)	3.1	99.5	(14.9)	84.6
		122.6	(124.1)	(1.5)	99.9	(14.3)	85.6
Earnings/(loss) per share							
– Basic	13	28.9p	(28.2)p	0.7p	25.3p	(3.8)p	21.5p
– Diluted	13	28.8p	(28.1)p	0.7p	25.2p	(3.8)p	21.4p

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020			2019		
		Equity holders of the parent £m	Non-controlling interests £m	Total £m	Equity holders of the parent £m	Non-controlling interests £m	Total £m
Profit/(loss) for the year		3.1	(4.6)	(1.5)	84.6	1.0	85.6
Actuarial losses	26	(7.6)	–	(7.6)	(27.2)	–	(27.2)
Tax relating to components of other comprehensive income	10	3.5	–	3.5	4.7	–	4.7
Total items that will not be reclassified to the income statement		(4.1)	–	(4.1)	(22.5)	–	(22.5)
Exchange differences on translation of foreign operations		(37.5)	(0.3)	(37.8)	(15.3)	(0.4)	(15.7)
Fair value loss on hedged interest derivatives	27	(0.8)	–	(0.8)	(8.7)	–	(8.7)
Gains/(losses) on net investment hedges taken to equity	27	15.9	–	15.9	(1.9)	–	(1.9)
Total items that may be reclassified subsequently to the income statement		(22.4)	(0.3)	(22.7)	(25.9)	(0.4)	(26.3)
Other comprehensive expense for the year		(26.5)	(0.3)	(26.8)	(48.4)	(0.4)	(48.8)
Total comprehensive (expense)/income for the year		(23.4)	(4.9)	(28.3)	36.2	0.6	36.8

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Note	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total equity holdings of the parent	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2020		42.5	421.1	0.9	(19.5)	204.4	649.4	21.1	670.5
Profit/(loss) for the year		–	–	–	–	3.1	3.1	(4.6)	(1.5)
Other comprehensive expense for the year		–	–	–	(22.4)	(4.1)	(26.5)	(0.3)	(26.8)
Total comprehensive expense for the year		–	–	–	(22.4)	(1.0)	(23.4)	(4.9)	(28.3)
Dividends	12	–	–	–	–	(12.8)	(12.8)	(3.1)	(15.9)
Share-based payments		–	–	–	–	1.8	1.8	–	1.8
At 31 December 2020		42.5	421.1	0.9	(41.9)	192.4	615.0	13.1	628.1
	Note	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total equity holdings of the parent	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2019		34.0	230.5	0.9	6.4	192.1	463.9	21.1	485.0
Profit for the year		–	–	–	–	84.6	84.6	1.0	85.6
Other comprehensive expense for the year		–	–	–	(25.9)	(22.5)	(48.4)	(0.4)	(48.8)
Total comprehensive (expense)/income for the year		–	–	–	(25.9)	62.1	36.2	0.6	36.8
Dividends	12	–	–	–	–	(47.9)	(47.9)	(0.6)	(48.5)
Issue of shares	27	8.5	190.6	–	–	–	199.1	–	199.1
Share-based payments		–	–	–	–	(1.9)	(1.9)	–	(1.9)
At 31 December 2019		42.5	421.1	0.9	(19.5)	204.4	649.4	21.1	670.5

Consolidated balance sheet

as at 31 December 2020

	Note	2020 £m	2019 £m
Non-current assets			
Goodwill	14	493.4	324.4
Acquired intangible assets	15	341.0	56.8
Other intangible assets	16	36.6	22.0
Property, plant and equipment	17	521.8	404.9
Deferred tax assets	11	23.8	22.8
Investment in joint ventures	18	6.6	7.5
Total non-current assets		1,423.2	838.4
Current assets			
Inventories	19	170.3	121.9
Trade and other receivables	20	262.4	190.6
Cash and cash equivalents	21	201.8	103.6
Derivative financial instruments	22	1.4	4.9
Total current assets		635.9	421.0
Total assets		2,059.1	1,259.4
Current liabilities			
Borrowings	21	(20.1)	–
Trade and other payables	24	(334.1)	(232.9)
Lease liabilities	23	(10.6)	(7.5)
Current tax liabilities	10	(58.5)	(38.7)
Provisions for other liabilities and charges	25	(25.7)	(4.9)
Derivative financial instruments	22	(19.4)	(14.3)
Total current liabilities		(468.4)	(298.3)
Non-current liabilities			
Borrowings	21	(643.9)	(82.9)
Trade and other payables	24	(3.7)	(0.5)
Lease liabilities	23	(44.4)	(34.4)
Deferred tax liabilities	11	(43.3)	(30.8)
Retirement benefit obligations	26	(221.4)	(140.0)
Provisions for other liabilities and charges	25	(5.9)	(2.0)
Total non-current liabilities		(962.6)	(290.6)
Total liabilities		(1,431.0)	(588.9)
Net assets			
Equity			
Share capital	27	42.5	42.5
Share premium	27	421.1	421.1
Capital redemption reserve		0.9	0.9
Hedging and translation reserve	27	(41.9)	(19.5)
Retained earnings	27	192.4	204.4
Equity attributable to equity holders of the parent		615.0	649.4
Non-controlling interests		13.1	21.1
Total equity		628.1	670.5

The financial statements on pages 129 to 163 were approved by the Board of Directors and authorised for issue on 4 March 2021. They are signed on its behalf by:

C G MacLean
Director

S G Bennett
Director

Consolidated cash flow statement

for the year ended 31 December 2020

	Note	2020		2019	
		£m	£m	£m	£m
Operating					
Cash generated from operations	28		232.2		170.2
Interest received		1.2		0.9	
Interest paid		(13.6)		(7.0)	
Interest element of lease payments		(1.6)		(1.1)	
Net interest paid			(14.0)		(7.2)
UK corporation tax paid		–		–	
Overseas corporate tax paid		(31.4)		(11.1)	
Total tax paid			(31.4)		(11.1)
Net cash inflow from operating activities			186.8		151.9
Investing					
Dividends received from joint ventures	18		1.9		1.6
Purchase of property, plant and equipment and intangible assets		(53.8)		(69.1)	
Sale of property, plant and equipment		–		0.3	
Net capital expenditure			(53.8)		(68.8)
Purchase of business	29		(314.0)		–
Proceeds from sale of business			0.1		–
Net cash outflow from investing activities			(365.8)		(67.2)
Financing					
Dividends paid	12		(12.8)		(47.9)
Dividends paid to non-controlling interests			(3.1)		(0.6)
Proceeds on issue of shares			–		199.1
Settlement of equity-settled share-based payments			(0.2)		(2.5)
Repayment of principal portion of lease liabilities			(9.7)		(6.8)
Repayment of borrowings	21		(718.3)		(216.3)
Repayment of borrowings on acquisition	29		(273.6)		–
Proceeds of borrowings	21		1,290.9		15.0
Net cash inflow/(outflow) from financing activities			273.2		(60.0)
Increase in cash, cash equivalents and bank overdrafts during the year			94.2		24.7
Cash, cash equivalents and bank overdrafts at 1 January			103.6		76.2
Foreign exchange and other movements	21		(6.5)		2.7
Cash, cash equivalents and bank overdrafts at 31 December	21		191.3		103.6

Reconciliation of net cash flow from operating activities to movement in net debt

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Net cash inflow from operating activities		186.8	151.9
Add back: dividends received from joint ventures	18	1.9	1.6
Less: net capital expenditure		(53.8)	(68.8)
Less: purchase of business		(587.6)	–
Add back: proceeds from sale of business		0.1	–
		(452.6)	84.7
Ordinary dividends paid	12	(12.8)	(47.9)
Dividends paid to non-controlling interests		(3.1)	(0.6)
Proceeds on issue of shares		–	199.1
Settlement of equity-settled share-based payments		(0.2)	(2.5)
Repayment for principal portion of lease liabilities		(9.7)	(6.8)
Foreign exchange and other movements	21	(4.5)	8.7
(Increase)/decrease in net debt		(482.9)	234.7

Notes to the consolidated financial statements

31 December 2020

1 General information

Synthomer plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on page 172. The Company is listed on the London Stock Exchange.

The principal activities of the Company and its subsidiaries (the 'Group') and the nature of the Group's operations are set out in the Strategic Report.

The consolidated financial statements are prepared in pounds sterling, the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 2.

New and amended standards adopted by the Group

There are no standards or interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The principal accounting policies adopted are set out below.

Going concern

The potential financial impact of the COVID-19 pandemic within the next 18 month period has been modelled in our cash flow projections and stress tested by including several severe but plausible downside scenarios which are linked to our principal risks. In our downside COVID-19 scenario, we have considered the key impacts of the pandemic on trading volatility, the expected duration of restrictions, as well as the length of time to recovery. These impacts took account of the Group's experience gained from the COVID-19 pandemic in 2020. The most severe scenario assumes a recurrence of the trading conditions experienced during Q2 of 2020 for a prolonged four month period along with the unavailability of one of our largest facilities for a period of two months. We believe that the risk of enforced plant closure is low and have implemented additional health and safety measures in each of our sites to reduce the risk of a major supply disruption.

No mitigating actions have been included for any of the scenarios. Mitigations, should they be required, are all within management's control and include reduction of capital spend and dividend payments as well as other reductions to costs and cash outflows as demonstrated during the course of the 2020.

Having considered the outcome of these assessments, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins from the date the Company obtains control and ceases from the date the Company loses control. Where necessary on obtaining control, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

The results of joint ventures are accounted for using equity accounting.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Subsequent to the date on which the Company obtains control, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during a measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

A measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

If a business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Notes to the consolidated financial statements continued

31 December 2020

2 Significant accounting policies continued**Goodwill**

Goodwill is measured as the excess of the consideration transferred over the Group's interest in acquisition-date identifiable assets acquired less liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Joint ventures

Joint ventures are accounted for using the equity method of accounting. Under the equity method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Revenue**General**

Synthomer manufactures and sells mainly water-based polymers across a diverse range of end use applications. Our products are predominantly sold in liquid form, in bulk containers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer when performance obligations are satisfied. Revenue is recognised at the point in time when control of the product is transferred from Synthomer to the customer.

The customer is deemed to obtain control of the resultant asset in line with the Incoterms under which it is sold. The significant majority of Synthomer's products are sold under Carriage Paid To (CPT) and Carriage and Insurance Paid (CIP) International Commercial Terms. Under these terms, control of the product is transferred when the goods reach their destination. At this point the risks of obsolescence and loss have been transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the product. A receivable is recognised at this point in time as consideration is unconditional and only the passage of time is required before payment is due.

Rebates

Synthomer may grant customers rebates if the goods purchased by the customer exceed a contractually defined threshold within the specified period. Rebates are usually deducted from the amounts payable by the customer. Depending on the terms of the underlying contract, Synthomer uses either the expected value or the most likely amount to estimate the variable consideration for expected future rebates. Historical, current and forecast information is considered when calculating rebates.

The majority of rebate programmes are aligned with the Group's financial year end, providing certainty around how much should be recognised in the financial statements.

Other

The Group does not have any contracts where the period between the transfer of promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group applies the practical expedient in IFRS 15 and does not adjust any of the transaction prices for the time value of money.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under 'hedge accounting'); and
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's non-Sterling operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities.

Operating profit

Operating profit represents profit from continuing activities before financing costs and taxation.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at best estimate of the amount expected to become payable. The assessment is based on the judgement

of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The lease term is determined from the commencement date of the contract and covers the non-cancellable term. If considered reasonably certain, extension or termination options are included in the lease term.

At the commencement date, a lease liability is recognised, measured at the present value of the future lease payments and discounted using the Group's incremental borrowing rate. Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

At the commencement date, a right of use asset is recognised, measured at an amount equal to the lease liability plus any lease payments made before the commencement date and any initial direct costs, less any lease incentive payments. An estimate of costs to be incurred in restoring an asset, in accordance with the terms of the lease, is also included in the right of use asset at initial recognition. Subsequently, right of use assets are measured in accordance with the accounting policy for property, plant and equipment and are depreciated over the shorter period of lease term and the useful life of the underlying asset. Any adjustments to the corresponding lease liability are reflected in the corresponding right of use asset.

Short-term leases and low value leases are not recognised as lease liabilities and right of use assets, but are recognised as an expense straight-line over the lease term.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss. Cost comprises original purchase price and the costs attributable to bringing the asset to its working condition for its intended use, including, where appropriate, capitalised finance costs.

Freehold land is not depreciated.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	– 50 years
Leasehold land and buildings	– the lesser of 50 years and the period of the lease
Plant and equipment	– between 3 and 15 years

Assets in the course of construction are carried at cost, less any recognised impairment loss. Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of those assets. Depreciation of these assets commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Acquired intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date, which is regarded as their cost. Where necessary the fair value of assets at acquisition and their estimated useful lives are based on independent valuation reports.

Acquired intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over estimated useful lives, on the following bases:

Customer relationships	– between 5 and 15 years
Other intangibles	– up to 10 years

Assets with an indefinite life are not subject to amortisation.

Acquired intangible assets are derecognised upon reaching the end of their useful lives.

Other intangible assets

Other intangible assets that are not acquired through a business combination are initially measured at cost and amortised on a straight-line basis over their estimated useful lives of up to ten years.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the asset;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the asset once development has been completed;
- the probability that the asset created will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development; and
- the asset created can be separately identified and the development cost can be measured reliably.

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2 Significant accounting policies continued

Impairment of property, plant and equipment and intangible assets excluding goodwill

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

At each balance sheet date, the Group reviews the carrying amounts of its plant, property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial instruments in the following categories:

- financial assets and liabilities at amortised cost (AC);
- financial assets and liabilities at fair value through profit and loss (FVTPL); and
- financial assets and liabilities at fair value through other comprehensive income (FVTOCI).

