



Accelerating our potential as a pure-play Components business

Annual Report
& Accounts
2022

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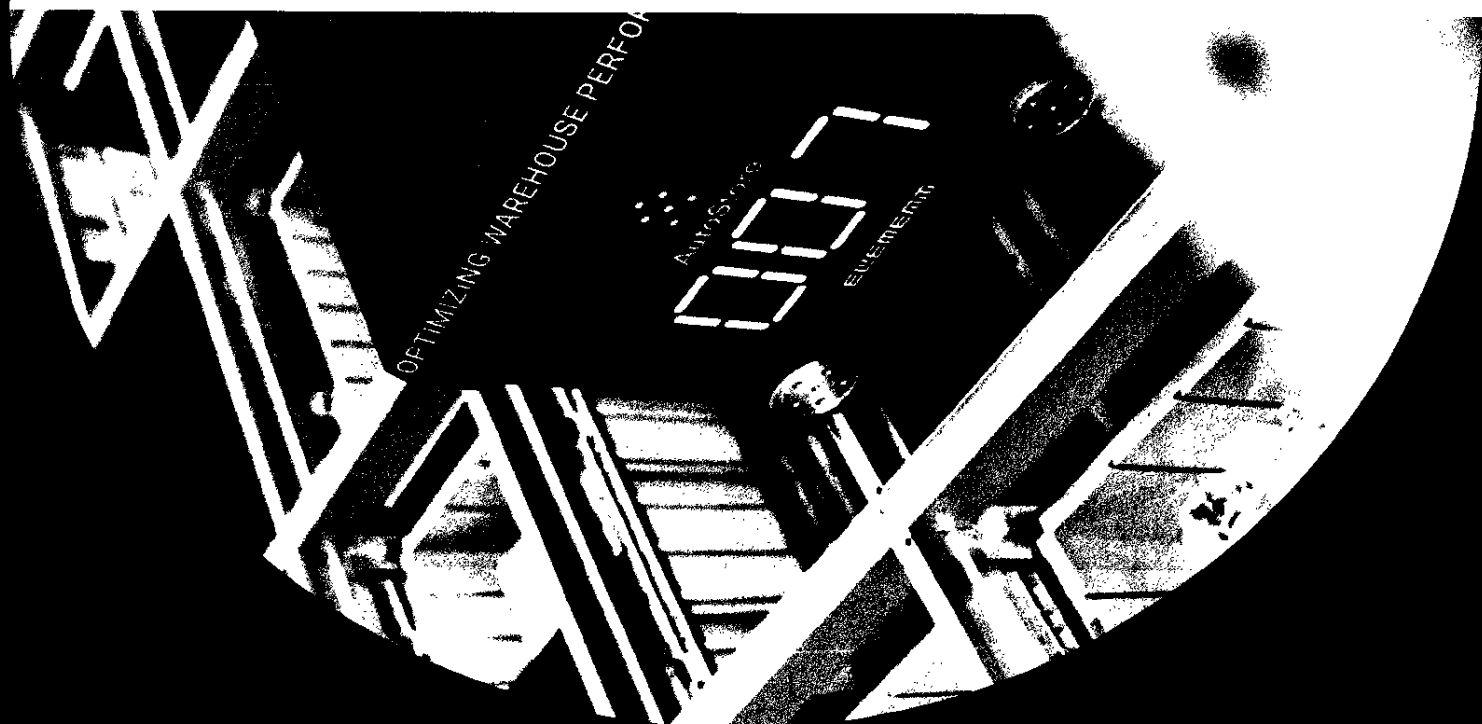
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COMPANIES HOUSE



We are Essentra

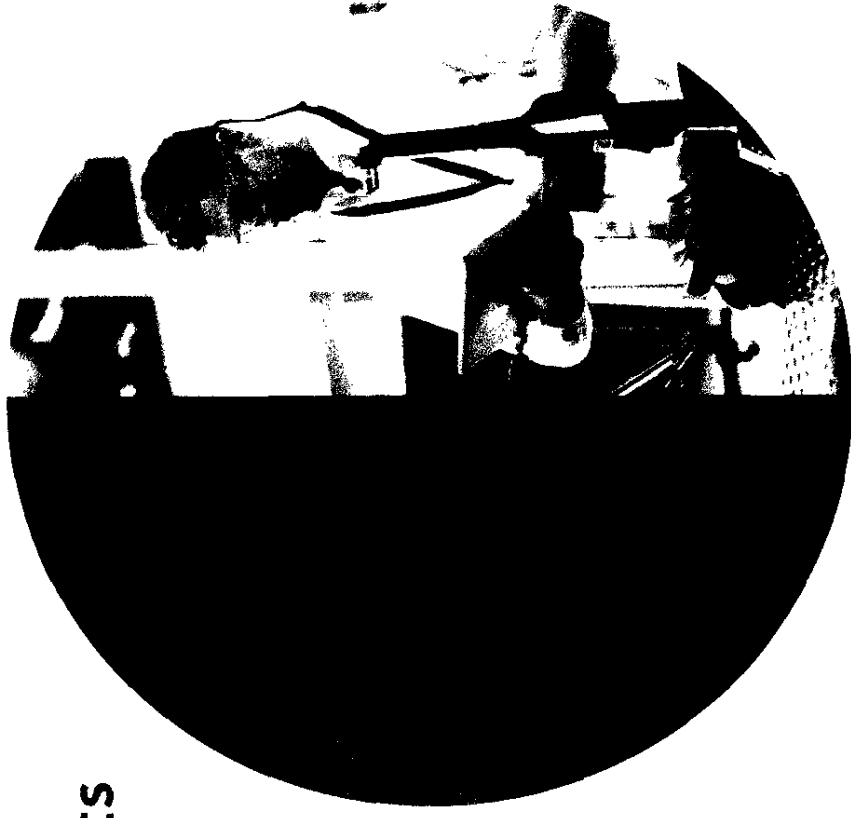
Our vision

To be the world's leading responsible hassle-free supplier of essential industrial components



I am excited to be leading Essentra into 2023, the only global Components business to combine the expertise and flexibility of a manufacturer with the broad range and customer centricity of a distributor."

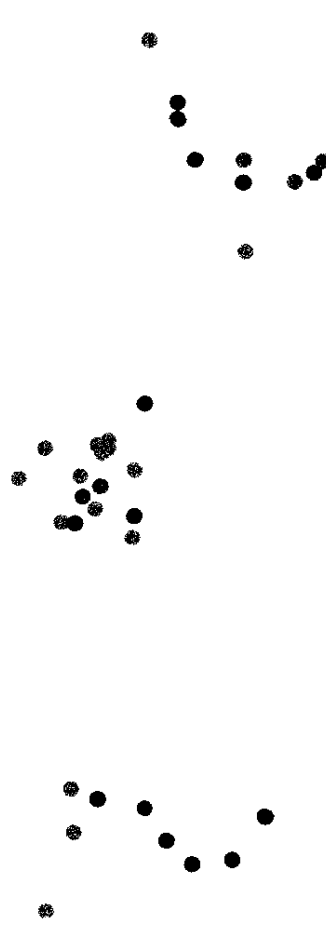
SCOTT FAWCETT
Chief Executive



Essentra at a glance

Global footprint balancing customer service with operational scale

Hub Warehouse
Manufacturing
Local Sales Centre



13
manufacturing
sites



24
distribution
centres



33
sales and service
locations



c.3,000
employees
worldwide



80m
parts produced
per week



1bn
parts in stock



1.8m
order lines per
year

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Financial highlights

Revenue	Components adjusted operating profit¹
£337.9m (2021: £301.7m)	£63.7m (2021: £56.9m)
Components adjusted operating margin²	Reported operating (loss) / profit
18.9% (2021: 18.9%)	(£11.3m) (2021*: £7.7m)
Adjusted basic earnings per share³	Reported loss per share
1.9p (2021*: 3.7p)	(10.3)p (2021*: (1.6)p)
Dividend per share	Adjusted operating cash conversion⁴
3.3p (2021: 6.0p)	80% (2021*: 67%)
Net funding surplus/ (debt) ratio	Net funding surplus/ (debt)
2.3x¹ (2021: 1.1x net debt)	£113.8m¹ (2021: (£234.7m) net debt)

* Before 15 July 2022, operating cash conversion announced 2 February 2023

Operational highlights

- Realisation of strategic goal to become a pure-play Components business operating from 1 January 2023
- Sale of the Filters business to a wholly owned subsidiary of Centaury Management Limited for an enterprise value of approximately £262.1m including initial cash consideration of £200m¹
- Sale of the Packaging business to Mayr-Melnhof Group, a leading producer of carton board and folding cartons based in Austria, for a cash consideration of £312m¹
- Strong balance sheet supporting organic growth and driving a bolt-on M&A strategy
- Value enhancing acquisition of Wixroyd Holdings Limited, a leading UK supplier of industrial parts for the automation sector, for an initial consideration of £29.5m². Integration plans are on track
- Continued improvement in customer satisfaction and service levels through ongoing focus on enhancing hassle-free proposition
- Continued progress in all areas of ESG and a refreshed strategy to better align with a Components-focused business
- Successful pricing and proactive cost management actions

* Eight year, consistent performance to show the Group's long-term rating by its only

Adjusted measures
Adjusted results exclude certain items because, if included, these items could distort the understanding of Essentra's performance for the value and the comparability between periods. The management's view, also clear of the performance measures, is that it reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed over time, across a geographic base. Our AIM and FRS are aligned to our strategy and business segments, and are used to measure the performance of the Company and form the basis of the performance measures for remuneration. See page 20 for KPIs and page 10 for AIM's

Cautionary forward-looking statement

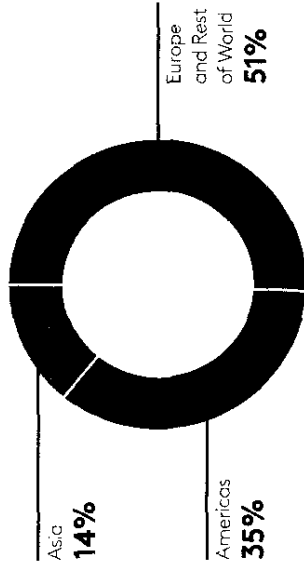
The Annual Report contains forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any of the results or developments, experienced or implied by the forward-looking statement. Each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

The numbers presented in this Strategic Report reflect the continuing operations of the Company unless otherwise stated.

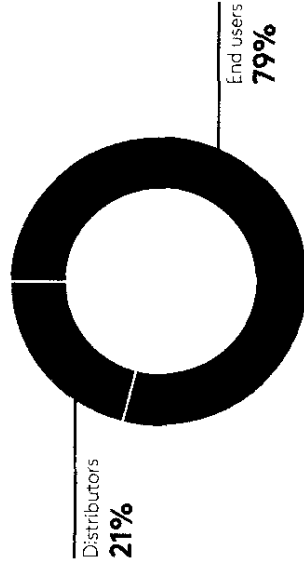
1. On a cash free, debt free basis - July 2022 estimate of £113.8m
2. £29.5m net of cash and debt

A resilient and diversified business

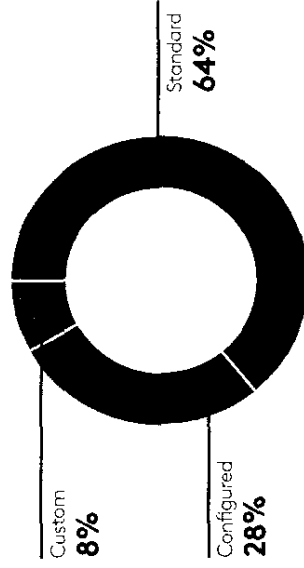
Revenue by region



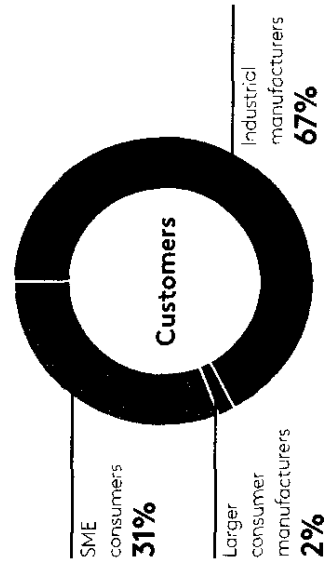
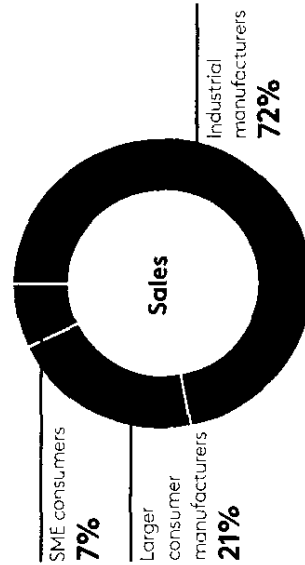
Revenue by channel



Revenue by offer type



Revenue by customer segment



Chair's statement



The next chapter for Essentra is now underway with a clear ambition to accelerate our potential as a pure-play Components business using our unique manufacturing and distribution capabilities."



PAUL LESTER,
CBE
Chair

Our strategic journey

2022 has been a significant year for Essentra and a very busy one for the Board, management team and all employees.

Towards the end of 2021, the Board decided to undertake a strategic review process to decide the best ownership structure for Filters and Packaging. In October 2021, we therefore announced a strategic review of the Filters business, followed by a further announcement in November 2021, to do the same with the Packaging business. The Board had concluded that it was in the best interests of shareholders and stakeholders, for Essentra to become a pure-play Components business.

By the time 2022 drew to a close, the Board was pleased to have announced that both businesses had successfully completed their strategic reviews, with the Packaging business having been sold to Mayr-Melnhof Group for £512m on a cash-free, debt-free basis subject to customary adjustments and

the Filters business sold to Frank Acquisition Four Limited, a wholly owned subsidiary of Centaury Management Limited, for an enterprise value of approximately £262.1m, including an initial consideration of £200m (on a cash-free, debt-free basis subject to customary adjustments) and up to £20m deferred earn-out consideration and amounts attributable to non-controlling interests.

The Board reviewed the options for each business, evaluated the bids for each of the businesses and took full account of not only the financial terms but also the impact on all stakeholders, from employees to suppliers and customers, as well as shareholders. It was important to the Board that the new owners would be able to fully support these businesses, and you can learn more about how we made those decisions in the Principal Decisions section, on page 78 as well as our Stakeholder engagement section on page 38.

For the Packaging business, as you can read in the Audit and Risk section (from page 95), the Board considered the effect of accounting for discontinued operations and unfortunately considered it necessary to recognise an impairment charge of £182.7m, in respect of the carrying amount of goodwill (£181.6m) and intangible assets held in India (£1.1m) relating to the packaging business prior to its disposal.

Our use of proceeds

Having put in place the essential building blocks for the future Essentra, the final significant step for the Board was to consider the use of proceeds from the sale of the Filters and Packaging businesses. When we announced the sale of the Packaging business, we explained that we intended to reduce Essentra's debt position, which we have now completed, repaying \$247m Private Placement notes. The remaining portion of the funds would be returned to shareholders. Following consultation with shareholders, following the Board decided to pay a Special Dividend of £90m and undertake a Share Buyback programme for up to £60m, which was announced on 2 February 2023.

Our sustainable growth

The sale of the Filters and Packaging businesses provided Essentra with a unique opportunity to focus on achieving its full potential as a pure-play Components business. Scott Fawcett, and the new Group Executive Committee (GEC), held a Capital Markets Event in November 2022 where they set out their plan on how, over the next five years, they intend to double the revenue and triple operating profit of the business and both organic and inorganic growth. We were pleased to demonstrate the commitment that the team have to this ambition with the acquisition of Wixroyd Group, a UK supplier of industrial parts for the automation sector, which was announced on 1 December 2022. The acquisition expands Essentra's capabilities in hardware components and creates significant cross selling opportunities across a range of Essentra's current end markets with the initial focus on Essentra's customer base in Continental Europe.

Essentra believes that its approach to sustainability is a competitive advantage. There is significant opportunity to differentiate Essentra from its competitors through the use of recycled content and providing assurance over the end-to-end supply chain. The business has made good progress in this area and will continue driving this forward to achieve meaningful change. One of the ways in which Essentra will do this is through its commitment, made in September 2022, to set Science Based Targets for GHG emission reductions in scope 1, 2 and 3 within a two-year time frame.

Our people

Essentra's footprint means that it has always had a diverse and culturally rich community. As well as bringing cultural insights, this community provides employees with comfort and support.

Essentra believes that its approach to sustainability is a competitive advantage. There is significant opportunity to differentiate Essentra from its competitors through the use of recycled content and providing assurance over the end to end supply chain."



STRATEGIC REPORT

Each year there are more examples of this, often brought about due to external crises, but nonetheless, the sense of community shared by employees is clear. In the last year, our Polish site showed their support for their Ukrainian neighbours, fund-raising and using their distribution capabilities to ensure key supplies were delivered where they were needed most. Following the earthquake in Turkey at the start of 2023, which fortunately did not affect our site, employees reached out to support each other where family members were impacted and contributed funds to local charities. Fund-raising provides the opportunity for the Essentra community to come together and give back to the causes that matter the most to employees.

Our performance

Whilst I have so far focused on the transformation of the business, I would also like to briefly reflect on the results. The continuing business achieved revenue growth of 9.5% on a full year constant currency basis. More information on the business performance can be found page 18.

Our Board: Welcomes and farewells

Our Board and the leadership of Essentra more broadly has seen two significant changes, with the departure of Paul Forman, and appointment of Scott Fawcett as Chief Executive from the start of 2023, and also the arrival of Jack Clarke in 2022, as Chief Financial Officer, following Lily Liu's resignation. The Board would like to thank both Paul and Lily for their considerable contribution and leadership of this business. Paul worked closely with Scott over a number of months to ensure a smooth and seamless transition and our thanks go to Paul for his leadership and vision in setting Essentra on its course to become a pure-play Components business. As planned and previously communicated, Nicki Demby retired from her role as Remuneration Committee Chair and Non-Executive Director following the

Company's 2022 AGM on 19 May 2022. Ralf K. Wunderlich has been appointed as Remuneration Committee Chair, adding to his existing role as ESG Committee Chair.

In addition, we welcomed Dupsy Abiola, our former Board Trainee, as a Non-Executive Director and continue to find her insights very valuable. As a result, and as promised in our 2021 Annual Report, we have started recruitment for a new Board Trainee and look forward to reporting on this in due course. We also announced the appointment of Kath Durrant as a Non-Executive Director at the end of 2022, and we look forward to working with Kath in 2023 as we continue our work on our social initiatives and ensuring our approach to remuneration is both challenging but rewarding for all of our employees. We also announced the appointment of Emma Reid as Company Secretary, with effect from 1 January 2023.

Our future

Essentra has a clear focus on its future and over the next five years, the business has laid out its ambition to create strong returns for shareholders through increased profit margins, capitalising on expansion opportunities and efficiencies, differentiating itself through its approach to operating sustainably, driving organic and inorganic growth and market share gains. The Board is confident that the resilience of the business and motivation of the team will support its ambitions to create a world-leading Components business.

Thank you to our employees, shareholders, customers and other stakeholders for their ongoing support.

Paul Lester, CBE
Chair

28 March 2023

Our strategic journey

Essentra has grown and developed over the last eighty years through a combination of organic growth and acquisition activity.

FY2021
Components
only

Revenue²

£302m

Adjusted¹ operating
profit³

£57m

before central costs

Adjusted¹ operating
margin⁴

18.9%

before central costs

Revenue

£338m

Adjusted¹ operating
profit

£64m

before central costs

Adjusted¹ operating
margin

18.9%

before central costs

FY2022
Components
only

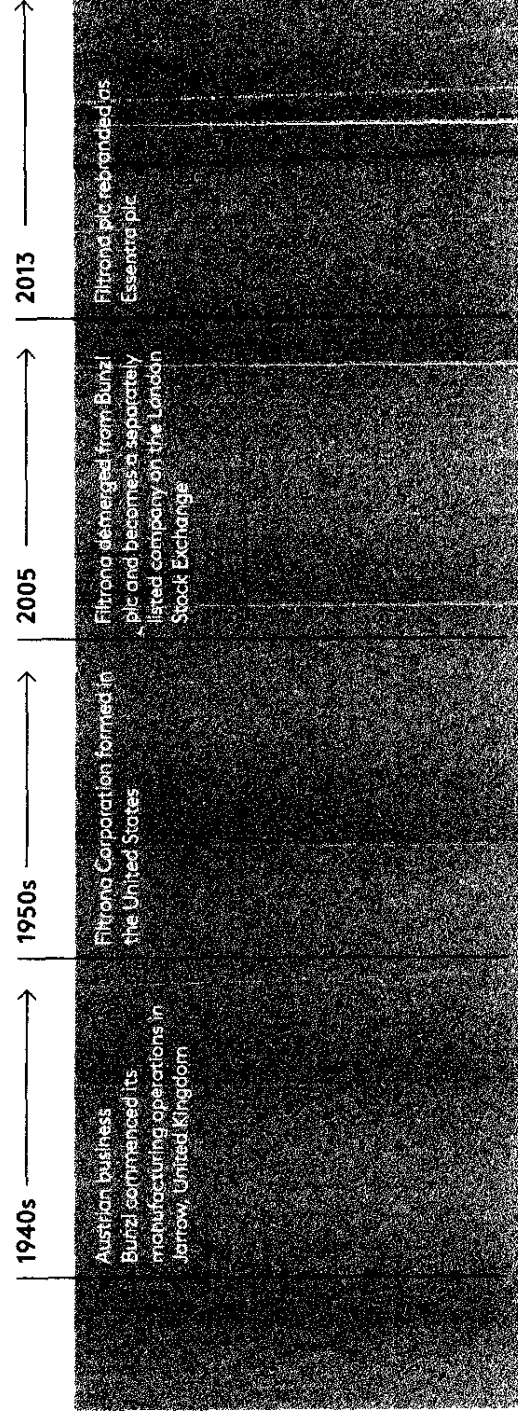
1. Please refer to page 60 for further information on Adjusted Performance Measures.
2. 2021 Total Group revenue was reported as £302m.
3. 2021 Total Group adjusted operating profit as reported was £64m.
4. 2021 Total Group adjusted operating margin of 18.9% as reported.

Our destination

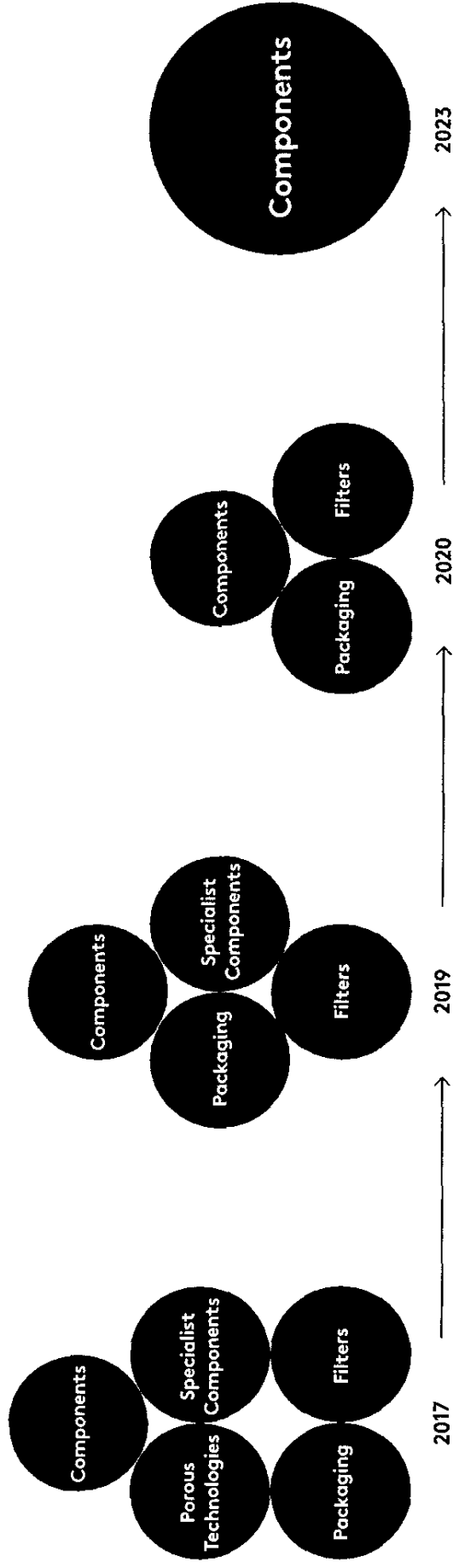
By 2021 Essentra was comprised of three strong distinct divisions that were leaders in their respective markets but were at different stages of their development and with limited overlap.

Reflecting on this context and the existing size and scale of Components, in October 2021 the Essentra Board concluded that shareholder value was likely to be maximised by Essentra becoming a pure-play Components business over time. The Board believed that Filters and Packaging were likely to thrive under a different ownership structure where they would be better able to access the specific markets and investments they would need to grow.

Our strategic journey so far



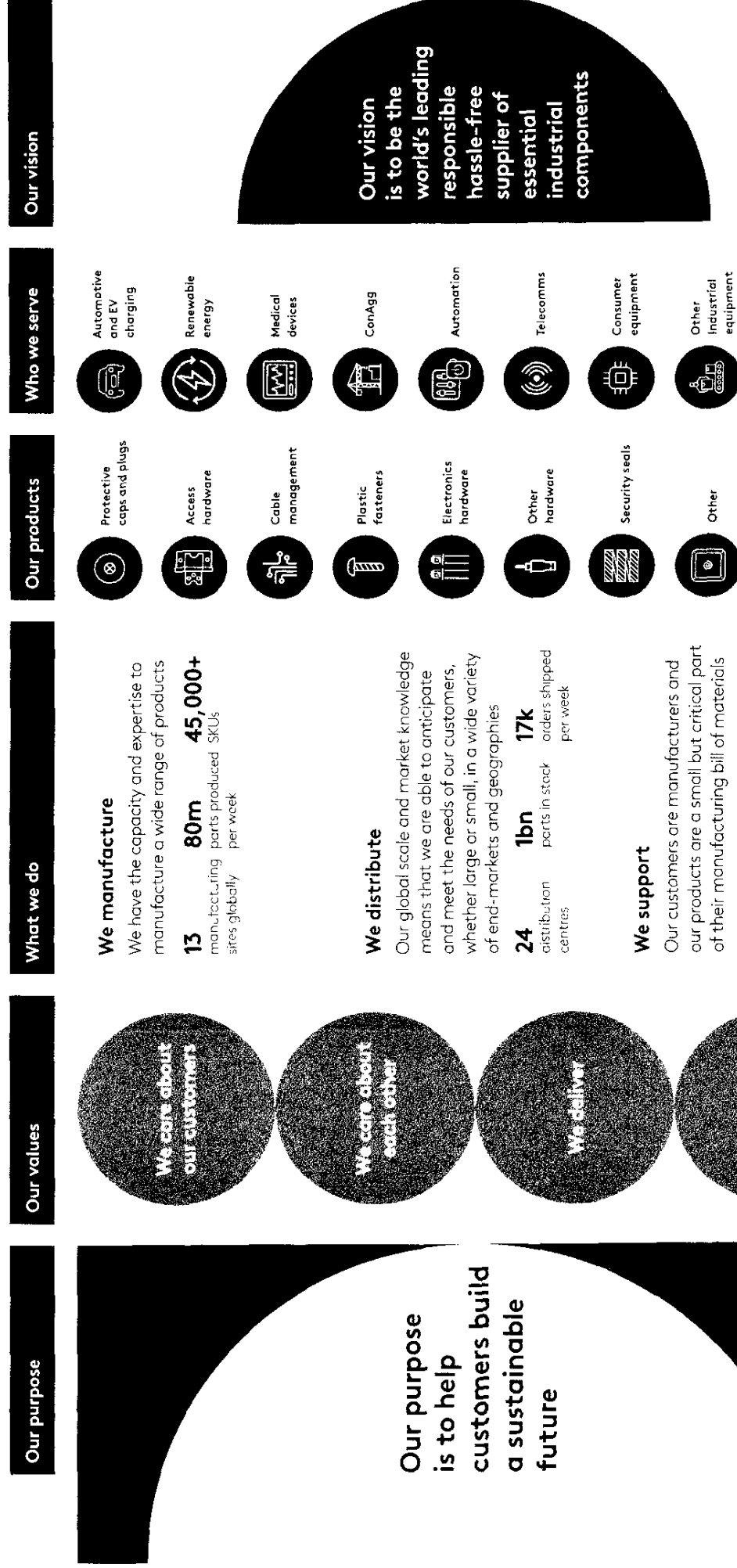
Our five-year journey



2017	2018	2019	2020	2021	2022	2023
Paul Farmon appointed as Chief Executive Introduction of Stability, Strategy, Growth roadmap and Six Principles (values) Acquisition of Micro Plastics	Acquisition of Hertila Divestment of Swiftbrook	Acquisition of Innovative Components Inc. and Componentes Innovadoras Limitada Acquisition of Nekicesa Packaging S.L Divestment of the Card Solutions, Extrusion, Speciality Tapes and Pipe Protection Acquisition of 49% minority interest in the Filters joint venture, Essentra (MEA) Pte Ltd	Focus on response to COVID-19 pandemic Acquisition of 3CI Packaging, Inc Establishment of Filters JV in China, China Tobacco Essentra (Xiamen) Filters Co., Ltd	Strategic reviews of Filters and Packaging businesses launched Announcement of strategic goal to become a pure-play Components business Acquisition of Jiangxi Hengshu Electrical Cabinet Lock Co., Ltd.	Sale of Packaging business to Mayr-Melnhof Group Sale of Filters business to a wholly owned subsidiary of Centaury Management Limited Acquisition of Wixroyd Holdings Limited	

Our business model

Our model is unique in the market. We combine the expertise and flexibility of a manufacturer with the service and range of a distributor.



Investment case

Our target is to double revenue and triple operating profit in the medium term.

1

Market leader with a unique proposition in a large but fragmented market.

2

Clear strategy to drive organic growth and market share gains supported by digitalisation and sustainability.

3

High margin business with scope to expand.

4

Strong returns and cash conversion enabling value enhancing M&A.

Essentra's unique model combines the expertise and flexibility of a manufacturer with the service and range of a distributor.

We operate in a highly fragmented £8-£10bn addressable market, with over one million potential customers.

The breadth and depth of our offer is also unique, and enables us to serve a broad range of industrial customers, whilst our global manufacturing and distribution footprint balances local customer service with operational scale.

Our committed and engaged employees, extensive network, deep industry expertise and strong focus on innovation and sustainability are key differentiators.

Our hassle-free approach is supported by our range, availability and on-going investment in our digital offering to support the customer experience.

The implementation of CRM solutions, AI prompts and the upskilling of our commercial teams enables Essentra to drive cross-selling opportunities.

Essentra's focus on sustainability is a source of competitive advantage, by focusing on the sustainability of our own operations and the components we manufacture, we will be able to support our customers to achieve their own sustainability goals.

Essentra has significant margin expansion opportunities driven through scale efficiencies, operational effectiveness and pricing.

We continue to optimise our global footprint for growth, balancing our costs with our commitment to service. Our scale also allows us to focus on buying better and operating efficiently.

We are transforming our sourcing and purchasing capabilities and improving our processes and technology, underpinned by an improved ERP platform to drive efficiencies and support margin expansion.

Essentra also continues to deliver successful pricing management and cost control actions which enable us to mitigate cost inflation and enhance margin.

A strong financial framework and healthy balance sheet provides Essentra with significant scope to pursue value creating opportunities.

After the initial shareholder return we expect to be operating between 0x - 1.0x net debt/EBITDA leverage which is within our medium term targeted gearing range of 0x - 1.5x, providing a platform from which we can explore and drive further strategic opportunities.

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

We continue to develop our healthy pipeline of opportunities and to look for value enhancing and strategic acquisitions, including new product capabilities to support our organic growth initiatives.

The new Essentra

Accelerating our potential as a pure-play Components business



I am incredibly proud that the Components business is the rock on which the new Essentra has been built. I have no doubt that the next chapter will bring us even greater opportunities for future growth."



SCOTT FAWCETT
Chief Executive

Medium term targets

Revenue (CAGR) Total

>10%

Revenue (CAGR) Organic

>5%

Net debt to EBITDA

0x-1.5x

Adjusted operating margin

c.18%

Net Working Capital % Sales

c.18%

I am excited to be leading Essentra into 2023 having formally joined the Board and taken over as Chief Executive on 1 January. While the last year has brought a lot of change for the organisation as a whole, for the Components business it has seen the culmination of a journey on which we have been for some time and which is outlined on page 14.

As part of the wider Essentra group and under the strong and clear leadership of Paul Forman, we have been able to build a strong and resilient business with significant potential for future growth. As we now enter the next phase of our journey, we will benefit from a pure focus on Components, enabling us to accelerate our potential even further.

A unique business model

The business model we have developed (outlined on page 8) makes us truly unique. We are the only global Components business to combine the expertise and flexibility of a manufacturer with the broad range and customer centricity of a distributor. The breadth and depth of our offering is therefore a key differentiator.

Furthermore, we bring these unique characteristics together within a market that is highly fragmented, allowing us to create value for both our customers and our shareholders, demonstrating the opportunity for future market share gains.

A service led proposition

Our annual customer survey confirms what our broad base of customers value from us, with one theme in common; they want us to be easy to do business with. Service is important for our customers, and this is why innovating to be “hassle-free” is a key priority for us.

As manufacturers themselves, the cost of supply disruption can be costly for our customers. Therefore our products need to arrive on time and we are focusing much of our innovation on processes and skills to facilitate this service-led proposition.

We are innovating digitally both the front and back end of our proposition, not least with the continued roll out and development of new generation websites across the globe and a new ERP system, as well as investing in sustainability as a great source of advantage – both in terms of our operations and products.

A resilient business with potential for future growth

Our business has a strong track record of resilience, delivering strong operating margins and cash conversion through the cycle thanks to a clear focus on managing the cost base. Indeed, over the last ten years we have not only remained resilient but have also shown our ability to expand margins and deliver strong returns, including the completion of 11 acquisitions. Therefore, we feel confident in our ability to double revenue and triple operating profit as we go forward.

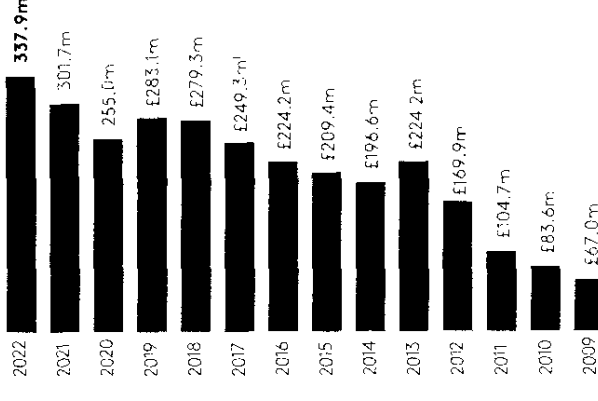
This growth will be built on both organic and inorganic initiatives and underpinned by the continued strong engagement of our employees and customers. We will further embed our investment in digital and sustainability as well as cross-selling tools and sales effectiveness. The acquisition of Wixroyd in December 2022 shows our continued commitment and discipline to invest in value-adding bolt-ons, broadening our product range and deepening our market expertise.