Financial assets and liabilities are initially measured at fair value including, where permitted, any directly attributable transaction costs.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

Financial assets and liabilities measured at amortised cost

Financial assets measured at amortised cost include cash and cash equivalents and trade and other receivables. Cash and cash

equivalents comprise cash held in bank accounts with no access restrictions, bank term deposits repayable on demand or maturing within three months of inception.

At each reporting date the Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Group applies either the general approach or the simplified approach, depending on the nature of the underlying class of financial assets:

- Under the general approach, the Group recognises a loss allowance for a financial asset at an amount equal to the 12 month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses.
- The simplified approach is applied to the impairment assessment of trade and other receivables. Under this approach, the Group recognises expected lifetime losses upon initial recognition.

Financial liabilities measured at amortised cost include trade and other payables, lease liabilities and borrowings. Borrowings are measured at amortised cost unless they form part of a fair value hedge relationship. The difference between the initial carrying amount of borrowings and the redemption value is recognised in the income statement over the contractual terms using the effective interest rate method.

Financial assets and liabilities held at fair value

Financial assets and liabilities are measured at fair value through profit or loss when they do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

Financial assets and liabilities at FVTPL are measured at fair value at the end of each reporting period with fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see below).

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are set out in note 22.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Hedge accounting

To mitigate foreign currency and interest rate risk, the Group designates certain derivatives as hedging instruments in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk.

On adoption of IFRS 9, the Group elected to continue to apply the hedge accounting requirements of IAS 39 as permitted by the standard.

Fair value hedges

The Group only applies fair value hedge accounting for foreign currency risk.

The fair value change on qualifying hedging instruments is recognised in the income statement and is recognised in the same line as the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge.

Gains or losses relating to an ineffective portion are recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified in the income statement in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated at that time in equity is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are treated as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

For defined benefit schemes, the cost of providing benefits is calculated using the projected unit credit method, with actuarial valuations carried out at the end of each reporting period.

Defined benefit costs are split into three categories, namely:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense; and
- remeasurements.

The Group presents service costs within cost of sales and administrative expenses in its consolidated income statement. Past service cost is recognised when the plan amendment or curtailment occurs.

Net interest expense is recognised within finance costs and is calculated by applying a discount rate to the net defined benefit liability.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of other comprehensive income in the period in which they occur and are not subsequently reclassified to profit and loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. These are measured at the fair value of the equity instruments at grant date. The fair value excludes the effect of non-market-based vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. The Group will on occasion, at its own discretion, settle these share-based payments in cash rather than equity.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Alternative Performance Measures

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

- Underlying performance, which excludes Special Items from IFRS profit measures.
- EBITDA, which excludes Special Items, amortisation and depreciation from IFRS operating profit.

The Board's view is that Underlying performance provides additional clarity for the Group's investors and so it is the primary focus of the Group's narrative reporting. Further information and the reconciliation to the IFRS measures are included in notes 4 and 5.

Notes to the consolidated financial statements continued

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2 Significant accounting policies continued**Critical accounting judgements and estimates**

In the application of the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The assumptions for each estimate are set out in the relevant note referenced below.

- **Defined benefit obligation (note 26):**
Calculation of the Group's defined benefit obligation includes a number of assumptions which impact the carrying value of the obligation.
- **Valuation of goodwill and intangible assets on acquisition:**
In a business combination, intangible assets are identified and recognised at fair value. The assumptions involved in valuing these intangible assets require the use of estimates that may differ from the actual outcome. These estimates cover future growth rates, expected inflation rates and the discount rate used. Changing the assumptions selected by management could significantly affect the allocation of the purchase price paid between goodwill and other acquired intangibles.
- **Current tax liability and deferred tax (notes 10 and 11):**
The Group annually incurs significant amounts of income taxes payable to various jurisdictions around the world and it also recognises significant changes in deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions.

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are discussed above), that the Directors have made in the process of applying the Group's accounting policies.

3 Adoption of new and revised standards

The following amendments to the accounting standards, issued by the IASB which have been endorsed by the EU, have been adopted by the Group from 1 January 2020 with no impact on the Group's consolidated results, financial position or disclosures:

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Phase 1). These amendments provide temporary relief from specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate.

The Group has one designated hedge relationship that is potentially impacted by IBOR reform. The potential impact and implications on the wider business of IBOR reform will be assessed during the year.

There are a number of other amendments and clarifications to IFRS, effective in future years, which are not expected to significantly impact the Group's consolidated results or financial position.

4 Special Items**IFRS and Underlying performance**

The IFRS profit measures show the performance of the Group as a whole and as such include all sources of income and expense, including both one-off items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of the Group's businesses, management uses 'Underlying' performance as an Alternative Performance Measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

Special Items

Special Items are disclosed separately in order to provide a clearer indication of the Group's Underlying performance.

Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of a segment in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

The following are consistently disclosed separately as Special Items in order to provide a clearer indication of the Group's Underlying performance:

- Restructuring and site closure costs;
- Sale of a business or significant asset;
- Acquisition costs;
- Amortisation of acquired intangible assets;
- Impairment of non-current assets;
- Fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied;
- Items of income and expense that are considered material, either by their size and/or nature;
- Tax impact of above items; and
- Settlement of prior period tax issues.

Special Items comprise:

	Note	2020 £m	2019 £m
Amortisation of acquired intangibles	15	(30.9)	(8.7)
Restructuring and site closure costs		(42.5)	(0.8)
Acquisition costs and related gains		(14.6)	(9.2)
Impairment charge		(36.6)	–
Sale of business		(6.6)	–
Foreign exchange gain on rights issue		–	3.5
Total impact on operating loss		(131.2)	(15.2)
Finance costs			
Fair value loss on unhedged interest derivatives	9	(3.6)	(0.5)
Loss on extinguishment of financing facilities	9	(4.9)	–
Total impact on profit before taxation		(139.7)	(15.7)
Tax Special Items	10	4.9	–
Taxation on Special Items	10	10.7	1.4
Total impact on profit/(loss) for the year		(124.1)	(14.3)

Amortisation of acquired intangibles increased during the year reflecting the acquisition of OMNOVA Solutions Inc which resulted in an amortisation charge of £22.6 million for the nine month period since acquisition on 1 April 2020. The fair value of the intangible assets arising on the acquisition of OMNOVA amounting to £330.1 million are being amortised over a period of 9-11 years mainly dependent on the characteristics of the customer relationships.

Restructuring and site closure costs in 2020 comprise £19.5 million for the integration of OMNOVA, £20.9 million for the rationalisation of the Group's European SBR network and £2.1 million to rationalise the Acrylate Monomers site. OMNOVA integration costs were required to deliver the acquisition synergies and mainly relate to employee severance costs. Restructuring costs in the legacy Synthomer business again mainly relate to employee severance costs. In 2019 the costs related to the reorganisation of the Group into global business segments.

Acquisition costs and related gains relate to the acquisition of OMNOVA and comprise £20.0 million of costs, mainly professional adviser fees, and the £3.3 million impact of unwinding the fair value adjustment on acquisition of inventory. This was offset by a gain of £8.7 million on a foreign exchange derivative entered into in July 2019 to hedge the acquisition price. Acquisition costs in 2019 also relate to the acquisition of OMNOVA.

A £36.6 million impairment charge was taken in the year, relating to four sites. Following the strategic review of our European SBR network we have impaired fixed assets by £9.2 million in our Oulu site and £5.5 million in Marl. Unfavourable feedstock prices and continued oversupply in Europe, partly reflecting the impact of COVID-19, led to a £18.6 million impairment charge in relation to the Acrylate Monomers site in Sokolov. Reduction in demand for solvent-based products manufactured in our Chonburi site led to a £3.3 million impairment charge.

Sale of business related to the disposal of Synthomer's European Tyre Cord business, which was a requirement of the European Commission Competition Authority in order to obtain clearance for the acquisition of OMNOVA. The disposal was completed on 1 May 2020 and the terms of the disposal agreement resulted in a loss on disposal of £6.6 million.

Foreign exchange gain on rights issue represents a gain made on a forward contract which was entered into to swap the proceeds of the Sterling rights issue into Euros in order to pay down part of the Group's Euro borrowings in July 2019.

In July 2018 the Group entered into swap arrangements to fix Euro interest rates on the full value of the then €440 million committed unsecured revolving credit facility. The fair value of the unhedged interest rate derivatives relates to the mark-to-market of the swap at 31 December 2020 in excess of the Group's current borrowings.

Following the Group's successful refinancing in April 2020, capitalised debt costs relating to the 2018 refinancing and the 2019 bridge to bond were written off, leading to a loss on extinguishment of £4.9 million.

A current tax charge arose in Malaysia from a disputed assessment from the Malaysian Tax Authorities regarding the tax treatment of the sale of plantation land from 2007 to 2017. This is offset by a current tax credit in relation to the closure of 2001 to 2003 open tax years in the UK by HMRC.

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5 Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance.

With the acquisition of OMNOVA the Group has reassessed how the business will be managed going forwards. The Group's Acrylate Monomers Division, which was previously managed and reported within the Industrial Specialities Division, has been identified as a separate segment by the Group's Executive Committee. A new management structure has been implemented and management information for Acrylate Monomers is now reported separately to the Executive Committee. The Group's reportable segments are as follows:

Performance Elastomers

Performance Elastomers is focused on healthcare, paper, carpet and foam markets through our water-based Nitrile Butadiene Rubber latex (NBR) and Styrene Butadiene Rubber latex (SBR) products and also includes the Performance Materials and Elastomeric Modifiers businesses.

Functional Solutions

Functional Solutions is focused on coatings, construction, adhesives and technical textiles markets through our water-based acrylic and vinyl based dispersions products.

Industrial Specialities

Industrial Specialities is focused on speciality chemical additives and non-water-based chemistry for a broad range of applications from polymer additives and laminates and films to emerging materials and technologies, and also includes Laminates & Films and Coated Fabrics businesses.

Acrylate Monomers

Acrylate Monomers is focused on the production of acrylate monomers which are sold to external customers in European markets as well as our European Functional Solutions dispersions business.

The Group's Executive Committee is the chief operating decision maker and primarily uses a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments. No information is provided to the Group's Executive Committee at the segment level concerning interest income, interest expense, income tax or other material non-cash items.

No single customer accounts for more than 10% of the Group's revenue.

A segmental analysis of Underlying performance and Special Items is shown below.

	2020					Total £m
	Performance Elastomers £m	Functional Solutions £m	Industrial Specialities £m	Acrylate Monomers £m	Corporate £m	
Revenue						
Total revenue	680.3	646.7	264.9	64.4	–	1,656.3
Inter-segmental revenue	–	–	–	(12.1)	–	(12.1)
	680.3	646.7	264.9	52.3	–	1,644.2
EBITDA	142.5	95.6	41.2	(2.4)	(17.5)	259.4
Depreciation and amortisation – Underlying performance	(25.7)	(26.5)	(12.2)	(3.2)	(2.2)	(69.8)
Operating profit/(loss) – Underlying performance	116.8	69.1	29.0	(5.6)	(19.7)	189.6
Special Items	(36.0)	(38.0)	(10.2)	(20.7)	(26.3)	(131.2)
Operating profit/(loss) – IFRS	80.8	31.1	18.8	(26.3)	(46.0)	58.4
Finance costs						(38.1)
Profit before taxation						20.3
	2019					Total £m
	Performance Elastomers £m	Functional Solutions £m	Industrial Specialities (restated) £m	Acrylate Monomers (restated) £m	Corporate £m	
Revenue						
Total revenue	623.7	612.8	157.9	70.9	–	1,465.3
Inter-segmental revenue	–	–	–	(6.2)	–	(6.2)
	623.7	612.8	157.9	64.7	–	1,459.1
EBITDA	96.3	69.9	23.8	1.0	(13.1)	177.9
Depreciation and amortisation – Underlying performance	(24.8)	(17.6)	(5.4)	(3.4)	(0.9)	(52.1)
Operating profit/(loss) – Underlying performance	71.5	52.3	18.4	(2.4)	(14.0)	125.8
Special Items	(0.3)	(4.3)	(4.1)	(0.6)	(5.9)	(15.2)
Operating profit/(loss) – IFRS	71.2	48.0	14.3	(3.0)	(19.9)	110.6
Finance costs						(10.1)
Profit before taxation						100.5

Finance costs for the period include £8.5 million of Special Items (2019: £0.5 million) as set out in note 4.

Geographical information

The Group's revenue from external customers and its non-current assets (excluding deferred tax) by geographical location are detailed below:

	Revenue by destination		Non-current assets	
	2020 £m	2019 £m	2020 £m	2019 £m
UK	75.6	80.0	140.6	134.6
Germany	183.2	201.3	194.6	198.5
Italy	63.2	78.3	52.7	52.1
Netherlands	57.5	76.3	15.1	15.9
France	64.6	64.5	111.4	17.3
Belgium	36.0	52.8	70.2	71.7
Other Europe	293.4	309.0	78.8	62.4
Malaysia	304.5	250.6	162.7	166.1
China	93.3	82.4	22.3	0.6
Other Asia	144.2	125.9	30.3	9.7
USA	254.6	90.2	514.1	79.1
Rest of World	74.1	47.8	6.6	7.6
	1,644.2	1,459.1	1,399.4	815.6

6 Operating profit

	Note	2020 £m	2019 £m
Revenue		1,644.2	1,459.1
Cost of sales		(1,206.8)	(1,185.3)
Gross profit		437.4	273.8
Sales and marketing costs		(53.9)	(43.8)
Administrative expenses		(125.3)	(53.0)
Share of joint ventures	18	1.2	0.9
EBITDA		259.4	177.9
Depreciation and amortisation – Underlying performance		(69.8)	(52.1)
Operating profit – Underlying performance		189.6	125.8
Special Items		(131.2)	(15.2)
Operating profit – IFRS		58.4	110.6
	Note	2020 £m	2019 £m
Operating profit is stated after charging the following:			
Amortisation of acquired intangibles	15	30.9	8.7
Amortisation of other intangibles	16	4.9	1.4
Depreciation of property, plant and equipment	17	54.0	43.4
Depreciation of right of use assets	17	10.9	7.3
Research and development expenditure		25.8	16.6
Net (gain)/loss on foreign exchange		(1.0)	1.2

7 Auditors' remuneration

	2020 £'000	2019 £'000
Fees payable to the Company's auditors for:		
audit of the Company's annual financial statements and the consolidated annual financial statements	222	215
Fees payable to the Company's auditors and their associates for other services to the Group:		
audit of the Company's subsidiaries' annual financial statements	1,594	661
Total audit fees	1,816	876
Audit related assurance services	40	23
Other assurance services	567	1,010
Total non-audit fees	607	1,033

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditors were used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance report on pages 98 to 99. No services were provided pursuant to contingent fee arrangements.