All of this has been made possible by our continued high levels of employee engagement which at 83% (78% in 2020) now exceeds the industry benchmark by 7 percentage points, allowing us to further increase our NPS by 11 points to 34.

As we look forward, I am incredibly proud that the Components business is the rock on which the new Essentra has been built. We have a strong platform, and I have no doubt that the next chapter will bring us even greater opportunities for future growth.

Scott Fawcett
Chief Executive
28 March 2023

Proven track record of revenue growth



As reported pre 2019 restated to include the transfer of Reva from the Specialist Specialists Components division

Q&A

Scott Fawcett joined Essentra in 2010 and has led the Components business since January 2014. As the newly appointed Chief Executive from 1 January 2023, Scott reflects on both the business he has built and the one he and the team will grow in the future.

Q What was your proudest achievement of 2022?

2022 was a year of significant strategic change for Essentra as we transitioned from three global divisions to becoming a pure-play Components business. I'm really proud of the way the whole organisation, under the leadership of our outgoing Chief Executive Paul Forman, delivered two significant disposals and undertook significant separation work to deliver on this strategic intention.

I'm also really proud of how we managed to not only maintain, but improve our already leading employee engagement scores through this process. This confirms to me that we have a fantastic global team who are aligned behind our vision to be "the world's leading responsible hassle-free supplier of essential industrial components".

Q What do you mean by "world leading"?

I truly believe that world-leading employee engagement leads to world-leading customer service which in turn leads to world-leading financial results. Therefore for me as Chief Executive, this is all about listening and receiving feedback from our people and from our customers about what we can do to shape the future that they want to see.

Based on this feedback we will be a Company that leads in the responsible production and supply of industrial components. This will include understanding and responding to opportunities to help create more sustainable products and processes and developing a work environment where our employees are valued as part of a diverse team.

Q What will be your focus areas for 2023?

We have a clear organic growth strategy to get more customers, grow them by cross-selling and keep them by delivering a "hassle-free" service. Therefore, our focus areas for 2023 are around enabling this strategy. This means continuing our programme of digital investment to support customer acquisition, the launch and embedding of cross-selling and sales effectiveness tools and continuing to improve and enhance the customer experience.

Clearly we will need to be alert to current market conditions and the challenges these present for the Components business, such as potential further lockdowns in China, economic inflation and continued supply chain challenges. Our disciplined approach to pricing will be central to offsetting these challenges as well as our experience in remaining resilient through recent cycles.

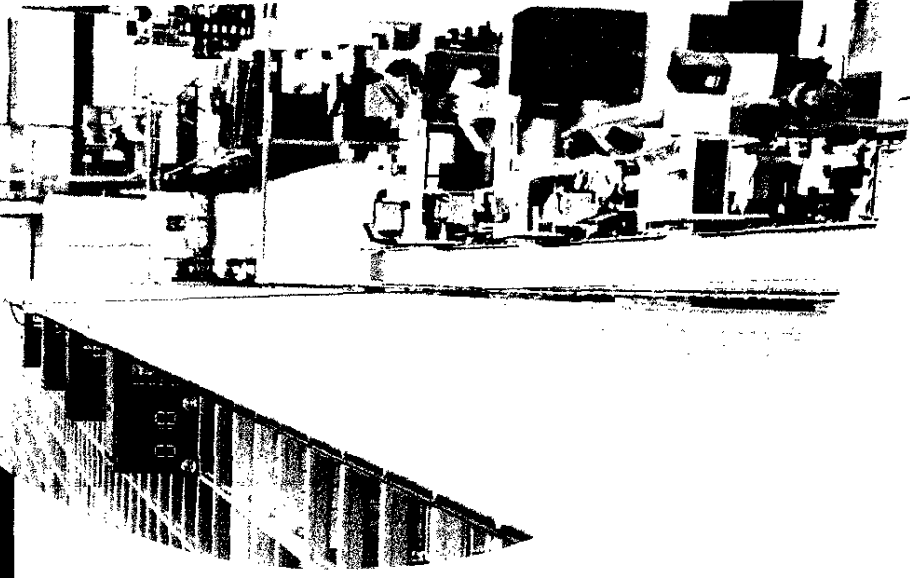
Q Will M&A continue to be part of the strategy going forward?

Absolutely, we have a successful record of acquiring new businesses, most recently welcoming Wixroyd in 2022, and this will continue to be an important way to grow the business as we move forward. Our pipeline is healthy and based on a clear criteria where targets offer new product capabilities that can be cross-sold.

Q What excites you most as you move Essentra forward as a pure-play Components business?

The strategic position of our business means the potential is huge - the production of low cost but critical components in a highly fragmented market that will only grow, as we move into new product ranges and customer categories. We also see significant margin expansion opportunities through a programme of incremental improvements underpinned by our new ERP. We have a strong financial framework with clear metrics to achieve our strategy and I am confident in our ability to double revenue and triple operating profit.

Our strategy has been consistent for a number of years and we are well positioned to take advantage of the opportunities ahead of us. We have highly engaged employees and customers which together with our unique business model and track record of resilience make us an attractive investment.

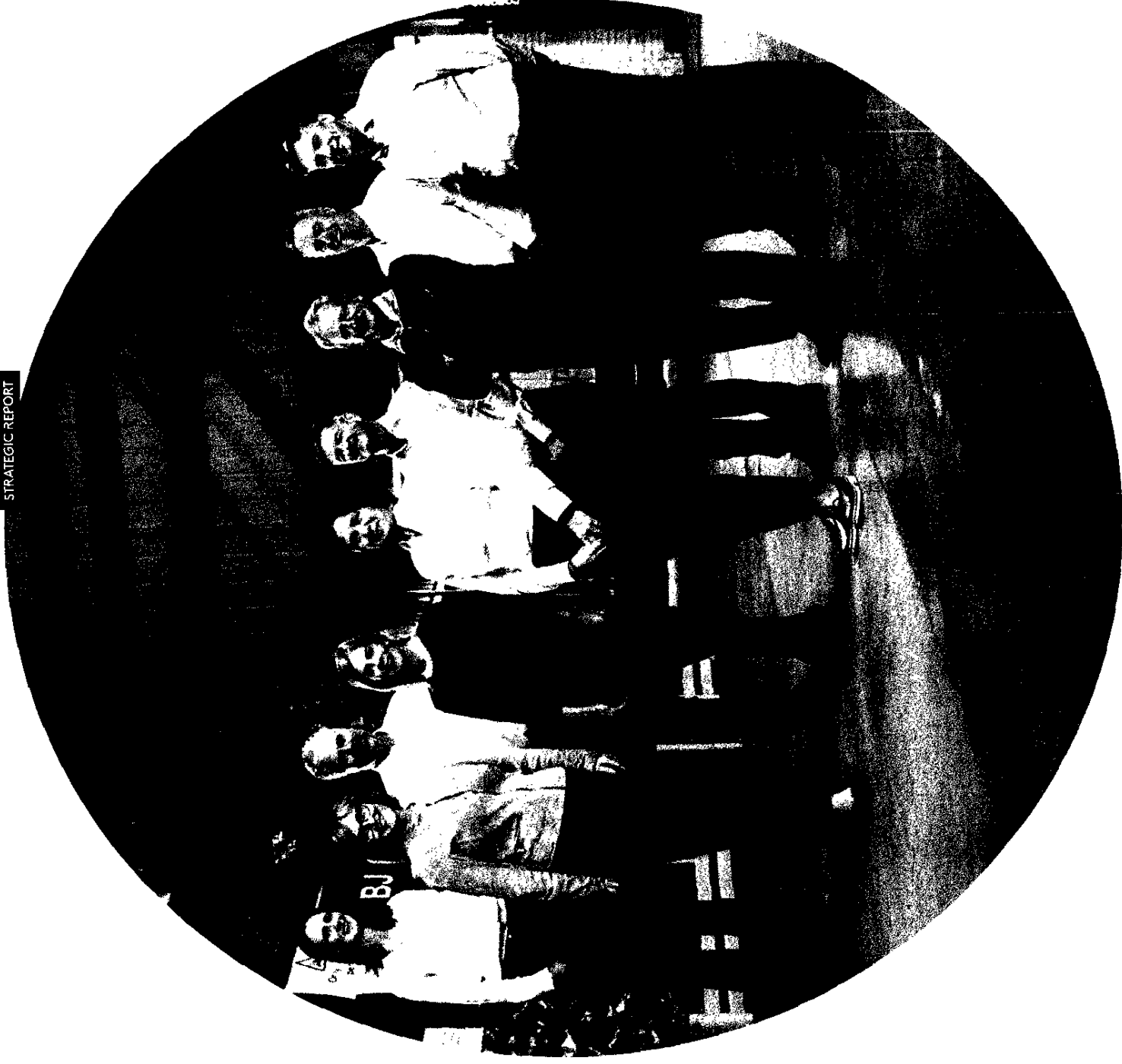


New Group Executive Committee

We have spent much of 2022 building a strong executive team to lead the business into the plc phase, as a pure-play Components business. Some members of the team have moved 'up' from the former Components division such as Gabriele, Hugues, Rob and Sam. Others bring with them significant plc experience either at Essentra, like Oshin and Emma, or externally such as Jack. We have also gone to market to find more specific expertise matching our strategic journey looking forward, such as Lynne who brings considerable consumer and B2B experience. We expect to appoint a new Chief People and Culture Officer once Oshin has seen us fully through the transition.

From left to right:

- **Gabriele Hannen**, Chief Strategy Officer
- **Oshin Cassidy**, Chief People and Culture Officer
- **Scott Fawcett**, Chief Executive
- **Lynne Vanderveer**, Chief Marketing Officer and President, Americas
- **Emma Reid**, Company Secretary
- **Jack Clarke**, Chief Financial Officer
- **Hugues Delcourt**, Chief Sales Officer and Director, EMEA
- **Sam Edwards**, Chief Digital Information Officer
- **Rob Baker**, Chief Operating Officer

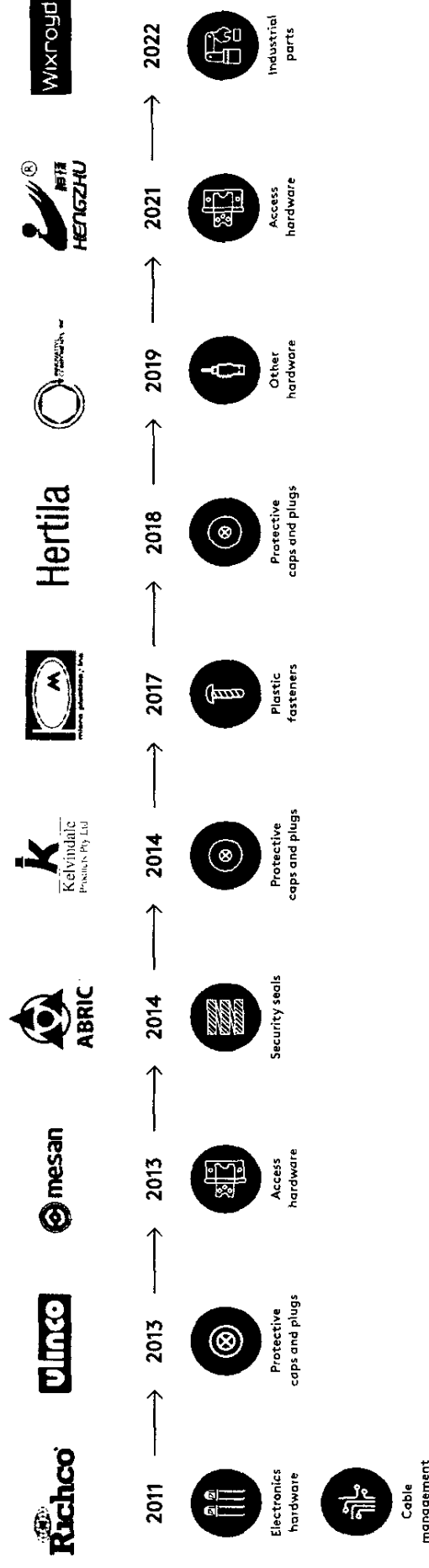


The Components business journey

Continued investment for organic growth

Over the last ten years we have been evolving our global manufacturing and distribution footprint, building a new ERP platform, developing new generation websites across the globe, embedding cross-selling and sales effectiveness tools and prioritising sustainability as source of competitive advantage – both in our products and operations.

Successful track record of acquisitions – adding expertise and range



Market trends

Monitoring and responding to key trends in our markets is important to us being able to help our customers build a sustainable future. We have multiple product expertise and a broad range of customer categories, creating opportunities in a wide variety of industrial markets.



We remain agile to help our customers build a sustainable future in a volatile environment."

In 2022, we saw a challenging broader economic landscape, which impacted the macro environment and labour markets. We will continue to monitor these trends into 2023 and respond accordingly, remaining agile to help our customers build a sustainable future in a volatile environment.

There continues to be an increased customer focus on ESG. Our customers in electrification and renewable energy markets saw an acceleration of growth. Sales to manufacturers of heat pumps, electric vehicle charging stations and solar panels registered double-digit growth, reflecting the conversion from fossil fuel to greener sources. This proved very beneficial for our European business as it boosted demand for our access hardware and cable management ranges.

We expect the move to electrification, renewable energy and digitalisation to further accelerate towards 2025.

Automotive and industrial electronics markets continued to face a shortage of electronic components in 2022, reducing their outputs and negatively impacting purchasing volumes, resulting in more subdued demand in the sector.

We continue to see the telecoms and medical markets as areas of focus and strength, with opportunities to further cross-sell.

Geographically, through 2022 we have continued to serve our customers deploying on-shoring or near-shoring strategies in Europe and North America. We will continue to build on our strong presence while strengthening our position in selective fast growing Middle East and Asian countries.



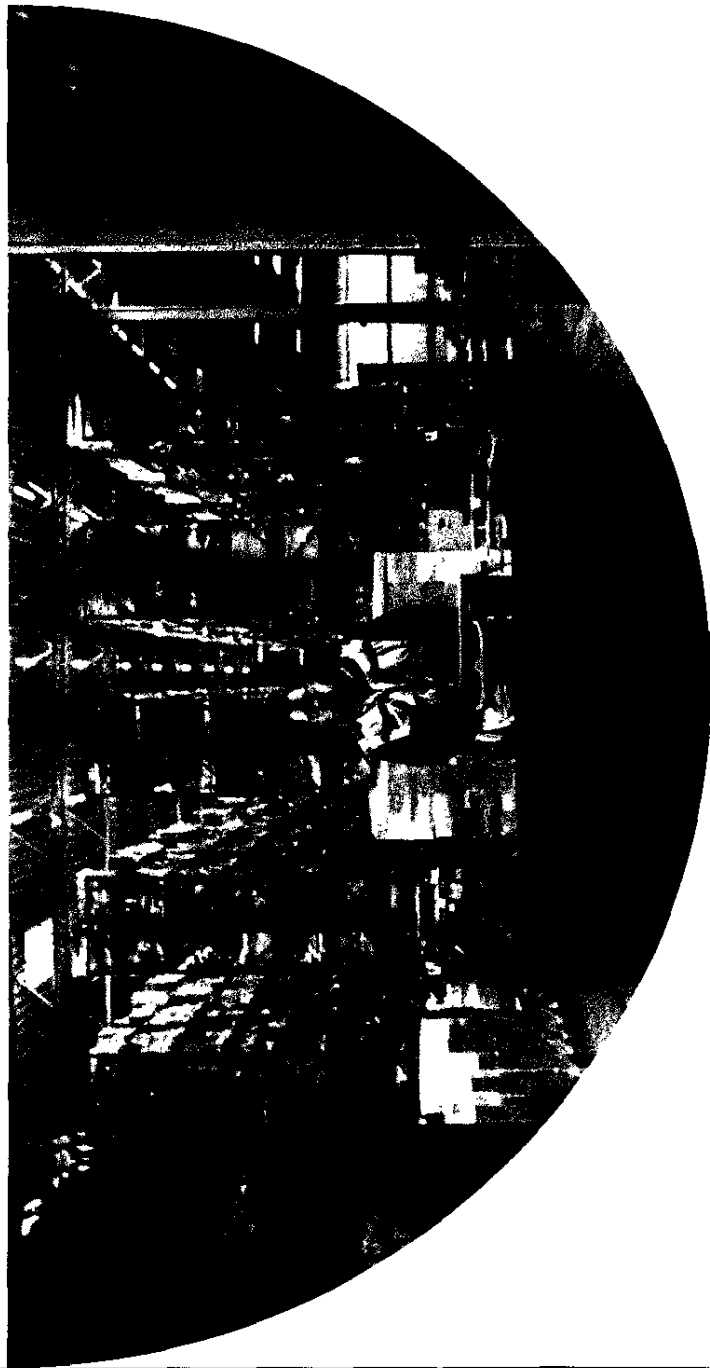
Components Operational review

The breadth and depth of our offering is a key differentiator as we launch as a standalone business with a service led proposition, innovating through digitalisation and sustainability. We have a clear strategy to accelerate growth organically and inorganically to grow our market share and to expand the total addressable market.

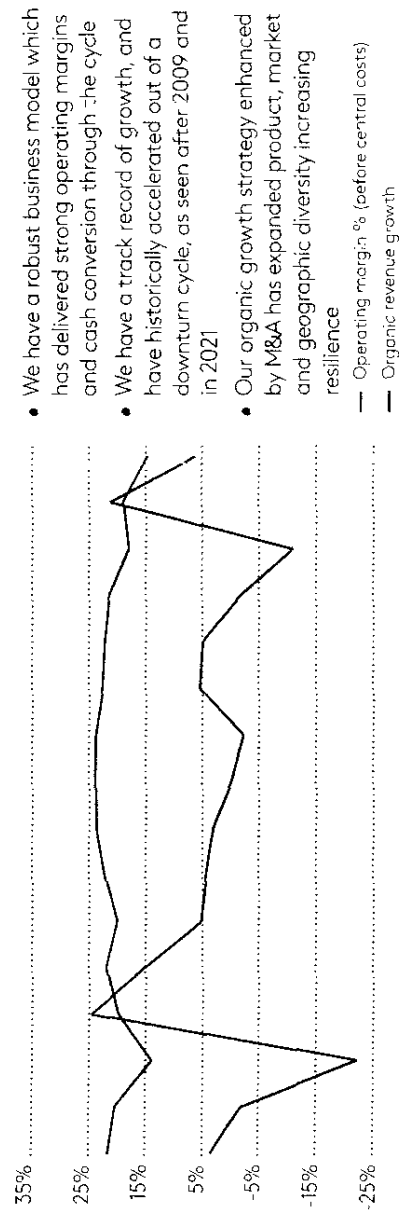
Who we are and what we do

Our components serve a very broad and fragmented industrial manufacturing market. We make and distribute small but essential industrial components, that are used by our customers in the production of industrial and consumer equipment. Typically catering to B2B manufacturers, our core markets range from data cabinet and telecoms station manufacturers to automotive suppliers and manufacturers.

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

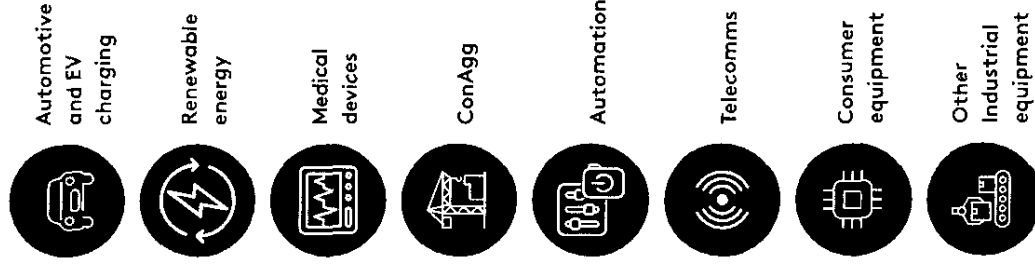


Resilience through the cycle

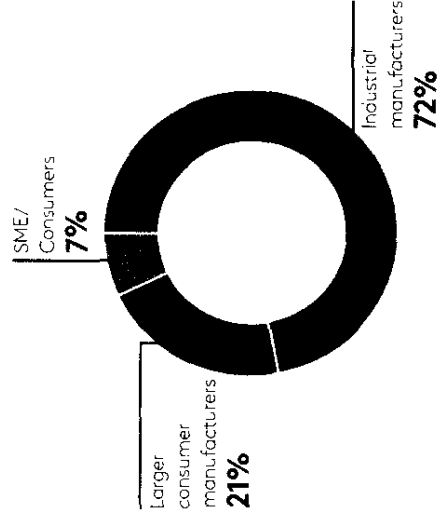


1. Divisional operating margins are presented before central costs. Adjusted for currency movements

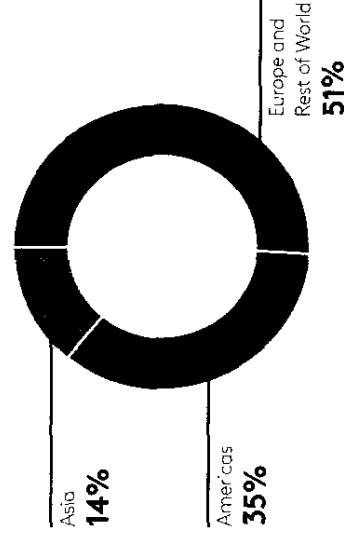
Who we serve



Revenue by customer segment



Revenue by region



Financial KPIs



¹ Excluding amortisation of acquired intangible assets and adjusting items presented for the Components business, excluding central costs. Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 50 for further detail of Alternative Performance Measures (APMs).

Non-Financial KPIs



2022 performance summary

In 2022 Essentra realised its strategic goal of becoming a pure-play Components business. Whilst it has been a year of transformation for the Group, we have continued to take steps towards the delivery of our vision and have made great progress with our financial and non-financial KPIs.

2022 was a contrasted year. The first quarter started with the same pace as H2 2021 with strong demand from most industry sectors and an element of global supply chain disruptions as the world emerged in a post-pandemic recovery phase. The latter part of the year saw a change in business climate, with inflationary pressures rising sharply and devastating impacts of the war in Ukraine. The geo-political situation including local lockdown restrictions in China, which remained in effect until Q4 2022, led to customers reviewing their supply chain and go-to-market strategies.

We responded by adjusting our capacity and maintained an agile approach to changing circumstances. Our global manufacturing, procurement and distribution footprint gave us the flexibility to de-risk supply chains, minimise inflationary impacts and increasingly support our customers in a volatile environment.

Our order book backlog gradually reduced throughout the year to reach pre-pandemic 2019 levels and we were able to offset cost inflation as a result of our consistent and disciplined pricing activities. These improvements were reflected in our

Cross-sell is an important element of our organic growth strategy and we have further developed our digital expertise to enhance opportunities.

We have continued to develop a learning management system to upskill commercial teams, as well as using AI solutions to deliver cross-selling prompts via our websites and CRM platforms. It is important for us to continue to digitalise our expertise as we expand our product offer organically and through M&A in 2023.

Our service driven distribution model has been enhanced, with the opening of a new Eastern Europe hub in Łódź, Poland in September. The new facility includes both an office and warehouse, services 20,000 product lines and strengthens our service, expanding market presence. This has allowed us to merge the legacy Łódź warehouse and Bratislava warehouse into a purpose-built hub. The products previously held across multiple locations have now been centralised, enabling Essentra to distribute complete orders from a single source, improving service through improved lead times and reducing carbon footprint.

On 1 December, we were pleased to announce the acquisition of Wixroyd Group for an initial consideration of £29.5m. This was the first acquisition to be announced since outlining our new strategy, and continues a successful track record of acquisitions in the Components business over the last ten years. Wixroyd is a leading UK supplier of industrial parts for the automation sector and will expand Essentra's capabilities in hardware components and create additional cross-selling opportunities across a range of Essentra's current end markets.

We also took time in 2022 to reassess ESG progress, and in particular how we could better shape and apply our strategy

to a standalone Components business. This means reducing our impact on the environment, working with customers and suppliers to innovate our products as well as maintaining our ability to attract and retain talent, maximising colleague engagement and wellbeing. We have created five pillars which will help us to fulfil our sustainability ambitions. These pillars link closely to the UN Sustainable Development Goals. Further detail can be found on page 23.

Financial Performance

Revenue for the year increased by 12.0% to £337.9m.

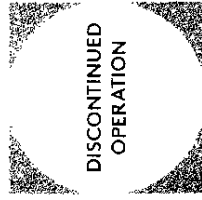
The Components business had a strong start to the year building on the positive momentum seen throughout 2021. Whilst the business delivered 12.7% LFL growth for H1 as a whole, there were signs of moderation with tough comparatives and a more challenging economic backdrop moving into H2.

Adjusted operating profit¹ increased by 12.0% to £63.7m, equating to a margin of 18.9% (2021: 18.9%). The stability in margin is a result of disciplined pricing actions, which offset cost inflation for the year. The related profit impact of the reduction in volume through H2 was also offset by mitigating actions, including managing the cost base proactively.

Looking ahead to 2023, and as demonstrated on page 16, the business has a robust business model, which delivers profit margin resilience through the cycle. It has a clear strategy to drive organic growth and market share gains as well as a strong balance to sheet enabling it to pursue value enhancing M&A.

1 Adjusted measures have been used to reflect the underlying performance of the business. Please refer to page 53 for further details on Alternative Performance Measures (APMs).

2 £279m net of cash acquired



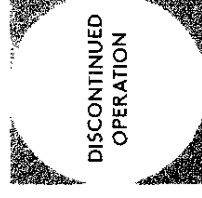
Packaging

On 3 October 2022, Essentra announced the completion of the sale of Essentra Packaging to Mayr-Melnhof Group. As a result, for the period 1 January 2022 to 30 September 2022 the business was accounted for as a discontinued operation. The Packaging business was sold for a total consideration of £312.0m, on a cash-free, debt-free basis, and subject to customary adjustments.

Revenue for the nine months to September 2022 was £319.1m. The pharmaceutical market continued to recover in Europe and the US throughout 2022, following on from the increased demand for prescriptions and elective surgeries seen towards the latter part of 2021. This led to strong quarter vs prior year quarter growth in the first nine months of the year: (Q1: 11.1%, Q2: 8.2% and Q3: 30.4%). Q3 saw particularly strong growth as a result of price initiatives and a softer prior year comparative.

Whilst labour availability and retention in the US stabilised, the business faced new challenges including global supply chain disruption and raw material supplies, exacerbated by strikes at paper mills in Europe, driving up costs and availability of supply. Whilst H1 2022 margins declined from the previously reported FY21 position, Q3 profitability saw an improvement, led by an increase in pricing offsetting input cost inflation.

Operational performance remained robust with a continued focus on service, quality, sustainability and innovation, deepening the strength of our customer relationships, and the division was pleased to announce two new strategic partnerships in the year.



Filters

On 5 December 2022, Essentra announced the completion of the sale of Essentra Filters to Frank Acquisition Four Limited, a wholly owned subsidiary of Centaur Management Limited. As a result, for the period 1 January 2022 to 30 November 2022 the business was accounted for as a discontinued operation.

The Filters business was sold for an enterprise value of approximately £262.1m, including an initial consideration of £200.0m (on a cash free, debt free basis, and subject to customary adjustments), up to £20m deferred earn-out consideration and amounts attributable to non-controlling interests.

Revenue for eleven months to November 2022 was £334.8m, owing to three strong quarterly performances. The division saw positive growth and pricing surcharges agreed with customers mitigated cost inflation.

Strategically, the division remained focused on its organic growth strategy of developing and launching ECO and Tobacco Heated Products with three customers placing commercial orders in H1. The division secured new outsourcing opportunities through 2022 at good margin. The China JV continued to gain momentum across the year, increasing production volumes in line with expectation.

In Q2 the China JV achieved profitability, 12 months after initial launch of the joint venture. In addition, Filters was able to provide support for multi-national businesses with operations in Ukraine and their continuity plans.

The business achieved LFL quarterly revenue growth compared to the prior year quarter of: Q1: 15.9%; Q2: 14.9%; and Q3: 34.7%, the latter owing to a softer prior year comparative.

The increased revenues drove operational gearing in the period, alongside an increase in outsourcing contracts and business wins at higher margin, enhancing profitability mix. Profitability in the period was further improved through the successful pass through of cost inflation to customers.

As seen in prior year, operational metrics and agility remained class leading, helping to successfully navigate supply disruption in the market. The Tapes business was also able to reduce the reliance on tobacco in the period, with over 50% of revenue generated in non-tobacco markets for the first time.

Key performance indicators

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

Adjusted operating cash flow from continuing operations (£)

£20.2m

(2021: £17.8m)

Alignment of KPIs to executive remuneration

- Performance measures for the executive Annual Bonus Plan
 - Performance measures for the executive Long-Term Incentive Plan
- 1 Excluding impact of amortisation of acquired intangible assets and adjusting items
 - 2 As defined in the Financial review on page 47
 - 3 As defined in the Alternative Performance Measures on page 50
 - 4 Full year re-presentation required to show the business on a continuing operations basis
 - 5 Includes an allocation of central service costs to Components

Like-for-like revenue growth, continuing operations (%)

How we measure it

Revenue at constant exchange rates, excluding acquisitions and disposals

Why this is important

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



Components adjusted operating profit' (£m)

How we measure it

Components operating, excluding the impact of amortisation of acquired intangible assets and adjusting items

Why this is important

Measures the profitability of the Company



Adjusted operating profit' (£m)

How we measure it

Operating profit excluding the impact of acquired intangible assets and adjusting items

Why this is important

Measures the profitability of the Company



Net working capital² ratio from continuing operations (%)

How we measure it

Average net working capital² per month, as a % of revenue

Why this is important

Measures the ability of the Company to finance its expansion and release cash from working capital



Adjusted operating cash flow from continuing operations^{1,3} (£m)

How we measure it

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

Why this is important

Measures the cash generation capability of the Company



Adjusted basic earnings per share¹ from continuing operations (p)

How we measure it

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

Why this is important

Measures the benefits generated for shareholders from the Company's overall performance



Re-presenting comparatives to reflect the continuing business

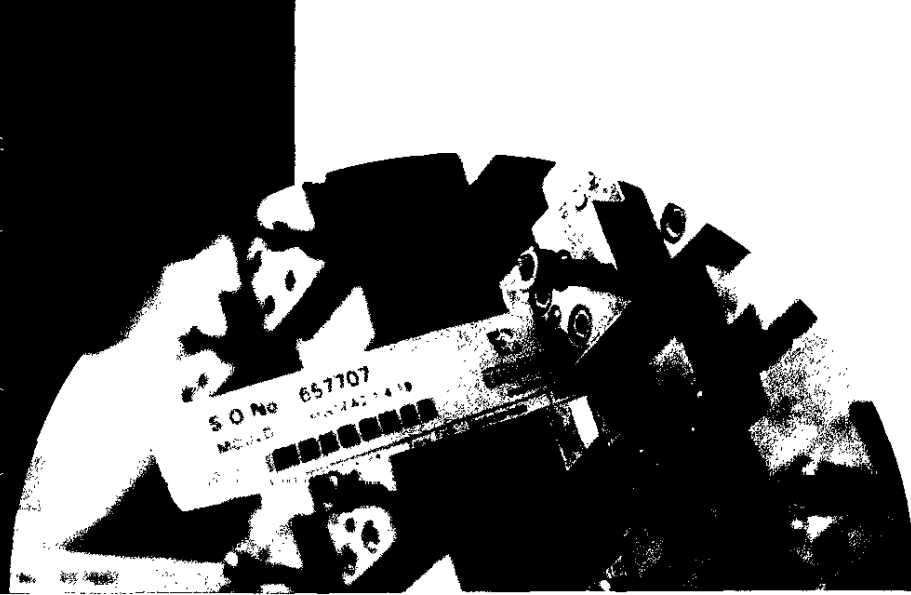
To provide a like-for-like position, a number of KPIs have been re-presented to reflect the continuing business operations. Comparatives have been updated for 2020 and 2021 where appropriate.

Adjusted operating cash conversion from continuing operations (%)

80% (2021: 67%)

Dividend per share (p)

3.3p (2021: 6.0p)



Adjusted operating cash conversion from continuing operations¹ (%)

How we measure it

Adjusted operating cash flow² as a percentage of adjusted operating profit³

Why this is important

Measures how the Company converts its profit into cash/quality of the Company's earnings



Return on Invested Capital, continuing operations⁵ (%)

How we measure it

Adjusted operating profit¹ after tax including an allocation of central service costs, divided by capital employed plus intangible assets

Why this is important

Measures the Company's ability to effectively deploy capital



Dividend per share (p)

How we measure it

Total dividends paid divided by the number of relevant shares in issue

Why this is important

Measures the amount of cash per share which the Company returns to shareholders



Total Shareholder Return (%)

How we measure it

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

Why this is important

Measures the Company's ability to generate long-term value



Return on Capital Employed, continuing operations⁵ (%)

How we measure it

Adjusted operating profit¹ including an allocation of central service costs, divided by tangible fixed assets and net working capital

Why this is important

Measures how effectively the Company uses its operational assets



Performance measures for the executive Long-Term Incentive Plan

- 1 Excluding impact of amortisation of acquired intangible assets and adjusting items
- 2 As defined in the Financial review on page 47
- 3 As defined in the Alternative Performance Measures on page 50
- 4 Prior year re-presentation required to show the business on a continuing operations basis
- 5 Includes an allocation of central service costs to Components

Environment, social and governance

In 2022 we invested in reassessing Essentra's ESG progress and in particular how we could better shape and apply our strategy to a pure-play Components business. We recognise that our valued customers are seeking increasingly sustainable products, and having the trust and confidence of the people we do business with is one of our most valuable assets and a clear source of competitive advantage.



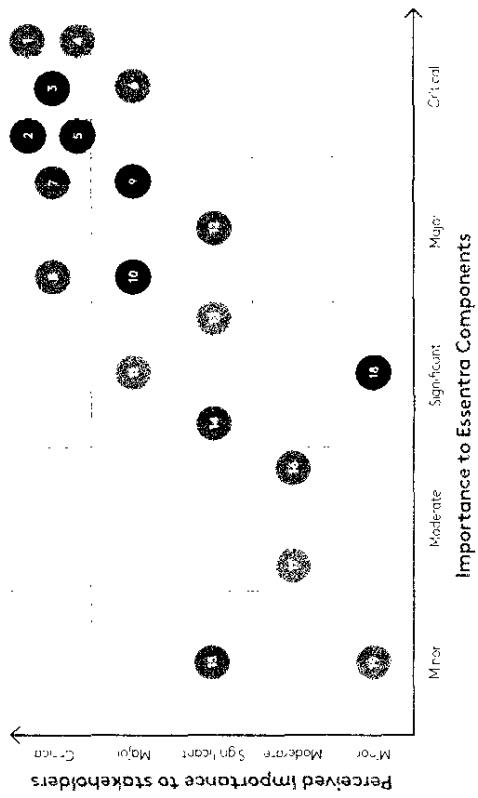
Our Planet	24
Our Components	29
Our Culture	30
Our Communities	33
Our Customers	35



Environmental, social and governance (ESG) topics are crucial to our ability to effectively and responsibly accelerate our potential as a pure-play Components business whilst meeting the increasing expectations of all our stakeholders, including employees, customers and investors. Indeed, for us to continue to create shareholder value and build for the future, we must secure our ability to thrive in a sustainable future. This means reducing our impact on the environment, working with customers and suppliers to innovate our products as well as maintaining our ability to attract and retain talent and ensuring their engagement and wellbeing.

In 2020, as a business at the time with three global divisions, we carried out an assessment to identify the materiality of key sustainability topics to each division. Therefore as we transitioned to a pure-play Components business we took as our starting point the Component's specific sustainability matrix as the basis for prioritisation and decision making in the formulation of our refreshed ESG strategy.

Essentra Components sustainability priority topics



Importance to Essentra Components	
1. Physical pollution and end of life disposal	11. Transparency
2. Changes in legislation/regulation on material use and environment	12. Impact of extreme weather and climate action failure
3. Rejection of single-use plastics	13. Ethical supply chain
4. Greenhouse gases	14. Use of renewable energy
5. Mental and physical health, safety and wellbeing	15. Access to sufficient clean water
6. Circular economy principles	16. Atmospheric pollution
7. Manufacturing waste streams	17. Traceability, origin, conflict materials etc
8. Natural environment including marine ecosystems	18. Availability of raw materials (recyclate)
9. Resource efficiency	19. Community relations
10. Diversity and inclusion	

● Our Culture ● Our Communities ● Our Components ● Our Planet

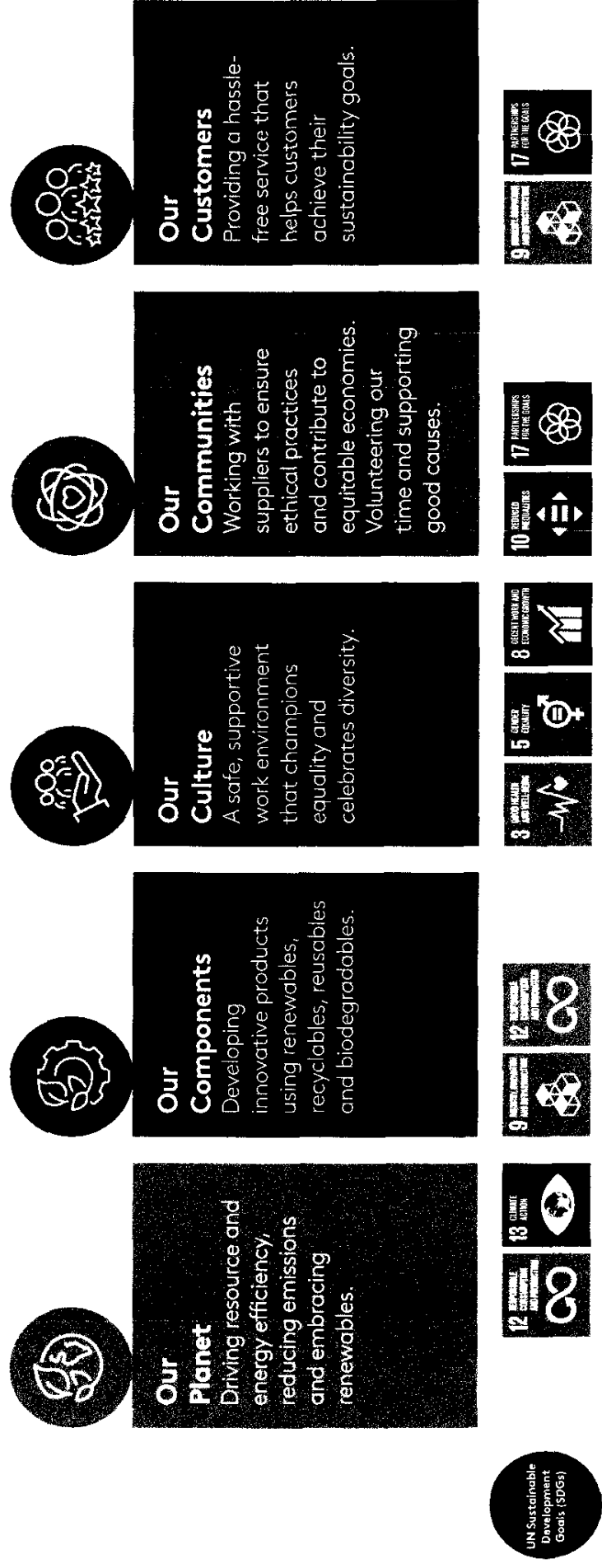
The following pages set out our new ESG strategy, which is aligned to five key pillars. Within each pillar we have aligned our existing targets, and developed new targets to support our priorities within each of these key focus areas for Essentra. We recognise that we are in the early stages of our journey so having these focus areas provides a structure

around which we can engage and learn from stakeholders. Our approach to governance of ESG matters is designed to ensure that we remain true to our purpose "to help customers build a sustainable future" by creating a forum for discussion and challenge, for example through a dedicated ESG Committee and as a standing agenda item on every GEC agenda.

Our refreshed ESG framework

As a response to the priority topics identified in our materiality matrix, during 2022 we created five pillars which will help us to fulfil our sustainability ambitions. Under each pillar we outline our commitments to achieving our ambitions. These pillars link closely to the UN Sustainable Development Goals (SDGs), with nine goals having a strong and direct link to Essentra's business. These are outlined below as the areas where we have the ability to make the greatest impact.





Our Planet

We want to end our dependency on virgin fossil materials and fuels, making significant emissions reductions across our value chain through energy efficiency, renewables, material and transport choices.



Our disclosures and ratings

CDP

2022 ratings:

B Climate Change,
B- Water Security,
C Forests



EcoVadis

Bronze Medal 2022

ecovadis

Our mid-term targets

- Reduce our Scope 1 and 2 emissions intensity by 25% by 2025 (against a 2019 baseline)
- Reduce our Scope 3 emissions across our value chain and set a target in line with science-based thinking
- All sites to achieve Zero Waste to Landfill (ZWTL) by 2030 at the latest
- Reduce overall waste volumes by 20% by 2030 (2019 baseline)

Our progress

- Components direct emissions have reduced by 27% and emissions intensity 35% against our 2019 baseline
- We established a baseline for Scope 3 emissions and are developing our Scope 3 science-based target
- Components waste intensity has reduced 25% against 2019 baseline
- 12 Components sites achieved ZWTL in 2022

Building a net zero action plan

In August 2020 we announced our ambition to become carbon neutral in our direct operations by 2040, alongside a 25% reduction in emissions intensity by 2025.

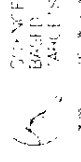
In 2022, when reassessing our ESG strategy as a pure-play Components business, we refreshed this ambition in line with the latest scientific thinking by committing to reach net zero in our direct operations by 2040; and in our value chain by 2050, as well as a commitment to submit our net zero targets alongside new near-term emissions targets to SBTi.

This means in 2023 we will develop a new near-term absolute emissions target for 2030, alongside a Scope 3 emissions target, to reduce our direct absolute emissions and the emissions in our value chain. These targets will align to the requirements of the Corporate Net Zero Standard.

During 2023 we will also be developing the detailed plans we need to guide our progress across our manufacturing facilities, distribution centres, offices and fleet on our net zero journey.

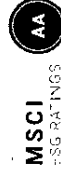
SBTi

In 2022 we committed to resetting our near- and long-term emission reductions targets with the SBTi



MSCI

AA Rating 2021



To drive collaboration and industry-wide action, in 2022 we joined the UN Global Compact's Business Ambition for 1.5°C and the UN Race to Zero, aligning to best-practice guidelines and to drive positive change.

To support the delivery of our target, we will develop a Climate Transition Plan in line with the UK Government's new Sustainability Disclosure Requirements.

We have reviewed the Transition Plan Taskforce consultation documents and will review the standards for transition plans when published to ensure our approach is fully aligned.

We are also working on a net zero target for our Scope 3 emissions by including our products and their distribution. In 2021 we started by baselining our Scope 3 emissions, and in 2022 we developed a Components Scope 3 baseline to support the new business. In 2023 we are finalising our Scope 3 net zero targets and will be submitting these alongside our refreshed direct emissions net zero targets to the SBTi for verification.

Waste management and reduction

We aim to be Zero Waste to Landfill (ZWTL) across our operations, as well as minimising the waste we generate across the product lifecycle. In 2022 a further 12 sites achieved ZWTL, taking our total across three divisions to 34. Six of these sites are within Components, taking the new total for sites to 12 or 33% of all sites from 2023 onwards. Overall, 76% of waste is diverted from landfill across Components.

Our waste intensity in Components has reduced by 25% against our 2019 baseline meeting our 2030 target. However, it has increased significantly compared to 2021. This is mainly due to the acquisition of Hengzhu, and we are developing an action plan to reduce waste volumes further across sites in 2023.

Water usage

Water use across our manufacturing processes is low as our products do not contain water. However, we have seen an increase in total water usage across operations as site operations increased post-pandemic, and due to growth through the acquisition of Hengzhu.

Key Performance Indicators (Components)

Scope 1 and 2 GHG intensity
Total CO₂e per £mln revenue



Our target

25% reduction in emissions intensity by 2025 (2019 baseline)

Number of sites at Zero Waste to Landfill (ZWTL)



Our target

All sites at ZWTL by 2030 (or sooner)

Waste intensity

Total tonnes per £mln revenue



Our target

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

% of raw materials from sustainable sources across our polymer ranges



Our target

20% of raw materials from sustainable sources by 2025 across our polymer ranges

We have identified two water basins in water stressed regions where we have manufacturing sites (Istanbul in Turkey, and Kidlington in the UK), and will be focusing our water efficiency actions on these sites in 2023.



In 2022 we refreshed our targets to bring them in line with both our position as a pure-play Components business as well as the latest scientific thinking."

SCOTT FAWCETT
Chief Executive

CASE STUDY

Increasing on-site renewable electricity generation

The installation of a 6,000m² solar array at one of our largest global manufacturing sites located in Rayong, Thailand commenced in December 2022. Once complete, the solar panels will generate 824kW and provide around 20% of the annual electricity requirements of our manufacturing operations in Thailand.

This investment in providing renewable energy directly to the site reduces our reliance on fossil fuel-generated electricity. We estimate that the solar array will avoid annual greenhouse gas emissions (GHG) generated by the site by over 450 tonnes of CO₂e each year, contributing to our progress to reduce our GHG emissions intensity by 25% by 2025 or sooner, and contributing to our plan to reach net zero across our direct operations by 2040.



This exciting step forward represents progress towards our goal of net zero. Through continued investment in renewable energy we can ensure we deliver increasingly sustainable product lines to our customers."

RICHARD SEDERMAN

Strategy and M&A Director, Essentra

Reducing emissions in our manufacturing operations supports our commitment to provide products with a lower carbon intensity to our customers.

This project, together with our recycled material projects, provides us with the capability to reduce the carbon intensity in both the materials we buy and during the manufacturing of our products.

Measurement and reporting (Group)

ERM CVS has assured the following environmental data for 2022: Total Scope 1 and total Scope 2 greenhouse gas emissions, total solid and total liquid waste volumes by destination, total water usage, the percentage of raw materials from sustainable sources across our polymer ranges and the number of sites that have achieved Zero Waste to Landfill (ZWTL) status. Full details of the scope, activities, limitations and conclusions of ERM CVS' assurance engagement are included in the Assurance Statement on pages 133 and 134.

Essentra Plc Group – Streamlined Energy and Carbon Reporting (SECR) data

Tonnes CO ₂ e		2019	2020	2021	2022	% change between 2021 and 2022
Scope 1 and 2 emissions						
Scope 1						
Scope 2 - Location		10,264	7,603	8,307	7,586	-9%
Total Scope 1 and 2 Emissions Location		62,111	55,327	53,070	50,312	-5%
Inta. CO ₂ e per £m revenue (location)		72,375	62,930	61,377	57,898	-6%
Scope 2 - Market		74.3	70.2	64.4	58.4	-9%
Total Scope 1 and 2 Emissions Market				52,581 ²	44,931	-15%
Total CO ₂ e per £m revenue Market				60,888	52,517	-14%
				63.9	52.9	-17%
Scope 3 emissions						
Purchased goods and services			2021			Notes
Capita. goods			206,588			Raw materials only
Fuel and energy related activities			35,633			
Upstream transportation and distribution			18,778			
Waste generated in operations			59,932			Components only
Upstream Leased Assets			1,519			
Downstream transportation and distribution			1,199			
End of life treatment of sold products						Calculated in Category 1
Downstream leased assets			66,349			
Total Scope 3 emissions			76			
			390,074			
Zero Waste to Landfill						
Number of Sites at ZWL		2019	2020	2021	2022	
		8	20	22	34	
Materials from sustainable sources						
% of raw materials from sustainable sources in polymer ranges		2019	2020	2021	2022	
		2%	2%	8.5%	10.8%	

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ESSENTRA PLC ANNUAL REPORT 2022

Energy (MWh)		2019	2020	2021	2022	TCO2e 2022
Total Electricity Procured	UK	22,040	19,392	18,918	14,634	545
Renewable Electricity Procured	Global	140,454	137,457	144,567	128,338	44,931
	UK	19,652	16,577	16,850	13,736	
	Global	19,652	16,577	20,257	24,036	
Natural Gas	UK	23,852	11,166	12,729	10,598	2,147
	Global	44,960	30,209	34,706	31,524	6,366
Fuels	UK	1197	1,027	1164	574	190
	Global	4913	6240	5420	5,111	1,200

Solid hazardous and non-hazardous waste destinations (tonnes)		2019 (1) (restated)		2020	2021	2022
Recycling						
Recovery		28,775	31,773	29,938	26,419	
Incineration		3,043	3,415	3,632	3,583	
Landfill		284	596	541	616	
Total solid waste		2,989	1,907	1,580	1,269	
% solid waste diverted from landfill		35,091	37,691	35,691	31,886	
		91%	95%	96%	96%	

Liquid hazardous and non-hazardous waste destinations (tonnes)		2020	2021	2022
Recycling				
Recovery		243	443	246
Incineration		519	393	339
Landfill		89	78	76
Total liquid waste		141	106	27
% liquid waste diverted from landfill		992	1029	688
		86%	90%	96%

Water (cubic metres)	2020	2021	2022	% change between 2021 and 2022
Water usage	166,301	198,220	272,968	38%
2019 seller non-hazardous and hazardous waste disposal was registered in 2020 for recycling or recovery. The 2021 recycling and recovery was registered in 2020 for recycling or recovery.				

Water (cubic metres)	2020	2021	2022	% change between 2021 and 2022
Water usage	166,301	198,220	272,968	38%

The organisational boundary for the Group is defined by the geographical location of its various registered offices.

In all three divisions of Essentrac for the full period where data was available, the top 99th percentile consumption rates point of sale at the end of September 2022, and for the Filters division, up to point of sale at the end of November 2022. Further analysis can be found at <https://www.essentrac.com/essential-competitions-data>.

[illegible]

Figure 2 | *Colony formation* - Proteinase K

scope of market. The total CO₂ emissions from electricity generation using the process conditions

scope 3 emissions from electricity consumed, calculated using the GHG protocol method

determined via a multicenter threshold assessment to be equivalent to the assessment performed by the participating centers. Exposure assessment was performed using a questionnaire and a personal monitor. Exposures were

significance and an inability to influence regulations. 25/07/2006

Structure for Filters and Packaging during the reporting year. The following table contains the structure for filters and packaging during the reporting year. The following table contains the structure for filters and packaging during the reporting year.

The authors are grateful to the referees for their valuable comments.

assisted on the basis of financial transactions. Consequently, upon the receipt of a check, the bank

Downstream customers: Downstream customers are those who purchase from the upstream customer. In our case, they are the retailers.

Some of the most important work in the field of the history of the book has been done by the late E. J. Kohlenstein, who has written a number of books on the history of the book, including *The Book of the Dead* (1964), *The Book of the Living* (1968), and *The Book of the Dead* (1971).

Our Components

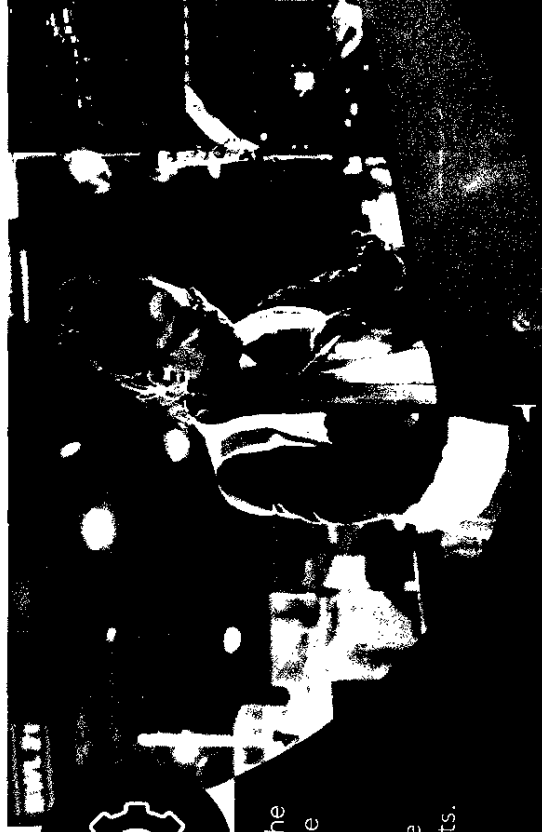
We will strive to design new products through the innovative use of renewable, reusable, recyclable and biodegradable materials. We will have a centre of excellence where we can showcase products to our customers, and provide a space for ideas to flourish into innovative new products.

Our focus and targets

- 20% of raw materials from sustainable sources by 2025 across our polymer ranges
- Support a circular economy by ensuring 100% of our packaging is reusable, recyclable or compostable by 2030
- 50% recycled content in our packaging materials by 2030

Our progress

- In 2022, 10.8% of our raw materials were from sustainable sources (recycled content) across our manufactured polymer ranges
- Our teams have developed reuse schemes for intra-company movements at our Nettetal and Łódź sites
- At our Kidlington, UK site all plastic packaging is 30% recycled content



CASE STUDY

Delivering sustainable and innovative products through strong commercial relationships

Air France and Essentra have built a strong commercial relationship for many years, with Air France valuing Essentra's ability to provide a reliable service, delivery of high end quality products and proximity of the supply chain.

Using Essentra's range of security seals, Air France is able to identify and secure items on board aircraft such as food trays and crew documentation.

During a new tender release in 2022, Air France shared the requirement that the next contracted products should evolve towards being more sustainable. Essentra were able to respond successfully to this requirement, with its range of plastic seals that are made using 50% post-consumer recycled material.

After product testing including lab and practical on-board tests, Essentra's products were approved by Air France and Essentra was awarded the new contract.

Essentra continue to innovate and explore the testing of recycled and bio-based materials and a number of products within the LDPE range are now manufactured almost entirely from recycled materials. We look to continue to strengthen customer relationships supporting the achievement of our customers' and our own sustainable goals.

Centre of Excellence

In 2022 we invested in manufacturing infrastructure at sites in EMEA and AMERS to support our transition to using recycled content across our product range. In 2023, we are launching our Centre of Excellence to accelerate our progress. This dedicated space at our Kidlington, UK site will be used to trial a wide array of materials with sustainability benefits such as recycled and bio-based, using the latest technology.

Packaging

Packaging is an important part of our resource usage and is key to ensuring our products are delivered damage free. In 2022 we implemented a reuse scheme for cardboard packaging for product movements from our Nettetal distribution hub in Germany, avoiding the creation and recycling of over 2000 pallet boxes per year. We plan to expand this in 2023.

We have also increased the recycled content in our plastic packaging, moving to 30% recycled content at our Kidlington site. We aim to standardise our packaging globally to reduce overall volumes, and increase recycled content to reach our target of 50% by 2030.

In 2020 we signed up to the Circular Plastics Alliance commitment to use at least 20% recycled content in our polymer ranges by 2025. We have made excellent progress in developing our use of recycled content during the year, with an increase to 10.8% for 2022.

Our Kidlington, UK site now includes 50% recycled content as standard across most of our LDPE product range, with a number of products achieving 98% recycled content. In 2022 our Rayong plant in Thailand moved to producing polypropylene security seals with a minimum 45% recycled content, after a successful 100 million piece trial. These new seals have now been rolled-out to all our sites globally.

By delivering this improved product through a substitution programme Essentra has helped customers reduce their carbon footprint without the need for extra investment, as the recycled material reduces product emissions by 40%. We estimate this change will avoid GHG emissions of over 1,000 tonnes of CO₂e per year.

Our Culture

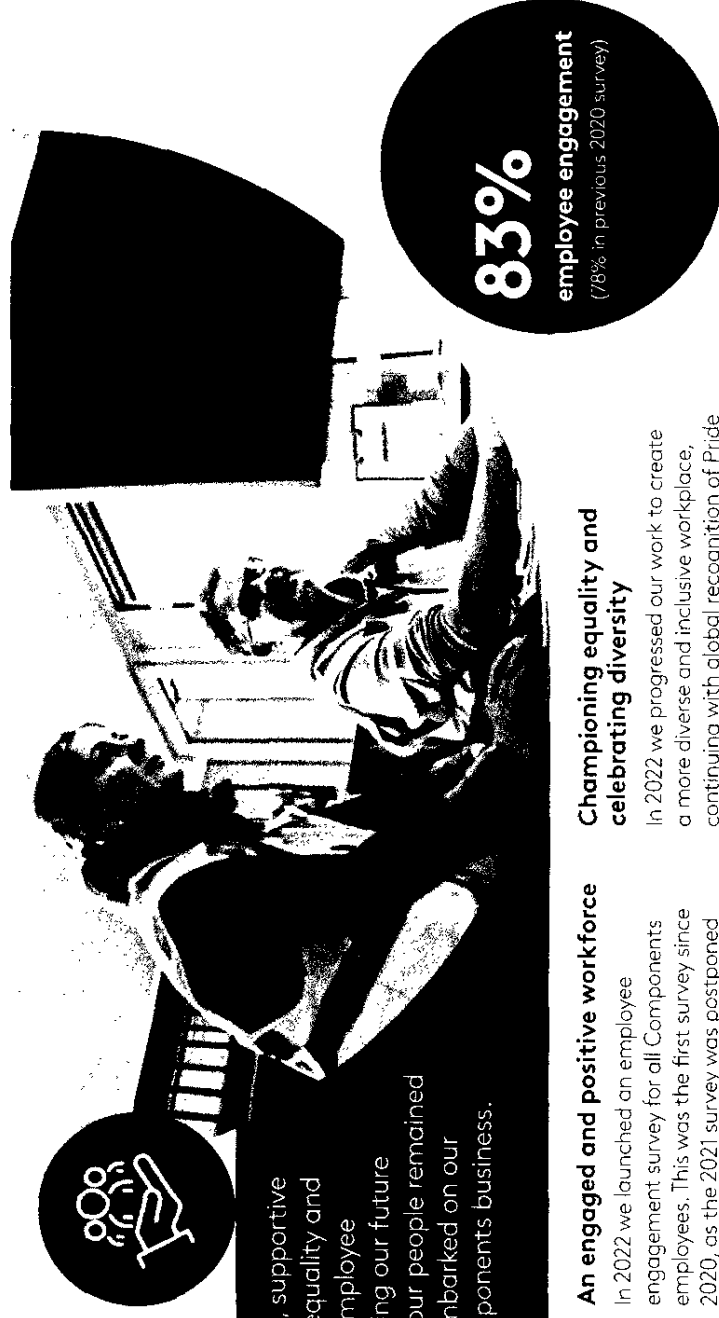
This pillar focuses on creating a safe, supportive work environment that champions equality and celebrates diversity. We know that employee engagement is a key factor in ensuring our future success as an organisation. In 2022 our people remained at the heart of our journey, as we embarked on our journey to become a pure-play Components business.

Our focus and targets

- Zero accidents for our people and visitors
- 100% of employees trained on Ethics Code biannually
- Healthy lifestyles campaigns at 50% of sites by 2025
- Mental health training to 80% of leaders by 2024
- 40% women in leadership teams by 2025

Our progress

- 28% reduction in days lost in Components in 2022
- Ethics training on track
- Healthy lifestyles on track for 2025
- Mental health training roll out commenced
- 28% women in leadership teams in 2022, 44% on the GEC and 38% on the Board



Championing equality and celebrating diversity

In 2022 we progressed our work to create a more diverse and inclusive workplace, continuing with global recognition of Pride and Black History Month. We also continue to embed our global Diversity and Inclusion Policy launched in 2019.

Reflecting on the results of our employee survey which was conducted in late 2022, we have improved the employee perception of diversity, equality and inclusion. Responses to My Company has created an environment where people of diverse backgrounds can succeed improved by 4 percentage points and takes us slightly ahead of the industry benchmark. Similarly, responses to My organisation actively supports diversity in the workplace; recognising and respecting differences between people improved by 3 percentage points bringing us in line with the industry benchmark.

An engaged and positive workforce

In 2022 we launched an employee engagement survey for all Components employees. This was the first survey since 2020, as the 2021 survey was postponed given the considerable focus on the strategic reviews in the, now sold, Filters and Packaging businesses. 86% of employees responded, up from 82% in 2020. Despite a year of considerable change the overall engagement metric rose to 83% (78% in 2020) and now exceeds the industry benchmark by 7 percentage points.

This improvement reflects a general positive trend across 92% of the questions in the survey (45 out of 49) and in particular four questions that make up the engagement index. While there is some regional variance, the results are positive across all regions and are up from 2020 in Asia and the Americas, with Europe remaining relatively stable.

Lost Time Incidents (LTIs)	Number of LTIs (like-for-like) Group	Number of LTIs (like-for-like) Components	% change
2020	37*	14	
2021	53**	22	
2022	42	22	-

Number of days lost	Number of days lost Group	Number of days lost Components	% change
2020	655*	168	
2021	954**	518	
2022	994	371	-28%

*excludes 3c

**excludes Hengshu

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

We are also working hard to improve the gender balance across the Company and will be submitting our 2022 Gender Pay data in April 2023. Our guiding principle is to pay colleagues according to their role not their gender, providing everyone with an equal opportunity to develop and progress.

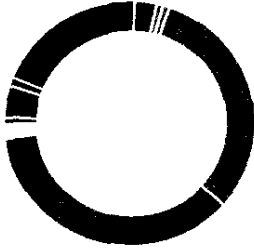
Treating our people with dignity and respect

The strategic changes we have made in 2022 have led to all of our people being impacted in different ways. For employees in the businesses that have been sold, they have now left Essentra as part of that process and are being led by new owners. Our Components employees have made appropriate adjustments reflecting that they work directly in a listed Company as opposed to a division of one.

The employees who have been impacted most significantly are our former Group employees, as we have worked in 2022 to align Group activities with the new direction of three separate businesses. We have taken all reasonable steps to secure long-term employment and/or career opportunities for these employees. Some employees were in roles that were aligned with a specific business and have moved with those businesses.

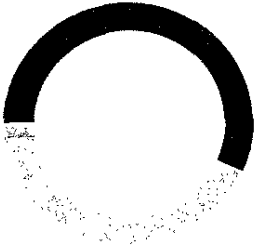
A snapshot of our employees in 2022 (Components only)

Ethnic background of employees responding to the 2022 Employee survey (2668 employees)



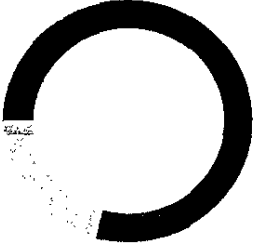
- Asian – Indian sub-continent: 0.9% (25)
- Asian – South East Asia: 4.2% (112)
- Black/African/Caribbean: 1.1% (31)
- Hispanic/Latino: 2.8% (74)
- Middle Eastern: 0.6% (16)
- Mixed/Multiple ethnic group: 0.8% (21)
- White: 51.8% (848)
- Not disclosed: 36.5% (973)
- Other: 1.7% (46)

Gender split all employees (% as at 31 December 2022)



- Men: 56.7% (1820)
- Women: 43.3% (1389)

Permanent/Contractor split all employees (% as at 31 December 2022)



- Permanent: 79.7% (2559)
- Contractors: 20.3% (650)

Our commitment to being an ethical employer

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

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

Our Right to Speak Policy and process is well established and enables any employee to report circumstances where they believe that the standards of our Ethics Code, or our wider policies and guidance, are not being upheld. We are committed to ensuring employees feel able to raise any concerns in good faith, without fear of victimisation or retaliation and with our support. Employees can report any concerns on a confidential basis online or by telephone.

During 2022, our Audit and Risk Committee received updates at each of its meetings on all Right to Speak issues raised and sought assurance from management on the issues and the response. The issues raised mainly related to employment practices that were investigated in full under HR policies and gift disclosures. Throughout our international operations we support and endorse human rights – as set down by the United Nations Declaration and its applicable International Labour Organisation conventions – through the active demonstration of our employment policies, our supply chain and the responsible provision of our products and services.

This commitment includes a mandatory requirement at all our sites to avoid the employment of children, as well as a commitment to the prevention of slavery and human trafficking.

CASE STUDY

Flippin Community Projects

Employees at our Flippin site in the US coordinate a variety of community engagements throughout the year including:

- Backpack Program for Flippin Schools: the team donate 125 snack bags a few times each year to help children in need
- Clothing Drives: the team collect clothes throughout the year and sorts and distributes to local day cares, schools, thrift stores and shelters
- "School of New Hope": Our facility in Flippin outsource some secondary processes on certain SKUs to this organisation who provide structure and training for developmentally disabled people in the local community

Ensuring our employees' wellbeing

We know from our employee engagement survey that employee perceptions of health and safety at work have improved. *My Company is safe place to work* and *My Company is an environmentally responsible company* were two of the top scoring statements at 89% and 85%, respectively.

The former improved slightly against 2020 and takes us six points ahead of the industry norm. The latter improved six points against 2020 and takes us in line with the broader industry – so this will continue to be a focus area for 2023.

We also know that perceptions of work load and work life balance have improved. *The amount of work expected of me is reasonable* was one of our most improved scores at 74% with a 10 point shift from 2020, taking us six points head of the industry norm. Responses to *I can maintain a reasonable balance between my personal and work life* is one of the highest scoring statements at 84% and is four points ahead of last year and 11 points ahead of the industry benchmark.

Focus and resource has been applied to our three sites with the highest injury rates. Third party audits were conducted at those sites and detailed site-specific plans developed. The audits completed at the focus sites and the introduction of the safety leadership commitment showed a positive trend in 2022. In Q1 Essentra saw 12 LTIs, in Q4 2 LTIs.

In addition, a new Safety Commitment for site leaders and management regarding Essentra's approach to achieving excellence in operational safety was introduced. The commitment provides clarity to leading the change in Essentra's safety culture. In H2 2022 the actions were introduced and in 2023 those objectives are embedded into the performance review process.

The driving force of a good safety performance is a strong local safety culture. Historically, Essentra's approach was centrally-driven, rather than sites driving their own programme. Today, local sites own their programmes and pull expertise from the centre.

The 2023 Essentra health and safety programme has specific approaches for manufacturing sites, hubs and warehouses with targets which include: safety supervisor training, a safety marshal program, visible safety messaging and a template for site safety committees.

Our Communities

We work with our suppliers, local communities and wider family to ensure our values, ethical practices and processes provide equitable outcomes, as well as volunteering our time supporting good causes.



CASE
STUDY

Our focus and targets

- Our supplier code of conduct refreshed and launched in 2023 to all suppliers over £100k
- Top 70% of suppliers by spend actively risk monitored
- Community Engagement Policy in action with a volunteer day taken by 25% of employees during 2023

Our progress

- Code of conduct refresh on track for 2023
- All suppliers over £250k actively risk monitored
- Community engagement activities carried out at seven Components sites in 2022

Building an ethical supply chain

We collaborate with our key international suppliers as well as partner with a high volume of SMEs worldwide. These relationships are built on shared values and are often long-lasting in nature. All are fundamental to the quality of our products and the high standards we set ourselves.

To ensure we work with suppliers who share our approach to responsible business, we conduct risk-based due diligence not only when onboarding our partners but through ongoing monitoring and management via our supplier development programme.

In 2023 we will enhance and further digitalise our supplier development programme and publicise a refreshed global procurement policy which will set out our supplier code of conduct in relation to matters such as anti-corruption, human rights, anti-slavery, international trade compliance, environment and allow us to deliver further transparency across our supply chain.

During 2022, we undertook supplier development activities covering five areas:

ethics, sustainability, risk, performance and commercial. We will continue to develop our methodology, supply base coverage and activities in 2023.

Supporting good causes

We engage with our local communities to create a positive impact through initiatives that positively impact those in need, improving their lives, the community and the local economy.

In February 2022 we supported the humanitarian relief effort in Ukraine with fund raising and other events happening across our businesses. We also made a donation of £100k to the Disasters Emergency Committee (DEC) Ukraine Appeal.

In early 2023 we similarly supported efforts in response to the devastating earthquakes in Turkey and Syria, donating €100k to the DEC Turkey-Syria earthquake appeal.

Supporting the relief efforts for Ukraine

Our teams in Łódź, Poland and our Mesan business in Turkey started to organise aid for Ukraine immediately after the start of the war. Employees collected funds for the purchase of essential items, organised a collection of clothes, cleaning products, hygiene products, food, milk for children, medical products and medicines.

Colleagues in Italy, Spain, France, Turkey and the UK immediately joined the action, with dozens of pallets of humanitarian aid for Ukraine being sent to our EMEA East Hub in Łódź. Supplies were then repackaged and transported to Łódź City Hall, which dealt with their direct transport to the regions most in need in Ukraine.



CASE STUDY

Our response to the earthquakes in Turkey and Syria

In early February 2023, a series of devastating earthquakes hit southern Turkey and north-west Syria killing over 50,000 people and injuring many more.

Our Mesan manufacturing site near Istanbul was outside the impact zone, so the facility was not physically affected and all Essentra employees were unharmed.