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8 Staff costs

	2020	2019
The average monthly number of employees during the year by segment was:		
Performance Elastomers	893	877
Functional Solutions	1,656	1,203
Industrial Specialities	963	275
Acrylate Monomers	351	383
Corporate	321	201
	4,184	2,939

	2020 £m	2019 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	211.3	115.5
Social security costs	25.6	20.5
Other pension costs	14.0	8.7
Share-based payments	2.0	0.6
	252.9	145.3

Directors' emoluments are disclosed in the Directors' Remuneration report on pages 102 to 118.

9 Finance costs

	2020 £m	2019 £m
Interest payable on bank loans and overdrafts	25.5	6.7
Less: interest receivable	(1.2)	(0.9)
	24.3	5.8
Net interest expense on defined benefit obligations	3.7	2.7
Interest element of lease payments	1.6	1.1
Underlying finance costs	29.6	9.6
Fair value loss on unhedged interest derivatives	3.6	0.5
Loss on extinguishment of financing facilities	4.9	–
Finance costs	38.1	10.1

10 Taxation

	2020 £m	2019 £m
Current tax		
UK corporation tax	–	–
Overseas tax	39.9	15.5
	39.9	15.5
Deferred tax		
Origination and reversal of temporary differences	(2.5)	0.8
	37.4	16.3
Special Items		
<i>Current tax:</i>		
Historical issues	4.9	–
Purchase and sale of business	(0.2)	(0.3)
Restructuring and site closure costs	(0.2)	(0.3)
<i>Deferred tax:</i>		
Restructuring and site closure costs	(10.5)	–
Amortisation of acquired intangibles	(10.7)	(0.8)
Other Deferred tax on acquisition of business	1.1	–
	(15.6)	(1.4)
Total tax on profit before taxation	21.8	14.9

UK corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of tax expense to profit before taxation

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2020 £m	2019 £m
Profit before taxation	<u>20.3</u>	100.5
Tax on profit before taxation at standard UK corporation tax rate of 19.0% (2019: 19.0%)	3.9	19.1
Effects of:		
Expenses not deductible for tax purposes	5.8	9.9
Tax incentives and items not subject to tax	(3.6)	(15.5)
Higher tax rates on overseas earnings	6.0	4.5
Other deferred tax asset not recognised less amounts now recognised	7.2	(0.7)
Adjustments to tax charge in respect of prior periods	3.3	(2.1)
Effect of change of rate on deferred tax	(0.8)	(0.3)
Tax charge for year	<u>21.8</u>	14.9

Tax relating to components of other comprehensive income

	2020 £m	2019 £m
Current tax credit in respect of actuarial losses	1.3	2.6
Deferred tax credit in respect of actuarial losses	2.2	2.1
Total tax credit in respect of actuarial losses	<u>3.5</u>	4.7

Current tax liabilities

	2020 £m	2019 £m
Current tax liabilities	<u>(58.5)</u>	(38.7)

The tax incentives and items not subject to tax primarily comprise of profits from the Nitrile latex business in Malaysia which had benefitted from pioneer status until 28 February 2020.

The Special Items current tax charge relating to historical issues arises from a disputed assessment from the Malaysian Tax Authorities regarding the tax treatment of the sale of plantation land from 2007 to 2017, net of a current tax credit in relation to the closure of 2001 to 2003 open tax years in the UK by HMRC.

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11 Deferred taxation

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities are shown below.

Deferred tax liabilities

	Accelerated tax depreciation £m	Acquired intangibles £m	Other £m	Total £m
At 1 January	(17.9)	(11.8)	(1.1)	(30.8)
Purchase of business	(10.0)	(76.0)	–	(86.0)
Credited/(charged) to income statement	(5.2)	10.7	1.1	6.6
Exchange adjustment	0.3	(4.5)	–	(4.2)
	(32.8)	(81.6)	–	(114.4)
Tax offset				71.1
At 31 December				(43.3)

Deferred tax assets

	Pension £m	Restructuring £m	Tax losses £m	Other £m	Total £m
At 1 January	18.7	–	2.2	1.9	22.8
Purchase of business	18.9	–	26.5	10.1	55.5
Credited to income statement	(1.9)	10.5	2.9	4.5	16.0
Credited to statement of other comprehensive income	2.2	–	–	–	2.2
Exchange adjustment	(0.7)	–	(2.6)	1.7	(1.6)
	37.2	10.5	29.0	18.2	94.9
Tax offset					(71.1)
At 31 December					23.8

Deferred tax assets not recognised

The amounts of deferred tax not recognised at the balance sheet dates are as follows:

	2020 £m	2019 £m
UK pension liability	5.4	3.5
Tax losses	21.9	14.9
Accelerated capital allowances	0.1	2.7
Other timing differences	1.2	0.2
	28.6	21.3

Of the unrecognised tax losses set out above, £0.6 million expire at the end of 2021, £0.5 million expire at the end of 2022 and £0.1 million expire at the end of 2025. Other losses of £20.7 million can be carried forward indefinitely.

12 Dividends

	2020 Pence per share	2020 £m	2019 Pence per share	2019 £m
Interim dividend	3.0p	12.8	4.0p	17.0
Proposed final dividend	8.6p	36.6	–	–
	11.6p	49.4	4.0p	17.0

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements. The proposed final 2019 dividend was suspended and subsequently cancelled to preserve cash, liquidity and balance sheet strength at the onset of COVID-19 in March 2020.

Dividends paid

	2020 £m	2019 £m
Interim dividend	12.8	17.0
Prior year final dividend	–	30.9
	12.8	47.9

13 Earnings per share

		2020			2019		
		Underlying performance	Special Items	IFRS	Underlying performance	Special Items	IFRS
Earnings							
Profit/(loss) attributable to equity holders of the parent	£m	122.9	(119.8)	3.1	99.5	(14.9)	84.6
Number of shares							
Weighted average number of ordinary shares — basic	'000			424,843			393,349
Effect of dilutive potential ordinary shares	'000			2,505			2,109
Weighted average number of ordinary shares — diluted	'000			427,348			395,458
Earnings per share							
Basic earnings per share	pence	28.9	(28.2)	0.7	25.3	(3.8)	21.5
Diluted earnings per share	pence	28.8	(28.1)	0.7	25.2	(3.8)	21.4

14 Goodwill

		2020 £m	2019 £m
Cost			
At 1 January		338.5	350.6
Exchange adjustments		(9.9)	(12.1)
Purchase of business		180.2	—
At 31 December		508.8	338.5
Accumulated impairment losses			
At 1 January		14.1	14.1
Impairment charge		1.3	—
At 31 December		15.4	14.1
Net book value			
At 31 December		493.4	324.4

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

Following a change in management structure in early 2020, a new Acrylate Monomers CGU was established in order to separate the internal supply and external sales of manufactured monomers. This was previously reported within the Industrial Specialities CGU and goodwill in this CGU was reassessed and allocated into the new Acrylate Monomers CGU. In December 2020 this goodwill was impaired, as discussed more fully in note 4.

Accumulated impairment losses at 31 December 2019 arose prior to the Group's adoption of IFRS and are denominated in pounds sterling.

The allocation of the carrying value of goodwill is represented below:

	Net book value at 1 January 2019 £m	Exchange adjustments £m	Net book value at 31 December 2019 £m	Reallocation into new divisions on 1 January 2020 £m	Purchase of business £m	Impairment £m	Exchange adjustments £m	Net book value at 31 December 2020 £m
Performance Elastomers	124.8	(5.8)	119.0	—	—	—	4.2	123.2
Functional Solutions	184.7	(4.7)	180.0	—	138.0	—	(11.6)	306.4
Industrial Specialities	27.0	(1.6)	25.4	(1.3)	42.2	—	(2.5)	63.8
Acrylate Monomers	—	—	—	1.3	—	(1.3)	—	—
Total	336.5	(12.1)	324.4	—	180.2	(1.3)	(9.9)	493.4

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts for CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rate, profitability and growth rate. These assumptions have been revised in the year in light of the current economic environment.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Group. The discount rate is based on the Group's weighted average cost of capital adjusted, where appropriate, for the risk premium attributable to a particular CGU's activities and geography of operation. A pre-tax discount rate of 9.7% has been used in the above calculations for each CGU (2019: 8.4%).

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14 Goodwill continued

The Group prepares cash flow forecasts derived from the most recent five-year business plans approved by the Executive Committee and extrapolates cash flows for the following five years based on estimated growth rates of 1.7%, 1.6%, 1.6% and 2.0% for Performance Elastomers, Functional Solutions, Industrial Specialities and Acrylate Monomers respectively (2019: 3.5%, 2.6% and 2.6% for Performance Elastomers, Functional Solutions and Industrial Specialities respectively). These rates do not exceed average long-term growth rates for relevant markets. The cash flow for year ten is then assumed to apply without further growth into perpetuity.

The Group has conducted a sensitivity analysis on the impairment tests. For each CGU, the Directors believe that there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

15 Acquired intangible assets

	Customer relationships £m	Other acquired intangibles £m	Total £m
Cost			
At 1 January 2020	71.3	9.1	80.4
Purchase of business	316.9	13.2	330.1
Derecognition of fully amortised assets	(0.9)	–	(0.9)
Exchange adjustments	(14.1)	(0.7)	(14.8)
At 31 December 2020	373.2	21.6	394.8
Accumulated amortisation and impairment			
At 1 January 2020	20.8	2.8	23.6
Amortisation charge for the year	29.0	1.9	30.9
Impairment charge	0.1	–	0.1
Derecognition of fully amortised assets	(0.9)	–	(0.9)
Exchange adjustments	(0.2)	0.3	0.1
At 31 December 2020	48.8	5.0	53.8
Net book value			
At 31 December 2020	324.4	16.6	341.0
2019			
Cost			
At 1 January 2019	111.6	12.8	124.4
Derecognition of fully amortised assets	(26.3)	(3.1)	(29.4)
Exchange adjustments	(14.0)	(0.6)	(14.6)
At 31 December 2019	71.3	9.1	80.4
Accumulated amortisation and impairment			
At 1 January 2019	50.6	4.7	55.3
Amortisation charge for the year	7.4	1.3	8.7
Derecognition of fully amortised assets	(26.3)	(3.1)	(29.4)
Exchange adjustments	(10.9)	(0.1)	(11.0)
At 31 December 2019	20.8	2.8	23.6
Net book value			
At 31 December 2019	50.5	6.3	56.8

16 Other intangible assets

	Other intangible assets £m	Assets under construction £m	Total £m
Cost			
At 1 January 2020	8.2	17.9	26.1
Additions	1.4	12.4	13.8
Purchase of business	5.7	–	5.7
Transfer	0.2	(0.2)	–
Disposals	(0.8)	–	(0.8)
Exchange adjustments	0.1	(0.2)	(0.1)
At 31 December 2020	14.8	29.9	44.7
Accumulated amortisation and impairment			
At 1 January 2020	4.1	–	4.1
Amortisation charge for the year	4.9	–	4.9
Impairment	0.1	–	0.1
Disposals	(0.8)	–	(0.8)
Exchange adjustments	(0.2)	–	(0.2)
At 31 December 2020	8.1	–	8.1
Net book value			
At 31 December 2020	6.7	29.9	36.6
2019			
Cost			
At 1 January 2019	4.6	3.2	7.8
Additions	3.8	14.7	18.5
Exchange adjustments	(0.2)	–	(0.2)
At 31 December 2019	8.2	17.9	26.1
Accumulated amortisation and impairment			
At 1 January 2019	2.7	–	2.7
Amortisation charge for the year	1.4	–	1.4
Exchange adjustments	–	–	–
At 31 December 2019	4.1	–	4.1
Net book value			
At 31 December 2019	4.1	17.9	22.0

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

As disclosed in note 2, there are various conditions required by IAS 38 for an internally generated intangible asset to be recognised.

During the year the Group invested a further £12.2 million in its Pathway programme (2019: £14.7 million). This programme is designed to deliver a unified operating model on a single set of integrated systems to improve the efficiency and effectiveness of the Group. The investment in this programme is shown as an asset under construction until the deployment phase begins.

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17 Property, plant and equipment

	Owned assets				Right of use assets		Total £m
	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and equipment £m	Assets under construction £m	Land and buildings £m	Plant and equipment £m	
Cost							
At 1 January 2020	106.1	8.7	636.7	13.4	21.5	24.4	810.8
Additions	7.9	–	9.0	19.8	1.6	2.9	41.2
Purchase of business	68.2	–	87.2	8.2	15.0	5.9	184.5
Disposals	(0.1)	–	(10.3)	–	(0.9)	(4.5)	(15.8)
Transfer from assets under construction	1.5	–	14.1	(15.6)	–	–	–
Exchange adjustments	(2.2)	–	2.7	(0.7)	(0.3)	0.7	0.2
At 31 December 2020	181.4	8.7	739.4	25.1	36.9	29.4	1,020.9
Accumulated depreciation and impairment							
At 1 January 2020	40.5	4.9	353.5	–	2.4	4.6	405.9
Depreciation charge for the year	7.7	0.2	46.1	–	4.5	6.4	64.9
Impairment	9.7	–	23.1	–	–	0.7	33.5
Disposals	(0.1)	–	(9.1)	–	(0.9)	(0.8)	(10.9)
Exchange adjustments	1.2	–	4.2	–	–	0.3	5.7
At 31 December 2020	59.0	5.1	417.8	–	6.0	11.2	499.1
Net book value							
At 31 December 2020	122.4	3.6	321.6	25.1	30.9	18.2	521.8

	Owned assets				Right of use assets		Total £m
	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and equipment £m	Assets under construction £m	Land and buildings £m	Plant and equipment £m	
Cost							
At 1 January 2019	108.9	8.6	590.2	29.3	–	–	737.0
Recognised on adoption of IFRS 16	–	–	–	–	18.2	24.6	42.8
Additions	1.3	–	33.0	18.8	4.2	1.0	58.3
Disposals	–	–	(0.4)	–	–	–	(0.4)
Transfer from assets under construction	–	–	33.6	(33.6)	–	–	–
Exchange adjustments	(4.1)	0.1	(19.7)	(1.1)	(0.9)	(1.2)	(26.9)
At 31 December 2019	106.1	8.7	636.7	13.4	21.5	24.4	810.8
Accumulated depreciation and impairment							
At 1 January 2019	37.0	4.6	325.4	–	–	–	367.0
Depreciation charge for the year	5.0	0.3	38.1	–	2.5	4.8	50.7
Impairment	–	–	(0.1)	–	–	–	(0.1)
Disposals	–	–	(0.1)	–	–	–	(0.1)
Exchange adjustments	(1.5)	–	(9.8)	–	(0.1)	(0.2)	(11.6)
At 31 December 2019	40.5	4.9	353.5	–	2.4	4.6	405.9
Net book value							
At 31 December 2019	65.6	3.8	283.2	13.4	19.1	19.8	404.9

Freehold land is not depreciated and is held at historical cost. At 31 December 2020, the Group's freehold land was recognised at £54.3 million (31 December 2019: £17.6 million).

At 31 December 2020 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £18.9 million (2019: £11.7 million).

18 Investment in joint ventures

Details of the Group's joint ventures are as follows:

Name of entity	Place of incorporation	Ownership	Principal activity	Segment
Synthomer Middle East	Saudi Arabia	49%	Manufacture and sale of acrylic and vinyl resin emulsions	Functional Solutions
Synthomer Functional Solutions FZCO UAE	UAE	49%	Trading in adhesives and oilfield chemicals	Functional Solutions
Synthomer FZCO	UAE	49%	Sales and marketing support for Synthomer companies	Functional Solutions
Super Sky Ltd	UK	50%	Non-trading	Corporate

Joint ventures are accounted for using the equity method in these financial statements. The ownership of entities has not changed since the prior year.

Summarised financial information in respect of the joint ventures is set out below. This information represents amounts in the joint ventures' financial statements prepared in accordance with IFRS.

Summarised balance sheet (100%)

	2020 £m	2019 £m
Non-current assets	4.6	6.6
Cash and cash equivalents	4.2	3.8
Other current assets	14.6	17.1
Total current assets	18.8	20.9
Other current liabilities	(9.9)	(12.3)
Total current liabilities	(9.9)	(12.3)
Net assets	13.5	15.2
Group share:	2020 £m	2019 £m
Total assets	11.5	13.5
Total liabilities	(4.9)	(6.0)
Net assets	6.6	7.5

Summarised statement of comprehensive income (100%)

	2020 £m	2019 £m
Revenue	39.4	48.2
Operating profit	2.7	2.0
Interest	-	-
Taxation	(0.2)	(0.1)
Profit for the year	2.5	1.9
Exchange differences on translation	(0.4)	(0.9)
Total comprehensive income	2.1	1.0
Dividends paid	(3.8)	(3.3)
Movement in retained earnings	(1.7)	(2.3)
Group share:		
Profit for the year	1.2	0.9
Exchange differences on translation	(0.2)	(0.4)
Dividends paid	(1.9)	(1.6)

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18 Investment in joint ventures continued

The following table reconciles the summary information above to the carrying amount of the Group's interest in the joint ventures:

Investment in joint ventures

	2020 £m	2019 £m
At 1 January	7.5	8.6
Profit from continuing operations	1.2	0.9
Exchange differences on translation	(0.2)	(0.4)
Dividend paid	(1.9)	(1.6)
At 31 December	6.6	7.5

19 Inventories

	2020 £m	2019 £m
Raw materials and consumables	78.9	55.5
Finished goods	91.4	66.4
	170.3	121.9
Stock written off during the year	0.5	1.5
Cost of inventory recognised as an expense and included in cost of sales	926.2	985.5

The nature of the chemical reaction necessary to produce finished goods from raw materials is such that 'work in progress' is not a material part of the Group's inventory at any given point of time.

20 Trade and other receivables

	2020 £m	2019 £m
Trade receivables	229.3	162.7
Other receivables	23.6	22.3
Prepayments	9.5	5.6
	262.4	190.6

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Before accepting a new customer, the Group uses appropriate procedures to assess the potential customer's credit quality in order to set a credit limit. Other receivables mostly relate to indirect taxes.

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Trade receivables – days past due				Total £m
	Not yet due £m	< 60 £m	61–120 £m	> 120 £m	
2020					
Gross carrying amount	214.1	15.1	0.3	1.7	231.2
Expected credit loss rate					0.12%
Lifetime expected credit loss					(1.9)
Total					229.3
	Trade receivables – days past due				Total £m
	Not yet due £m	< 60 £m	61–120 £m	> 120 £m	
2019					
Gross carrying amount	145.9	16.9	0.1	0.7	163.6
Expected credit loss rate					0.06%
Lifetime expected credit loss					(0.9)
Total					162.7

The following table shows the movement in the lifetime expected credit loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2020 £m	2019 £m
At 1 January	0.9	0.8
Exchange adjustments	(0.1)	(0.1)
Acquisition of business	1.4	–
Transfer to/(from) credit impaired	0.1	0.7
Uncollectable amounts written off or recovered	(0.4)	(0.5)
At 31 December	1.9	0.9

21 Cash and borrowings

	1 January 2020 £m	Cash inflows/ (outflows) £m	Exchange and other movements £m	31 December 2020 £m
Bank overdrafts	–	(10.4)	(0.1)	(10.5)
Current borrowings	–	–	(9.6)	(9.6)
Current liabilities	–	(10.4)	(9.7)	(20.1)
Bank loans	(82.9)	(109.6)	6.3	(186.2)
€520m 3.875% senior unsecured loan notes due 2025	–	(463.0)	5.3	(457.7)
Non-current liabilities	(82.9)	(572.6)	11.6)	(643.9)
Total borrowings	(82.9)	(583.0)	1.9)	(664.0)
Cash and cash equivalents	103.6	104.6	(6.4)	201.8
Net cash/(debt)	20.7)	(478.4)	(4.5)	(462.2)

Capitalised debt costs shown in the tables above, which have been recognised as a reduction in borrowings in the financial statements, amounted to £11.2 million at 31 December 2020 (31 December 2019: £1.7 million). Current borrowings relate to accrued interest.

Analysis of net debt by currency:

	2020 Cash and cash equivalents £m	2020 Total borrowings £m	2019 Cash and cash equivalents £m	2019 Total borrowings £m
Sterling	12.5	–	3.1	–
Euro	38.8	484.7	13.4	84.6
US dollar	54.1	190.5	28.0	–
Malaysian ringgit	61.0	–	49.0	–
Other	35.4	–	10.1	–
Total	201.8)	675.2)	103.6)	84.6)

The principal features of the Group's borrowings are as follows:

The Group has committed unsecured borrowing facilities comprising a \$260 million term loan, a €460 million revolving credit facility both of which have terms ending July 2024. The Group also has €520 million 3.875% unsecured senior loan notes due in June 2025.

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

Liabilities arising from financing activities are those for which cash flows are classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	1 January 2020 £m	Financing cash (inflows)/ outflows £m	Non cash changes Acquisitions £m	Exchange and other movements £m	31 December 2020 £m
Borrowings	(82.9)	(299.0)	(273.6)	2.0	(653.5)
Lease liabilities	(41.9)	9.7	(21.7)	(1.1)	(55.0)
Total	(124.8)	(289.3)	(295.3)	0.9)	(708.5)

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22 Financial instruments

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

	Financial instruments				
	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Valuation category in accordance with IFRS 9 ¹	Fair value £m	Fair value hierarchy level
Trade receivables	229.3	229.3	AC	229.3	Level 2
Other receivables	23.6	13.9	AC	13.9	Level 2
Cash and cash equivalents	201.8	201.8	AC	201.8	Level 2
Derivatives – no hedge accounting	1.4	1.4	FVTPL	1.4	Level 2
Total assets	456.1	446.4		446.4	
Borrowings	(664.0)	(664.0)	AC	(675.2)	Level 2
Trade and other payables	(337.8)	(324.9)	AC	(324.9)	Level 2
Derivatives – no hedge accounting	(19.4)	(19.4)	FVTPL	(19.4)	Level 2
Total liabilities	(1,021.2)	(1,008.3)		(1,019.5)	

Note:

1. AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss; a more detailed description of the categories can be found in note 2.

The fair value of the Group's borrowings at 31 December 2020 was £675.2 million.

Financial risk management

The Group's policies, approved by the Board, provide written principles on financial risk management and the use of financial derivatives. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group has a policy of hedging significant foreign exchange transactional exposure at operating company level. The Group regularly reviews its net assets and borrowing currency exposures, borrowing in overseas currencies in order to hedge the net assets held in those currencies as appropriate. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Currency risk

The Group presents its consolidated financial statements in sterling and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which will affect the Group's transactions and the translation of the results and underlying net assets of its operations.

To manage the currency risk the Group uses foreign currency borrowings, forward contracts and currency swaps to hedge overseas net assets, which are predominantly denominated in Euros, US dollars and Malaysian ringgits. Profit translation exposures are not hedged.

The Group hedges currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities. Consequently, there are no material currency exposures to disclose (2019: none).

Interest rate risk

The Group has an exposure to interest rate risk, arising principally on changes in US dollar and Euro interest rates. To manage interest rate risk, the Group manages its proportion of fixed to floating rate borrowings, and utilises interest rate swaps. These practices aim to minimise the Group's net finance charges with acceptable year-on-year volatility.

At 31 December 2020 the Group had in place swap arrangements to fix interest rates on €440 million of borrowings.

The Group's interest rate derivatives are designated as fair value hedges with fair value movement on the hedged portion recognised in equity. Interest paid on these derivatives is recognised in the income statement, within Underlying interest costs. Fair value movement in the unhedged portion is also recognised in profit and loss, as a Special Item.

After taking account of interest rate swaps, the Group's currency and interest rate exposure as at 31 December 2020 was:

	2020			2019		
	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Sterling	–	–	–	–	–	–
Euro	10.3	474.4	484.7	–	84.6	84.6
US dollar	190.5	–	190.5	–	–	–
Total	200.8	474.4	675.2	–	84.6	84.6

Market risk sensitivity analysis

The Group's main exposure to market risk is in the form of interest rate risk and foreign currency risk. The Group uses a sensitivity analysis that estimates the impacts on the consolidated income statement and other comprehensive income of either an instantaneous increase or decrease of 1.0% in market interest rates or a 10% strengthening or weakening in sterling against all other currencies, from the rates applicable at 31 December 2020 and 31 December 2019 with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on the net post employment benefit liabilities and assets, and corporate tax payable. This analysis is for illustrative purposes only, as interest and foreign exchange rates rarely change in isolation.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

	2020			2019		
	Income statement		Equity	Income statement		Equity
	Underlying -/+ £m	IFRS -/+ £m	IFRS -/+ £m	Underlying -/+ £m	IFRS -/+ £m	IFRS -/+ £m
Interest rate sensitivity analysis						
UK interest rate +/- 1.0%	-	-	-	-	-	-
Euro interest rate +/- 1.0%	0.4	4.4	-	0.1	3.0	0.8
US interest rate +/- 1.0%	1.4	-	-	0.3	-	-
Foreign currency sensitivity analysis						
Sterling +/- 10%	(3.4)	(3.4)	(31.3)	(1.7)	(1.7)	-
Malaysian ringgit exchange rate +/- 10%	-	-	-	-	-	-
Euro exchange rate +/- 10%	2.8	2.8	7.6	1.4	1.4	-
US dollar exchange rate +/- 10%	(1.0)	(1.0)	21.5	0.4	0.4	-

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

For interest rate derivatives the mark-to-market adjustment, and amount recognised in equity as part of a hedging arrangement, is estimated using the interest rate sensitivity against the nominal amount.

The foreign currency sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on cash balances, derivative financial instruments and credit exposures to customers.

The carrying amount of financial assets represents the Group's exposure to credit risk at the balance sheet date as disclosed at the start of this note. A financial asset is in default when the counterparty fails to pay its contractual obligations. Financial assets are written-off when there is no reasonable expectation of recovery. Credit risk is managed separately for financial and business-related credit exposures.

Financial credit risk

Synthomer aims to minimise its financial credit risk through the application of risk management policies approved and monitored by the Board. Counterparties are predominantly limited to major banks and financial institutions with a credit rating of investment grade and the policy restricts the exposure to any one counterparty by setting credit limits. The Group's policy is designed to ensure that individual counterparty limits are adhered to and that there are no significant concentrations of credit risk. The Board also defines the types of financial instruments which may be transacted. Synthomer annually reviews the credit limits applied and regularly monitors the counterparties' credit quality, reflecting market credit conditions.