However, many of our colleagues in Turkey had family and friends in the impact area and in the days following the earthquakes were rightly focused on moving them to safety. We supported these efforts, and in one example allocated a company vehicle to travel to the region to collect family members of an employee.

In the immediate wake of the earthquakes our business in Turkey made a donation to a local foundation providing essential clothes and food to those affected. In the following days and weeks our local employees collected nearly €900 worth of in-kind aid such as blankets, sleeping bags, heaters and power banks. These provisions were delivered directly to the impact zone by a volunteer team of seven Essentra employees, with the full support of our management team.

As soon as the earthquakes hit, our employees globally were encouraged to donate to the International Red Cross appeal and many of our colleagues globally engaged with fundraising events. In Germany our colleagues worked with customers to raise €7,000 to relief efforts and in March 2023 we made a Company donation of €100,000 to the Disasters Emergency Committee (DEC) Turkey-Syria earthquake appeal.

Our Customers

This pillar focuses on supporting our customers to achieve their sustainability goals. As the only global manufacturer and distributor of our kind, we are in a leading position to assist customers by providing products and services that have been developed to provide a hassle free sustainable choice.

Our focus and targets

- Increasing the number of products introduced with sustainability criteria

Our progress

- 29 trials completed for new products using recycled materials in 2022

Our purpose is to help customers build a sustainable future and therefore working with them on their approach to sustainability is a key area of activity. We are committed to continuing to invest in developing new products with improved sustainability performance and lower lifecycle emissions, and providing our customers with expert advice on the most sustainable choice for their needs.

In 2022 several trials were conducted with the view to increase our recycled content from 50% to 100% across our standard ranges of LDPE parts. These trials were largely successful and we now run most standard LDPE parts at 98%-100% recycled content. We also conducted trials on our nylon products using recycled material and in 2023 will progress these trials.

We are currently in discussions to support circular economy models with targeted customers, and increasing our commercial focus on ESG supportive categories such as renewable energy and electrification, to support customers' net zero transition.

CASE STUDY

Supporting our customers to achieve their sustainability goals

Iracraft, one of the UK's leading manufacturers of rigid tube assemblies for a variety of hydraulic, pneumatic and coolant applications, was tasked with helping a customer realise its sustainability strategy. Iracraft already had a long, historical relationship with Essentra and knew that as a current supplier, Essentra was capable of meeting demanding challenges and offering a hassle-free solution.

Essentra was able to support Iracraft with timely samples, CADs and material data sheets to arrive at a solution in providing LDPE tear tab caps, a low density polyethylene that was tough and flexible, making an ideal material for caps needed to protect parts from damage, dirt and moisture.

Essentra Components jumped into action with advice on how we could achieve sustainability, and provided samples and other resources. The fact that the solution was off-the-shelf proved invaluable in enabling us to work without interruptions."

ALAN WEBB

Company Secretary and Director, Iracraft

The customer was previously using non-recyclable PVC caps for protection during transportation and storage. Iracraft saw the opportunity to switch to a recyclable cap and together with Essentra was able to offer an off-the-shelf, product solution that would prevent 2.5 million parts from going to landfill, the equivalent of c.5 tonnes of waste.

Non-financial key performance indicators

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

Non-Financial information table

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

Reporting requirement	Where to read more in this report
Environmental matters: Environment, social and governance	24
Employees: Environment, social and governance	30
Health and safety: Environment, social and governance	32
Human rights: Environment, social and governance	32
Social matters: Environment, social and governance	33
Anti-Bribery and Corruption: Environment, social and governance	31
Business model: Our business model	8
Principal risks: Risk management report	52

Customers

Active customers

Why this is important

This reflects marketing effectiveness and measures the potential population for further growth opportunities. Customer numbers can fluctuate, for example due to strategic focus on mid-size accounts and digital marketing strategy.



Net Promoter Score (NPS)

Why this is important

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



On Time In Full (OTIF)%

Why this is important

Our ability to deliver quality products on time and in full demonstrates our ability to meet our customers' delivery demands.



Environment

Why this is important

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

Scope 1 and 2 GHG intensity

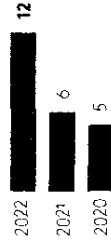
Total CO₂e per £m revenue



Our target

25% reduction in emissions intensity by 2025 (2019 baseline)

Number of sites at Zero Waste to Landfill (ZWTL)



Our target

All sites at ZWTL by 2030 (or sooner)

Waste intensity

Total tonnes per £m revenue



Our target

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

% of polymers from more sustainable sources



Our target

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

Safety

Lost Time Incidents (LTIs)

Why this is important

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



* 17 incidents were reported in the 2021 Annual Report which excluded the Hingzhu acquisition

Number of days lost

Why this is important

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



* 17 incidents were reported in the 2021 Annual Report which excluded the Hingzhu acquisition

People

Employee engagement (%)

Why this is important

The happiness and fulfilment of our people is a key priority. Having more engaged employees reduces staff turnover, improves productivity and helps us serve and retain customers.

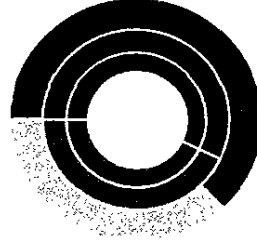


Board gender diversity (%)

Board ethnic diversity (%)

Group Executive Committee* gender diversity (%)

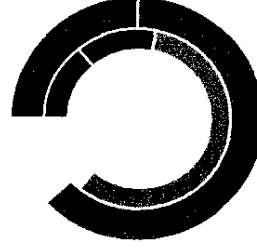
Senior Management (Levels 6-8) gender diversity (%)



2022
● Men: 63% (5)
● Women: 37% (3)

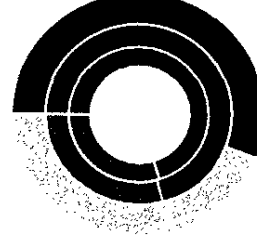
2021
● Men: 57% (4)
● Women: 43% (3)

2020
● Men: 57% (4)
● Women: 43% (3)



2022
● Black: 25% (2)
● White: 63% (5)
● White Irish: 12% (1)

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

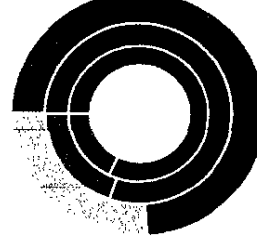


2022
● Men: 56% (5)
● Women: 44% (4)

2021
● Men: 71% (5)
● Women: 29% (2)

2020
● Men: 70% (7)
● Women: 30% (3)

* Previously known as Group Management Committee



2022
● Men: 74% (29)
● Women: 26% (10)

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

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

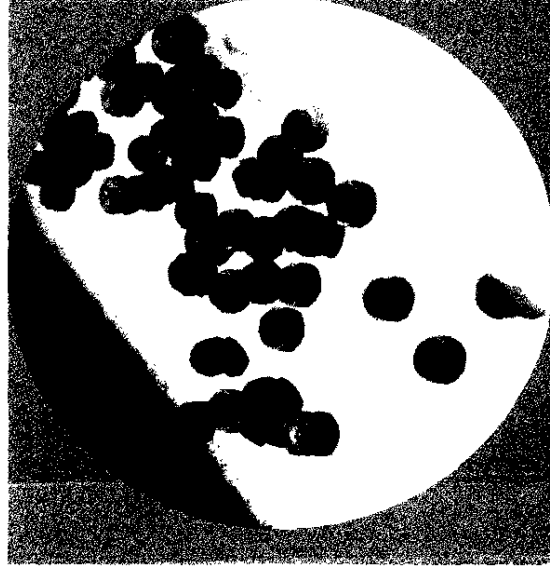
* Reduction in overall size of management team due to sale of the Packaging and Filters businesses

Why this is important

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

Stakeholder engagement and Section 172(1) statement

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



11

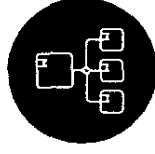
Effective engagement enables the Board to ensure stakeholder interests are considered when making decisions and is crucial for achieving the long-term success of the Company.”

PAUL LESTER, CBE
Chair

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

Section 172(1) statement

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



Investors

Key topics of interest

- General updates on strategy, governance and performance
- Sale of the Filters and Packaging businesses
- Deepening investors' knowledge of the Components business model and strategy
- Changes in make up of the Board, in particular, the appointment of a new Chief Executive
- Evolving ESG strategy and initiatives
- Acquisition of Wixroyd

How we engage

- AGM
- Full year and half year presentations and capital market events
- One-on-one meetings with the Chair, Chief Executive, Chief Financial Officer, Senior Independent Director and RemCo Chair

Outcomes of engagement

- Continued access to capital – vital importance to Essentra's long-term success
- Investor buy-in to our strategic objectives and our execution of them
- Promotion of an investor base with a long-term holding in the Essentra

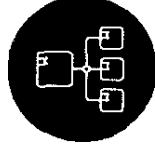
Relevant KPIs

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

Key challenges

- Timely communication during a year of significant strategic change
- Deepening investor knowledge of business model and strategy, given transition to pure-play Components business

For more information, please visit our website at www.essentra.co.uk



Suppliers

Key topics of interest

- Sale of the Filters and Packaging businesses
- Impact of worldwide supply chain disruption, leading to challenges on the price and availability of raw materials
- Impact of Brexit on business continuity in our UK and European factories
- Sustainable procurement

How we engage

- Procurement teams run a supplier development programme with all key suppliers and we are looking to digitalise this moving forward
- Supplier Code of Conduct and Modern Slavery Statement are shared with all key and new suppliers

Outcomes of engagement

- Long-term, strategic relationships formed on the basis of trust and understanding
- Collaboration on key initiatives and innovation projects – working with suppliers to ensure ethical practices to drive ESG progress
- Contingency plans to mitigate the impact of supply chain challenges

Key challenges

- As a conversion business we are dependent on our suppliers to provide our goods ethically, within our code of conduct, on time and to the quality required by our customers
- Worldwide supply chain disruption continues to be a challenge for ourselves and our suppliers

For more information, please visit our website at www.essentra.co.uk

CASE STUDY



Customers

Key topics of interest

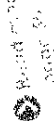
- Sale of the Filters and Packaging businesses
- Strategic intent for Essentra business
- Pure-play Components and supply chain
- Business continuity and supply chain challenges
- Approach to sustainability across our products and operations

How we engage

- Local teams manage relationships with our broad range of customers globally
 - More formal and regular feedback gathered through NPS surveys
- Outcomes of engagement**
- Driving our purpose to help customers build a sustainable future
 - Long-term relationships formed on the basis of trust and understanding
 - Collaboration projects eg working with customers to help drive their ESG progress

Relevant KPIs

- On Time and In Full (OTIF)
 - Quality/complaints
 - Net Promoter Score (NPS)
- Key challenges**
- Timely communication given a year of significant strategic change
 - Reduction in customer number to 74k (2021: 79k) due to strategic focus on mid-size accounts and digital marketing strategy



Read more about our customers on page 34.

Strengthening our relationships with customers

Parker, a customer for over six years, supply precision-engineered solutions for commercial, mobile, industrial and aerospace markets across a global network of approximately 17,000 locations.

Parker needed to find a solution to protect their hydraulic products in international transit, meeting quality, market requirements, guaranteeing good delivery lead times and holding good levels of inventory.

In response Essentra was able to utilise product expertise across a broad range of customer categories to source a solution from the standard product and technical samples, CAD drawings and technical support was provided, as well as a timely site visit to Parker's factory in China.

Guarantees with quality gave the customer peace of mind that their export protecting would arrive without damage protecting their industrial products with confidence.



Essentra's wide range of standard products meant we could find a solution which matched our specification and met our timeframes for our overseas market products."

FRANK ZHAO
Purchasing Manager, Parker



Read more about our customers on page 34.



Employees

Key topics of interest

- Strategic intent to become a pure-play Components business and the related sale of the Filters and Packaging and employee Organisational changes and employee impacts relating to the above
- General updates on strategy, governance and performance

How we engage

- Annual employee survey – relaunched in November 2022 (postponed in 2021)
- Regular town halls – virtual and face-to-face in sites with local management
- Global leadership team meetings
- Three Board Employee Champions, meeting requirements of the 2018 Code

Outcomes of engagement

- Continued high level of employee engagement in 2022 – 83%, up from 78% in 2020
- Components in 2020
- Continued improvement in safety trends – 12 LTIs in Q1 and 2 in Q4
- Continued progress on increasing diversity and inclusion within the Company

Relevant KPIs

- Employee engagement
 - Safety KPIs: Lost Time Incidents and Number of Days Lost
 - Diversity at management as part of ongoing engagement activities
- Key challenges**
- Delivery of the key strategic projects during a year of significant change for employees



Read more about our employees on page 36.

Government and regulators

Key topics of interest

- Our commitment to work with governments at national, regional and local level in establishing sound and transparent working that the way we conduct business with customers and suppliers, and how we treat our people and the communities in which we operate, meet both local requirements and Essentra's Code of Ethics
- Reporting obligations required by the US Department of Justice related to the obligations of the Deferred Prosecution Agreement reported in the 2020 Annual Report that the (now sold) Dubai Filters business operates under

business operations in various ways

How we engage

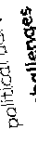
- Engagement undertaken in various ways across our global operations
- As a UK listed company, the Board and GEC manage many of these relationships while our global teams engage local governments as necessary

Outcomes of engagement

- Strong and transparent dialogue with various government and regulatory agencies
- Continued focus on continuing the improvement of our response to sanctions effectiveness and other compliance requirements relevant to our international operations
- In accordance with our Ethics Code, Essentra does not provide financial contributions to political parties and lobby groups

Relevant KPIs

- Employee engagement
 - Safety KPIs: Lost Time Incidents and Number of Days Lost
 - Diversity at management as part of ongoing engagement activities
- Key challenges**
- Delivery of the key strategic projects during a year of significant change for employees



Read more about our employees on page 36.

Task Force on Climate-Related Financial Disclosures



We acknowledge the important role of the Task Force on Climate-Related Financial Disclosures (TCFD) in improving transparency and driving improvements across industry.

This is the second Essentra climate report based on the TCFD recommendations, and the assessments, findings and conclusions within this report supersede earlier ones.

Climate change is addressed collectively across our Company Board committees, providing robust governance and alignment to all aspects of Company strategy. We manage ESG risks and opportunities, including climate change through a range of different processes, including the Audit and Risk Committee (ARC), the Sustainability/ESG Committee (SC/ESGC), Group Executive Committee (GEC) and operational management processes. These approaches address many of the recommendations of TCFD.

During 2022, we have built on the work and recommendations received from our inaugural 2021 report developed with third-party experts, and revised our risks and opportunities to align with our transition into a pure-play Components business. We have undertaken a review of the Company's climate change risks and opportunities, across various scenarios and time horizons, to ensure management teams have a thorough understanding of their most relevant climate change-related risks and opportunities, and to inform our response to TCFD recommendations.

Compliance with TCFD requirements

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

The Essentra Board, with support from the SC/ESGC, has dedicated a significant amount of time to this area over the past year, and has concluded, based on its knowledge of the Company's actual and expected activities, its operating environment and exposure to physical and transition risks, that our disclosures are consistent with TCFD recommendations and the recommended disclosures.

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

Governance

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

Recommended disclosures	Commentary
Describe the Board's oversight of climate-related risks and opportunities	Board oversight of climate-related risks and opportunities is provided by the Sustainability Committee (SC), and from the start of 2023, the newly established Environmental, Social and Governance Committee (ESGC) has taken on responsibility for climate related risks, as well as wider responsibility including ICFD. The ESGC succeeds the SC, acknowledging the greater focus needed on social aspects when considering climate transition: • details of the composition, remit and meeting frequency of the SC/ESGC are provided on page 90 • the overall governance approach, including how the SC/ESGC integrates and interacts with other management, is provided on page 90 Existing SC/ESGC members have operational experience in ESG and climate change, as reported within the Directors Biographies section of the AGM Notice, and the most recent Board appointments have experience of managing climate change in other organisations. This has strengthened the Board's expertise in ESG and managing its approach to climate change which has been supported by a third party. In addition, the SC/ESGC invites input from third parties, on a regular basis, to improve its understanding of ESG matters – recent speakers have come from leading industrial companies, global management consultancies and City institutions. The Audit and Risk Committee (ARC) has responsibility for reviewing and approving the content of the climate-related risk disclosures. Details of the ARC and its activities are provided from page 95. The Remuneration Committee is responsible for determining the remuneration policy, including how climate related risks and opportunities are taken into account in determining rewards and incentives. The Remuneration Committee incorporated sustainability and climate-related targets into its remuneration strategy for executive and GMC pay. Details of this can be found in the Remuneration Committee Report from page 111. The Nominations Committee is responsible for Board appointments and succession planning and takes account of experience in sustainability and climate-related risks in fulfilling its responsibilities. Details of the Nominations Committee and its activities are provided from page 91.
Describe management's role in assessing climate-related risks and opportunities	Management is involved in assessing climate-related risks and opportunities in several different ways, including: • The overall governance approach, including how Board and management interact is provided on pages 74-75 • ESG risks are Principal Risks for Essentra, managed and discussed at both the SC/ESGC and ARC – a description of ESG Principal Risks is detailed from page 59 • Qualitative climate related risks and opportunities were discussed in strategy reviews during the year, and our work on quantification of climate related risks and opportunities was shared and discussed with management

Strategy

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

Recommended disclosures	Commentary
Describe the approach to identifying climate-related risks and opportunities	In 2022 we reviewed and built on the comprehensive database of climate-related risks and opportunities established in 2021, redefining the scope to focus on the components business cost strategic review activities. The assessment covered a wide range of our geographic scope, including all manufacturing and distribution centres alongside strategic offices. The time horizons used in our analysis and disclosures are short-term (2025), medium-term (2030) and long-term (2040). The long-term time frame of 2040 is aligned with Essentra's target of reaching net zero emissions by 2040. The short term (2025) and medium-term (2030) time frames are aligned with its business continuity planning. Using a long list of 32 risks and opportunities established in 2021, a bespoke scoring system where vulnerability and advantage of each item is assessed to determine the most material impacts. Vulnerability is used to assess climate risks and is defined as the degree to which the business is susceptible to, and able to deal with, the impacts of climate change. Advantage is used to assess climate opportunities and is defined as the degree to which the business is able to capture the potential value from the low carbon transition opportunity. Physical impacts were assessed based on the analysis of the business insurers and third party climate risk data for 26 Essentra sites, and 12 key suppliers' sites. Each of the most material risks and opportunities was then analysed and the potential unmitigated impact on profit was classified as either low (<£1m), medium (£1m-£10m) or high (>£10m).

Strategy Considered

Recommended disclosures

Describe the

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

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

Climate scenario	Physical		Transition		Reference scenarios
	Warming by 2100	Future emissions	Energy source	Scenario narrative	
Business as usual (BAU)	>5°C	High	Mostly fossil fuels	Without additional efforts to reduce emissions and a continued trajectory of slow and limited ambition climate policy, operating practices remain as they are at present and emissions continue to rise at current rates. This results in a severe increase in frequency and intensity of devastating extreme weather, resulting in increases in insurance premiums and economic pressure in worst hit regions where assets are uninsurable. Global ecosystems suffer irreversible changes and significant loss of biodiversity.	IPCC AR6 S-SR5.5 "Fossil-fuelled Development"; IEA World Energy Outlook 2018 "Current Policies Scenario"
Middle of the road (MR)	~2.7°C	Medium	A mix fossil fuels and renewables	The world continues to decarbonise and achievement of nationally determined contribution (NDC) under the Paris Agreement and other policy commitments. As a result of the eventual albeit uncoordinated approach to address climate change, there is a major increase in frequency and severity of weather events. Parts of global ecosystems suffer abrupt and irreversible changes and loss of biodiversity.	IPCC AR6 SSP 2-4.5 "Middle of the Road"; IEA World Energy Outlook 2021 "Stated Policies Scenario"
Low carbon (LC)	<2°C	Low	Mostly renewables and low-carbon fuels	Ambitious and coordinated climate policies globally leads to transformation of the energy system. Many advanced economies reach net zero emissions by 2050, with the rest of the world reaching net-zero by 2070. There is a significant increase in frequency and severity of extreme weather which stabilises towards the latter half of the century. There remains a high risk for vulnerable ecosystems such as coral reefs and arctic sea ice.	IPCC AR6 SSP 1-2.6 "Sustainable"; IEA World Energy Outlook 2021 "Sustainable Development Scenario"

These three scenarios have been developed for Essentra, and draw on publicly available and widely accepted third-party scenarios. They combine elements from the International Energy Agency (IEA)'s 2018 and 2021 World Energy Outlook for transition changes and the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report for physical changes, alongside other literature.

Strategy continued

Recommended disclosures

Describe the climate related risks and

opportunities the organisation has identified, and the impact on the businesses, strategy and financial planning

Commentary

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

Potential unmitigated profit impact							
		Low		Medium		High	
Risk/Opportunity category	Description	Scenario(s)	Risk management	Potential unmitigated profit impact in MR scenario			Metrics
				Short term (2025)	Medium term (2030)	Long term (2040)	
Physical Risk	Damage to physical assets and disruption at own sites due to high speed wind, applicable to our Ningbo site	BAU	- Emergency plans in place at all sites - Site activity based on risk assessments to reduce exposure to natural hazards - Business continuity plans to respond to extreme weather events including appropriate mitigation plans.				Number of sites with business continuity plans
Physical Risk	Damage to physical assets and disruption at own sites due to increased precipitation and flooding, applicable to our Ningbo and Louisville sites	BAU	- Emergency plans in place at all sites - Site activity based on risk assessments to reduce exposure to natural hazards - Business continuity plans to respond to extreme weather events including appropriate mitigation plans				Number of sites with business continuity plans
Transition risk	Increased expenditure due to rise in fossil fuel price	BAU, MR, LC	- Transition from fossil fuel assets and firms - Continue reducing reliance on fossil fuels in operations				% of materials from sustainable sources - Total Scope 1,2 and 3 emissions
Transition risk	Increased expenditure due to carbon pricing for energy and power	LC, MR	- Continue reducing Scope 1 and 2 emissions. - Reduction of scope 3 emissions - Evaluate passing cost increase through to consumers and assess price elasticity				- Total Scope 1,2 and 3 emissions - Total energy usage^a
Transition Risk	Reduced revenue from components specific to conventional fuel automobiles	BAU, MR, LC	- Continue plan to switch from conventional vehicle to low carbon vehicle components - Periodic market analysis to prepare for market changes, such as speed of price parity for electric vehicles, charging maturity, non-ICE vehicle penetration				Revenue from ICE components

Sustainability

Recommended disclosures

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

Risk/Opportunity category	Description	Scenario(s)	Risk management	Impact on gross margin (GM)			Metrics
				Potential unmitigated impact in MR scenario	Low	Medium	High
				Short term (2025)	Medium term (2030)	Long term (2040)	
Transition Risk	Risk of increased costs due to transition from petrochemical feedstocks and non-recyclable / non-biodegradable materials	MR, LC	- Development of centre of excellence to trial and bring to market alternative materials. - Close collaboration with supply chain - Monitoring evolving legislation on material use and labelling	●	●	●	% of materials from sustainable sources
Transition opportunity	Increased revenue from sales of components for electric and hydrogen-based vehicles	BAU, MR, LC	- Continue plan to switch from conventional vehicle to low carbon vehicle components - Periodic market analysis to prepare for market changes, such as speed of price parity for electric vehicles, charging maturity, non-ICE vehicle penetration	●	●	●	Revenue from EV components
Transition opportunity	Increased revenue from sales of components for renewable energy, HVAC for cooling and water pipes/pumping	MR, LC	- Periodic market analysis to prepare for market changes - Focused development of service and product offering	●	●	●	Revenue from renewable energy and HVAC components
Transition opportunity	Increased revenue from rising customers' preferences for circular product alternatives (reusable/high recycled content)	MR, LC	- Development of centre of excellence to trial and bring to market alternative materials. - Close collaboration with supply chain - Monitoring evolving legislation on material use and labelling	●	●	●	% of materials from sustainable sources
Transition opportunity	Reduced energy costs through implementation of renewable energy and adoption of energy efficiency measures	BAU, MR, LC	Continue to evaluate potential savings from energy efficiency measures and implementation of renewable energy generation.	●	●	●	% of renewable energy total energy usage

Transition revenue opportunities appear to outweigh Transition revenue risks, under all three scenarios, in all timeframes. Potential gross Physical risks to sites (from flooding, winds) are broadly consistent across all three scenarios. The risk from fossil fuel price increases is much greater under 'Business as Usual' and 'Middle of the Road' scenarios, driving energy efficiency, uptake of on-site generation and renewable energy procurement. The gross impact of carbon pricing for energy and power varies in the opposite direction and is greatest under the Low Carbon scenario, driving a similar set of activities. The cost reduction opportunity from energy efficiency and implementation of renewable energy also increases under the Low Carbon scenario. We have considered our assessment of the unmitigated, gross impacts of the identified risks and opportunities, together with existing and proposed mitigation actions, as inputs to our Long-term Viability Statement and impairment reviews. On the basis of our current analysis, we have concluded that the aggregate impact of the identified risks and opportunities represents less than 1% of operating profit and consequently will not be material. We will continue to review our assessment of both the individual risks and opportunities and the aggregate impact as part of our regular risk management practices and having regard to future reporting and disclosure requirements in relation to climate change.

Risk Management

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

Recommended disclosures	Commentary
Describe the organisation's processes for identifying and assessing climate-related risks	ESG risks are Principal Risks for Essentra, managed and discussed at ARC in accordance with Essentra risk management processes. A description of the ESG Principal Risks is provided from page 59. Details of the ARC and Essentra's risk management processes are provided on page 101. Operational management teams identify and discuss site and region specific climate-related risks and opportunities in strategy reviews during the year. The SC/ESGC considers climate-related risks and opportunities for the company as a whole. Details of the SC/ESGC and its activities are provided from page 88. Company-wide and specific regional risks and opportunities are also discussed at GEC.
Describe the organisation's processes for managing climate-related risks	Based on the identification and assessment of risks described above, actions and activities are identified and managed in accordance with the Group's risk management processes. Business wide activities are undertaken and managed centrally via the Sustainability and HSE teams, working across the Company. For example to reduce our GHG emissions: • management of solar PV projects is done centrally to facilitate and accelerate activity, working with sites across the company • procurement of renewable energy is often done at site/divisional level, but guided centrally to focus on the largest impact opportunities Other risks are managed within operational regions and sites, e.g. for physical risk factors, sites and regions work with our insurer to identify and reduce exposure to natural hazard risks, and also to establish business continuity plans (abet against a Company framework and policy). Progress on the management of climate-related risks is subject to regular review by the SC/ESGC, ARC and GEC.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

ESG risks are Principal Risks for Essentra, managed and discussed at ARC in accordance with Essentra risk management processes. A description of the ESG Principal Risks is provided from page 59. Details of the ARC and Essentra's risk management processes are provided on page 101.

Operational management teams consider site specific climate-related risks and opportunities and report them as appropriate to the SC/ESGC, ARC and GEC.

The SC/ESGC considers climate-related risks and opportunities for the company as a whole and reports them as appropriate to the ARC and GEC. Details of the SC/ESGC and its activities are provided from page 88.

Going forwards, the ten most relevant risks and opportunities identified as part of TCFD activity will be integrated into the ESG Principal Risk coverage, in order that Principal Risk reviews include a review and update of activity related to these areas. This priority section will be updated on an annual basis, linked to TCFD review outcomes.

Company wide and specific regional climate-related risks and opportunities are discussed at ARC, GEC and SC/ESGC.

Metrics and Targets

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

Recommended disclosures	Commentary
Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	The KPI currently used by Essentra is Scope 1 & 2 GHG emissions intensity. Supporting, linked metrics are absolute Scope 1 & 2 GHG emissions, energy usage and percentage of energy from renewable sources. These metrics link to several of the transition risks and opportunities (e.g. increased fossil fuel costs, increased carbon pricing, reduced costs through renewable energy/energy efficiency). Progress on our emissions and energy usage can be found from page 24. We track and report the percentage of materials from more sustainable sources. This supports reduced Scope 3 GHG emissions (recycled content has a lower embodied carbon content than virgin resin). In addition, this metric supports the opportunity of increased revenues from rising customer preference for circular product alternatives, and mitigates the risk of increased costs of transitioning from petrochemical feedstock. Progress on our sustainable materials KPI can be found on page 25. We monitor our preparedness and capability to respond to physical risks to our assets and operations through the preparation and regular review of business continuity plans. Transition risks and opportunities related to the move from certain products, such as those for ICE vehicles, to products that support electrification of transport and heating, are tracked through regular revenue forecasts and market analysis.

Disclose Scope 1, Scope 2 (and if appropriate, Scope 3) GHG emissions and the related risks

Progress on our (Scope 1 & Scope 2) GHG intensity KPI can be found from page 24. Disclosure of absolute Scope 1 & Scope 2 emissions can be found on pages 27-28.

For the first time in this years report, we are disclosing our Scope 3 emissions which can be found on pages 27-28. Our Scope 3 inventory has been developed using a hybrid model of spend and activity data. The model has been developed internally and uses life cycle analysis, industry databases and supplier specific information where it is available. The majority of our Scope 3 emissions relate to purchased raw materials and products (hence the focus on materials from more sustainable sources, above).

The related risks and opportunities are:

- risk of increased costs due to rises in fossil fuel prices
- risk of increased costs due to carbon pricing for energy and power
- opportunity for reduced costs through implementation of renewable energy and adoption of energy efficiency measures.

Our current targets for our (Scope 1 & 2) GHG intensity KPI are:

- 25% reduction by 2025 (vs. 2019 baseline)
- Net zero by 2040

Progress on our (Scope 1 & Scope 2) GHG intensity metric can be found on page 27-28.

Our current target for our sustainable materials KPI is: 20% of materials from more sustainable sources by 2025

Progress on our sustainable materials metric can be found on page 25.

In 2022, we committed to the Science based Targets initiative (SBTi), meaning we have committed to set our next near-term target and review our long-term Company wide emission reductions targets in line with science-based net zero with the SBTi, and this work will include the setting of a Scope 3 emissions reduction target. This activity is planned in 2023, alongside the publication of our transition plan.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Financial Review

2022 was a transformational year for Essentra. The Components business delivered 12% revenue growth, and achieved operating margins of 19% demonstrating a robust underlying financial performance.

JACK CLARKE
Chief Financial Officer



Trading performance

FY 2022 revenue for the continuing operations of the business increased by 12.0% to £337.9m. On a like-for-like (LFL) basis, revenues increased by +6.5%, year-on-year adjusting for FX movement and removing the acquisitions of Wixroyd and Hengzhu.

The Components business achieved adjusted operating profits of £63.7m, up 12.0% on prior year. After recognising central service costs associated with the go-forward business of £20.7m, the pro-forma adjusted profit was £43.0m.

The Components business achieved an adjusted operating margin consistent with the prior year of 18.9%. This margin resilience reflects pricing actions and cost control, which more than offset cost inflation for the year.

The business saw a considerable amount of adjusting items in 2022 totalling £26.0m, including £10.4m restructuring of the continuing business following the sale of the Filters and Packaging divisions and £0.5m acquisition integration costs.

As previously guided, £12.4m has been recognised in relation to the customisation and configuration costs of significant 'software as a service' (SaaS) arrangements.

Following the outcome of the strategic reviews, costs of £2.0m incurred in relation to defined benefit pension scheme charges have also been recognised as adjusting items as they are no longer related to the continuing operations of the Group. Further details of adjusting items are shown in Note 2 to the Financial Statements.

After central costs serving all three legacy divisions, adjusting items and amortisation of acquired intangible assets, the reported continuing operating loss was £11.3m.

Discontinued operations

The disposal of the Packaging and Filters businesses have a material impact on the presentation of the Group's consolidated financial statements for the year ended 31 December 2022. Unless otherwise stated, numbers have been presented on a continuing operations basis.

Discontinued operations recognised a post-tax loss of £152.7m for the year, including an impairment charge of £181.6m recognised at 30 June 2022 related to the carrying value of

goodwill allocated to the Packaging business prior to its disposal and £1.1m related to an impairment charge for the disposal of the Packaging business in India. See Note 24 to the Financial Statements for more information.

Acquisition of the Wixroyd Group

On 1 December 2022 Essentra acquired Wixroyd Holdings Limited (Wixroyd), a leading UK supplier of industrial parts for the automation sector for an initial cash consideration of £29.5m (£27.9m net of cash acquired). Included within the consolidated financial statements are £0.7m of revenue and £0.1m of operating profit since acquisition. This was the first acquisition to be announced since outlining our new strategy, and continues a successful track record of acquisitions in the Components business over the last ten years. Wixroyd will expand Essentra's capabilities in hardware components and create additional cross-selling opportunities across a range of Essentra's current end markets.

Central service costs

In 2022, the Group recognised £20.7m of central overheads attributable to the go-forward business. The Group has started to take actions to right-size central service costs,

as part of the strategic reviews and transition to a pure-play Components business. The cost base will continue to be reviewed through 2023 with the intention of reaching a normalised position at the start of 2024.

Net finance expense

Net finance expense of £17.8m increased compared to the prior year of £14.8m. The interest expense is expected to reduce in 2023 as a result of the Group reducing the level of US Private Placement debt in January 2023, using a portion of the disposal proceeds from the sale of Filters and Packaging to repay \$247m of the loan notes held.

Tax

The underlying effective tax rate for 2022 was 21.5% for the continuing Group which is within our forecast tax rate range of 21% to 22% for 2022. The previously disclosed forecast tax range in 2021 was 19%-20%, with the marked increase a result of some lower tax jurisdictions in the Packaging and Filters divisions that were previously held.

Net income

On a continuing adjusted basis, the Group saw net income of £5.7m and adjusted basic earnings per share of 1.9p in 2022. Including losses on disposal of £152.7m, the total reported net loss was £183.8m.

Net working capital

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

For the continuing business, the increase in net working capital to £44.2m (2021: £38.9m) was predominately driven by an increase in focus on serving our customers and rebuilding stock levels after the pandemic. The average net working capital ratio of 15.9% increased compared to 2021 (11.6%).

Revenue growth

12.0%

Adjusted operating cash flow from continuing operations

£20.2m

(2021: £17.8m)

➔ Read more about our financial performance measures on page 20

Operating cash flow

Adjusted operating cash flow for the continuing business was £20.2m (2021: £17.8m), equating to a cash conversion of 80% compared to 67% in 2021. This includes an outflow of net working capital for the year of £14.2m (2021: £15.0m) and net capital expenditure of £12.8m (2021: £12.7m).

This net capital expenditure equated to 77.1% (2021: 85.2%) of the depreciation charge (including amortisation of nonacquired intangible assets) for the year of £16.6m (2021: £14.9m). Net interest paid was £16.2m (2021: £9.2m) and net tax inflow £1.7m (2021: £4.7m outflow). Tax payment figures exclude the tax paid/received in relation to adjusting items.