Business related credit risk

Trade and other receivables exposures are managed locally in the operating units where they arise and active risk management is applied, focusing on country risk, credit limits, ongoing credit evaluation and monitoring procedures. There is no significant concentration of credit risk with respect to receivables as the Group has a large number of customers which are internationally dispersed. See note 20 for information on credit risk with respect to trade and other receivables.

Liquidity risk

Liquidity risk is the risk that Synthomer is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds at an acceptable price to fund actual or proposed commitments. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

Notes to the consolidated financial statements continued

31 December 2020

22 Financial instruments continued

The following tables provide an analysis of the anticipated undiscounted contractual cash flows including interest payable for the Group's financial liabilities and derivative instruments. The liquidity analysis for lease liabilities is included in note 23. Where interest payments are calculated at a floating rate, rates of each cash flow until maturity of the instruments are calculated based on the forward yield curve prevailing at the respective year ends. Derivative contracts are presented on a net basis.

	2020				2019			
	Amount due				Amount due			
	within 1 year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	within 1 year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m
Overdrafts	(10.5)	–	–	–	–	–	–	–
Financial liabilities in trade and other payables	(321.2)	(2.0)	(1.7)	–	(225.3)	(0.2)	(0.3)	–
Bank loans – principal	–	–	(190.2)	–	–	–	(84.6)	–
€520m 3.875% senior unsecured loan notes due 2025	–	–	(464.9)	–	–	–	–	–
Interest payments on borrowings	(22.1)	(22.0)	(60.0)	–	(0.9)	(0.9)	(0.5)	–
Total non-derivative financial liabilities	(353.8)	(24.0)	(716.8)	–	(226.2)	(1.1)	(85.4)	–
	2020				2019			
	Amount due				Amount due			
	within 1 year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	within 1 year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m
Deal contingent currency fix	–	–	–	–	4.0	–	–	–
Currency forwards	1.4	–	–	–	0.9	–	–	–
Total derivative financial assets	1.4	–	–	–	4.9	–	–	–
Interest rate swaps	(4.2)	(4.3)	(11.5)	–	(3.6)	(3.6)	(10.9)	(2.7)
Currency forwards	(0.8)	–	–	–	–	–	–	–
Total derivative financial liabilities	(5.0)	(4.3)	(11.5)	–	(3.6)	(3.6)	(10.9)	(2.7)

The financial covenant at 31 December 2020 for the RCF is that net debt must be less than 4.25 times EBITDA. At 31 December 2020 the actual covenant for the net debt was 1.8 times EBITDA.

Any non-compliance with covenants underlying Synthomer's financing arrangements could, if not waived, constitute an event of default with respect to any such arrangements, and any non-compliance with covenants may, in particular circumstances, lead to an acceleration of maturity on certain borrowings and the inability to access committed facilities. Synthomer was in full compliance with its financial covenants in respect of its borrowings throughout each of the years presented.

At the year end, Synthomer had available undrawn committed bank facilities as follows:

	2020			2019		
	Expiring between 2 and 5 years £m	Expiring after 5 years £m	Total £m	Expiring between 2 and 5 years £m	Expiring after 5 years £m	Total £m
Unsecured €440m multi-currency RCF expiring 23 July 2022	–	–	–	287.4	–	287.4
Unsecured €460m multi-currency RCF expiring 3 July 2024	397.0	–	397.0	–	–	–
	397.0	–	397.0	287.4	–	287.4

Fair value measurement

Certain of the Group's financial instruments are held at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

As prescribed by IFRS 13 Fair Value Measurement, fair values are measured using a hierarchy where the inputs are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – not level 1 but are observable for that asset or liability either directly or indirectly.
- Level 3 – not based on observable market data.

Interest rate swaps and foreign currency forwards and swaps are valued using discounted cash flow techniques. These techniques incorporate inputs such as foreign exchange rates and interest rates, which are used in a discounted cash flow calculation incorporating the instrument's term, notional amount and discount rate, and taking credit risk into account. As significant inputs to the valuation are observable in active markets, all of the Group's financial instruments are classified as level 2 financial instruments.

The fair value of forward foreign exchange contracts, interest rate swaps and currency swaps is estimated by discounting the future contractual cash flows using forward exchange rates, interest rates and prices at the balance sheet date.

There were no transfers of any financial instrument between the levels of the fair value hierarchy during the current or prior year.

Hedge relationships

The Group targets a one-to-one hedge ratio. Strengths of the economic relationship between the hedged item and the hedging instrument is analysed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of timing, cash flows or value except when the critical terms of the hedging instrument and hedged item are closely aligned. The change in the credit risk of the hedging instruments or the hedged items is not expected to be the primary factor in the economic relationship.

The notional amounts, contractual maturities and rates of the hedging instruments designated in hedging relationships as of 31 December 2020 by the main risk categories are as follows:

	Hedged risk	Notional amount	Maturity	Range of hedged rates
2020				
Cash flow hedges				
Interest rate swap	Interest rate	Up to €440m	28/08/2018 – 28/08/2025	0.517% to 0.535% fixed
Net investment hedges				
Net investment	Currency	Up to €560m	from 01/04/2020	1.08 – 1.15
Net investment	Currency	Up to \$370m	from 01/04/2020	1.23 – 1.37
2019				
Cash flow hedges				
Interest rate swap	Interest rate	Up to €440m	28/08/2018 – 28/08/2025	0.517% to 0.535% fixed

Where hedge accounting is applied, hedges are documented and tested for effectiveness on an ongoing basis.

The ratio for hedging instruments designated in both net investment and cash flow hedge relationships was 1:1. Ineffectiveness could occur on either hedging relationship due to significant changes in counterparty credit risk or a reduction in the notional amount of the hedged item during the designated hedging period.

Cash flow hedges

The Group designated as a cash flow hedge the interest rate swaps used to manage interest rate risk on its Euro borrowings.

In 2020 a loss of £0.8 million (2019: £8.7 million loss) was recognised in the cash flow hedge reserve in respect of these derivatives.

At 31 December 2020 the cash flow hedge reserve includes a loss of £13.4 million (2019: £12.6 million), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2021 and 2025.

In the year, the Group's borrowings fell below the total of the interest rate derivative contracts, leading to a reduction in the balance designated as a cash flow hedge. The change in fair value relating to the unhedged portion of the interest rate swaps was £3.6 million (2019: £0.5 million) which was recognised in the income statement within finance costs as a Special Item.

Capital management

The Board is committed to enhancing shareholder value in the long term, both by investing in the business so as to deliver continued improvement in the return from those investments and by managing the capital structure.

Synthomer manages its capital structure to achieve capital efficiency and to provide flexibility to invest through the economic cycle and give efficient access to debt markets at attractive cost levels. This is achieved by targeting a net debt to EBITDA ratio between 1.0 and 2.0. In order to finance acquisitions, the Group may increase the ratio to 3.0, with deleveraging within 12-24 months.

As at 31 December 2020 the net debt to EBITDA ratio was 1.8 times (2019: -0.1 times).

The Board maintains a dividend policy to 2.5 times earnings cover. Should excess capital not be deployed for acquisitions or capital expenditure, the Board will periodically consider one-off capital returns to shareholders in order to maintain an efficient balance sheet.

Notes to the consolidated financial statements continued

31 December 2020

23 Lease liabilities

The Group has a portfolio of leases mainly comprising land and buildings, chemical storage tanks and vehicles. Further details are given in note 2.

Information in respect of right of use assets, including the carrying amount, additions and depreciation, are set out in note 17 to these financial statements. Information in respect of the carrying value is set out below and information in respect of interest arising on lease liabilities is set out in note 9.

Synthomer also enters into short-term leases and low value leases which are not recognised as right of use assets and lease liabilities. The expense recognised in the year in relation to these leases is not material. Synthomer has no material exposure to variable lease payments, extension options or committed leases not yet commenced.

The total cash outflow for leases in the year was as follows:

	2020 £m	2019 £m
Payments for the principal portion of lease liabilities	9.7	6.8
Payments for the interest portion of lease liabilities	1.6	1.1

Lease liabilities included in the balance sheet are as follows:

	31 December 2020 £m	31 December 2020 £m
Current	10.6	7.5
Non-current	44.4	34.4
	55.0	41.9

The following table details the maturity of contractual undiscounted cash flows for lease liabilities:

	2020 £m	2019 £m
Less than one year	11.2	7.6
Between one and two years	10.5	7.3
Between two and five years	17.1	17.7
More than five years	19.0	17.5

24 Trade and other payables

	2020 £m	2019 £m
Amount due within one year		
Trade payables	204.6	186.8
Other payables	40.5	15.4
Accruals	89.0	30.7
	334.1	232.9
Amount due after one year		
Trade payables	-	-
Other payables	-	-
Accruals	3.7	0.5
	3.7	0.5

Average trade payable days in 2020 was 64 (2019: 58). This figure represents trade payable days for all trading operations within the Group, calculated as a weighted average based on cost of sales.

The Directors consider that the carrying amount of trade payables, other payables and accruals approximates to their fair value.

25 Provisions for other liabilities and charges

	Restructuring £m	Total £m
At 1 January 2020	6.9	6.9
Charged to the income statement	27.0	27.0
Utilised during the year	(2.6)	(2.6)
Exchange adjustments	0.3	0.3
At 31 December 2020	31.6	31.6

Analysis of provisions

	31 December 2020 £m	31 December 2019 £m
Non-current	5.9	2.0
Current	25.7	4.9
	31.6	6.9

Analysis of (credit)/charge to the income statement

	2020 £m	2019 £m
Underlying performance	-	(0.2)
Special Items	27.0	(1.1)
	27.0	(1.3)

Restructuring

As a result of the restructuring and site closure costs in the year, the restructuring provision has increased to £31.6 million (2019: £6.9 million).

The closing balance includes £5.9 million and £13.4 million in relation to the rationalisation of the Group's European SBR network in Oulu and Marl and £5.7 million in relation to the onerous contract arising on the disposal of the European Tyre Cord business, required by the European Commission Competition Authority in order to obtain clearance for the acquisition of OMNOVA. The provisions relating to Oulu and Marl are expected to be fully utilised over the next 12 months and the onerous contract arising on the disposal of the European Tyre Cord basis will be utilised over the five year term of the contract.

26 Retirement benefit obligations

The Group operates a variety of retirement benefit arrangements, covering both defined contribution and defined benefit schemes.

Defined contribution schemes

The Group operates a number of defined contribution schemes for its employees. Costs recognised in respect of defined contribution pension plans across the Group for the year ended 31 December 2020 were £9.2 million (2019: £7.1 million).

The risk relating to benefits to be paid to the dependants of scheme members (widow and orphan benefits) is re-insured with an external insurance company.

Multi-employer schemes

The Group participates in several tariffs of the Pensionskasse Degussa in Germany, which is a multi-employer pension scheme. Regular contributions are payable to the scheme by each participating employer for new benefits accruing. The assets of all participating employers are pooled, and contributions are calculated based on aggregated demographic experience. Therefore sufficient information is not available to identify the Group's share of the assets on a consistent and reliable basis and the Group accounts for the scheme on a defined contribution basis. The Group expects to make a regular contribution of £2.3 million to the scheme in 2021.

To the extent that there is underfunding in the scheme, deficit contributions are payable based on an actuarial assessment of each participating employer's share of the future benefit accrual. At 31 December 2020 there is no indication of any commitment for additional deficit contributions in excess of regular contributions.

Notes to the consolidated financial statements continued

31 December 2020

26 Retirement benefit obligations continued**Defined benefit schemes****UK**

The Group's UK defined benefit scheme is administered by a fund that is legally separate from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension scheme are responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to future accrual in 2009 and all retirement benefits since that time are provided by way of a defined contribution scheme. The assets of the scheme are held separately from those of the companies concerned. A triennial actuarial valuation of the scheme was undertaken in 2018 and completed in 2019. The next triennial valuation is due in 2021.

USA

The Group's US defined benefit scheme was acquired as part of the OMNOVA acquisition and is administered by a fund which is legally separate from OMNOVA Solutions Inc. The fiduciary committee is required by law to act in the interest of the fund and is responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to future accrual in 2011 and all retirement benefits since that time are provided by way of a defined contribution scheme. The assets of the scheme are held separately from those of the companies concerned and a formal valuation is undertaken on an annual basis.

Germany

The Group operates a number of defined benefit schemes in Germany. These schemes are closed to new members. In line with common practice, these schemes are unfunded and liabilities are settled on a cash basis as they fall due. At each balance sheet date, obligations are calculated by external actuaries.

Other schemes

The Group operates a number of smaller overseas pension and retirement benefit schemes. For the funded schemes, assets are held separately from those of the Group. The aggregated pension disclosures for the other defined benefit schemes have been compiled from a number of actuarial valuations at 31 December 2020.

Retirement benefit risks

Defined benefit schemes expose the Group to a number of risks, the most significant of which are detailed below:

Asset return risk	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit. The scheme holds a significant proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.
Interest rate risk	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan assets in bond holdings.
Longevity risk	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Charges to the income statement in respect of the Group's defined benefit pension schemes are as follows:

	2020					2019			
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	Germany £m	Other £m	Total £m
Service cost	1.6	1.6	0.6	1.0	4.8	0.7	0.4	0.5	1.6
Net interest expense	1.0	1.4	1.0	0.3	3.7	1.3	1.3	0.1	2.7
	2.6	3.0	1.6	1.3	8.5	2.0	1.7	0.6	4.3

Amounts recognised in the statement of comprehensive income are set out below:

	2020					2019			
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	Germany £m	Other £m	Total £m
Return on plan assets excluding amounts included in interest expense	32.0	33.1	–	0.6	65.7	33.5	–	1.1	34.6
Losses from changes in assumptions	(43.3)	(20.8)	(7.6)	(1.6)	(73.3)	(50.9)	(9.0)	(1.9)	(61.8)
Actuarial (losses)/gains	(11.3)	12.3	(7.6)	(1.0)	(7.6)	(17.4)	(9.0)	(0.8)	(27.2)

Amounts included in the Group's consolidated balance sheet arising from the Group's defined benefit scheme obligations are:

	2020					2019			
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	Germany £m	Other £m	Total £m
Present value of defined benefit obligations	(456.4)	(220.3)	(91.0)	(30.0)	(797.7)	(422.2)	(79.3)	(17.1)	(518.6)
Fair value of schemes' assets	404.1	158.5	3.2	10.5	576.3	366.5	3.1	9.0	378.6
Net liability arising from defined benefit obligations	(52.3)	(61.8)	(87.8)	(19.5)	(221.4)	(55.7)	(76.2)	(8.1)	(140.0)

Fair value of the schemes' assets are set out below:

	2020				Total £m	2019			
	UK £m	USA £m	Germany £m	Other £m		UK £m	Germany £m	Other £m	Total £m
At 1 January	366.5	-	3.1	9.0	378.6	319.1	3.3	8.2	330.6
Interest income	7.2	2.8	-	-	10.0	8.9	0.2	0.1	9.2
Amounts recognised in income in respect of defined benefit schemes	7.2	2.8	-	-	10.0	8.9	0.2	0.1	9.2
Remeasurement:									
Return on plan assets excluding amounts included in interest income	32.0	33.1	-	0.6	65.7	33.5	-	1.1	34.6
Amounts recognised in the statement of comprehensive income	32.0	33.1	-	0.6	65.7	33.5	-	1.1	34.6
Contributions:									
Employers	16.5	0.4	-	0.7	17.6	16.2	-	0.3	16.5
Payments from plans:									
Benefit payments	(18.1)	(11.5)	-	(0.8)	(30.4)	(16.8)	(0.2)	(0.2)	(17.2)
	(1.6)	(11.1)	-	(0.1)	(12.8)	(0.6)	(0.2)	0.1	(0.7)
Plan assets from acquired entities	-	148.6	-	0.5	149.1	-	-	-	-
Disclosure of annuity asset on a gross basis	-	-	-	-	-	5.6	-	-	5.6
Exchange adjustments	-	(14.9)	0.1	0.5	(14.3)	-	(0.2)	(0.5)	(0.7)
At 31 December	404.1	158.5	3.2	10.5	576.3	366.5	3.1	9.0	378.6

Plan assets for the principal schemes comprised:

	2020			2019	
	UK £m	USA £m	Germany £m	UK £m	Germany £m
Hedge funds	20.8	-	-	45.7	-
Equities	107.2	88.8	1.6	71.5	1.5
Debt instruments	258.3	49.1	1.6	229.5	1.6
Property	8.8	20.6	-	12.2	-
Annuity assets	5.2	-	-	5.6	-
Cash	3.8	-	-	2.0	-
Fair value of schemes' assets	404.1	158.5	3.2	366.5	3.1

All investments in equities, bonds and property are quoted.

Notes to the consolidated financial statements continued

31 December 2020

26 Retirement benefit obligations continued

Present value of defined benefit obligations comprised:

	2020					2019			
	UK £m	USA £m	Germany £m	Other £m	Total £m	UK £m	Germany £m	Other £m	Total £m
At 1 January	(422.2)	–	(79.3)	(17.1)	(518.6)	(372.3)	(75.0)	(15.8)	(463.1)
Current service cost	(0.8)	(1.6)	(0.5)	(1.0)	(3.9)	(0.7)	(0.4)	(0.5)	(1.6)
Past service cost	(0.8)	–	(0.1)	–	(0.9)	–	–	–	–
Interest expense	(8.2)	(4.2)	(1.0)	(0.3)	(13.7)	(10.2)	(1.5)	(0.2)	(11.9)
Amounts recognised in income in respect of defined benefit schemes	(9.8)	(5.8)	(1.6)	(1.3)	(18.5)	(10.9)	(1.9)	(0.7)	(13.5)
Remeasurement gains/(losses) from:									
changes in financial assumptions	(43.3)	(19.6)	(7.6)	(1.8)	(72.3)	(48.0)	(10.2)	(1.8)	(60.0)
changes in demographic assumptions	–	–	–	0.3	0.3	(2.9)	–	–	(2.9)
experience adjustments	–	(1.2)	–	(0.1)	(1.3)	–	1.2	(0.1)	1.1
Amounts recognised in the statement of comprehensive income	(43.3)	(20.8)	(7.6)	(1.6)	(73.3)	(50.9)	(9.0)	(1.9)	(61.8)
Contributions:									
Employers	0.8	2.0	2.1	0.3	5.2	0.7	1.7	0.2	2.6
Payments from plans:									
Benefit payments	18.1	11.5	–	0.8	30.4	16.8	0.2	0.2	17.2
	18.9	13.5	2.1	1.1	35.6	17.5	1.9	0.4	19.8
Scheme liabilities from acquired entities	–	(228.7)	–	(10.2)	(238.9)	–	–	–	–
Other: Disclosure of annuity asset on a gross basis	–	–	–	–	–	(5.6)	–	–	(5.6)
Exchange adjustments	–	21.5	(4.6)	(0.9)	16.0	–	4.7	0.9	5.6
At 31 December	(456.4)	(220.3)	(91.0)	(30.0)	(797.7)	(422.2)	(79.3)	(17.1)	(518.6)

The Group remains committed to funding the deficits for the UK and US defined benefit schemes.

The 2018 triennial valuation of the UK scheme, which completed in 2019, indicated a shortfall of £77.0 million when measured against the scheme's technical provisions. The Group remains committed to paying contributions for the period to 5 April 2023, increasing from £16.4 million in the year commencing 6 April 2019 to £18.2 million for the year commencing 6 April 2022. Contributions from the sponsoring companies are expected to be £16.5 million in 2021.

The defined benefit obligation of the US scheme was £73.4 million on acquisition. The funding policy prior to acquisition was the greater of \$6.0 million per annum or the Minimum Required Contribution (MRC). This funding policy is being considered as part of a wider review of the scheme and the expected contribution in 2021 is \$13.0 million.

The Group's other defined benefit schemes are largely unfunded, with minimal plan assets. Liabilities from these schemes are settled on a cash basis as they fall due.

Actuarial assumptions

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2020				2019		
	UK %	USA %	Germany %	Overseas %	UK %	Germany %	Overseas %
Rate of increase in pensions in payment	2.80	0.00	1.00	1.90-2.75	2.80	1.00	2.00-2.25
Rate of increase in pensions in deferment	2.20	0.00	2.50	1.50-2.75	2.10	2.50	1.50-2.25
Discount rate	1.40	2.19	0.70	-0.80-1.94	2.00	1.20	0.30-0.90
Inflation assumption	2.90	0.00	1.75	1.00-2.00	2.90	1.75	1.00-2.00

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. Mortality assumptions are based on country-specific mortality tables and, where appropriate, include an allowance for future improvements in life expectancy. In addition, where credible data exists, actual plan experience is taken into account. The Group's most substantial pension liabilities are in the UK, the US and Germany where, using the mortality tables adopted, the expected lifetime of average members currently at age 65 and average members at age 65 in 20 years' time is as follows:

	2020						2019			
	Retiring today			Retiring in 20 years			Retiring today		Retiring in 20 years	
	UK	USA	Germany	UK	USA	Germany	UK	Germany	UK	Germany
Male	87.3	86.4	85.3	88.9	87.3	88.1	87.2	85.2	88.8	88.0
Female	89.5	87.4	88.8	91.4	88.4	91.0	89.5	88.7	91.3	90.9

The weighted average duration of the benefit obligation at the end of the reporting period is 16.2 years for the UK scheme (2019: 15.7 years), 11.3 years for the US scheme and 18.4 years for the German schemes (2019: 18.2 years).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming that all other assumptions are held constant:

	Increase in scheme liabilities		
	UK £m	USA £m	Germany £m
Discount rate (decrease of 1%)	87	26	18
Future mortality rate (one year increase in expectancy)	22	8	4

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

27 Share capital and reserves

Share capital

	2020 Number	2019 Number	2020 £m	2019 £m
Ordinary shares of 10 pence				
Shares in issue at 1 January	424,850,961	339,880,769	42.5	34.0
Issued in year	–	84,970,192	–	8.5
Shares in issue at 31 December	424,850,961	424,850,961	42.5	42.5

Ordinary shares carry no right to fixed income.

On 29 July 2019 the Group completed a rights issue on the basis of one share for every four fully paid ordinary shares held, resulting in the issue of 84,970,192 ordinary shares at 240 pence per share.

Share premium

	2020 £m	2019 £m
Balance at 1 January	421.1	230.5
Premium arising on issue of shares	–	195.4
Expenses of issue of shares	–	(4.8)
Balance at 31 December	421.1	421.1

The share premium account represents the difference between the issue price and the nominal value of shares issued.

Retained earnings

	2020 £m	2019 £m
Balance at 1 January	204.4	192.1
Dividends paid	(12.8)	(47.9)
Net profit for the year	3.1	84.6
Actuarial losses recognised in other comprehensive income	(7.6)	(27.2)
Tax arising from other comprehensive income	3.5	4.7
Charge to equity for equity-settled share-based payments	1.8	(1.9)
Balance at 31 December	192.4	204.4

Notes to the consolidated financial statements continued

31 December 2020

27 Share capital and reserves continued**Hedging and translation reserve**

	Cash flow hedging reserve £m	Translation reserve £m	Total £m
Balance at 1 January 2020	(12.6)	(6.9)	(19.5)
Exchange differences on translation of foreign operations	–	(37.5)	(37.5)
Gains on net investment hedges taken to equity	–	15.9	15.9
Gain/(loss) recognised on cash flow hedges:			
Interest rate swaps	(0.8)	–	(0.8)
Balance at 31 December 2020	(13.4)	(28.5)	(41.9)
Balance at 1 January 2019	(3.9)	10.3	6.4
Exchange differences on translation of foreign operations	–	(15.3)	(15.3)
Loss on net investment hedges taken to equity	–	(1.9)	(1.9)
Gain/(loss) recognised on cash flow hedges:			
Interest rate swaps	(8.7)	–	(8.7)
Balance at 31 December 2019	(12.6)	(6.9)	(19.5)

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being sterling, are recognised directly in the translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the translation reserve.

28 Reconciliation of operating profit to cash generated from operations

	2020 £m	2019 £m
Operating profit – continuing operations	58.4	110.6
Less: share of profits of joint ventures	(1.2)	(0.9)
	57.2	109.7
Adjustments for:		
Depreciation of property, plant and equipment	54.0	43.4
Depreciation of right of use assets	10.9	7.3
Amortisation of other intangibles	4.9	1.4
Share-based payments	2.0	0.6
Special Items	131.2	15.2
Cash impact of restructuring and site closure costs	(25.3)	(4.4)
Cash impact of acquisition costs and related gains	(7.4)	(7.5)
Cash impact of foreign exchange gain on rights issue	–	3.5
Pension funding in excess of service cost	(18.8)	(17.5)
Movement in working capital	23.5	18.5
Cash generated from operations	232.2	170.2
Reconciliation of movement in working capital		
Decrease in inventories	17.1	15.0
Decrease in trade and other receivables	19.1	34.3
Decrease in trade and other payables	(12.7)	(30.8)
Movement in working capital	23.5	18.5

29 Acquisition of OMNOVA Solutions Inc

On 1 April 2020, the Group completed its acquisition of 100% of the issued share capital of OMNOVA Solutions Inc at a price of \$10.15 per share for a total consideration of £382.3 million.

The asset identification and fair value allocation processes remain under review and will be finalised by 31 March 2021.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

	£m
Identifiable intangible assets	330.1
Property, plant and equipment	190.2
Other non-current assets	48.9
Inventory	70.3
Trade and other receivables	81.1
Cash and cash equivalents	68.3
Borrowings	(273.6)
Trade and other payables	(119.3)
Lease liabilities	(21.7)
Retirement benefit obligations	(89.8)
Other non-current liabilities	(82.4)
Provisional fair value of net assets acquired	202.1
Goodwill	180.2
Total consideration	382.3
Satisfied by:	
Cash	382.3
Total consideration transferred	382.3
Net cash outflow arising on acquisition:	
Cash consideration	382.3
Less: cash and cash equivalent balances acquired	(68.3)
Cash flow from investing activities	314.0
Settlement of external financing of OMNOVA Solutions Inc	273.6
	587.6

The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire OMNOVA Solutions Inc which complements the existing business, strengthening Synthomer's presence in North America and increasing its presence in Europe and Asia.

In the period from acquisition to 31 December 2020 the business contributed £343.0 million to the Group's revenue, £33.0 million of the Group's EBITDA, £17.6 million to the Group's Underlying operating profit and a loss of £7.7 million to the Group's IFRS operating profit.

If the acquisition had been completed on the first day of the financial year the business would have contributed £475.2 million to the Group's revenue, £46.1 million of the Group's EBITDA, £25.2 million to the Group's Underlying operating profit and a loss of £0.1 million to the Group's IFRS operating profit.

30 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's financial statements where appropriate.

The UK defined benefit scheme is a related party; see note 26.

A summary of the key management compensation relates to the Directors and members of the Executive Committee, is set out below:

Key management compensation	2020 £m	2019 £m
Short-term employee benefits	9.1	4.3
Pension costs	0.4	0.5
Share-based payments	2.0	0.6
	11.5	5.4

Notes to the consolidated financial statements continued

31 December 2020

31 Contingent assets, contingent liabilities and guarantees

During 2018, the European Commission (the Commission) initiated an investigation into practices relating to the purchase of Styrene monomer by companies, including Synthomer, operating in the European Economic Area. The Company has and will continue to fully cooperate with the Commission during its investigation.