The outflow in respect of pension obligations was £nil due to payments to legacy pension schemes being excluded (2021: £4.8m). A higher cash outflow was recognised in 2021 due to payments of pension contributions that were previously deferred.

Free cash flow of £5.7m compared to a free cash outflow of £0.9m in 2021. An adjusted cash flow reconciliation can be found in Alternative Performance Measures (page 50). Group net cash inflow from operating activities of £64.0m (2021: £63.2m).

Net funding and refinancing activities

Net funding surplus at the end of the period including lease liabilities was £113.8m. The overall increase in net funding surplus was driven by the disposal proceeds from sale of Packaging and Filters business being netted off against cash flow movements linked to the strategic review and cash paid for the acquisition of Wixroyd.

One of the main sources of funding for the Company is a Revolving Credit Facility (RCF) provided by a group of six highly-rated

banks. In October 2022, following bank consent and as part of the strategic review the decision was taken to repay, and reduce the RCF facility to £200m, maintaining the same terms. The Company previously held \$350m of medium and long-dated US private placement debt. In January 2023, following receipt of the proceeds from the disposal of Filters and Packaging, the medium term dated notes and longer term dated notes were partly repaid resizing the total USFP debt to \$103m.

Balance sheet

At the end of 2022, the Company had shareholders' funds attributable to Essentra equity holders of £404.1m (2021: £612.7). Total capital invested in the business was £344.0m (2021: £917.9m).

This finances non-current assets of £339.3m (2021: £839.8m), of which £72.2m (2021: £254.3m) is tangible fixed assets, the remainder being intangible assets, right-of-use assets, deferred tax assets, retirement benefit assets, derivative assets, and long-term receivables.

Pensions

As at 31 December 2022, the Company's IAS19 net pension net liability was £10.6m (2021: net surplus of £9.0m). During the year, the senior section of the pension scheme purchased a buy-in policy, significantly decreasing a proportion of the UK pension scheme against future funding deficits. Further information can be found in Note 8 to the Financial Statements.

Impact of IAS 29 (Financial Reporting in Hyperinflationary Economies)

During 2022, the Group held trade and assets denominated in Turkish Lira where IAS 29 has been applied for the first time. The Components business in Turkey contributes c.6% revenue to the continuing Group.

For the year ended 31 December 2022 a monetary gain of c.£3m was included within net finance expense, and an increase in net assets of c.£18m has been recognised as a result of IAS 29.

Shareholder return and ordinary dividend

The Board has confirmed its intention to return to shareholders, approximately £150m of the residual net transaction proceeds from the disposals of its Filters and Packaging businesses, which completed in Q4 of 2022. Following a consultation with a number of the Company's major shareholders, the Board concluded that the shareholder return will be structured by way of a special dividend and a Share Buyback Programme.

Essentra will pay a special dividend of £90m, representing 29.8p per ordinary share. The Company intends to pay the special dividend on 27 April 2023. In addition to the £90m special dividend, the Board intends to initiate a share buyback programme of up to £60m.

The Board of Directors recommend a final ordinary dividend of 1.0p and therefore a total 2022 dividend of 3.3p. (2021: final 4.0p, total 6.0p). In 2022, the dividend has been adjusted to the earnings of the continuing operations of the business. The Board is committed to a progressive dividend policy going forwards, maintaining dividend cover in the order of three times.

Treasury policies and controls

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

The Company intends on only using derivatives to manage foreign currency and interest rate risk arising from underlying business activities. Whilst some transactions may be of a more speculative nature, they are in place to manage and mitigate exchange rate risk only. Underlying policy assumptions and activities are reviewed by the Treasury Committee. Controls over exposure changes and transaction authenticity are in place, and dealings are restricted to those banks with the relevant combination of geographical presence and suitable credit rating. Essentra monitors the credit ratings of its counterparties and credit exposure to each counterparty.

Foreign exchange risk

The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to limit the translation exposure and the resulting impact on shareholders' funds by borrowing in those currencies in which the Company has significant net assets.

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

Jack Clarke
Chief Financial Officer
28 March 2023



The Board confirmed its intention to return to shareholders, approximately £150m of the residual net transaction proceeds from the disposals of its Filters and Packaging divisions, structured by way of a special dividend (£90m) and share buyback programme (£60m)."

As outlined at the capital markets event in November 2022, Essentra has committed to a clear capital allocation policy to support organic and acquisitive growth.

Capital allocation policy

	Organic growth	- Capital investment remains core to strategic growth - Capex expected to be maintained between 4–5% of sales
	Innovation	- Sustainable new product development and propositions - Digitalising the customer experience drives cross-sell and customer acquisition
	Acquisitions	- Strong pipeline of potential acquisitions - Addition of product adjacencies enables higher organic growth through cross-sell
	Ordinary dividends	Maintaining dividend cover in the order of three times

Alternative Performance Measures

Management uses a number of measures of financial performance, position or cash flows of Essentra which are not defined or specified in accordance with relevant financial reporting standards.

In management's view, these Alternative Performance Measures reflect the underlying performance of the Company and provide a more meaningful comparison of how the business is managed and measured on a periodic basis.

FY 2022 results at a glance

	FY 2022 (re-presented) £m	FY 2021 £m	% change Actual FY	% change Constant FX
Revenue	338	302	12	10
Pro-forma operating profit for the ongoing business ¹	43	40	7	7
Adjusted operating profit	25	26	(5)	(1)
Adjusted pre-tax profit	7	12	(37)	(36)
Adjusted net income	6	11	(49)	(48)
Adjusted basic earnings per share	19p	3.7p	(49)	(48)
Dividend per share	3.3p	6.0p	(45)	n/a
Reported operating (loss) / profit	(11)	8	n/a	n/a
Reported pre-tax profit / (loss)	(29)	(7)	n/a	n/a
Reported net loss	(31)	(5)	n/a	n/a

¹ Pro-forma operating profit is an additional Alternative Performance Measure, which has been added to present the business on a standalone basis, using historical cost allocation methodologies

The financial information in this 2022 Annual Report is prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, and with the accounting policies section starting on page 143 of the Financial Statements.

Basis of preparation Continuing and Discontinued operations

In accordance with IFRS 5, Continuing and Discontinuing operations are presented as GAAP numbers.

The numbers presented in this Strategic Report reflect the continuing operations of the Group unless otherwise stated.

Non-GAAP measures

Throughout this FY 2022 Annual Report, the following terms are used to describe Essentra's financial performance:

Constant exchange rates

Movements in exchange rates relative to sterling affect actual results as reported.

The constant exchange rate basis adjusts the comparative to exclude such movements, to show the underlying performance of the Company.

For the principal exchange rates for Essentra for the year ended 31 December 2022 (FY 2022), see the table below. Re-translating the FY 2022 average exchange rates increases prior year revenue by c£7m, and reduces adjusted operating profit by c£1m.

Principal exchange rates		US\$:£	€:£
Average			
FY22		1.24	1.17
FY21		1.38	1.16
Closing			
FY22		1.20	1.13
FY21		1.35	1.19

Like-for-like basis (LFL)

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

The FY 2022 LFL results are adjusted for the acquisition of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd (Hengzhu) on 2 August 2021 and the acquisition of Wixroyd Holdings Limited (Wixroyd) on 1 December 2022.

The FY 2022 LFL results are also adjusted for the disposal of Essentra Packaging to Mayr-Meinhof Group announced on 3 October 2022 and the sale of Essentra Filters to Frank Acquisition Four Limited, a wholly owned subsidiary of Centaur Management Limited, announced on 5 December 2022.

Adjusted basis

The term "adjusted" excludes the impact of amortisation of acquired intangible assets and adjusting items, less any associated tax and there was a pre-tax charge for adjusting items of £26.0m (2021: £10.1m).

Adjusting items are separately presented from other items of financial performance as this enables management to reflect the underlying performance of the continuing operations of the Group.

Adjusting items of £26.0m (2021: £10.1m) have been reported in continuing operations including £10.4m restructuring of the continuing business following the sale of the Filters and Packaging divisions, £0.5m incurred in relation to the customisation and configuration costs of significant "software as a service" (SaaS) arrangements which, in management's judgement, constitute material one-off charges to upgrade the Group's technical capabilities and meets the Group's policy for being categorised as adjusting items.

Following the outcome of the strategic reviews, costs of £2.0m incurred in relation to defined benefit pension scheme charges have also been recognised as adjusting items as they no longer related to the continuing operations of the Group.

Further details of adjusting items are shown in Note 2 to the Financial Statements.

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

Pro-forma operating profit

Pro-forma operating profit has been used to present the business on a standalone basis, using historical cost allocation methodologies.

The Components adjusted operating profit of £63.7m in 2022 (2021: £56.9m) has been adjusted for the central service costs that have been allocated to continuing operations. In 2022, £20.7m of the £38.6m central service costs incurred in the year were allocated to the pro-forma adjusting operating profit measure. (2021: £16.6m of the £30.5m central service costs incurred in the year were allocated).

Cash flow

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

Adjusted Operating Cash Conversion

Adjusted operating cash conversion is presented as adjusted operating cash flow as a percentage of adjusted operating profit.

Reconciliation of GAAP to non-GAAP measures

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

STRATEGIC REPORT

Net income

£m	FY 2022	FY 2021 (re-presented)
Adjusted net income		
Amortisation of acquired intangible assets	5.7	11.2
Adjusting items	(10.4)	(8.6)
Tax on adjustments	(26.0)	(10.1)
Profit / loss after tax	0.4	2.6

Adjusted operating cash flow

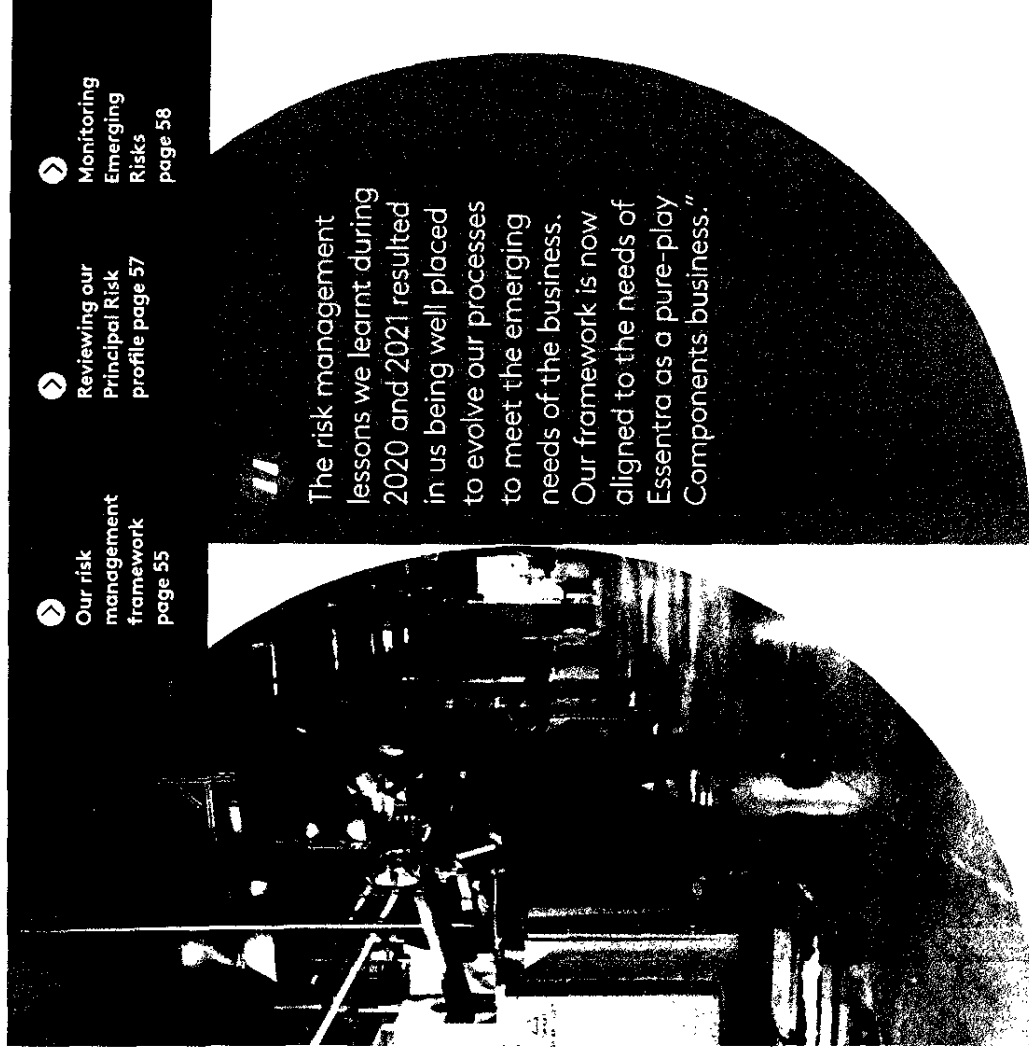
£m	FY 2022	FY 2021 (re-presented)
Adjusted operating profit		
Depreciation and amortisation of non-acquired intangible assets	25.1	26.4
Share option expense / other movements	16.6	14.9
Change in working capital	5.6	5.4
Net capital expenditure	(0.1)	(1.2)
Adjusted operating cash flow from continuing operations	(14.2)	(15.0)
Tax ¹	(12.8)	(12.7)
Cash outflow in respect of adjusting items	20.2	17.8
Pension obligations ²	1.7	(4.7)
Add back: net capital expenditure (excluding disposal proceeds relating to adjusting items)	(30.4)	(23.9)
Adjusted operating cash flow	4.3	12.7
Net interest paid	20.2	17.8
Pension obligations ²	1.7	(4.7)
Free cash flow	(16.2)	(9.2)
	5.7	(0.9)

¹ Tax paid excludes the tax paid / reserve on business disposals. This is included within the cash outflow in respect of adjusting items.

² Pension contribution of £0.7m for legacy pension schemes has been included within cash outflow in respect of adjusting items.

Risk management report

Risk management is integral to proactively supporting business resilience and the successful delivery of the Company's strategic objectives.



Our risk management framework
page 55

Reviewing our Principal Risk profile
page 57

Monitoring Emerging Risks
page 58

The risk management lessons we learnt during 2020 and 2021 resulted in us being well placed to evolve our processes to meet the emerging needs of the business. Our framework is now aligned to the needs of Essentra as a pure-play Components business."

Responding to change in 2022

During the last two years, the Company has had to navigate and manage the disruption caused by the pandemic, the war in Ukraine as well as disruption across our supply chain and workforce. These challenges largely affected the industry as a whole, although our response was very specific to the needs of Essentra. In 2022, the Company's risk agenda was focused as much internally - as we delivered the strategic reviews of the Packaging and Filters businesses - as it was at the broader disruptive economic and geopolitical environment.

The risk management lessons we learnt during 2020 and 2021 resulted in us being well placed to evolve our processes to meet the emerging needs of the business. The strategic reviews of the Packaging and Filters businesses, as well as broader disruption to the business, resulted in further evolution of our risk management framework. This framework is now aligned to the needs of Essentra as a pure-play Components business. The framework supports the evolution of our approach and considers risk at both a strategic and an operational level with a view to improving business resilience over the short to long-term.

Following on from the announcements in late 2021 in relation to the strategic reviews, we have undertaken a series of in-depth risk workshops and reviews with former and current leadership and with the support of external advisers. This work has, following consultation with the ARC and Board, resulted in new portfolio of Principal and Emerging Risks which are aligned to our new strategic direction as a pure-play Components business. The following pages reflect the output of these discussions with

four Principal Risks having been retired (in relation to: Achieving Acceptable Returns in the Packaging Business, Tobacco Industry Dynamics, Internal Process and Control and the delivery of the Strategic Reviews) and two new risks added (to reflect the need to deliver on M&A and on the Execution of the Strategic Plan). Other risks have been reviewed and have evolved, to a greater of lesser extent, to reflect the current nature of the risk and our approach to mitigation.

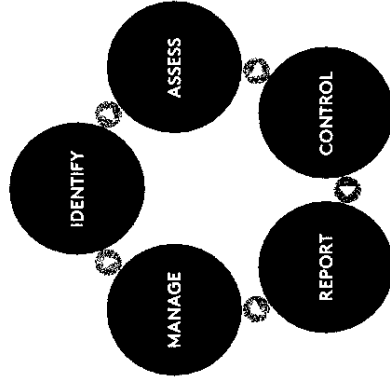
Looking ahead to 2023, we anticipate that macroeconomic uncertainty will remain, at least for the short to medium-term; however, the work put in to our risk management processes and practices over the past two years means we are well placed to continue to deal with this in a manner that protects profitability efficiently and effectively.

Additionally, we continue to analyse and assess the Emerging Risk landscape, with particular focus on potential sources of disruption and our use of plastic as a raw material, to ensure the Company's risk management practices continue not only to protect stakeholder value but to support its creation in line with our strategic growth objectives. Despite this focus on mitigating the impacts of an increasing range of disruptive risks, we continue to pay close attention to the increasing momentum associated with the risk agendas for ESG and climate change along with the potential impacts of technology-related innovations disrupting our core markets.

We continue to see economic disruption across our business, but our geographical breadth, coupled with our ability to flex operating models with a high degree of agility means we are well placed to maintain customer service levels whilst managing the threats to our operations and the wellbeing of our people.

Roles and responsibilities of the Global Executive Committee in respect of Risk

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



Identify

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

Assess

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

Control

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

Report

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

Manage

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

Our risk governance structure

Facilitators

Risk Assurance
Divisions and Risk
Champions

Enabling Function
Risk Champions

Direct and
monitor

Report

Board

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



Audit and Risk Committee (ARC)

Responsible for reviewing the effectiveness of the Company's risk management systems and processes.



Global Executive Committee (GEC)

Chaired by the Chief Executive and comprised of the Company's executive leadership team, the GEC meets on a monthly basis and discusses risk as a standing agenda item with quarterly risk deep-dive reviews also scheduled. In this context, the GEC is responsible for monitoring key risks and ensuring the effectiveness of regional and functional risk management and, as such, the GEC has subsumed the former work of the Group Risk Committee (GRC).



Group Compliance Committee (GCC)

Until the completion of the strategic reviews, the GCC directed and oversaw the Company's implementation of compliance programmes, policies and procedures and reviewed risks being considered by the GMC/GEC.

This work will now be delivered by the Risk Assurance, Compliance and Control team and the GEC directly, in a way that supports the development of a compliance culture across the organisation.

Regional and Functional Leadership Teams

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

ESG Committee (ESGC)

The ESG Committee is responsible for overseeing ESG strategy, and ensuring that it aligns to the overall business strategy, as well as the other matters already identified. The Committee oversees the Company's ESG strategy and its response to emerging ESG related concerns, risks, laws and regulations.

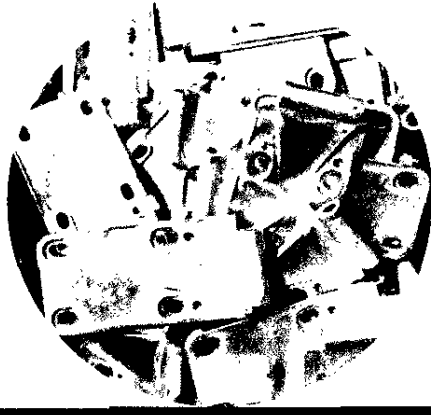


Sites

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

Risk categories

The Company has considered the risks it is facing under the following four risk category headings and has identified 11 Principal Risks.



Risk management approach

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

We made significant progress during 2022 in evolving our risk management processes as our strategic reviews progressed; we continue to ensure they are aligned with FTSE 250 upper quartile practice. Particular focus was placed on reviewing our portfolio of Principal and Emerging Risks in the light of our new strategic focus and an increasingly dynamic operating environment.

Risk categories

STRATEGIC

Internal risks that may impede achievement of strategic goals.

EXTERNAL

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

OPERATIONAL

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

DISRUPTIVE

Risks that could impact the business model or viability of the Company.

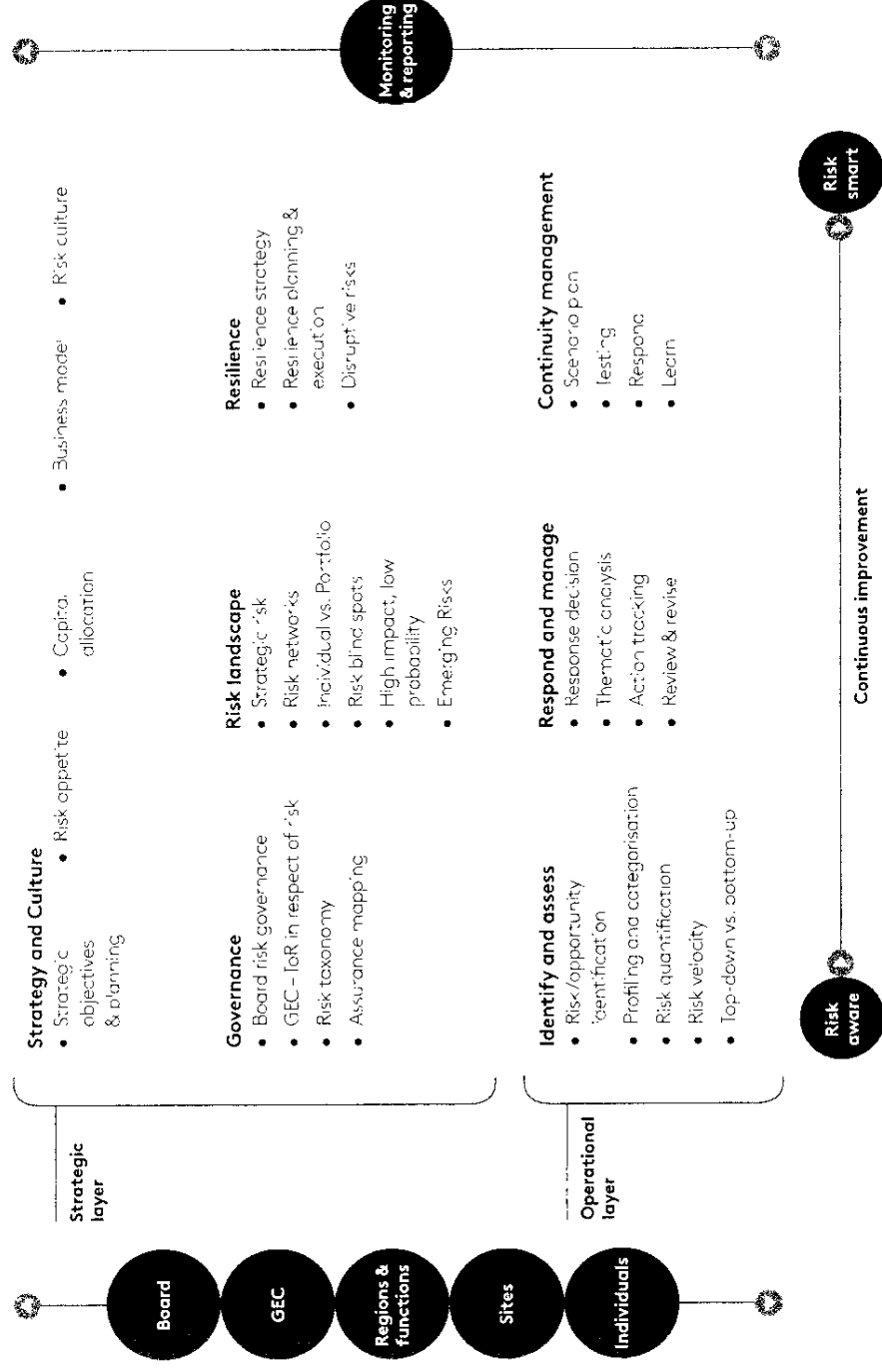
Risk management framework

A refreshed risk management framework was introduced in 2021. As the strategic reviews progressed in 2022, this framework has evolved to meet the changing needs of the business. The framework was developed to support the Company in identifying and managing risk within defined appetite levels, at both a strategic and an operational level. The current framework was designed to provide the GEC and the Board with a clear line of sight over risk, to enable informed decision-making and to deliver improved resilience.

Our risk management framework continues to evolve in line with best practice to ensure that it supports the Company's growth and strategic objectives. A robust, but flexible, approach to the management of risk is fundamental to the continued success of the Company. In 2022, the challenges the Company faced included ongoing remote working, temporary inaccessibility of some business locations, raw material shortages, supply chain disruption, volatile supply and demand, and distribution challenges. A clear focus was placed on ensuring the continued operation of our risk management framework in this dynamic and disruptive environment. Through regular discussions and virtual workshops with all divisional and enabling function leadership teams, we ensured clear accountability for the identification, assessment and mitigation of risks throughout the Company.

Risk can present itself in many forms and has the potential to impact health and safety, the environment, our communities, our reputation, regulatory compliance, market and financial performance and therefore the achievement of our strategic objectives.

The Essentra risk framework



By understanding and managing risk, we provide greater certainty and confidence to our shareholders, employees, customers, suppliers, and the communities in which we operate.

The Board considers the nature and extent of the Principal Risks it is prepared to take in achieving its strategic objectives - its risk appetite - biannually by mapping these risks against a sliding scale from "risk-averse" to "risk-neutral" to "risk-tolerant". This informs the development and focus of mitigating actions for each of the Principal Risks. At a strategic level, our risk management objectives are to:

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

Strengthening our framework

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

In the year ahead, the Risk Assurance team will support regional and functional leadership teams in the management of their risk processes, specifically in relation to the delivery of strategic projects. In 2022 we paid attention to both the Principal Risks we face as a pure-play Components business and to potential Emerging Risks and also to ensuring clarity across roles and responsibilities for those risks that cut across divisions and enabling functions.

2022

Key changes in the year

During 2022 we undertook a fundamental review of our Principal and Emerging Risks as we executed the strategic reviews.

At the Half Year we disclosed the following key changes to our risks:

- an increase in relation to our 'Exposure to the Cyclical Industrial Market' risk as the Company moved towards being a pure-play Components business
- an increase in relation to our 'Talent and Workforce Management' risk resulting from the Company's change agenda in relation to the strategic reviews

No new Emerging Risks were noted at the Half Year.

Since our Half Year disclosure, we continued our review of our Principal and Emerging Risk profiles in the context of our strategic direction. The following key changes have been made since then:

Retired Principal Risks:

- removal of our 'Failure to Achieve Acceptable Returns from the Packaging Division' risk following the sale of that business
- removal of our 'Tobacco industry Dynamics' risk following the sale of that business
- removal of our 'Internal Processes and Control' risk following the completion of our implementation of our Minimum Control Standards. This remains a Key Risk to the business and robust mitigation continues to be in place however we no longer consider it a Principal Risk
- removal of our 'Strategic Reviews' risk following their completion. Whilst this has been retired as a Principal Risk, we continue to manage the ongoing commitments under the sale agreements including the delivery of transitional services and finalisation of completion accounts

New Principal Risks:

- a new 'M&A Execution and Integration' risk has been added to reflect the importance of inorganic growth and the need to efficiently and effectively execute transactions and integrations in a difficult macroeconomic environment
- a new 'Execution of Strategic plan' risk has been added as a result of the need to implement a portfolio of strategic initiatives to meet our growth commitments

Evolving Principal Risks:

- our former 'Delivery of Strategic Projects' risk, which was largely focused on the delivery of the Business Process Redesign (BPR) project in the Components business has been developed into a 'Digital Transformation' risk which now covers both the BPR project and the underlying digital ecosystem required for our business to succeed
- our former 'Exposure to the Cyclical Industrial Market - Components' risk has been redefined as a new 'Macroeconomic Environment' risk that considers the impact of the macroeconomic situation on the business more holistically
- our former 'Talent and Workforce Management' risk has been redefined as 'Leadership Talent & Capability' to reflect the new strategic direction and new leadership team

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

Principal Risks were subject to a series of deep-dive workshops with former and current leadership and the Board.

Risk governance structure and oversight

The Board has established a risk and internal control structure designed to manage the achievement of strategic business objectives. The Risk Assurance team, separate from line management, enables and facilitates the risk management process across the Company and acts as the custodian of the Company's risk architecture and supports risk management activities.

The GRC met four times in 2022, each meeting with a full attendance. The GRC was chaired by the Chief Executive and its membership comprised GMC members, Head of Risk, Head of Governance and the Group Communications Director. Non-member standing attendees were the Group Health, Safety and Environment Director, the Chief Information Security Officer and the Group Financial Controller. Other members of senior management were also invited to present reports on specific risk activities. The Chair of the ARC had a standing invitation to attend all GRC meetings and received copies of the minutes of every meeting. The Chair of the ARC also meets with the Head of Risk on a monthly basis. The work of the GRC has now been subsumed into the GEC; risk is a standing agenda item at every meeting and risk deep dives will held on a quarterly basis and will ensure that all Principal and Emerging Risks are covered at least once per calendar year.

The GEC's (formerly GRC's) responsibility is to focus and co-ordinate risk management activities throughout the Company and to facilitate the appropriate identification, evaluation, mitigation and management of all key business risks. In addition, the

GEC reviews the risk appetite and ongoing risk management approach and makes recommendations on risk appetite to the Board and oversees actions required to ensure adequate controls and mitigating actions are in place against identified risks.

As an important part of fulfilling its responsibilities, the Board receives regular reporting from the Chief Executive in relation to risk to enable the Board to challenge and review the GEC's views on key risks.

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

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

Principal Risks

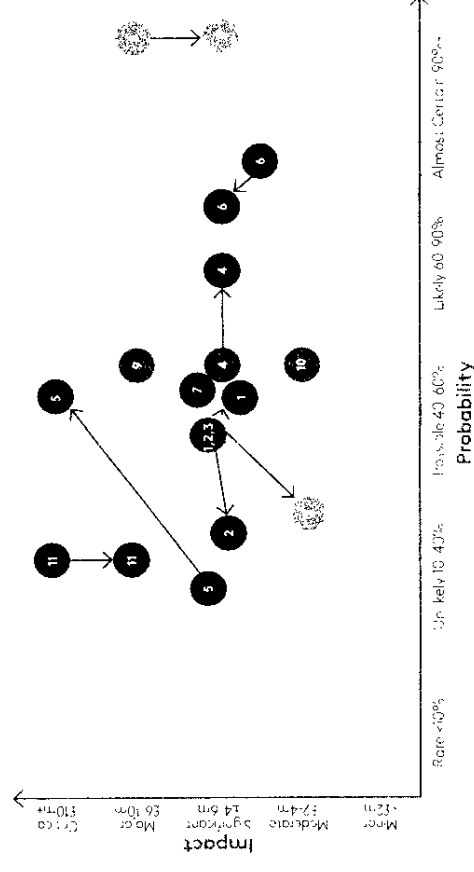
The GEC now has responsibility for enabling the identification and management of Essentra's Principal Risks. An in-depth assessment has been undertaken to assess the appropriateness and adequacy of our Principal Risks. The assessment was performed against the four risk categories. As part of the process, divisional and enabling function leadership teams have also undertaken reviews of this risk portfolio supported, where necessary, by the Risk Assurance team.

As part of our top-down process, a detailed review of Principal Risks was performed as the strategic reviews progressed. This considered risk from both a top-down and bottom-up perspective as well as through the lens of the geopolitical and economic disruption we see today. All Principal Risks have been assigned a GEC owner, assessed to consider the extent to which they might impact the company's strategic objectives and, as a result, the approach to mitigation defined and documented.

The output from these considerations were presented to the Board along with a proposal for risk appetite, a recommendation of Principal Risks to be included in long-term viability modelling and overall approval.

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

Principal Risk movement from 2021 Annual Report



1. Environmental	7. M&A Execution and Integration (new 'in 2022)
2. Social	8. Cyber Event
3. Governance	9. Execution of Strategic Plan (new 'in 2022)
4. Operational and Supply Chain Disruption	10. Health and Safety Performance
5. Digital Transformation (changed 'in 2022)	11. Macroeconomic Environment (changed 'in 2022)
6. Leadership Talent and Capability (changed 'in 2022)	

● Strategic Risks ● Operational Risks
 ☆ External Risks ● Disruptive Risks

Movement →

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

To make this evaluation, the estimated financial impact of each Principal Risk crystallising was considered. The Board and GEC assessed the potential impact on the Company's viability, based on selected severe plausible risk scenarios. These were developed in conjunction with senior management. The Principal Risks that were considered to have a potentially significant impact on the Company's viability are included in the Long-Term Viability Statement on page 130.

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

Emerging Risks

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

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

Emerging Risks have the potential to increase in significance and affect the performance of the Company and as such are continually monitored through our existing risk management processes described on page 101.

Our risk management process ensures Emerging Risks are identified and added to the GEC and the Board's assessment of whether the Company is adequately prepared for the potential opportunities and threats they present.

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

We undertake a top-down and bottom-up assessment to identify Emerging Risks. A series of risk workshops with former Group and divisional leadership teams have been held as the strategic reviews progressed and were facilitated by the Risk Assurance team, the most recent of which considered the potential sources of disruptive risk.

These workshops formed part of the ongoing cadence of Emerging Risk identification and were followed by further discussion at GRC meetings. Additionally, further assessments of potential Emerging Risks were performed using externally sourced Emerging Risk data. The Company's potential exposure is assessed against the Board's approved risk measurement criteria. The process enables new and changing Emerging Risks to be identified at an early stage so they can be analysed thoroughly to assess potential exposure.

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

Emerging risks

Emerging Risk	Owner
Regulatory change	Company Secretary
Risk description	
The risk that Essentra does not or is unable to comply with changes in the regulatory environment. Governments might react to prevailing economic conditions by increasing taxes and tariffs. Evolving public sentiment on sustainability might result in further legislation with which the Company must comply. The geographical breadth of the Company's operations adds a degree of complexity to this emerging risk.	
Mitigation	
We continue to proactively monitor and review developments in the regulatory environments in which we operate. This includes leveraging the knowledge of those colleagues operating in local markets and seeking external advice.	
Emerging Risk	Owner
Technology disruptors	Chief Marketing Officer and Chief Digital Information Officer
Risk description	
The risk that the Company does not manage its response to evolving technologies effectively. It's may include losing competitive advantage as rivals deploy advanced manufacturing technologies, artificial intelligence and robotics to strengthen product development, marketing, production, distribution and support functions. In addition, the rapid emergence of alternative materials might affect demand for our products.	
Mitigation	
We continue to monitor and review developments in the external market through our networks. This includes innovation and futures sessions with existing suppliers. We are also involved in a range of external technical focus groups to support the identification of future technology trends.	
Emerging Risk	Owner
Sentiment towards plastic	Chief Sales Officer and Chief Marketing Officer
Risk description	
Market and stakeholder sentiment towards plastic continues to evolve at pace and could affect medium-term demand for many of Essentra's products.	
Mitigation	
We continue to work internally and with our supply chain to identify opportunities to reduce the extent to which we use virgin plastic in our products and to use alternative materials.	