Given the ongoing investigation and the inherent uncertainties associated with it, it is not possible to determine whether or not a liability exists. Similarly, given the many variables in the Commission's fining framework and accordingly the range of possible outcomes, the Directors are not able to reliably estimate any potential possible liability at this time. In the event the Commission does find against the Company, then any fine could be material to the results, cash flows and balance sheet for the period in which the matter becomes resolved or it becomes probable and a reliable estimate can be made.

Other guarantees and contingent liabilities of the Group amount to £2.7 million (2019: £2.6 million) and relate to an environmental liability in France.

The Company and its subsidiaries have, in the normal course of business, entered into guarantees and counter-indemnities in respect of performance bonds, relating to the Group's own contracts.

32 Share-based payments**Performance Share Plan**

The Group's Performance Share Plan is described in the Directors' Remuneration report on pages 102 to 118. In addition to the two Executive Directors, it is available to other senior management. Movement in the options held under the scheme are defined as follows:

	Options 2020 number	Weighted av. exercise price (£) 2020 number	Options 2019 number	Weighted av. exercise price (£) 2019 number
Outstanding at 1 January	1,936,998	–	1,807,963	–
Granted during the year	1,134,333	–	914,184	–
Exercised during the year	(40,146)	–	(697,627)	–
Lapsed during the year	(479,563)	–	(87,522)	–
Outstanding at 31 December	2,551,622	–	1,936,998	–
Exercisable at 31 December	49,554	–	36,414	–

Grants in 2019 included 143,146 options arising to counter the dilutive effect of the rights issue.

The outstanding share options were all issued under the Performance Share Plan. As at 31 December 2020 the following options were outstanding:

	Number
Exercisable between 2016 and 2023	12,725
Exercisable between 2017 and 2024	13,473
Exercisable between 2018 and 2025	10,216
Exercisable between 2019 and 2026	–
Exercisable between 2020 and 2027	13,140
Exercisable between 2021 and 2028	588,689
Exercisable between 2022 and 2029	779,046
Exercisable between 2023 and 2030	1,134,333
	2,551,622

The total exercise price for all the above grants is £nil.

For options outstanding as at 31 December 2020, the exercise price was £nil and the weighted average remaining contractual life was 5.16 years (2019: 5.07 years).

The Group also operates a cash-settled share-based payment scheme for which there was an expense in the year of £2.4 million (2019: £0.1 million) and for which there was a liability at the year end of £2.9 million (2019: £0.7 million).

The weighted average share price at the date of exercise was £2.83 (2019: £3.61).

The weighted average fair value of the options at the measurement date granted during the year was £1.94 (2019: £1.81). The valuation was based on the following inputs and assumptions, using a Monte Carlo simulation model:

	2020	2019
Weighted average share price (£)	2.59	3.77
Option price (£)	–	–
Value of optionality	nil	nil
Vesting assumption	75%	48%

The vesting assumption is the estimate at the measurement date of the percentage of the options that will ultimately vest and is based on market conditions and management's assessment of the likelihood of achievement of the performance criteria.

The Synthomer Employee Benefit Trust

The Company established a trust, formerly the Yule Catto Employee Benefit Trust, on 17 July 1996 to distribute shares to employees enabling the obligations under the Yule Catto Longer-Term Performance Share Plan and the Yule Catto Longer-Term Deferred Bonus Plan to be met. The Trust is managed by the RBC Trustees (Guernsey) Limited, an independent company located in Guernsey.

At 31 December 2020, the Trust held 8,939 (2019: 1,880) ordinary shares in the Company with a market value of £0.0 million (2019: £0.0 million).

The dividends on these shares have been waived. All of the shares are under option. Costs are amortised over the life of the plans.

33 Share price information

The middle market value of the listed ordinary shares at 31 December 2020 was 449.6 pence (31 December 2019: 353.8 pence). During the year, the market price ranged between 193.0 pence and 453.2 pence. The latest ordinary share price is available on the Group's website, www.synthomer.com

34 Audit exemptions

The following subsidiaries have taken advantage of the exemption from an audit for the year ended 31 December 2020 available under S479a of the Companies Act 2006, as the Company has given a statutory guarantee of all of the outstanding liabilities of these subsidiaries as at 31 December 2020.

Company	Company registration
Dimex Limited	01763129
Ecatto Limited	00978441
Harlow Chemical Company Limited	00778831
OMNOVA Performance Chemicals Limited	03734749
OMNOVA UK Holding Limited	07682224
PolymerLatex Limited	03439041
Revertex Limited	00873653
S.A. (300) Limited	00236227
Star Pharma Limited	03192713
Super Sky Limited	02021871
Synthomer Overseas Limited	06349474
Temple Fields 510	01415496
Temple Fields 514 Limited	04541637
Temple Fields 515 Limited	00692510
Temple Fields 522 Limited	05516912
Temple Fields 523 Limited	05516913
Temple Fields 530 Limited	00831113

Company balance sheet

as at 31 December 2020

	Note	2020 £m	2019 £m
Non-current assets			
Investment in subsidiaries and joint ventures	3	370.8	264.6
Property, plant and equipment	4	5.6	5.6
Total non-current assets		376.4	270.2
Current assets			
Other receivables	5	1,445.6	877.0
Cash and cash equivalents		42.6	21.8
Derivative financial instruments	9	1.4	4.9
Total current assets		1,489.6	903.7
Current liabilities			
Borrowings	8	(44.0)	(11.5)
Other payables	6	(164.8)	(251.9)
Derivative financial instruments	9	(18.8)	(14.3)
Lease liabilities		(0.7)	(0.4)
Total current liabilities		(228.3)	(278.1)
Net current assets		1,261.3	625.6
Total assets less current liabilities		1,637.7	895.8
Non-current liabilities			
Borrowings	8	(643.9)	(82.9)
Lease liabilities		(2.3)	(3.0)
Total non-current liabilities		(646.2)	(85.9)
Net assets		991.5	809.9
Equity			
Share capital	10	42.5	42.5
Share premium	10	421.1	421.1
Revaluation reserve		0.8	0.8
Capital redemption reserve		0.9	0.9
Retained earnings		526.2	344.6
Total equity		991.5	809.9

As disclosed in note 2, the Company's profit for the year was £193.5 million (2019: £25.2 million).

The notes on pages 168 to 171 are an integral part of these financial statements.

The financial statements of Synthomer plc (registered number 98381) on pages 166 to 171 were approved by the Board of Directors and authorised for issue on 4 March 2021. They are signed on its behalf by:

C G MacLean
Director

S G Bennett
Director

Company statement of changes in equity

for the year ended 31 December 2020

	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2020	42.5	421.1	0.8	0.9	344.6	809.9
Profit for the year	-	-	-	-	193.5	193.5
Total comprehensive income for the year	-	-	-	-	193.5	193.5
Dividends	-	-	-	-	(12.8)	(12.8)
Share-based payments	-	-	-	-	1.8	1.8
Fair value loss on hedged interest derivatives	-	-	-	-	(0.9)	(0.9)
At 31 December 2020	42.5	421.1	0.8	0.9	526.2	991.5
	Share capital £m	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 January 2019	34.0	230.5	0.8	0.9	377.8	644.0
Profit for the year	-	-	-	-	25.2	25.2
Total comprehensive income for the year	-	-	-	-	25.2	25.2
Issue of shares	8.5	190.6	-	-	-	199.1
Dividends	-	-	-	-	(47.9)	(47.9)
Share-based payments	-	-	-	-	(1.9)	(1.9)
Fair value loss on hedged interest derivatives	-	-	-	-	(8.6)	(8.6)
At 31 December 2019	42.5	421.1	0.8	0.9	344.6	809.9

Notes to the Company financial statements

31 December 2020

1 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, standards not yet effective and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historic cost basis except for the remeasurement of certain financial instruments that are measured at fair values at the end of each reporting period.

The basis of accounting and the principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries and joint ventures are stated at cost less, where appropriate, provisions for impairment. The carrying amounts of the Company's investments are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Losses are recognised in the income statement and reflected in an allowance against the carrying value. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Intercompany balances are shown gross unless a right of set-off exists. Balances are valued at fair value at inception and are repayable on demand. All intercompany loans are repayable on demand and the Company has the ability to refinance any of its subsidiaries using equity allowing the subsidiary to repay any receivables owed to Synthomer plc.

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

There are no significant accounting judgements and estimates applied in preparing the Company's account except for the impairment testing of amounts owed by subsidiary undertakings. When measuring the potential impairment of receivables from subsidiaries, forward-looking information based on assumptions for the future movement of different economic drivers are considered.

2 Profit for the year

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented for Synthomer plc. The Company reported a profit of £193.5 million for the year ended 31 December 2020 (2019: profit of £25.2 million).

Auditor remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

The Company had no employees during the current or prior year.

3 Investment in subsidiaries and joint ventures

	Subsidiaries £m	Joint ventures £m	Total £m
Cost			
At 1 January 2020	264.3	0.5	264.8
Additions	106.2	–	106.2
At 31 December 2020	370.5	0.5	371.0
Provisions			
At 1 January and 31 December 2020	–	0.2	0.2
Net book value			
At 31 December 2020	370.5	0.3	370.8

Details of the Group's subsidiaries and joint ventures are included in note 11 on pages 170 to 171.

As part of the financing of the acquisition of OMNOVA Solutions Inc, the Company increased its investment in Temple Fields 514 Limited by £106.2 million.

The Directors consider the value of investments to be supported by underlying assets.

4 Property, plant and equipment

	2020				2019		
	Right of use buildings £m	Freehold £m	Plant and equipment £m	Total £m	Right of use buildings £m	Freehold £m	Total £m
Cost							
At 1 January	4.1	3.0	–	7.1	–	3.0	3.0
Additions	–	–	0.6	0.6	3.2	–	3.2
Recognised on adoption of IFRS 16	–	–	–	–	0.9	–	0.9
At 31 December	4.1	3.0	0.6	7.7	4.1	3.0	7.1
Accumulated depreciation							
At 1 January	0.6	0.9	–	1.5	–	0.7	0.7
Charge for the year	0.6	–	–	0.6	0.6	0.2	0.8
At 31 December	1.2	0.9	–	2.1	0.6	0.9	1.5
Net book value							
At 31 December	2.9	2.1	0.6	5.6	3.5	2.1	5.6

Freehold land amounting to £1.8 million (2019: £1.8 million) has not been depreciated.

5 Other receivables

	2020 £m	2019 £m
Amounts owed by Group undertakings	1,443.4	875.6
Other receivables	1.1	0.3
Prepayments and accrued income	1.1	1.1
	1,445.6	877.0

Amounts owed by Group undertakings are valued at fair value at inception and are repayable on demand.

Of the Company's amounts owed by subsidiaries, £149.0 million is impaired (2019: £149.0 million). Future expected credit losses on amounts receivable from subsidiaries are immaterial.

6 Other payables

	2020 £m	2019 £m
Amounts owed to Group undertakings	148.2	244.5
Other creditors	4.2	4.1
Accruals and deferred income	12.4	3.3
	164.8	251.9

Amounts owed to Group undertakings are valued at fair value at inception and are repayable on demand.

7 Guarantees

The Company has provided financial guarantees amounting to £31.9 million (2019: £19.1 million) in respect of bank and other facilities of subsidiaries and joint ventures.

8 Borrowings

	2020 £m	2019 £m
Current borrowings		
Overdrafts	34.4	11.5
Current borrowings	9.6	–
	44.0	11.5
Non-current borrowings		
Bank loans	186.2	82.9
€520m 3.875% senior unsecured loan notes due 2025	457.7	–
	643.9	82.9

Details of borrowings are provided in note 21 to the consolidated financial statements.

Notes to the Company financial statements continued

31 December 2020

9 Financial instruments

The fair value of the financial instruments disclosed in the Company's statement of financial position are as follows:

	Financial instruments				
	Carrying amount £m	Carrying amount within scope of IFRS 7 £m	Valuation category in accordance with IFRS 9 ¹	Fair value £m	Fair value hierarchy level
Other receivables	1,445.6	1,445.6	AC	1,445.6	Level 2
Cash and cash equivalents	42.6	42.6	AC	42.6	Level 2
Derivatives – no hedge accounting	1.4	1.4	FVTPL	1.4	Level 2
Total assets	1,489.6	1,489.6		1,489.6	
Borrowings	(687.9)	(687.9)	AC	(699.1)	Level 2
Trade and other payables	(164.8)	(164.0)	AC	(164.0)	Level 2
Derivatives – no hedge accounting	(18.8)	(18.8)	FVTPL	(18.8)	Level 2
Total liabilities	(871.5)	(870.7)		(881.9)	

1. AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss.

Further disclosures on financial instruments are included in note 22 of the consolidated financial statements.

10 Share capital and share premium

Details of the Company's share capital and share premium are shown in note 27 of the consolidated financial statements.