STRATEGIC RISK

The GEC and the Board have undertaken a rigorous assessment of Emerging Risks during 2022 and have established procedures to closely monitor Emerging Risks on an ongoing basis including:

- the GEC's responsibility to review the Company's ability to identify Emerging Risks
- consideration of Emerging Risks as a standing agenda item at each GEC meeting, and each Emerging Risk will be subject to a deep-dive
- external specialist input is sought where required
- identification of Emerging Risks which have been assigned an owner who is a GEC member. The Emerging Risk owner is responsible for providing Risks and the development of Emerging Risks activities in response at each meeting.

The Board can confirm that it has completed

a robust assessment of the Company's Principal and Emerging Risks. The Company continues to focus on ensuring the adequacy of risks faced by the Company to ensure alignment with the Board-approved risk appetite.

Essentra has no significant operations or infrastructure in Russia or Ukraine and the business does not have local currency exposure.

We have processes in place to ensure the Company is compliant with all relevant international regulations and sanctions, continues to closely monitor the situation and remains vigilant to changes in our risk profile resulting from it. We continue to monitor the situation in Ukraine, the ongoing response of international governments and any potential impact on the Company.

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

REPORT 2022

Relevance Industry general

Environmental Change in risk level Unchanged

Ownership Chief Operations Officer

Description

Formerly a component part of our Environmental, Social and Governance Principal Risk, this focuses on concerns around the impact of fundamental environmental, which are increasingly fundamental for all companies to:

- Single Use Plastics: including potential changes in relation to laws and regulations and the need to increase recycled content and product circularity. The business is actively working to incorporate more sustainable materials and believes it has the innovation capability to enable future growth opportunities with the use of such materials.

- Climate Change: given the business's operational footprint and, as part of our TCFD activity, we have worked closely with third-party consultants to understand the financial risk exposure of climate-change related physical risks, under three at key sites across seven risk areas, under three scenarios. We have identified ten material events, and opportunities relating to physical events, the transition of our business and the changing customer demands and power. Input costs relating to raw materials and power. We continue to develop mitigation activity and management approaches to help address these issues into our business continuity management and planning frameworks, closely linked to existing work with our insurers.

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

Elements of this risk that previously related to the EU packaging directive and to the tobacco industry have been eliminated with the divestment of the Packaging and Filters businesses.

Environment: activities are managed through the work of the Company's ESG Committee (formerly Board Sustainability Committee). This is chaired by a Non-Executive Director, and comprises members from Board, GEC and other senior management. The role of this Committee is to:

Mitigation

review and assess the Company's exposure to sustainability-related issues

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

The ESG Committee's recommendations, in respect of reducing risk exposure, inform the work of the GEC, Global functions and the wider business. Additionally, the Nomination and Remuneration Committees cover aspects of environmental performance.

During the year, as part of our refocusing the business to a pure-play Components business, a new Sustainability Strategy team has been created to manage the delivery of the Company's environmental objectives.

Finally, the GEC also continues to evolve our approach to managing climate change risk, and we continue to work to fulfil our reporting obligations under TCFD requirements (see page 40).

STRATEGIC RISK

Social

Change in risk level
Unchanged

Ownership
Chief People and Culture Officer

Relevance
Industry general

Description

Formerly a component part of our Environmental, Social and Governance Principal Risk, this focuses on concerns around the impact of business on our stakeholders and the societies in which we operate. Essentra's risk is focused in two areas:

- **Ethical Supply Chain:** the breadth of our operational supply chain results in risks in relation to modern slavery, child labour and safe, hygienic working environments.
- **Diversity and Inclusion:** the risk that we are unsuccessful in leveraging the opportunities that a diverse team offers the business. Strong engagement on ethnic and gender diversity and inclusion can also lead to improved cognitive diversity and the avoidance of group think. Essentra has a global footprint and our diversity helps us serve the geographical markets in which we operate. We believe diversity brings a range of outlooks to decision-making and problem-solving as well as better representing our employee base and the communities in which we operate.

More generally, we remain vigilant in respect of evolving expectations around Essentra's engagement with its internal and external stakeholders more broadly.

Failure to meet our obligations to our internal and external stakeholders and the societies in which we operate more generally could lead to reputational or commercial risk for the Company.

Mitigation

This Principal Risk is addressed in a number of ways. We have a robust "Know Your Supplier" process which continuously screens significant suppliers for restricted parties and adverse media. Additionally, significant suppliers are required to confirm their compliance with Essentra's code of conduct. We are currently reviewing a number of options for enhancing the breadth of our due diligence to better understand and mitigate the risk of modern slavery and child labour (along with a number of more general ethical and operational considerations) across our entire supply chain rather than just our direct relationships.

We actively engage with our workforce on diversity and inclusion and monitor key metrics at management levels. We continue the work of our Diversity and Inclusion network which includes launching local and global campaigns to promote awareness.



Environmental

Change in risk level
Decreased

Ownership
Company Secretary

Relevance
Industry general

Description

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

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

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

Mitigation

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

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



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

DISRUPTIVE RISK

Operational and Supply Chain Disruption



Change in risk level
Increased

Ownership
Chief Operations Officer

Relevance
Industry general

Description

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

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

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

We experienced continuing disruption to our China site as a result of COVID-19 related restrictions and outbreaks.

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

Additionally, during 2022, as part of our TCFD activity, we have developed the work performed with external consultants in 2021 to better understand the potential impact of climate change on our business over the short, medium and long term, both for physical and transition risks, to enable us better to embed these considerations in our risk management processes.

Mitigation

We continue to review and refresh our business continuity management and planning frameworks and processes. We also have commenced a number of initiatives to better understand our supply chain and identify and mitigate potential stress points. During the last year we have implemented a new distribution model for EMEA; a warehouse hub is in place in Germany and another recently went live in Poland.

In 2023, work is planned to consider the distribution model in the Americas and Asia, to identify and eliminate single points of failure in our supplier base and to develop resilience plans at a global level.

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

- leveraging our global manufacturing footprint to provide alternative manufacturing locations
- fire and other risk prevention systems
- assessing and managing operational risks via the enterprise risk management process
- ensuring comprehensive maintenance plans are in place for key manufacturing equipment
- ensuring resilience arrangements are in place and are tested for key operational IT hardware and software

- maintaining an insurance programme and working closely with our insurers to ensure complete and comprehensive cover to prevent losses, along with identifying and pursuing opportunities to improve site-level resilience to human factor, natural disaster and fire-related issues
- performing tests and ensuring any lessons learnt (along with any learnt from real-world events) are fed back into the planning process
- ensuring non-operational employees are equipped to work from alternative locations should the need arise.

Additional measures to mitigate against multi-site issues include:

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

STRATEGIC
RISK

Digital Transformation

Change in risk level
Increased

Ownership
Chief Strategy Officer

Relevance
Company specific

Description

Our success is dependent, in part, on our ability to deliver key digital projects on time and within budget to realise their full potential. We continue to invest in, and deliver, our Business Process Redesign programme, our digital eCommerce platform and the fidelity of our data to further improve our service offering.

Failure to deliver these key initiatives could adversely affect our ability to maintain a competitive advantage, to deliver our digital strategy and to leverage our data as an asset.

The roll-out of the Microsoft Dynamics 365 system as part of the Business Process Redesign continues with significant strides made in Q4 2022. A detailed plan is now in place to accelerate implementation throughout 2023. The completion of this programme will provide a robust platform from which we can further develop our digital capabilities.

Mitigation

In early 2022, we reviewed and strengthened governance arrangements and resources to accelerate delivery of the Business Process Redesign programme. A robust management framework is now in place to support the delivery of our digital transformation, which includes the Business Process Redesign programme, and during the year we opened a new Digital and Data hub in Istanbul. These initiatives are supported by a project management infrastructure.

We continue to maintain a strong focus on the skills and capabilities of our employees in relation to the delivery of our digital projects. This is achieved by providing training and support, as necessary and by mobilising teams which possess the right skills to deliver. In particular, we support project managers' development through a variety of training programmes and professional qualifications.

STRATEGIC
RISK

Leadership Talent and Capability

Change in risk level
Increased

Ownership
Chief People and Culture Officer

Relevance
Company specific

Description

Ensuring we are able to acquire, retain, develop and motivate the required management and leadership necessary to evolve our business, develop our culture and meet future customer needs. Having recently concluded our strategic reviews, we are now a pure-play Components business. During the review process, the Company has been through a significant level of change and now has a completely new leadership team. The level of change seen coupled with labour market dynamics, requires us to continue our focus on retention of key talent, avoiding burn-out and presenteeism. Additionally, we must continue to grow the agile skills required to support and build our pure-play Components strategic direction.

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

Additionally, a people strategy is in place and is designed to enhance the employee experience, drive changes needed and have skilled leaders for the future. This strategy considers:

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

Mitigation

As part of our strategic reviews activity, the leadership and talent needs of the pure-play Components have been assessed and a new organisation design implemented to support them.

Throughout the strategic reviews, we focused on the retention of existing talent and also, where it did not exist internally, on attracting the external talent necessary to deliver our strategy in this new pure-play environment. We continue to review the organisation for points of failure at which additional cross-training might be necessary to avert a disruption.

STRATEGIC RISK

M&A Execution and Integration

Change in risk level
New

Ownership
Chief Financial Officer

Relevance
Company specific

Description

As outlined in the November 2022 Capital Markets Day, M&A is a key part of the Company's growth strategy. There is an inherent risk that there are insufficient available targets to deliver the M&A plan. Additionally, there is a risk that the Company is unable to successfully implement its post-acquisition integration strategy as a result of some of the capability and capacity constraints noted in Leadership Talent and Capability Principal Risk. The nature of this risk differs between bolt-on and transformation acquisitions.

Mitigation

The level of resource available to M&A execution is being reviewed and, if appropriate, increased. The Company maintains an active M&A pipeline and proactively seeks out potential targets. Work is ongoing to refine M&A criteria, strategic priorities, with particular focus on the differing requirements of bolt-on and transformational M&A, and the approach to integration.



Change in risk level
Decreased

Ownership
Chief Digital Information Officer

Relevance
Industry general

Description

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

Mitigation

The Company has an established cyber security improvement programme which has evolved to meet the needs of the new Essentra, which aims to mitigate the risks and operational disruption caused by cyber events. The programme includes:

- endpoint protection (including zero-trust remote access), encryption of data, enhanced cloud-based security tooling and protection, web and email content protection
- specific focus on mitigating cyber risks in relation to shop-floor IT infrastructure
- identity and access management
- continued cyber security awareness training for all employees
- vulnerability and penetration testing for external IT services and websites.

During the year, specific effort has gone into maintaining the cyber control environment through the separation of the Packaging and Filters divisions and the delivery of transitional services.

The change in ways of working that we have seen over recent years has affected our operational dynamic with significant levels of remote working continuing to be the norm. The Company has invested, as part of our pandemic response, in improvements to protection of mobile devices and remote access.

As we look to the future, maintaining cyber security integrity in a growth environment will be critical; disruptive cyber events remain a serious threat to our digital ecosystem and to the smooth running of our business. We continue to invest in our cyber security programme which includes mitigation and risk reduction activities across people, process and technology.

OPERATIONAL
RISK

Execution of Strategic Plan

Change in risk level
New Principal Risk

Ownership
Chief Strategy Officer

Relevance
Company specific

Description

The Company outlined ambitious plans during the recent Capital Markets Day underpinned by a number of strategic initiatives. These initiatives include, but are not limited to digital transformation, our approach to cross-selling and product category management. Whilst elements of this strategy are touched upon in other Principal Risks, there is a wider risk in relation to the Company's ability to deliver the initiatives that underpin the growth commitments made to the market. Additionally, there is a risk that the Company suffers from initiative overload and cannot effectively prioritise critical strategic tasks.

Mitigation

The Company's "hassle-free" strategy is in place and is underpinned by ongoing work on Product Category management and our digital transformation (see page 62 for further detail on our Digital Transformation Principal Risk). The Company already seeks to drive the cross-selling of products across geographical and market boundaries. This is particularly the case for some of our more recent acquisitions. Work is ongoing to ensure the Company's project portfolio is adequately scoped for the level of resource available and prioritised towards those activities that are critical to achieving strategic objectives.

OPERATIONAL
RISK

Health and Safety Performance

Change in risk level
Unchanged

Ownership
Chief Operations Officer

Relevance
Industry general

Description

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

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

As we seek to grow the business both organically and inorganically, we are mindful of the effect this might have on our risk profile. Our approach to integration ensures early deployment of Essentra's safety practices. More generally we continue to drive our safety culture through the "zone from the top" and across the whole company.

- Increasing use of the Health and Safety Management system to automate our Global "Stop, Think, Examine, Proceed" (STEP) programme. This is a hazard identification and process improvement initiative that empowers the entire workforce to recognise and address safety improvement opportunities. Corrective actions are assigned with clear ownership and targeted completion within 48 hours
- Conducting performance monitoring and Health and Safety Audits, incorporating reporting and escalation arrangements to ensure all actions are closed
- Undertaking root cause analysis for any issues identified through investigation of serious incidents, including near misses and ensuring lessons learnt are cascaded across the Group
- Embedding our health and wellbeing strategy with a specific workstream that considers our leaders, managers and employees and their physical and emotional wellbeing
- Focused HSE events throughout the year to highlight particular risks and help keep safety at the forefront of our minds.

Mitigation

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

Some of the key mitigations which are in place include:

- regular reporting to the GEC and the Board on Health, Safety and Environment (HSE) related matters
- a Company HSE policy detailing required standards, governance, roles and responsibilities at all sites

With the increased focus on emotional health and wellbeing, we have introduced awareness training for leaders and managers. We have developed training materials for employees and are now moving towards introducing proactive steps for employees to manage their own wellbeing.

During 2023, we aim to make better use of the data held within the our Health and Safety management system and develop leading indicators to help identify improvement areas before issues occur. Furthermore, we will continue to drive our safety culture across the organisation.

STRATEGIC
RISK

Macroeconomic Environment

Change in risk level
 Decreased

Ownership
 Chief Financial Officer

Relevance
 Industry general

Description

In previous years, this risk has been called Exposure to the Cyclical Industrial Market (Components Division). Now the Company has completed its strategic reviews and is now a pure-play Components business; we have re-framed the risk to consider the effect of changes in the macroeconomic environment more generally. The Company serves a broad range of 'industrial' customers and, as such, is exposed to overall industrial production trends. Global industrial production has tended to be cyclical in nature with major economic downturns leading to a downturn in industrial production. From the global financial crisis in 2008-2009 to the COVID-19 pandemic, economic cycles have affected demand in these broad industrial markets.

The Company sells to a broad base of global and regional end markets including automotive, capital goods and electronics. This market and geographical breadth provides a degree of risk diversification; however, as we see from the current economic climate, downturns in industrial production are almost certain to happen, albeit with an uncertain time frame.

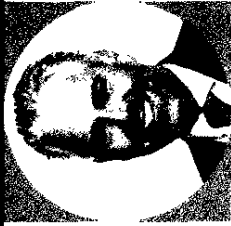
The Company seeks to operate a flexible model whereby changes to its cost base can be quickly made to maintain operating margins against fluctuations in demand. Whilst the Company has been historically successful in managing profitability through the economic cycle, there remains a risk that the necessary changes cannot be executed, or they are not robust enough to minimise the impact on operating margins.

Mitigation

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

- the ongoing optimisation of fixed cost base to minimise the impact of demand fluctuations. Specifically, the Company undertakes continuous reviews of its operating footprint to optimise manufacturing and distribution cost to serve. A new distribution model for EMEA has been implemented which provides the opportunity for us to reduce our distribution footprint while delivering enhanced service levels to our customers, the models for the Americas and Asia are currently being reviewed
 - our increased investment in the automation of production and distribution activities, enabled by robotics, will further help to reduce fixed costs. We also undertake ongoing reviews of our labour management practices with a view to striking the right balance between permanent and temporary employees, so that we are able to effectively manage our cost base
 - diversification across the market sectors we sell to; both within the industrial sector and also beyond it. We continue to develop our product category management approach to better focus on faster growing and resilient market segments. We continue to explore M&A and entry opportunities in new markets to further mitigate this risk.
- We continue to invest in our innovation capabilities to secure new opportunities, develop our use of alternative materials and diversify our product range.

Group Executive Committee

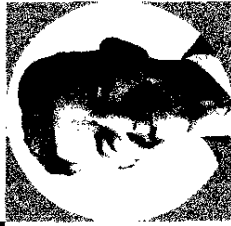


Scott Fawcett
Chief Executive

Appointed to the Group Executive Committee:
January 2025

Joined Essentra:
December 2010

Scott was appointed as Chief Executive in January 2023 having joined Essentra in 2010 as Managing Director of the Components European business and subsequently joined the GMC in January 2014 leading the Components business. Prior to joining Essentra, Scott was Head of eCommerce at RS Group (formerly Eectocomponents plc), where he held a variety of increasingly senior sales, marketing and eCommerce positions during his 17 year career there.

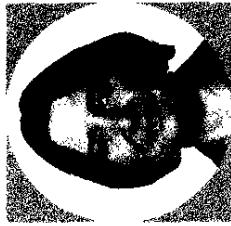


Jack Clarke
Chief Financial Officer

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
April 2021

Jack was the Group Finance and Executive Director of Marshalls plc from October 2014 to April 2021. Previously, Jack served as the Strategy Director and then CFO of AMEC (E&I) between January 2010 and September 2014. Jack is a qualified chartered accountant.

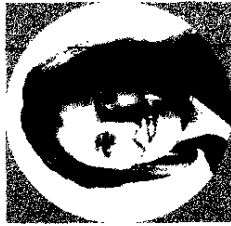


Emma Reid
Company Secretary

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
January 2020

Emma joined Essentra in 2020 and was appointed as Company Secretary in 2023. Prior to becoming Company Secretary Emma was Head of Governance, and previously worked for Which? and Imagination Technologies. Emma has extensive governance experience and is a qualified company secretary.

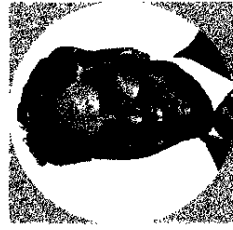


Oshin Cassidy
Chief People and Culture Officer

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
January 2019

Oshin joined Essentra as Group Human Resources Director in January 2019 and became Chief People and Culture Officer in January 2023 when the Company became a pure-play Components business. Prior to joining Essentra, Oshin was Group Human Resources Director at Imagination Technologies, and has extensive human resources experience having previously held senior roles at global organisations including Securitas, ComfortDelGro, Centrica and QinetiQ.



Rob Baker
Chief Operating Officer

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
October 2021

Rob joined Essentra in 2021 as Supply Chain Director of the Components business. Rob has over 25 years of supply chain experience covering end-to-end supply chain across both industrial products and consumer goods sectors. Prior to joining Essentra Rob's background comprises both senior operational leadership roles with business consulting, with a focus on operational transformation and performance improvement.



Hugues Delcourt
Chief Sales Officer & Director, EMEA

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
July 2019

Hugues joined Essentra in 2019 as Managing Director of the Components European business and was appointed to his current role in July 2022. Prior to joining Essentra, Hugues was Global Commercial Director at Coats, where he held a variety of increasingly senior Commercial and P&L management positions during his 16 year career. Hugues started his career at Moss Plastic Parts and Alliance Plastics which later formed part of Essentra.



Sam Edwards
Chief Digital Information Officer

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
June 2014

Sam joined in 2014 and during his time with Essentra has been primarily responsible for digital and hassle-free strategic programmes along with embedding digital and data into the business globally. Prior to joining Essentra, Sam spent 11 years at RS Components in a number of increasingly senior digital and commercial roles.



Gabriele Hannen
Chief Strategy Officer

Appointed to the Group Executive Committee:
March 2023

Joined Essentra:
August 2019

Gabriele joined Essentra in 2019 as Finance Director for the Components business. Prior to joining Essentra, she worked across Manufacturing & Distribution, Consumer Media and Market Research in privately owned and listed businesses. Gabriele held a variety of Finance and wider leadership roles with a focus on business growth and change. She is a professional certified Coach from Henley Business School.



Lynne Vandaveer
Chief Marketing Officer & President, Americas

Appointed to the Group Executive Committee:
January 2023

Joined Essentra:
July 2022

Lynne joined Essentra as President of the Americas region and global Chief Marketing Officer in July 2022. Prior to joining Essentra, Lynne was Chief Marketing Officer at PlayPower, a world leading manufacturer of outdoor recreation equipment. Lynne has extensive marketing and general management experience having worked at a leading consumer products including SC Johnson, PepsiCo, Cadbury, Mondelez, Kellogg's and Campbell Soup.

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Directors' Report



Chair's statement

Dear Shareholder

The 2022 Corporate Governance statement and report provides you with a more detailed look into how we approach Corporate Governance at Essentra and how it supports our purpose and strategy. As you read through the Corporate Governance report you will see that we have reported on activity over the last year, but also reflect on the new structures we will be using, all of which continue to meet or exceed best practice.

The Board has the highest regard for good governance and is mindful that all its discussions and decisions need to reflect the principles set out in the 2018 UK Corporate Governance Code (2018 Code). The Board keeps under review the way it operates and responds to changes in the business and external environment accordingly. The Board applies the principles of the Code to its discussions and decision making. The Company is very pleased to confirm that from 1 January 2023 it is in full compliance with all aspects of the Code.

The Corporate Governance report that follows sets out in more detail how we have observed and applied the Code, what action we took to achieve this and the outcomes which support our long-term success. Additional information has been provided where we believe this will help better inform our stakeholders. Information required to be reported under the Directors' Report is reported both here and within the Strategic Report, and the ESG report contains a lot of additional disclosures. To make the reports as easy to read as possible, we have included cross-references throughout.

Our Section 172 Statement can be found on page 38 which combines with our broader reporting on stakeholder engagement. We hope this section brings to life the work of the Board throughout the year.

In parallel with ensuring the strategic reviews completed on time, the Board also focused its time, both inside and outside of formal meetings, on supporting the organisation as it worked towards becoming a pure-play Components business.

The Board considered its own composition, as well as ensuring that it worked with Scott, as he developed the shape of the new business, including its purpose, ambitions and strategy, and established a new leadership team. More information on the new leadership team, the Group Executive Committee, can be found on page 66 and the purpose on page 76.

The Board has been pleased to add Kath Durrant to their number, thereby meeting the commitment made at the 2022 Annual General Meeting. We will continue to recruit female non-executive directors until we have exceeded the 40% target set by the FTSE Women Leaders Review. We are also pleased to have completed the voluntary Parker Review on the ethnicity of UK boards, for which we already exceeded the goal of "At least One by 2021" and continue to do so, as the Board is firmly of the view that a successful business must have broad and diverse thinking in place, at all levels of its business. The Board is committed to equality and diversity in the workplace and leading by example is key to achieving this and ensuring equality and diversity is upheld throughout the organisation.

PAUL LESTER,
CBE
Chair

Throughout the year, the Board continued with its oversight of all three businesses, as well as setting aside time for the strategic reviews. The Board and its committees continued to receive regular reports on progress, in key areas such as health, safety and the environment, compliance, controls and risk management.

We finished the year with an internal evaluation of the Board's effectiveness, the results of which showed, that not surprisingly, the Board wanted to focus on the components business and form stronger relationships with the Group Executive Committee. As a consequence, the Board agreed an action plan at the end of January 2023 to tackle the findings and details of that are contained on pages 93-94.

Our Annual General Meeting will be held at our Kidlington site again this year. The Board and I hope you are able to join us and we look forward to welcoming you on 3 May.

Paul Lester, CBE
Chair
28 March 2023



Board of Directors

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



Paul Lester, CBE
Non-Executive Chair
Independent on appointment



Appointed to the Board:
December 2015

Skills and experience:

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

Other current appointments:

- Non-Executive Chair Talent Technologies Limited, Funeral Partners Limited & McCarthy & Stone Limited



Scott Fawcett
Chief Executive



Appointed to the Board:
January 2023

Skills and experience:

Scott was appointed as Chief Executive in January 2023 having joined Essentra in 2010 as Managing Director of the Components European business and subsequently joined the GMC in January 2014 leading the Components Global Strategy. Prior to joining Essentra, Scott was Head of eCommerce at RS Group (formerly Electrotechnics plc), where he held a variety of increasingly senior sales, marketing and eCommerce positions during his 17 year career there.

Other current appointments:

- None

- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- ESG Committee
- c Committee Chair



Jack Clarke
Chief Financial Officer
Independent on appointment

Appointed to the Board:
April 2022

Skills and experience:

Jack was the Group Finance and Executive Director of Marshalls plc from October 2014 to April 2021. Previously, Jack served as the Strategy Director and then CFO of AMEC (E&I) between January 2010 and September 2014. Jack is a qualified chartered accountant, has a diploma in treasury management and graduated from the University of Leeds in 1987 with a Bachelors in Economics & Management Studies (Honours) and in 1989 with Masters of Science (Civil Engineering).

Other current appointments:

- None



Mary Reilly
Senior Independent Director
Independent on appointment



Appointed to the Board:
July 2017

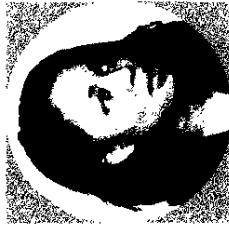
Skills and experience:

Mary is currently Non-Executive Director and Chair of the Audit Committee of Mitie Group plc, a facilities management company, Gemfields Group Limited, Cazoo Group Limited and Mar-HoCo Sarl. Mary brings a wealth of accounting, finance and international management experience to Essentra, having previously been a Partner of Deloitte LLP for more than 20 years, as well as serving on a number of Boards in a Non-Executive capacity since 2000. Mary also serves as a trustee on a range of charities.

Other current appointments:

- Non-Executive Director and Chair of the Audit Committee, Mitie Group plc
- Non-Executive Director, Gemfields Group Limited
- Non-Executive Director, Cazoo Group Limited
- Non-Executive Director, Mar-HoCo Sarl

More information on the background and experience held by our Board can be found in the Notice of our Annual General Meeting.



Dupsy Abiola
Non-Executive Director
 Independent on appointment



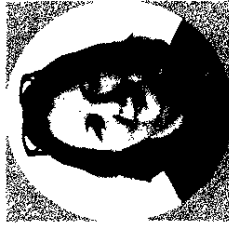
Appointed to the Board:
 March 2022

Skills and experience:

Dupsy is Vice President, Chief of Staff at Monzo Bank. She was previously Head of Global Innovation at International Airlines Group, one of the world's largest aviation groups. She is also a former commercial lawyer by background. Dupsy has undertaken advisory roles for large organisations, disruptive tech companies and venture capital with a focus on future growth and sustainability. These roles include sitting on the Ghana Future Leaders Council at the World Economic Forum. She was previously an Advisory Board Member to F-Lane, the Global Social Impact Accelerator for female founders.

Other current appointments:

- Vice President, Chief of Staff, Monzo Bank Ltd



Kath Durrant
Non-Executive Director
 Independent on appointment



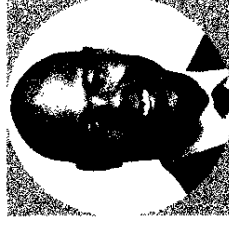
Appointed to the Board:
 January 2023

Skills and experience:

Kath has extensive human resource experience having served as the Group Human Resources Director at Rolls Royce plc and Ferguson plc, and as Chief Human Resources Officer at CRH plc. Kath also worked for GlaxoSmithKline plc and AstraZeneca plc.

Other current appointments:

- Non-Executive Director, SIG plc
- Non-Executive Director, Vesuvius plc



Adrian Peace
Non-Executive Director
 Independent on appointment



Appointed to the Board:
 June 2021

Skills and experience:

Adrian is currently President, Performance Technologies at Modine Manufacturing Company, where he is responsible for overseeing Modine's Powertrain Solutions, Advanced Thermal Solutions and Coatings business. Adrian has experience of leading full P&Ls, digitising businesses and driving operational efficiencies that have transformed the businesses he has worked in. Adrian's early career included roles with General Electric (GE) which he joined in 1990 and went on to become President and CEO for Latin America, Consumer and Industrial business and also a director of a joint venture with MABT, subsequently being promoted to President of Chemicals and Monitoring. Following GE, Adrian worked with WW Grainger and then Republic Services as Senior Vice President, Emerging Business Operations, where he also led Republic's sustainability initiatives driving forward environmental, social and governance issues.

Other current appointments:

- Independent Strategy Advisor & Director, AIP LLC
- President, Performance Technologies, Modine Manufacturing Company

Emma Reid
Company Secretary
Appointed to the Board:
 Secretary to the Board in January 2023

As the Company Secretary, Emma is a sojourner of the Group Executive Committee. For full biography, see page 66



Ralf K. Wunderlich
Non-Executive Director
 Independent on appointment



Appointed to the Board:
 July 2017

Skills and experience:

Ralf is currently a senior adviser to private equity firms and an independent consultant. He was previously President and Managing Director of Amcor Flexibles - Asia Pacific and a member of the Global Group Executive Team of Amcor, the world leader in packaging with operations in approximately 43 countries and sales of approximately US\$15bn. Ralf brings extensive international experience in the packaging industry gained over many years living and working across three continents.

Other current appointments:

- Non-Executive Director and member of the Management Development and Compensation Committee, Apra-Group Inc.
- Non-Executive Director and member of the HR Committee, Huhtamäki Oyj
- Non-Executive Director and member of Audit & Risk, Nomination and Remuneration Committees, Shephard Building Group Boara Ltd

Corporate Governance Report

KEY TOPICS RAISED IN THE 2018 CODE

Company purpose
Page 76

Business model
Page 8

Our people and culture
Pages 30 to 32

Division of responsibilities
Pages 81 to 87

Stakeholder engagement and Section 172(1) Statement
Pages 38 and 39

Composition, succession and board evaluation
Pages 91 to 94

Audit, Risk and internal control
Pages 95 to 104

Remuneration
Pages 105 to 125

Board meetings during the year

Board meetings attended during the year	
Paul Lester, Chair	8(8)
Paul Forman, Chief Executive Officer	8(8)
Jack Clarke, Chief Financial Officer	5(5)
Lily Liu, Chief Financial Officer	3(3)
Mary Reilly, Senior Independent Director	8(8)
Nicki Denby, Non-Executive Director	3(3)
Ralf K. Wunderlich, Non-Executive Director	8(8)
Adrian Pearce, Non-Executive Director	8(8)
Dupsy Abiola, Non-Executive Director	7(7)

Figures in brackets denote the maximum number of meetings could have been attended. During the year, as seemed appropriate, as part of his induction process for becoming Chief Executive Officer, Jack Clarke was appointed as an Executive Director on 19 May 2022. Dupsy Abiola was appointed as a Non-Executive Director on 18 March 2022. Lily Liu resigned from the Board on 19 May 2022. Nicki Denby resigned from the Board on 19 May 2022. On 31 December 2022, the Company Secretary, and General Counsel, Jon Green, stepped down from the role and from 1 January 2023, Emma Reed was appointed as Company Secretary.

DIRECTORS' REPORT

The Board has adopted a schedule of matters reserved for its decision which is available on the Essentra plc website.

Throughout the year, the Board meets with management, both formally and informally, to learn how individual strategies are formed and resourced, which provides the structure to regularly assess progress against agreed metrics, and supports the Board in fulfilling its role.

The formal framework used in conjunction with informal opportunities allows the Board to establish and monitor cultural and behavioural norms that form the basis for the success of the business. The Board, through their own engagement with employees, as well as the Chief Executive and his immediate team, also adopt behavioural norms and influence the culture of the business to ensure it is aligned with the strategy. The Board has primary responsibility for ensuring that cultural practices are reflected in the Company's approach and that this is set out for the workforce through a series of policies and practices that are consistent with the Company's values and norms. The Board supports this by a Right to Speak process, that encourages employees to report any concerns. A further report on this and how the process operates can be found on page 100.

The Board listens to views from a variety of stakeholders to help it formulate an effective view on its strategy and this input is used to shape the strategy and timing of its delivery. The strategic reviews undertaken in 2022 provide an example of how the Board use information from shareholders and other stakeholders, in this case leading directly to the subsequent announcements to undertake strategic reviews of both the Filters and Packaging businesses.

The Board can confirm that during 2022, it has applied all Principles and complied with the all Provisions as set out in the 2018 UK Corporate Governance Code, other than in relation Provision 38 of the Code on pension contribution rates. However, following the appointment of Scott Fawcett as Chief Executive, who receives the same pension contribution as other members of the workforce, from 1 January 2023, the Company is in full compliance with all provisions of the Code.

The Corporate Governance report that follows addresses the pillars of the Code to ensure that all stakeholders can best understand the Company's approach to meeting the Code. Some of the information required by the Code is included in the Strategic Report and is cross-referenced here to avoid unnecessary duplication. Where relevant and appropriate we also disclose additional information to provide the fullest picture possible.

Board leadership and purpose

The Board of Directors is appointed by shareholders who are the owners of the Company. The Board's primary role and responsibility is to provide effective and entrepreneurial leadership, to promote the long-term sustainable success of the Company and generate value for both shareholders and to ensure the Company contributes to wider society.

The Board achieves this through its annual cycle of meetings which ensure it considers a broad range of matters, including strategy planning sessions at which the Company's purpose, values and the strategy itself are reviewed in detail. This is achieved with support from the Executive and the Board ensures it achieves its role in setting long-term sustainable objectives, through the delegation of its authority to the Chief Executive Officer as well as Board committees and management.

In addition to shareholder views, the Board listens to a broad range of other stakeholders and engages actively, whether as the Board or through management, to ensure stakeholder views are heard and acted upon as might be appropriate. Valuable feedback from stakeholders, such as customers, allows the Company to ensure it focuses its resources in the right way and is aligned to the long-term strategy.

The Board considers shareholder and other stakeholder views and the main trends and factors which will affect the long-term success and future viability of the Company – and how these and the Company's Principal Risks, uncertainties and opportunities have been addressed. More information on this can be found in the Risk management report on pages 52 to 65.

The Board reviews the risks to achieving the Company's long-term strategy on a regular basis and during 2022 continued to be supported in this by the Group Risk Committee and the Audit & Risk Committee. The Company's Principal Risks and Emerging Risks are included in the Risk Management Report on pages 52 to 65.

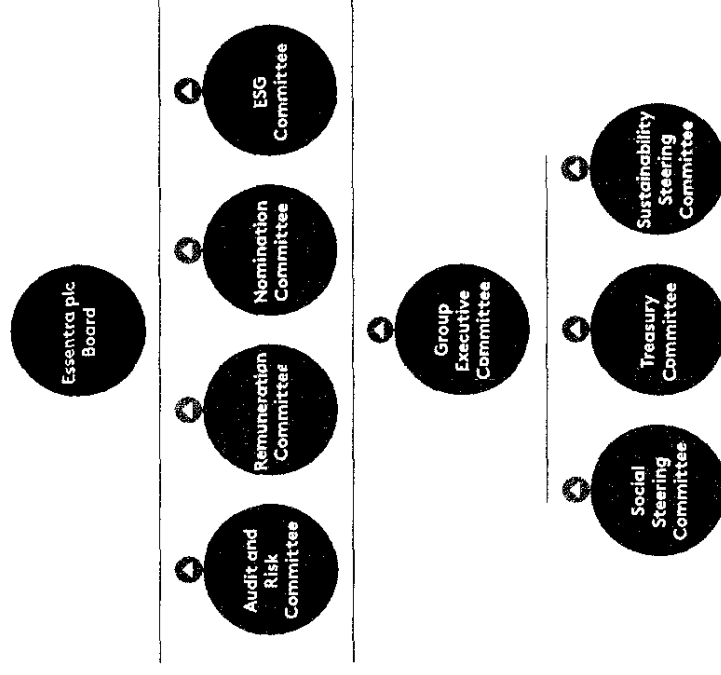
The Board takes the opportunity during the year to engage with employees on a range of subjects and the feedback from these sessions are fed back to the Board during meetings. The Board has continued to engage with employees directly through the continued Voice of the Employee initiative and provides employees with an opportunity to meet and discuss any concerns or observations directly with the appointed representatives. More information on this can be found in the Stakeholder engagement section on pages 38 and 39, and a further report on Board employee engagement on pages 79 and 80.

Our structure

Throughout 2022, the Company continued to use the framework previously disclosed in its 2021 Annual Report.

For 2023, the framework has evolved and is more streamlined, reflecting the change to becoming a pure-play Components business, as follows:

- the introduction of a dedicated ESG Committee at Board level which also has oversight of TCFD disclosures
- the establishment of an executive committee known as the Group Executive Committee (GEC)
- reporting Risk directly to the GEC and removal of the Group Risk Committee
- investment matters considered directly by the GEC with support from the Treasury Committee
- reporting of compliance issues direct to the GEC and removal of the Group Compliance Committee
- closure of the management level ESG Committee reflecting the changes in the overall shape of the business



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

Essentra plc Board (the Board)

In fulfilling its role, the Board:

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

Audit and Risk Committee (ARC)

The ARC supports the Board and is responsible for:

- monitoring the integrity of the Company's Financial Statements
- reviewing, challenging and approving its accounting policies
- scrutinising the effectiveness of the internal and external auditors and the Company's internal control and risk management systems.

Remuneration Committee

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

Nomination Committee

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

Sustainability Committee

During 2022, the Board level Sustainability Committee focused on all environmental aspects and is responsible for providing advice on and coordinating, sustainability related activities across the Company. The Sustainability Committee reviewed the strategies, policies, management, initiatives, targets and performance of the Company within its sustainability framework. This Committee has transitioned into the ESG Committee from 2023 onwards.

ESG Committee (ESGC)

From 2023, the ESGC has oversight delegated to it by the Board for determining the ESG strategy and approach to ESG affairs. The ESGC is responsible for scrutinising the ongoing performance against sustainability targets and measuring progress of the ESG strategy and providing feedback where appropriate to other committees, including the Remuneration Committee for ESG measures that are incorporated into bonusable targets.

Tenure

The Board are appointed for terms of three years, and each Non-Executive Director may serve up to a maximum of nine years. Each Director of the Board stands for election or re-election each year as appropriate.

The Board has considered which of the Non-Executive Directors are considered to be experts in specific fields as shown below. Further information on the background and experience of our Board can be found on page 70 and in the Notice of Annual General meeting.

- **Risk management**
Paul Lester, Ralf K. Wunderlich, Adrian Peace, Mary Reilly
- **Investor Relations**
Paul Lester
- **Recent Audit and Financial**
Mary Reilly, Ralf K. Wunderlich
- **Remuneration**
Ralf K. Wunderlich, Kath Durrant
- **People and social**
Kath Durrant, Adrian Peace
- **Innovation**
Dupsy Abiola
- **Technology**
Dupsy Abiola, Adrian Peace
- **Industry Expert**
Adrian Peace
- **Sustainability**
Ralf K. Wunderlich, Adrian Peace
- **Regulatory & Governance**
Dupsy Abiola, Mary Reilly, Paul Lester, Kath Durrant

Of the eight Board members, six are considered to be independent as deemed by the Code (75%). Whilst this includes the Chair who was considered independent upon appointment, it is recognised the Chair is unlikely to remain independent throughout his tenure.

Board composition	
Executive	25 %
Non-Executive	75 %
Tenure – Non Executive	
Up to 3 years	50%
3–6 years	33%
6–9 years	17%

Group Executive Committee

From January 2023 onwards, the Group Executive Committee (GEC) provides general executive management of the pure-play Components business and operates within the delegated authority limits determined by the Board.

Group Management Committee

During 2022, the Group Management Committee (GMC) provided general executive management of the strategic reviews and of the broader Essentra business, within agreed delegated authority limits determined by the Board. Specifically, the GMC supported the Chief Executive in achieving Essentra's values and goals. Following the sale of the Packaging and Filters businesses, the GMC was disbanded by the year end, with the Components leadership team forming the GEC, as set out immediately above.

Group Risk Committee

During 2022, the Group Risk Committee (GRC) was responsible for monitoring Principal and Emerging Risks, and ensuring the effectiveness of business and functional risk management. Further details of the Company's risk management framework can be found on page 55. From 2023 onwards, Essentra's approach to risk management is reported on directly to the GEC in the first instance on a quarterly basis or more frequently if so required.

Treasury Committee

During 2022, the Treasury Committee operated as a sub-committee of the GRC. It set the Treasury Policy for approval by the Board and reported to the GRC for management of treasury related risks and to the ARC for the effectiveness of the process for managing those risks. From 2023, the Treasury Committee will operate as a sub-committee of the GEC but will continue to report on treasury and financial operating risks to the ARC as may be appropriate.

Investment Committee

The Investment Committee was introduced at the start of 2020 and operated as a sub-committee of the GMC. The Investment Committee provided control and challenge around major capital expenditure over £250k. From 2023, the function of the Investment Committee will be fulfilled by the GEC with the support of the Treasury Committee, which is a sub-committee of the GEC.

Group Compliance Committee

During 2022, the Group Compliance Committee (GCC) was established to oversee the Group's implementation of compliance programmes, policies and procedures required to meet legal, compliance and regulatory requirements. The GCC was responsible for executive monitoring of the overall progression of compliance activities. From 2023, compliance activity is monitored directly by the GEC.

ESG Committee (management level)

The management level ESG Committee was established during 2021 and operated as a sub-committee of the GMC. It was responsible, along with the GMC for the Group Environmental Sustainability Policy and developing the first report on TCFD. During 2022, after the completion of the year end reporting cycle and as the strategic reviews progressed, each business was better able to manage their own approach to sustainability, and the committee's work drew to a natural conclusion. ESG matters were reported directly to the GMC as appropriate. From 2023, the GEC is directly responsible for all ESG matters and is supported in its responsibility for ESG by a Sustainability Steering Committee and a Social Steering Committee, that report to the GEC.

Fair, balanced and understandable

One of the key requirements is for the Annual Report to be fair, balanced and understandable. In coming to a conclusion that the Annual Report is fair, balanced and understandable the Board has the support of the ARC, which makes recommendations to it on this and also considers the process adopted by the organisation in drafting the Annual Report, which requires Company-wide co-ordination and review. That process runs alongside the formal audit of the Financial Statements conducted by the External Auditor. The Board further takes into account representations made by management and the views of the internal and external auditors as to the integrity of the narrative and financial statements. The comprehensive review process carried out with detailed scrutiny, assessment and reporting from the ARC followed by further critical review by the Board as a whole, enabled the Board to determine that the 2022 Annual Report, taken as a whole presents a fair, balanced and understandable position and provides shareholders with the information necessary to assess the performance, strategy and the business model of the Company.



Essentra purpose, values and culture

With the newly focused business, the Board wanted to ensure that the Company's purpose and values reflected its culture and beliefs. Working with the GEC, a review was carried out to assess and agree the Company's purpose.

In developing the purpose, vision, values and goals, management looked to the existing culture and norms it had been using for some time, in conjunction with the previous Group-wide approach. This approach allowed the business to ensure its purpose reflected its culture and that it could continue and flourish.

The Board, with the support and input of the GEC, considered the existing practices and following in-depth consideration, agreed the purpose "to help customers build a sustainable future" resonated with why the business existed and provided the meaning for all of the business activity.

At the Capital Markets Event held in November 2022, the GEC announced its vision and goals for the business. The vision "to be the world's leading responsible, hassle-free

supplier of essential industrial components" had been used by the Components business for some time, and the ambition and focus of smooth hassle-free customer service underpins the priorities of the business.

The goals had been stated around four key areas:

- Market leader with a unique proposition in a fragmented £8-10bn market
- Clear strategy to drive organic growth and market share gains supported by digitalisation and sustainability
- High margin business with scope to expand through scale efficiencies, operational effectiveness and pricing
- Strong returns and cash conversion enabling value enhancing M&A

The business had developed behavioural norms over a period of years that had been used in parallel with the previous Group values, and it was agreed that certain key norms were appropriate to become values. The Board agreed that "living our values" was a key way to ensure behaviours and expectations were able to be aligned across our footprint:

- We care about our customers
- We care about each other
- We deliver
- We are an effective team

Purpose during 2022

Reflecting on the prior purpose the Board noted the success of the previous Essentra House and the shared purpose enjoyed by three different businesses "to responsibly provide the products and services our customers need to succeed" and observed that during the year the purpose had remained relevant and supported the business's approach to how it conducted itself.

This had been seen first-hand by the Board when the Board Employee Champions had visited sites and been able to see the values of safety, respect and diversity, openness, honesty and integrity and energy for change in use. More information on these visits can be found on page 80.

The Board believes the previous values will allow the Packaging and Filters businesses to continue their transformation under new leadership.

OUR PURPOSE

We help customers build a sustainable future

OUR VISION

To be the world's leading responsible, hassle-free supplier of essential industrial components.

OUR GOALS

Market leader with a unique proposition in a fragmented £8-10bn market
Clear strategy to drive organic growth and market share gains supported by digitalisation and sustainability
High margin business with scope to expand through scale efficiencies, operational effectiveness and pricing
Strong returns and cash conversion enabling value enhancing M&A.

OUR AMBITION

To enable the resilience and longevity of our business by supporting profitable growth

LIVING OUR VALUES

We care about our customers
We care about each other
We deliver
We are an effective team

Matters considered by the Board in 2022

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

During 2022, the Board held eight scheduled meetings with an additional ten meetings formed of briefing sessions, updates, sub-committees and formal meetings during which various aspects of the strategic reviews were considered.



Strategic reviews

- Considered and agreed a governance framework to manage the strategic reviews which included regular reviews of risks associated with the delivery of such significant projects, and received regular updates on progress of each of the strategic reviews
- Approved the sale of the Filters business to Frank Acquisition Four Limited, a direct subsidiary of Centaur Management Limited, which is owned and controlled by the investment office of the Markus family, for an enterprise value of approximately £262.1m including initial cash consideration of £200m and up to £20m deferred earn-out consideration. After deducting customary adjustments including debt like terms, and amounts attributable to non-controlling interests, net cash received totalled £163m
- Approved the publication of two Class 1 Circulars, which the Board parentally acceptable and appropriate to recommend to shareholders for approval for the sale of the Packaging and Filters business
- Approved the sale of the Packaging business to Mayr-Melnhof Group for a cash consideration of £512m (on a cash-free, debt-free basis) subject to the customary adjustments which the Board considered potentially acceptable
- Approved a proposal for funding for the Essential Pension Plan as part of the sale of the Packaging and Filters business

Strategy

- Approved the acquisition of Weyrold Holdings Limited, a joint acquisition for the Components business
- Held a deep dive session on Components approach to safety and proposed approach to achieving better safety awareness ambitions
- Received regular updates, as well as in-depth sessions, on progress of the Business Process Redesign (BPR) project
- Approved a lease for a new site in Mexico
- Oversaw changes to the new Group Executive Committee

Financial

- Approved the Company's trading statements, Full Year and Half Year results and quarterly trading statements
- Approved the Company budget for 2023
- Approved dividend payments with 2023 final year dividend of 4.0p per share and interim dividend for 2022 of 2.3p per share
- Considered and agreed the ways in which the proceeds from the sale of the Filters and Packaging business could be used

Operational and risk

- Received regular reports from the Chief Executive and the Chief Financial Officer
- Received detailed presentations from senior management across the businesses and considered reports from functional management about matters of material importance to the Company
- Reviewed the impact of supply chain disruptions across the globe
- Undertook a considered review of each Principal Risk and Emerging Risk and approved changes to the Principal Risks for the Half Year, and approved a refreshed set of Principal and Emerging Risks for the pure-play Components business
- Received regular updates on progress of the Business Process Review project
- Continued consideration of cyber security risk

Governance and ethics

- Received updates from the Board Employee Champions following in-person visits to sites which were also accompanied by virtual visits to other sites
- Participated in an internally facilitated Board evaluation, review of the conditions and agreement on subsequent actions
- Reviewed and approved the annual Modern Slavery Statement
- Received updates from Board committees on their respective meetings

Leadership and people

- Received regular updates on the safety and wellbeing of our people
- Monitored performance and continued development of Health and Safety risk at each meeting assessed Health and Safety performance
- Received regular updates on the impact of the strategic reviews on our people
- Considered proposals on how to ensure people were correctly aligned to a business so that each business was supported at the right level, and that every person impacted by the strategic reviews were treated with respect and dignity throughout a challenging period

Principal decisions are defined as both those that are material to the Company, but also those that are significant to any of our key stakeholder groups. For more detail on our key stakeholder groups see pages 38 and 39. In making the following principal decisions the Board considered the views of its key stakeholders, as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

Principal decision 1

Sale of the Packaging business

- Following a period of due diligence and negotiation with potential buyers, the Board considered and agreed to the sale of the Packaging business to Mayr-Melnhof Group (MM Group), a Vienna based business that is a global producer and leading player in Europe for cardboard and folding cartons with an offer in kraft paper and uncoated fine papers for various end applications, for the sum of £312m (on a cash-free, debt-free basis subject to the customary adjustments), which the Board considered acceptable.
- The Board considered a range of offers, and once a range of acceptable offers had been agreed, the Board met on several occasions to consider which of the offers would provide the best opportunity for Essentra, for our shareholders and stakeholders, as well as the Packaging business and its employees, customers and suppliers and other stakeholders.
- The Board agreed that the offer from MM Group was an appropriate and acceptable offer and that the terms of the Sale and Purchase Agreement and transitional arrangements were agreeable and they would seek shareholder approval.
- The Board were mindful of the synergies between the two businesses, alongside the growth potential in the United States that the Packaging business would provide MM Group and would provide the business with the best outcome for its long term sustainable growth.
- The Board considered the impact of the offer from MM Group on all of the Packaging business' stakeholders as well as Essentra's stakeholders and shareholders and concluded that the synergies and MM Group's ambitions for growth in the pharmaceutical packaging industry provided a good home for the Packaging business and its employees.
- As the transaction required shareholder approval, the Board considered it appropriate to recommend the sale to shareholders, and approved the publication of a Class 1 Circular and Notice of General Meeting and at the General Meeting were pleased that the resolution to sell the Packaging business was passed.

Principal decision 2

Sale of the Filters business

- As had been announced in 2021, the Board had agreed previously to carry out a strategic review of the Filters business to best consider its future ownership structure.
- The Board, with the support of advisors, identified a range of options on how to structure the ownership of the Filters business.
- The Board considered two options to be viable and each was progressed during the year in parallel but at differing speeds to ensure resources were carefully managed and that each option was able to have the opportunity to be fully explored.
- As the options were progressed, a range of acceptable offers for the sale of the Filters business were received with one offer, from Century Management Limited, considered acceptable.
- The Board reached the conclusion that the sale to Century Management Limited was structured in a manner that would provide Essentra and its shareholders with the level of return that the Board considered acceptable.
- The Board also gave consideration to other stakeholder concerns, including the buyers plans for the business and its employees, noting that Century intended to focus on the future growth of the business.
- The Board considered it appropriate to recommend the sale to shareholders for approval and accordingly, approved the publication of a Class 1 Circular and Notice of General Meeting in support of this.
- The sale allowed the Board to conclude the final step of the transition of Essentra to being a pure-play Components business and for final steps in respect of pension contributions and prepayment of a portion of the US Private placement notes to take place, which would strengthen the position of Essentra's balance sheet ensuring it the flexibility needed to pursue its own value creating organic and inorganic growth opportunities including bolt-on acquisitions.
- The Board had agreed that the remainder of funds would be returned to shareholders.

Principal decision 3

Acquisition of Wixroyd Holdings Limited

- The Board approved the acquisition of Wixroyd Holdings Limited, a leading UK supplier of industrial parts for the engineering sector, at the end of November 2022 for an initial consideration of £29.5m and up to £70m deferred earn-out consideration on a cash-free, debt-free basis.
- In reaching this decision, the Board considered a range of factors and applied the sustainability criteria that the Sustainability Committee had reviewed during the year.
- The Board agreed that the transaction would help Essentra fulfil its organic and inorganic growth strategy that has been launched at the November 2022 Capital Markets Event, to accelerate and supplement organic growth through value enhancing bolt-on acquisitions that can expand market and geographical breadth.
- The Board agreed that the acquisition would strengthen Essentra's expertise and its product portfolio bringing about benefit for customers through cross selling opportunities through Wixroyd's manufacturing and supply of innovative mechanical components, with an extensive portfolio of over 100,000 products.

Board employee engagement

During 2022, the Board Champions, Mary Reilly, Ralf K. Wunderlich and Adrian Peace continued to engage with the whole of the workforce through the Voice of the Employee initiative. We report on the outcomes of those meetings and how the voice of employees was reported back to the Board and used during discussions and decision-making.

DIRECTORS' REPORT

The Board had previously committed to, and have restated their commitment to:

Receive updates on employee engagement at every meeting

Review themes from Voice of the Employee sessions and to engage management as appropriate where the Board have any concerns

Review formal employee feedback for themes that may be raised directly with people in the sessions to ascertain their view on those matters

The Voice of the Employee in-person sessions coincided with visits to two Components sites in France and Spain, where BPR was being rolled out. Voice of the Employee sessions were arranged to allow the workforce to engage directly on their response to the programme. With BPR having received significant investment over several years its success is significant for the business and this provided the Board with an opportunity to exercise oversight and ensure that the regular information it received on the programme matched that at sites. The visits to Spain and France provided useful insights that were reported back to the Board and allowed the Board to challenge management further on its approach to BPR.

Other feedback from the visits included comments from employees on the differing levels of engagement they had experienced from senior leadership and whether cascades of company news and updates could be carried out on a more timely basis.

The Board agreed during the second half of the year, that whilst it had visited a mix of sites from across all three businesses during the year, it was not appropriate following the announcement of the sale of the Packaging and Filters business to continue to make those visits. The Voice of the Employee visits therefore focused on just Components sites during the second half of 2022.

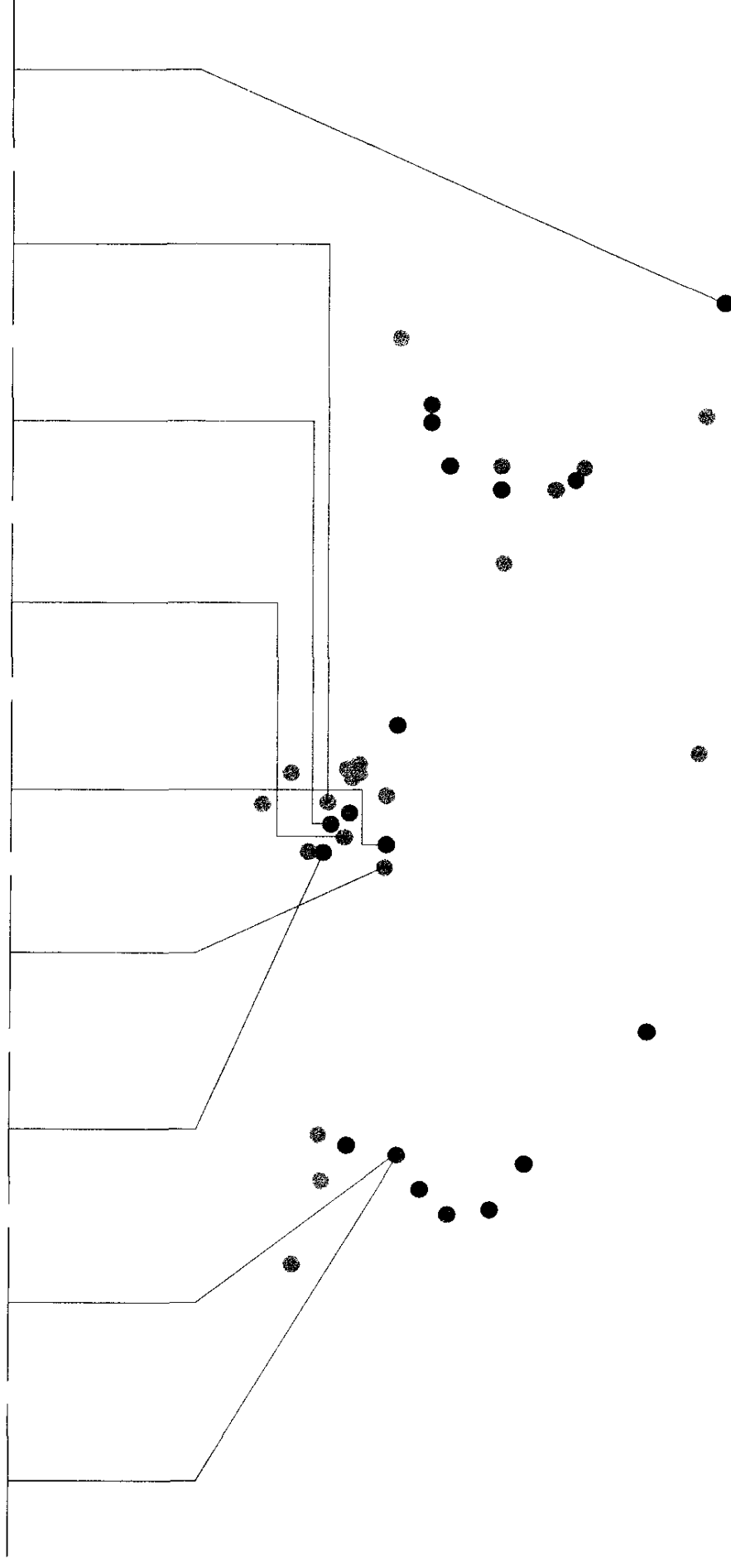
During the year a total of nine site visits were undertaken by the Board Champions across the regions.

Of the nine visits, one was held virtually whilst eight were held in person. All Board Champions were pleased to hold the majority of their meetings in person and to use virtual meetings as a tool for sites where their geography made it challenging for in-person visits to be arranged. This approach has ensured that sites further away are included and able to contribute their views and thoughts on the business.



Sites visited in 2022

Clayton, US Packaging	In-person	
Greensboro, US Packaging	In-person	
Kidlington, UK Components	In-person	
Madrid, Spain Packaging	In-person	
Barcelona, Spain Components	In-person	
Paris, France Components	In-person	
Nettetal, Germany Components	In-person	
Wolfen, Germany Packaging	In-person	
Sydney, Australia Components	Virtual	



Division of responsibilities

Non-Executive Directors provide an independent view in Board discussions and in the development of the Company's strategy.

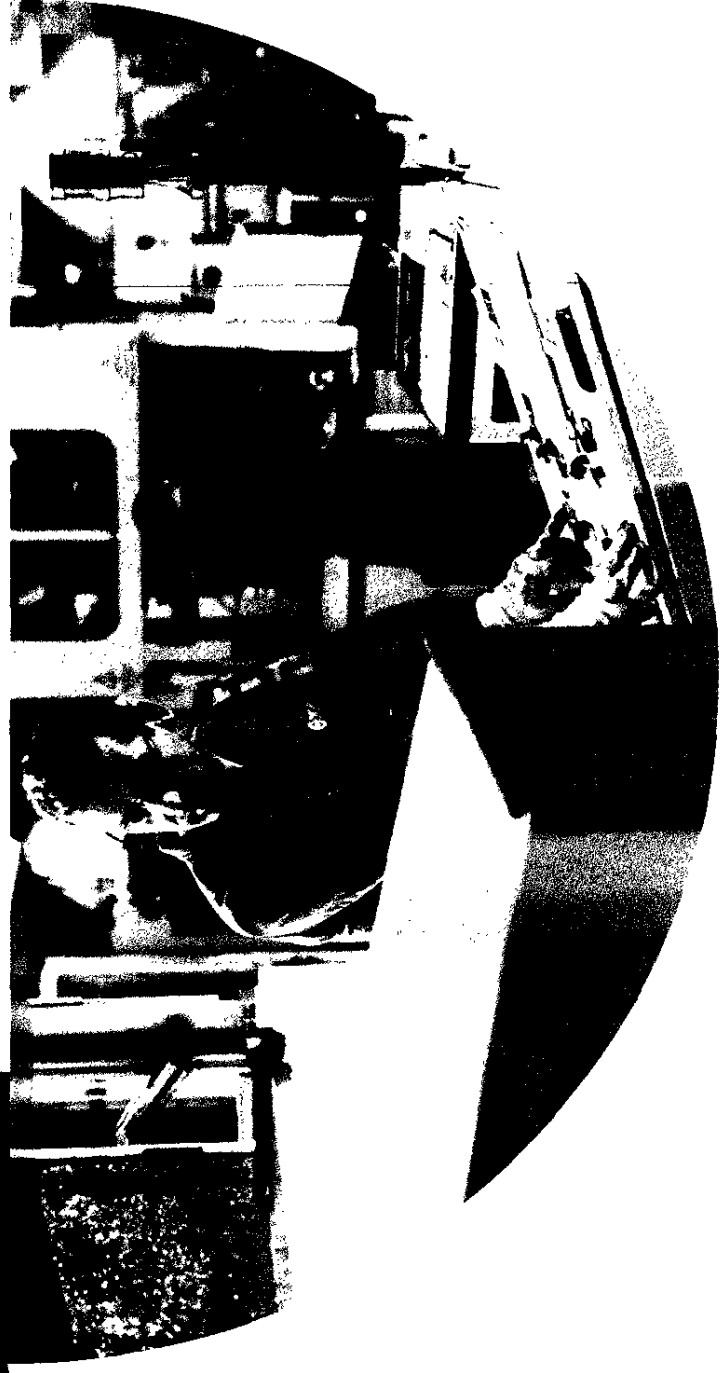
The roles of the Chair and the Chief Executive are separate and clearly defined so as to ensure a clear separation of responsibilities which are set out in writing and agreed by the Board. The Chair leads the Board and ensures its effectiveness. The Chief Executive is responsible for the executive management and performance of Essentra's operations.

The Board considers that, for the year ended 31 December 2022, each of the Non-Executive Directors were independent. In making this assessment of independence, the Board considers that the Chair and Non-Executive Directors are independent of management, and free from business and other relationships which could interfere with the exercise of independent judgement now and in the future. The Board believes that any shareholdings of the Chair and Non-Executive Directors serve to align their interests with those of shareholders.

The Board considers that, for the year ended 31 December 2022, each of the Non-Executive Directors were independent.

The Board considers that the Non-Executive Directors provide an independent view in Board discussions and in the development of the Company's strategy. Non-Executive Directors ensure a sound basis for good corporate governance for the Company, challenging management's performance and, in conjunction with the Executive Directors, ensuring that rigorous financial controls and systems of risk management are maintained as appropriate to the needs of the businesses within Essentra.

The Senior Independent Director (SID) can be contacted via the Company's registered office. During the year, this role was held by Mary Reilly. The SID is available to shareholders to discuss and develop an understanding of their issues and any concerns which cannot be resolved by discussions with the Chair, the Chief Executive or Chief Financial Officer, or where such contact is inappropriate.





All of the Board have attended all Board and Committee meetings this year and with their commitment to their roles clear, the Board is content that the Non-Executive Directors devote sufficient time to the business of Essentra.

External commitments

The Board is fully aware of current external commitments for all of the Non-Executive Directors and is satisfied these do not distract from the time committed to Essentra. Non-Executive Directors are also required to discuss any additional external appointments with the Chair prior to their acceptance. In addition, the time commitments of the Chair are the subject of review by the SID, in conjunction with the other Non-Executive Directors. The Conflicts of Interest register is reviewed at each Board meeting.

All of the Board have attended all Board and committee meetings this year and with their commitment to their roles clear, the Board is content that the Non-Executive Directors devote sufficient time to the business of Essentra. Executive Directors may accept

outside appointments, provided that such appointments do not in any way prejudice the ability to perform their duties on behalf of Essentra.

The Chief Executive, Scott Fawcett, and Chief Financial Officer, Jack Clarke, do not hold any Non-Executive positions. The former Chief Executive, Paul Forman and former Chief Financial Officer, Lily Liu, both held one external Non-Executive position, and the Board was of the view that this was not detrimental to the performance of their duties given the time requirements involved.

The letters of appointment for Non-Executive Directors are available for review at the Company's registered office and prior to the AGM.

Directors' elections

The Company's Articles of Association require that all new Directors seek election to the Board at the AGM following their appointment. In compliance with the 2018 Code, all eligible Directors will put themselves forward for re-election on an annual basis. The Board, including the Chair, is satisfied that each of the Directors being put forward for re-election continues to be independent and effective and that their ongoing commitment to the role is undiminished.

The Company announced that Scott Fawcett, would become Chief Executive and Executive Director on 1 January 2023. Scott will stand for election at the Annual General Meeting on 3 May 2023.

The Company announced the appointment of Kath Durrant as a Non-Executive Director on 3 January 2023, and therefore she will stand for election also at the Company's Annual General Meeting.

All other Directors will stand for re-election at the Annual General Meeting. The Notice of Annual General Meeting includes more detailed information on the background and experience of all Directors and sets out the reasons and rationale that the Board support their election or re-election.

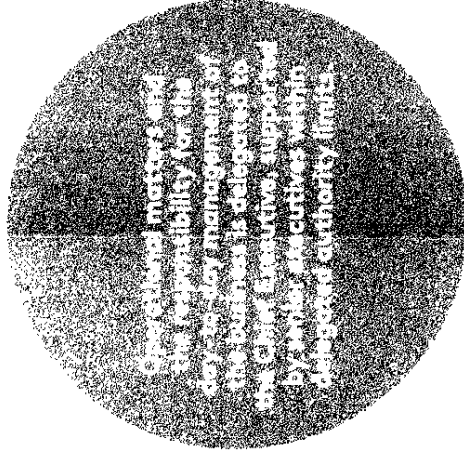
The conduct of Board matters

During the year, there were eight scheduled Board meetings. In addition to these scheduled formal meetings, the Board met on a further ten occasions, with further sub-committee meetings held to consider progress made in relation to the strategic reviews.

Informal discussions are also held between the Chair and the Non-Executive Directors on a regular basis and additionally prior to or post each scheduled Board meeting. Regular contact is also maintained with the Chief Executive and with members of the Group Executive Committee (GEC) and during the year meetings between senior management and the Board were initiated. The SID has also held meetings with Non-Executive Directors without the Chair present.

The Board is supported in its role by Board committees and whilst they are a valuable part of the Company's corporate governance structure, the Board, as a whole, maintains oversight of important matters and, after each Committee meeting, the Chairs of the committees report on the matters which have been reviewed. In particular the Board looks to the Audit and Risk Committee to undertake the majority of the work involved in monitoring and seeking assurance as to compliance with the internal controls and risk management practices within this structure.

Other specific responsibilities are delegated to the Remuneration, Nomination and ESG Committees. The Board believes that it, and its Committees, have the appropriate



composition to discharge their respective duties effectively with the appropriate level of challenge and independence, and that the members of the Board in conjunction with the senior executive teams are well equipped to drive and deliver, the Company's strategic objectives.

The Board is of the view that it has a highly competent Chair who, together with each of the other Non-Executive Directors, has considerable international experience at a senior level in the management of activities broadly similar to those carried out by Essentra and the material issues likely to arise for the Company.

Operational matters and the responsibility for the day-to-day management of the business is delegated to the Chief Executive, supported by members of senior executive management as appropriate, within delegated authority limits and supported by a Schedule of Authority that ensures a strong culture towards control is in place. The support of the GEC ensures a strong link between Essentra's overall corporate strategy and its implementation within an effective internal control environment and robust risk management.

The GEC is the newly formed executive committee and from the start of 2023, they have met on a weekly basis.

Full details of the membership of the GEC can be found on page 66.

During 2022, the former executive committee, the GMC, also met weekly to discuss the strategic reviews, providing ongoing guidance to ensure each business remained on track and was not distracted by the strategic reviews.

Both the former executive committee, GMC, and the current GEC, has adopted a clear governance framework: agendas are set according to the framework and all matters arising are addressed. Papers are circulated in advance of the meetings. Both the former and current CEO make good practice of ensuring views of all executive members are heard and that these behaviours are modelled across the business.

Board papers

During 2022, some Board papers were submitted to the Board at short notice, reflecting the pace at which the strategic reviews were developing. The Board were kept up to date of all issues so they were able to exercise oversight and issues were flagged to them ahead of meetings. The Board acknowledged in the 2022 Board Evaluation that whilst papers were later than they may have liked, they recognised the fluid nature of the issues being presented and the need to consult widely on some proposals. The Board and management have agreed for 2023, that there will be a return to Board papers being provided well ahead of the meeting.

At the end of 2021, the Board had also fed back that some regular papers had become longer than necessary, and actions were agreed to improve this in 2022. The GEC has committed to continue making improvements to reduce the length of papers to make papers more concise and meetings efficient, with a proportionate amount of time allocated to board agenda items.

Applying Essentra's corporate responsibility principles

From 2023, the Chief Operating Officer is responsible for co-ordinating the operation of policies on health and safety and sustainability; the Company Secretary is responsible for co-ordinating policies on ethics and the Head of Risk is responsible for compliance related policies. Further details can be found in the ESG report on pages 22 to 35.

Diversity

During 2022, the Company continued to ensure its approach to Diversity & Inclusion was reflected in how it conducted business and its approach to its employees.

Towards the end of 2021, the Nomination Committee agreed that a thorough review of the Diversity & Inclusion Policy should take place during 2022. However, the Nomination Committee agreed to defer the review until the conclusion of the strategic reviews, as resource was required to complete the strategic reviews, and the outcome would be challenging to meaningfully apply across the three businesses given they would be in different positions with regards to their structures.