11 Subsidiaries and joint ventures

Country of incorporation and registered address	Principal activity	Ownership %	Country of incorporation and registered address	Principal activity	Ownership %
United Kingdom			Australia		
Central Road, Harlow, Essex, CM20 2BH			58 Gipps Street, Collingwood, Victoria, 3066		
Dimex Limited	Holding Company	100	Synthomer Australia Pty Limited	Trading	100
Ecatto Limited	Holding Company	100 ³	Austria		
Harlow Chemical Company Limited	Holding Company	100 ²	Industriepark, Pischelsdorf, 3435		
OMNOVA Performance Chemicals Limited	Dormant	100	Synthomer Austria GmbH	Trading	100
OMNOVA UK Holding Limited	Dormant	100	Brazil		
PolymerLatex Limited	Holding Company	100	Av. Casa Verde, 3100, Sala 1, Casa Verde, São Paulo, 02520-300		
Revertex Limited	Dormant	100 ³	Synthomer Participacoes Ltda	Trading	100
S.A. (300) Limited	Holding Company	100 ³	China		
Star Pharma Limited	Dormant	100	Building 53-55, 1000 Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai, 201203		
Super Sky Limited	Holding Company	50 ^{1,3}	Shanghai Synthomer Chemicals Co Ltd	Trading	100
Synthomer (UK) Limited	Trading	100	8 Hua Jing Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131		
Synthomer Holdings Limited	Holding Company	100 ³	OMNOVA Performance Chemicals Trading (Shanghai) Co Ltd	Trading	100
Synthomer Overseas Limited	Holding Company	100 ³	210 Zhou Gong Road, Shanghai Chemical Industry Park, Shanghai 201507		
Temple Fields 510	Dormant	100	OMNOVA Shanghai Co Ltd	Trading	100
Temple Fields 512 Limited	Dormant	100 ³	308 Jiangbin Road, Xiaogang United Development Zone, Ningbo Economic & Technical Development Zone, Ningbo, 315803		
Temple Fields 514 Limited	Holding Company	100 ³	OMNOVA Ningbo Co Ltd	Trading	100
Temple Fields 515 Limited	Holding Company	100	55 Xi Li Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, 200131		
Temple Fields 522 Limited	Holding Company	100 ³	Eliokem Trading (Shanghai) Co Ltd	Trading	100
Temple Fields 523 Limited	Holding Company	100 ³	Czech Republic		
Temple Fields 530 Limited	Holding Company	100	Tovární 2093, Sokolov, 356 01		
Temple Fields 534 Limited	Dormant	100	Synthomer AS	Trading	100
William Blythe Limited	Trading	100	V Celnici 1031/4, Prague, 110 00		
Yule Catto Overseas	Dormant	100 ³	Synthomer Holdings (CZE) SRO	Non-Trading	100
45 Pall Mall, London, SW1Y 5JG					
Synthomer Trading Limited	Trading	100			
44 Esplanade, St Helier, Jersey, JE4 9WG					
Synthomer Jersey Limited	Dormant	100 ³			

Country of incorporation and registered address	Principal activity	Ownership %	Country of incorporation and registered address	Principal activity	Ownership %
Egypt			Speldijk 15704Rj Helmond		
Industriel Zone 1-B, 10th of Ramadam City, Sharkiya			Xyntra Investments BV	Non-Trading	33 ¹
Synthomer SAE	Trading	88	Portugal		
Finland			Rua Francisco Lyon de Castro, 28, 2725-397 Mem Martins		
PO Box 175, Oulu, FI 90101			OMNOVA Solutions Portugal SA	Trading	100
Synthomer Finland Oy	Trading	100	Lyon28 - Imobiliario SA	Non-Trading	100
France			Saudi Arabia		
14 avenue des Tropiques, Z.A. de Courtaboeuf 2, Villejust, 91955			27 Street, 2nd Industrial City, Dammam, 31472		
OMNOVA Solutions France Holding SAS	Holding Company	100	Synthomer Middle East Company Ltd	Trading	49 ¹
OMNOVA Solutions International SAS	Holding Company	100	Singapore		
OMNOVA Solutions SAS	Trading	100	Ocean Financial Centre, 10 Collyer Quay, 049315		
704 rue Pierre et Marie Curie, Ribécourt-Dresincourt, 60170			OMNOVA Performance Chemicals Singapore		
Synthomer France SAS	Trading	100	Pte Ltd	Trading	100
6 Place de la Madeleine, Paris, 75008			Spain		
Yule Catto France SA	Non-Trading	100	Camino de Sangroniz 8, Sondika, 48150		
Yule Catto International SA	Non-Trading	100	Synthomer Asua SL	Trading	100
Germany			Paseo de la Castellana 177, Madrid, 28046		
Werrastrasse 10, Marl, 45768			OMNOVA Solutions (Espana) SL	Non-Trading	100
Synthomer Deutschland GmbH	Trading	100	Rambla de Catalunya 53, Barcelona, 08007		
Temple Fields GmbH	Non-Trading	100	Yule Catto Spain SL	Non-Trading	100
Yule Catto Holdings GmbH	Holding Company	100	Sweden		
India			Tostarpsvagen 11, Kavlinge, 244 32		
1001, Meadows, Sahar Plaza, Andheri-Kurla Road, Andheri East, Mumbai 400059			Synthomer Speciality Additives AB	Trading	100
OMNOVA India Trading LLP	Trading	100	Thailand		
Italy			111/7 Moo 2, Nikompattana District, Rayong, 21180		
Via delle Industrie 9, Filago, BG, 24040			OMNOVA Engineered Surfaces (Thailand) Co Ltd	Trading	100
Synthomer S.r.l.	Trading	100	219/16 Moo 6, Bowin, Si Racha, Chonburi, 20230		
Via MoroZZo 27, Sant'Albano Stura, CN, 12040			Synthomer (Thailand) Limited	Trading	100
Synthomer Specialty Resins S.r.l.	Trading	100	UAE		
Piazza Cavour 3, Milano, MI, 20121			Building 2101, Office S10122A2, Jabel Ali Free Zone, Dubai		
UQUIFA Italia S.r.l.	Non-Trading	100	Synthomer Functional Solutions FZCO	Trading	49 ¹
Malaysia			East Wing 2, Office 201, Po Box 54645, Dubai Airport Free Zone, Dubai		
Unit 16-2, Wisma Uoa Damansara II, 6 Changkat Semantan, Damansara Heights, Kuala Lumpur, 50490			Synthomer FZCO	Trading	49 ¹
Desa Baiduri Sdn Bhd	Property Letting	70	USA		
Kind Action (M) Sdn Bhd	Trading	70	1201 Peachtree Street NE, Atlanta, GA, 30361		
PolymerLatex Sdn Bhd	Trading	100	Synthomer LLC	Trading	100
Quality Polymer Sdn Bhd	Trading	70	Yule Catto Inc	Non-Trading	100
Revertex (Malaysia) Sdn Bhd	Trading	70	160 Greentree Drive, Suite 101, Dover, DE, 19904		
Rexplas Sdn Bhd	Dormant	70	Synthomer USA LLC	Trading	100
Synthomer Sdn Bhd	Trading	100	25435 Harvard Road, Beachwood, Ohio 44122-6201		
Terra Simfoni Sdn Bhd	Holding Company	100	Decorative Products Thailand Inc	Holding Company	100
Mauritius			OMNOVA Overseas Inc	Non-Trading	100
c/o Citco (Mauritius) Limited, Tower A, 1 Cybercity, Ebene			OMNOVA Solutions Inc	Trading	100
OMNOVA Asia Pacific Corp	Holding Company	100	OMNOVA Wallcovering (USA) Inc	Holding Company	100
Standard Chartered Tower, 19 Cybercity, Ebene			Vietnam		
OMNOVA Holding Limited	Holding Company	100	8, 6th Street, Song Than Industrial Park, Di An		
Netherlands			Synthomer Vietnam Co Ltd		
Ijsselstraat 41, Oss, 5347 KG				Trading	60
Synthomer BV	Trading	100	Notes		
Yule Catto BV	Non-Trading	100	1. Joint ventures.		
Yule Catto Nederland BV	Non-Trading	100	2. Harlow Chemical Company Limited is incorporated in UK but is resident in Netherlands.		
			3. Shares directly held by Synthomer plc.		

Glossary of terms

AC	Amortised Cost	ICCA	International Council of Chemical Associations
ACC	American Chemical Council	IFRS	International Financial Reporting Standards
AGM	Annual General Meeting	IS	Industrial Specialities
AIMS	Accident and Incident Management System	ISA	International Standards of Auditing
AM	Acrylate Monomers	KPIs	Key Performance Indicators
APMs	Alternative Performance Measures	ktes	Kilotonne or 1,000 tonnes (metric)
BAME	Black, Asian and Minority Ethnic	LIBOR	London Inter-Bank Offer Rates
C&C	Construction and Coatings	LMS	Learning Management System
C&F	Carpet and Foam	LTA	Lost Time Accident
Capital employed	Net assets excluding third party net debt	LTIP	Long-Term Incentive Plan
CAST	Coatings, Adhesives and Surface Treatments	M&A	Mergers and Acquisitions
CDP	Carbon Disclosure Project	ManEx	Manufacturing Excellence
CGU	Cash Generating Unit	MCO	Movement Control Order
CH₄	Methane	MOC	Management of Change
CHP	Combined Heat and Power	MYR	Malaysian Ringgits
CIA	Chemical Industries Association	N₂O	Nitrous Oxide
CO₂	Carbon Dioxide	NBR	Nitrile Butadiene Rubber
CO₂e	Carbon Dioxide equivalent	NED	Non-Executive Director
Constant currency	Reflects current year results for existing business translated at the prior year's average exchange rates, and includes the impact of acquisitions	Net debt	Cash and cash equivalents together with short- and long-term borrowings
CRM	Customer Relationship Management system	NO_x	Nitrogen Oxides
CSR	Corporate Social Responsibility	OEM	Original Equipment Manufacturer
DEFRA	Department for Environment, Food and Rural Affairs	Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and Special Items	PBT	Profit Before Tax
EGM	Extraordinary General Meeting	PE	Performance Elastomers
EPDLA	European Polymer Dispersion and Latex Association	PHA	Process Hazard Assessment
EPS	Earnings Per Share	PPE	Property, Plant and Equipment
ERP	Enterprise Resource Planning	PSA	Pressure Sensitive Adhesive
ESG	Environmental, Social and Governance	PSE	Process Safety Events
EUUS	Europe, Middle East, Africa and Americas	PSP	Performance Share Plan
FEED	Front End Engineering Design	PTW	Permit to Work
FP	Functional Polymers	PVC	Polyvinyl Chloride
FRC	Financial Reporting Council	R&D	Research and Development
Free Cash Flow	The movement in net debt before financing activities, foreign exchange and the cash impact of Special Items, asset disposals and business combinations	RC	Responsible Care
FRS	Financial Reporting Standard	ROIC	Return on Invested Capital is calculated as Group Underlying operating profit as a percentage of Group capital employed
FS	Functional Solutions	SBR	Styrene Butadiene Rubber
FVTOCI	Fair Value Through Other Comprehensive Income	SD	Sustainable Development
FVTPL	Fair Value Through Profit or Loss	SDG	Sustainable Development Goals
GDP	Gross Domestic Product	SEC	Specific Energy Consumption
GDPR	General Data Protection Regulation	SHE	Safety, Health and Environment
GHGs	Greenhouse Gases	SHEMS	Safety, Health and Environment Management System
GJ	Gigajoule	SOFR	Secured Overnight Financing Rate
GRI	Global Reporting Initiative	SONIA	Sterling Overnight Index Average
GTI	Global Technology and Innovation	STEM	Science, Technology, Engineering and Mathematics
GWP	Global Warming Potential	TCFD	Taskforce on Climate-related Financial Disclosures
H&P	Health & Protection	The Code	The UK Corporate Governance Code
HR	Human Resources	TSR	Total Shareholder Return
HSSBR	High Solids Styrene Butadiene Rubber	UK GAAP	UK Generally Accepted Accounting Practice
IAS	International Accounting Standard	Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items
IBORS	Inter-Bank Offered Rates	VOCs	Volatile Organic Compounds

Five-year financial summary

		2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue		1,644.2	1,459.1	1,618.9	1,480.2	1,045.7
Underlying performance	(a)					
EBITDA	(b)	259.4	177.9	181.0	176.2	160.1
Operating profit	(c)	189.6	125.8	142.1	139.0	130.2
Finance costs		(29.6)	(9.6)	(7.0)	(9.0)	(8.0)
Profit before taxation		160.0	116.2	135.1	130.0	122.2
Basic earnings per share	(f)	28.9p	25.3p	30.7p	28.7p	26.4p
Dividends per share	(f)	11.6p	4.0p ^(g)	12.2p	11.4p	10.5p
Dividend cover		2.5	6.3	2.5	2.5	2.5
IFRS						
Operating profit	(c)	58.4	110.6	128.7	95.4	144.7
Finance costs		(38.1)	(10.1)	(8.4)	(9.0)	(8.0)
Profit before taxation		20.3	100.5	120.3	86.4	136.7
Basic earnings per share	(f)	0.7p	21.5p	27.4p	20.3p	30.3p
Dividends per share	(f)	11.6p	4.0p ^(g)	12.2p	11.4p	10.5p
Dividend cover		0.1	5.4	2.2	1.8	2.9
Net debt	(d)	(462.2)	20.7	(214.0)	(180.5)	(150.3)
Capital expenditure	(e)	53.8	69.1	75.7	60.3	45.6

Notes:

(a) As presented in the consolidated income statement on page 129.

(b) As defined in the accounting policies note and reconciled in note 5.

(c) As defined in the accounting policies note on page 134.

(d) As reconciled in note 21.

(e) As presented on the consolidated cash flow statement.

(f) Dividends and earnings per share figures for 2018 and prior have been restated to reflect the bonus factor of 1.0713 arising from the rights issue which completed on 29 July 2019.

(g) The proposed final 2019 dividend was cancelled to preserve cash, liquidity and balance sheet strength at the onset of COVID-19 in March 2020.

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Registered number 98381

Company Secretary

Richard Atkinson

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Citibank
HSBC Bank plc
Santander
Goldman Sachs
SEB

Joint stockbrokers

Barclays Bank plc and Numis Securities Ltd

Registrars

Computershare Investor Services plc
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Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Solicitors

Herbert Smith Freehills LLP

Notes

Notes continued

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