Despite this, the Board and senior management are committed to ensuring ethnic and gender balance across the business to reflect the communities in which we operate and consider it as critical to the business's success.

The Board were pleased to voluntarily report on its ethnicity. Furthermore the Board also reported on gender during 2022 in compliance with the Companies Act and the Code.

In terms of Board diversity as at 31 December 2022:

- 38% of the Board were female
- the Senior Independent Director was a woman
- the Board membership consisted of two individuals from a non-white ethnic minority background

At the time of publishing this Report, the Board are pleased to have been able to see through the promise made at the 2022 AGM by the Chair to recruit a further women to the Board. As a result, the composition of the Board made up by women has increased to 38%. The Board have further increased the gender diversity on the Board by the appointment of a woman Company Secretary. The Board recognise that the Company Secretary is not counted in the published statistics, but as the Board takes an inclusive approach, it is pleased that the appointment of a female Company Secretary further strengthens the gender ratio on the Board to 44%.

The Board continues to confirm a strong commitment to diversity including, but not limited to, gender diversity at all levels of the Company, and considers its own composition provides a reasonable indication of its approach to this commitment.

The Board Diversity Policy continues to serve to ensure that all candidates for Board appointments are considered in accordance with the Policy during the nomination process. In continued support of increasing diversity for all UK listed companies, the Board has commenced a search for its next Board trainee and will report on the outcome in next year's Annual Report. Further information on diversity can be found on page 94 whilst more information on ESG can be found on pages 22 to 35.

Conflicts of interest

Directors have a statutory duty to avoid actual or potential conflicts of interest. The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The decision to authorise a conflict of interest can only be made by non-conflicted Directors. A register of Directors' Interests is maintained so that any potential concerns are addressed before any material issues may arise.

The Conflicts of Interest register and the schedule of Directors' Interests is reviewed at each Board meeting. During the course of the year, there was one potential conflict and accordingly, that Director removed himself from the meeting returning only when authorised to do so by the Chair. The conflict subsequently fell away with the progression of events and there were no other material conflicts of interest impacting on the conduct of the Board's activities.

Information and professional development

The Chair, supported by the Company Secretary, takes responsibility for ensuring that the Directors receive accurate, timely and clear information.

On appointment, an induction programme tailored to their individual needs is available to Directors, and is designed to assist them in their understanding of Essentra and its operations.

Throughout a Director's tenure, they are encouraged to develop their knowledge of the Company through meetings with senior management and site visits. Directors are also provided with updates, as appropriate, on matters such as fiduciary duties, Companies Act requirements, share dealing restrictions and corporate governance matters.

All Directors have access to the advice and services of the Company Secretary. In the furtherance of their duties, there are agreed procedures for the Directors to take independent professional advice, if necessary, at the Company's expense. No Director took independent professional advice during the year in respect of Board matters other than Paul Forman who took advice with respect to reaching an agreement with regards to his departure as Chief Executive. More information relating to that is reported on page 119.

The Board continues to confirm a strong commitment to diversity including, but not limited to, gender at all levels of the Group.

The Board continues to confirm a strong commitment to diversity including, but not limited to, gender at all levels of the Group.

Shareholder communications

The Board recognises the importance of effective communication, and seeks to maintain open and transparent relationships with its shareholders and other stakeholders, including providers of finance, customers and suppliers. This is achieved by regular updates through public announcements, the corporate website and other published material.

All shareholders can meet any of the Directors of the Company should they so wish. In particular, the SID is available to shareholders should they have concerns or wish to share their views. Feedback from meetings with shareholders is provided regularly to the Board so they are aware of any issues or concerns, and ensures that the Board has a balanced view from major investors. In 2022, the Board hosted its first hybrid AGM which was conducted both on an in-person and virtual basis from its registered office, and the UK head office in Kidlington. No shareholders joined the meeting virtually whilst some shareholders did attend in person and enjoyed visiting the site. Therefore the Board have agreed that this year's AGM will be held in person only.

At the AGM, the level of proxy votes lodged on each resolution is made available, both at the meeting and subsequently on the Company's website. Each substantially separate issue is presented as a separate resolution, and the Chairs of the Audit and Risk, Nomination, Remuneration and ESG Committees are available to answer questions from shareholders.

The Company communicates and engages regularly with its major institutional shareholders and ensures that all the Directors, including the Non-Executive Directors, understand the views and concerns of major shareholders in relation specifically to their views on governance and performance of the Company against strategy. The Chief Executive, Chief Financial Officer and Investor Relations Manager have primary responsibility for investor relations. Virtual presentations for analysts and shareholders were held during the year, and virtual meetings were also undertaken with key institutional investors to discuss strategy, financial performance and investment activities. Slide presentations are made immediately available after the Full and Half Year results, and are also available on the Company's website to view and download. In November 2022, the Company held a Capital Markets Event, to support the launch of the pure-play Components business, which was well attended virtually and in person. The event laid out the strategy of the standalone business and included presentations from members of the GEC. The Company ensures that any price-sensitive information is released to all shareholders at the same time, in accordance with regulatory requirements. During the year the Board Chair, Chair of the Remuneration Committee and Chair of the Sustainability Committee (now ESG) have held independent meetings with shareholders and additionally, the Chair has attended meetings with the Chief Executive and the Chief Financial Officer. At each Board meeting reports are presented detailing the engagements with shareholders to ensure that the Board as a whole has a clear understanding of the views of shareholders.

Financial reporting

The Directors have acknowledged, in the Statement of Directors' Responsibilities set out on page 132, their responsibility for preparing the Financial Statements of the Company.

The Directors are responsible for preparing the Annual Report and Accounts, and they consider that the Annual Report and Accounts taken as a whole are fair, balanced and understandable. The External Auditor has included a statement about their reporting responsibilities in the Independent Auditors' Report, set out on pages 193 to 199.

Directors understand the views and concerns of major shareholders in relation specifically to their views on environmental, social and governance issues and the way in which they are embedded in strategy and measured in the performance of the Company against the strategy.

The Directors are also responsible for the publication of Half Year results, as required by the Disclosure and Transparency Rules of the Financial Conduct Authority. This provides a general description of the financial position and performance of the Company during the relevant period.

In accordance with the 2018 Code, the Board acknowledges its overall responsibility to shareholders to ensure that an adequate system of risk management and internal control is in place. The Board believe that the Risk Assurance team continues to provide a clear indication of, and commitment to this, and the Board are satisfied with the strength and depth of knowledge held by the Risk Assurance team.

Directors understand the views and concerns of major shareholders in relation specifically to their views on environmental, social and governance issues and the way in which they are embedded in strategy and measured in the performance of the Company against strategy.



Roles and responsibilities

Chair

- Sets the Board agenda primarily focused on strategy, performance, value creation, culture, stakeholders and accountability, and ensuring that issues relevant to these areas are reserved for Board decision
- Shapes the culture in the Boardroom
- Encourages Board members to engage in Board and committee meetings and ensures sufficient time is allocated to promote effective debate to support sound decision making
- Fosters relationships based on trust, mutual respect and open communication between Non-Executive Directors and the Group Executive Committee
- Develops a working relationship with the Chief Executive
- Provides guidance and mentoring to new Directors as appropriate
- Maintains a dialogue with shareholders on the governance of the Company

Senior Independent Director (SID)

- Provides a "sounding board" for the Chair
- Serves as an intermediary for the other Directors when necessary
- Acts as an alternative point of contact for shareholders where contact through the normal channels of Chair, or other Executive Directors, has failed to resolve any concerns, or for which such contact is inappropriate
- Leads the annual assessment of the effectiveness of the Chair
- Leads the search and appointment process and makes the recommendation to the Board for a new Chair

Non-Executive Directors

- Provides constructive and independent challenge to executive management
- Brings experience and objectivity to the Board's discussions and decision-making
- Monitors the delivery of the Company's strategy against the governance, risk and control framework established by the Board
- Responsible for evaluating the performance of the Chair, led by the SID

Chief Executive

- Proposes the strategy to the Board and implements the strategy which has been approved by the Board
- Communicates to the workforce the expectations in respect of the Company's culture and ensures that operational policies and practices drive appropriate behaviour
- Develops manageable goals and priorities for the GEC
- Leads and motivates senior management
- Ensures that the Board is aware of the views of the senior management team on business issues
- Develops proposals to present to the Board on all areas reserved for its judgement

Chief Financial Officer

- Leads, directs and oversees all aspects of the finance and accounting functions of the Company
- Contributes to the development of strategy and management of the Company's business
- Manages relationships with the external auditor and key financial institutions and advisors
- Ensures effective internal controls are in place and compliance with appropriate accounting regulations for financial, regulatory and tax reporting

Company Secretary

- Maintains a record of attendance at Board meetings and committee meetings
- Responsible for ensuring good information flows to the Board and its committees, and between the GEC and the Non-Executive Directors
- Advises the Board on all regulatory and corporate governance matters
- Assists the Chair in ensuring that the Directors have suitably tailored and detailed induction and ongoing training and professional development programmes

Internal controls

In accordance with the 2018 Code, the Board acknowledges its overall responsibility to shareholders to ensure that an adequate system of risk management and internal control is in place and for reviewing the effectiveness of this system. Such a system can only be designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives, and can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss. This is essential for reliable financial reporting and also for the effective management of the Group.

The internal control and risk management process for financial reporting processes is documented within the Essentra Accounting Manual (the "Manual") that is updated as required. The Manual sets out the procedures and processes established for internal and external financial reporting and incorporates accounting policies that are adopted by the Company, as well as processes and controls relating to tax and treasury matters. The Manual sets out clear processes that cover, amongst other matters, segregation of duties, reporting responsibilities and review and approval requirements. The Manual prohibits management overrides and the processes set out within the Manual are also reflected within financial reporting systems and the framework for financial controls within the Group. A Delegation of Authority is in place, that is also reviewed and updated on a regular basis, that identifies approval processes for different matters. The Manual is applied across the entire Group and supported by twice-yearly confirmations from management in relation to adherence to the Group accounting policies.

Further details on the Company's risk management system and internal controls can be found on page 87.

The following enables the Board to review the effectiveness of the system of internal control and the financial reporting processes:

- the ARC meets regularly and reports to the Board, no less frequently than at every Board meeting following an ARC meeting
- the terms of reference provide a framework for the ARC to review and oversee the quality, integrity, appropriateness and effectiveness of the Group's internal control framework
- the Board received updates from each business whilst they remained part of the Essentra Group, and subsequent to that, the MD of each of the businesses, alongside their Divisional Compliance Officer, provided updates on controls that were reported to the ARC
- during the period that was relevant for each business, every month, the three businesses submitted detailed operating and financial reports covering all aspects of performance. These were reviewed by the Chief Financial Officer and the Group's central Finance function, and summary reports are communicated to the Chief Executive, GMC/GEC and the Board
- certificates were required from each of the businesses (for the period during which they were part of the Essentra Group) to confirm compliance with the Group's policies (including financial) and procedures at both the Half Year and Full Year.

Directors' and Officers' insurance

In accordance with the Company's Articles of Association, and to the extent permitted by the laws of England and Wales, the Directors are granted an indemnity from the Company in respect of those liabilities incurred as a result of their office. In respect of those matters for which the Directors may not be indemnified, the Company maintained a Directors' and Officers' Liability Insurance Policy throughout the year. It is anticipated this policy will be renewed. Neither the Company's indemnity, nor the insurance policy provide cover, to the extent that a Director is proven to have acted dishonestly or fraudulently.

Sustainability Committee Report



The Company believes that sustainability provides it with a unique opportunity and is a source of competitive advantage whilst the output contributes to reducing climate change. The overall approach adopted across the business arises out of its ambition to make real change."

RALF K. WUNDERLICH
Non-Executive Director



Roles and responsibilities

Roles and responsibilities during 2022

- Reviewing and assessing the Company's exposure as well as identifying opportunities for sustainability related issues
- Assessing the Company's responses to these issues
- Understanding whether these responses are consistent with the risk appetite of the Company
- Understanding stakeholder's expectations with respect to sustainability
- Identifying potential gaps in approach and determining high-level approaches to resolve
- Monitoring the Company's progress in improving its sustainability record and its sustainability targets
- Keeping under review the role and responsibility of the Committee and adapting the purpose of the Committee to align with internal and external needs

Roles and responsibilities for 2023

- Overseeing the Company's approach to its ESG strategy and ensuring it aligns with the overall strategic plan and promotes the Company's long-term sustainable success, purpose and long-term strategy
- Providing advice and assurance to the Group Executive Committee and other Board committees on developing ESG targets and monitoring the Company's progress towards the achievement of these targets
- Reviewing and advising on the Task Force on Climate Related Disclosures (TCFD)
- Ensuring policies relating to ESG matters are in place with onward recommendation to other Board committees were necessary
- Working with other Board committees to ensure information is passed between each committee and up to the Board to support the Board's responsibility for ESG

Membership and attendance

	Meetings during the year
Ralf K. Wunderlich Chair	4 (4)
Dupsy Abiola Non-Executive Director	4 (4)
Adrian Peace Non-Executive Director	4 (4)
Jon Green Company Secretary and General Counsel	4 (4)
Paul Forman Chief Executive Officer	4 (4)
Mary Reilly Non-Executive Director	4 (4)
Nicki Demby Non-Executive Director	2 (2)
Lily Liu Chief Financial Officer	2 (2)
Nick Pennell Group Programme Director	1 (1)

Figures in brackets denote the maximum number of meetings that could have been attended. During the year, Nick Pennell, Lily Liu and Nicki Demby stepped down from the Committee following their departures from Essentra and attended those meetings for which they were eligible.

Other attendees

During 2022, Paul Lester, Chair of the Board, attended every meeting. During the year, as deemed appropriate, as part of his induction process for becoming Chief Executive, Scott Fawcett attended meetings. Other regular attendees included Jennifer Spence, Head of Sustainability Strategy, Emma Reid, Head of Governance, Jack Clarke, CFO and Oshin Cassidy, Chief People and Culture Officer.

Key activities 2022

- Monitored reporting and progress of the sustainability targets for i) zero waste to landfill sites ii) total waste production iii) the percentage of packaging and raw materials from sustainable sources and iv) Scope 1 and 2 greenhouse gas (GHG) emissions
- Reviewed sustainability reporting for the 2021 Annual Report, including this Committee report, and agreed the approach for reporting for the 2022 Annual Report, reflecting the approach to embedding environmental, social and governance matters into the business
- Reviewed the regulatory disclosures on TCFD and assessed ways in which they can be integrated into the business to bring about greater impact
- Considered the Company's approach to external benchmarking and ratings agencies, including submission and the outcomes for CDP and Ecovadis
- Led deep dives into the four sustainability targets to ensure that they remained on track and relevant to the organisation and to understand whether they were on target and how the Company intended to meet its longer-term targets
- Reviewed the sustainability criteria used when considering potential acquisitions both during the due diligence phase and the acquisition phase
- Approved Essentra's commitment to meet the Science Based Target initiative (SBTi), committing to near-term and net-zero targets
- Supported the development of a sustainability strategy that could be used post divestment for Filters and fully integrated for Packaging
- Led discussions on how to approach sustainability, as well as ESG topics, as the Company transitioned into being a pure-play Components business
- Approved and recommended to the Board that the Committee transition to become a broader ESG Committee, with Terms of Reference updated to reflect this change
- Approved ESG Pillars for the pure-play Components business providing the foundation for the ESG strategy

The Company believes that sustainability provides a unique opportunity and is a source of competitive advantage whilst the output contributes to reducing climate change. The overall approach adopted across the business arises out of its ambition to make real change. This is enabling management to channel its resources to identify and implement essential changes effectively and efficiently.

The targets selected are chosen because they provide a positive and measurable impact on the environment at the same time as being the right thing to do for a broader range of stakeholders including regulatory bodies. This approach is enabling us to run a better business for the benefit of all stakeholders.

Continued sustainability progress

During the year the Committee continued its work to ensure that each business continued to make progress against the sustainability targets, and as the year progressed, the Committee recognised that reporting would reflect the changing shape of the business. In this respect, the Committee paid attention to methods of analysis and reporting to normalise the results to ensure meaningful changes were taking place.

For example, removing the effects of using a mix of raw materials used on assessing results. To ensure robust plans were in place to meet current targets, the Committee worked with management to ensure actions were in place to help bridge from actual achievement, to mid-term and long-term targets, and the Committee carefully assessed the robustness of these bridges.

The Committee was pleased to continue its practice of inviting guest speakers to join meetings and over the last year was particularly pleased to learn more about how a Swedish-based customer had made significant progress and advanced along their own sustainability journey. Understanding that sustainability requirements are constantly evolving and how to integrate sustainability into a business motivates Essentra towards continuing our own journey. The Committee also reviewed sustainability related criteria for use when the Board and GEC consider potential acquisitions.

The use of the sustainability M&A criteria is pivotal for supporting the business in its inorganic growth strategy and therefore the criteria covers the diligence phase, and post-acquisition integration to best assess how, and if, an acquisition can be integrated into the existing business as effectively as possible. During the year the criteria was applied to all acquisitions under consideration with the result that it was agreed to not proceed with one potential acquisition.

Impact of the strategic reviews

During the year, with the progress of the strategic reviews, the Components existing Sustainability Steering Committee became the primary forum for managing sustainability and other ESG related topics at management level. With the sale of Packaging and Filters, the former management level ESG Committee, which had been formed of representatives from Packaging, Filters, Components and Group, agreed it was appropriate to pass its duties over to the Sustainability Steering Committee following the divestment of the Filters and Packaging businesses. The Sustainability Steering Committee is attended by the Chief Executive, Chief Operating Officer, Company Secretary and Head of Sustainability Strategy and other management. The Sustainability Steering Committee will continue its role and escalate matters as needed to both the GEC and the new Board level ESG Committee.

Task Force on Climate Disclosure

During the year the Committee considered its approach to TCFD and agreed that given the in-depth work carried out during 2021, a multi-disciplinary approach would be used. Colleagues from Sustainability, Risk Assurance, Finance, Operations and Governance teams reviewed the building blocks for assessing disclosures on governance, strategy, risk management and metrics and targets for 2022.

As part of that review, it was noted that the strategic reviews required the business to consider and analyse whether the scenarios in last year's TCFD report remained relevant or whether they needed to evolve. Management and the Committee concluded that at this stage, the scenarios were relevant and would support the business as the output from the TCFD report was integrated into the business plan for the coming year. The Committee, and management, also considered the range of risks identified within the TCFD report and agreed that some risks were no longer relevant and were therefore removed.

The Committee reviewed all TCFD disclosures in detail, including the progress made on quantifying risk and how this impacted the Long-Term Viability Statement, with reporting on this also made to the Audit & Risk Committee. The full report on TCFD is available on pages 40 to 46.

Board ESG Committee

Each year, on an ongoing basis and formally towards the end of the year, the Committee evaluates its performance and whether its Terms of Reference remain both relevant and fit for purpose. As the last few years have seen a significant shift in purpose-led organisations with environmental, social and governance related topics embedded into an organisation's operations, the Committee agreed it was necessary to evolve its own role and responsibilities.

In addition, as the strategic reviews progressed, the Committee, as well as the Board, acknowledged that with the business model simplified to focus on Components alone, the challenges that the Group had faced in creating a cohesive ESG strategy that could apply meaningfully to a Packaging, Filters and Components business, would drop away as the business moved forward. This provided the Committee with an opportunity to take more significant steps forward in supporting the new GEC as they developed their ESG approach and to incorporate Social and Governance topics, whilst ensuring that the Remuneration and Nomination Committees and ARC would continue to retain their responsibilities for those areas. With the Board's support and agreement, the Committee has now transitioned to become a Board level ESG Committee.

The ESG Committee provides the business with the momentum required to ensure that ESG related opportunities are used to drive the business forward towards long-term sustainable success. The business, and the ESG Committee, recognise that there are interdependencies between each of the environmental, social and governance related topics, such as the impact of end-to-end supply chain governance on both individuals and the impact that has on Scope 1, Scope 2 and Scope 3. Therefore, full oversight and governance of this area is critical for the Board, and to ensure this is carefully monitored and challenged, the Board has delegated this work to the newly formed ESG Committee.

Through forming the ESG Committee, the Board will be able to ensure that more time is given to each of these areas, and that they are monitored closely to ensure they support the long-term strategic objectives.

The ESG Committee is chaired by Ralf K. Wunderlich with the support of the following colleagues:

- Kath Durrant
- Dupsy Abiola
- Adrian Peace
- Mary Reilly
- Scott Fawcett

DIRECTORS' REPORT

Jennifer Spence, Head of Sustainability Strategy, and Emma Reid, Company Secretary, have a standing invitation to attend every meeting, reflecting their day-to-day responsibility for the overall ESG strategy. Jack Clarke, CFO, also attends every meeting, reflecting the significance of ESG to our overall strategy.

The ESG Committee invites all members of the Board to attend all meetings, and the GEC are invited to join meetings when guest speakers are present or when specific topics are discussed. The ESG Committee also invites subject experts from across the business to present on their individual specialisms.

The Terms of Reference for the new ESG Committee are available on our website www.essentraplc.com/investors/corporate-governance/sustainability-committee.

Ralf K. Wunderlich
Non-Executive Director
Sustainability Committee Chair
28 March 2023



To learn more about our full ESG strategy and the goals we have set for 2023, visit www.essentraplc.com pages 22 to 46

Nomination Committee Report



The Committee has maintained its focus on ensuring the Board's composition is strong and diverse, providing support and advice to enable management to steer the Company forward a pure-play Components business"



PAUL LESTER, CBE
Board Chair

Roles and responsibilities

- Leading the process of appointments to the Board and senior management positions using a formal, rigorous and transparent procedure for appointment in accordance with the Board Diversity Policy
- Reviewing the skills of the Board to ensure the combined skills remain appropriate and support the long-term strategic objectives and determining Non-Executive Directors' independence
- Reviewing and making recommendations on the composition of the Board to ensure skills and membership are regularly refreshed
- Oversight of a diverse pipeline for succession for the Board and other senior positions including the executive
- Arranging the annual evaluation of the Board, Committees, Chair and individual Directors
- Agreeing an action plan in response to the annual Board evaluation
- Assessing whether Directors commit sufficient time to discharging their duties
- Review the induction and training needs of each Director and the Board as a whole

Membership and attendance

	Meetings during the year
Paul Lester Chair	4 (4)
Mary Reilly Senior Independent Director	4 (4)
Ralf K. Wunderlich Non-Executive Director	4 (4)
Adrian Peace Non-Executive Director	4 (4)
Dupsy Abiola Non-Executive Director	2 (2)
Nicki Demby Non-Executive Director	2 (2)

Figures in brackets denote the total number of meetings a Director could attend and reflects directors left or joined part way through the year. Nicki Demby retired from the Board on 19 May 2022 following the conclusion of the Annual General Meeting. Dupsy Abiola was appointed to the Board in March 2022 and to the Committee with effect from the conclusion of the Annual General Meeting in May 2022, although Dupsy had attended the meetings held earlier in the year in her capacity as Board Trainee.

Other attendees

During the year, as deemed appropriate, as part of his induction process for becoming Chief Executive, Scott Fawcett attended meetings.

During 2022, the Chief People and Culture Officer attended by invitation as appropriate. The Company Secretary and Head of Governance attended each meeting.

Key activities 2022

- Reviewed the role of the Chief Executive and considered potential candidates for the role, recommending the appointment of Scott Fawcett as Chief Executive pending the outcome and completion of the strategic reviews
- Reviewed the role and scope of the Chief Financial Officer and carried out a recruitment process, recommending the appointment of Jack Clarke as Chief Financial Officer
- Recommended the appointment of Kath Durrant as Non-Executive Director and member of the Remuneration, Nomination and ESG Committees, to take effect from 3 January 2023
- Recommended the appointment of Dupsy Abiola as Non-Executive Director and member of the Nomination, Remuneration and Sustainability Committees
- Recommended the appointment of Ralf K. Wunderlich as Remuneration Committee Chair
- Supervised an open and transparent recruitment process for the appointment of a new Non-Executive Director, required committees has a suitable pipeline of members
- Reviewed the role of Company Secretary to ensure the role aligned appropriately and recommended the appointment of Emma Reid as Company Secretary pending the outcome and completion of the strategic reviews
- Kept under continuous review, the composition, structure and size of the Board and the committees, in view of the changing shape of the organisation as the strategic reviews progressed
- Reviewed the roles and structure of the new Group Executive Committee to ensure it would be appropriate in size, experience and knowledge so that it is able to properly support the pure-play Components business
- Reviewed the potential leadership options for the Packaging and Filters businesses as they progressed through each of their strategic reviews
- Oversaw the 2022 Board Evaluation
- Reviewed and approved the Nomination Committee Report for inclusion in the 2021 Annual Report
- Reviewed and agreed revised Terms of Reference for the Nomination Committee

Key activities for 2023

- Encouraging further development of Equality, Diversity & Inclusion initiatives as part of the wider ESG programme and ensuring effective reporting on progress is captured for the Committee and for external reporting
- Overseeing the recruitment of a future Board Trainee
- Overseeing the induction and training programme for Kath Durrant, the new Non-Executive Director
- Overseeing the ongoing training and mentoring being provided to Scott Fawcett and all members of the Group Executive Committee

Chief Executive recruitment

During the year, the Committee carried out an assessment of the skills and experience required for the Chief Executive of a pure-play Components business. The Committee concluded that a Chief Executive with a strong Components background would be required. The assessment that the Committee carried out concluded that the skills required for the potential future role differed from the existing role, and the Committee considered the existing pipeline for a successor. The Committee were supported in the assessment by external advisor, Korn Ferry, who carried out a skills mapping exercise as part of the assessment. Both internal and external candidates were considered, with internal candidates being identified from amongst existing senior leaders. The Committee concluded that Scott Fawcett had the skills and experience required for the future Chief Executive role due to the leadership qualities he possessed, his knowledge of the business and the market. During the year, the Chair and the Senior Independent Director provided Scott with mentoring and development opportunities and towards the end of the year, the Committee reconvened to consider the role. The Committee agreed that subject to certain key factors in the strategic reviews materialising, Scott was the most appropriate candidate to be appointed. Following confirmation that the sale of the Packaging business had completed, and the Filters business sale, the Committee agreed to make the recommendation to the Board, who in turn confirmed their approval of the appointment to take effect from 1 January 2023.

DIRECTORS' REPORT

NED recruitment

During the year, Nicki Demby, Chair of the Remuneration Committee, informed the Board that she did not intend to stand for re-election at the 2022 AGM. When considering how to approach recruiting a new Non-Executive Director, the Committee were mindful that during 2021, they had recruited Dupsy Abiola through an open, robust and transparent recruitment process, that mirrored the process used for a Non-Executive Director. The Committee considered this and agreed that it was appropriate to recommend that the Board appoint Dupsy as a Non-Executive Director in March 2022.

Subsequent to that appointment early in 2022, the Committee further agreed that one more Non-Executive Director should be appointed, with recruitment starting later in the year dependent upon the progress of the strategic reviews. The recruitment process started in H2 2022, with The Inizio Partnership appointed to support the search.

A long list, short list and interview process was followed that identified suitable candidates and the Committee were pleased that following some further consideration, to recommend Kath Durrant be appointed to the Board as a Non-Executive Director.

Committee appointments

As a highly experienced remuneration expert, Nicki's departure left a gap in the Board's skills. Following a thorough review of Non-Executive Directors' skills, it was considered that Ralf K. Wunderlich, was the most suitably skilled and experienced director, having experience of remuneration through his Executive and Non-Executive career. Ralf has been a Remuneration Committee member since 2018, thereby satisfying the Code Provision 3 of serving on the Remuneration Committee for at least 12 months prior to becoming Chair.

During the year, the Committee considered what leadership, both non-executive and executive, would be needed for a global pure-play Components business

departed with their existing business, or their tenure at the Company had reached a natural conclusion. The business would therefore require a new executive Committee, known as the Group Executive Committee, ready in the background to take hold of the reins.

The Committee considered the existing succession pipeline in place for the Group Management Committee as well as the composition of the existing senior leadership team within the Components business. Led by Scott Fawcett, with the support of Oshin Cassidy, the Chief People and Culture Officer, proposals for the composition and skills required for the Group Executive Committee were considered.

As the composition of the Executive Committee was agreed, roles were advertised internally and where there was no suitably qualified and experienced candidate, roles were advertised externally. The final outcome provided a mix of existing and new joiners forming the Group Executive Committee. The Committee was very pleased that the succession pipeline had been able to provide an excellent calibre of candidates.

Oshin Cassidy agreed to continue in role until a permanent Chief People and Culture Officer is recruited. Oshin has provided continuity and the new Essentra and has played a pivotal role in the strategic reviews, in addition to ongoing services arrangements for Human Resources across the business.

Lynne Vandever was successfully recruited from an external recruitment process, and was appointed as Chief Marketing Officer and President, Americas during the year, with the role reflecting her current responsibilities other than membership of the Group Executive Committee from the outset of her appointment.

Group Executive Committee appointments, talent management and succession planning

In view of the good progress made in executing the strategic reviews, the Committee also considered the composition of the future executive committee, as with the success of the strategic reviews, existing members of the former executive committee (Group Management Committee) had

Group Executive Committee appointments

	Prior role	New GEC role	Length of service with Essentra
Hughes Delcourt	Components Europe Managing Director	Chief Sales Officer & Managing Director, EMEA	4 years
Sam Edwards	Components Digital and Marketing Director	Chief Digital Information Officer	9 years
Rob Baker	Components Supply Chain Director	Chief Operating Officer	2 years
Emma Reid	Head of Governance	Company Secretary	3 years
Gabriele Hannen	Components Finance Director	Chief People and Culture Officer	5 years
Oshin Cassidy	Group HR Director	Chief Marketing Officer & President, AMERS	1 year
Lynne Vandever	Chief Marketing Officer & President, AMERS	Chief Strategy Officer	3 years

- ensure sufficient time is provided to pursue strategic discussions including consideration of the skills required within the business to deliver the strategy
- ensure a suite of KPIs were developed that supported the Board and the business in monitoring its progress
- develop deeper relationships between the Board and the new executive programme between through a mentoring programme and the resources the Board and GEC
- oversee the ESG strategy and the resources required to support its delivery, through establishing the ESG Committee
- assess and monitor current approaches to stakeholder engagement, keeping this under review both inside and outside of Board meetings.

Board evaluation

Our Board evaluation for 2022 was internally facilitated and included both a survey and a one-to-one discussion. Feedback was provided to the Chair, followed by the remainder of the Non-Executive Directors and the Executive Directors. The key findings of the review were:

- the Board were keen to support the new management team and Chief Executive in delivering their strategy
- Key Performance Indicators were required from the outset to ensure the Board had the information needed to meet their duties
- Board dynamics had improved as the past year had met in person again over the past year
- committees continued to be well run and provided the Board with the support and required to challenge and understand challenges faced by the business, such as its approach to sustainability.

In response, a proposal was put together to focus on the areas that the Board believed would bring the most benefit during the year, and the Board agreed during 2023 to:

In response to the second Board Evaluation carried out in 2021, the Board agreed the actions would include:

- giving appropriate time to the consideration of strategy with separate meetings if necessary
- development of talent alongside the strategic review process including consideration of skills and composition of the Board.

The Board consider that they have made significant progress on each of these.

The first action was met through a combination of the Board schedule during the year, which included its usual eight meetings. The Board ensured it split its time between managing oversight of the business of each of the divisions and the strategic reviews, through a combination of additional Board meetings and Board Briefing meetings. In total, the Board and its sub-committee met on 20 occasions to ensure it discharged all of its responsibilities in line with Section 172 of the Companies Act 2006.

With regards to the second agreed action, the composition of the leadership team has evolved significantly and more detail on this is reported on page 13 of this report and GEC biographies are available on page 66.

Diversity and Inclusion

To be a world-leading business, our Board believes diversity, inclusiveness and equality are key to driving greater success and providing the momentum required to produce a superior business performance, growth and innovation. The Board is committed to gender diversity, and as committed to at the Annual General Meeting in 2022, a further female Non-Executive Director has been recruited at the start of this year. However, Kath's appointment increases our total number of Directors and therefore the percentage remains just marginally below the target of 40%. Our target for Diversity remains 40% in line with the targets set by the FTSE Women Leaders Review. At present, we also intend to use this as our target in response to the FCA Diversity Targets, whilst for ethnicity our target reflects that of the Parker Review, to have at least one member of our Board from a minority ethnic background. We intend to keep these targets under review annually. The Board is cognisant of the recently published Parker Review on setting targets. We intend to publish these during 2023 and in next year's Annual Report.

When recruiting Non-Executive Directors, we use recruitment firms who have made a commitment to diversity on boards and reflect this within their long and short lists of potential candidates.

Board gender diversity, Board ethnic diversity, GEC gender diversity and Senior Management gender diversity is reported on page 37 and is reported in line with Code provision 23. The Board and the Committee, believe the more diverse Essentra is as an organisation,

the better the range of outlooks it has and that improves the Company's overall decision-making and problem-solving and ensures Essentra's leadership better represents the communities in which it operates. The Committee therefore monitors diversity and for 2023 has agreed to focus on gender diversity at GEC-1. As at the date of this Annual Report, the Board comprises eight Directors, two Executive and six Non-Executive Directors. Of those, three (37.5%) are female; five are male (62.5%); two (25%) represent the Black, Asian or non-white ethnically diverse groups.

As at the date of this Annual Report, the GEC comprises nine members, four (44%) female and five (56%) male. The Board and GEC are committed to improving both gender and ethnicity at all levels, and this forms a key part of the ESG strategy, which you can read more about on pages 22 to 35.

Board trainee – Diversity and Inclusion in practice

The Committee agreed towards the end of 2022, that as the Board trainee initiative had been successful, and resulted in the appointment of Dupsy as a Non-Executive Director, it would run the initiative again. The Board trainee is a unique opportunity to increase the pool of diverse talent available to all plcs. The Board trainee role is voluntary with training, coaching and mentoring an integral part of the scheme.

Paul Lester, CBE
Non-Executive Chair
Nomination Committee Chair
28 March 2023

To be a world-leading business, our Board believes diversity, inclusiveness and equality are key to driving greater success and providing the momentum required to produce a superior business performance, growth and innovation.

Audit, risk and internal control



During the year, the Audit and Risk Committee continued to assist the Board in fulfilling its oversight responsibilities by monitoring and robustly challenging the integrity of the Company's financial reporting, reviewing and challenging the use of accounting policies and scrutinising the systems of internal control and its risk management framework."

MARY REILLY
Non-Executive Director

Roles and responsibilities

Financial Reporting

- Overseeing financial reporting and internal controls to ensure the interests of shareholders are properly protected
- Monitoring and reviewing the integrity of the Financial Statements and any formal announcements relating to financial performance
- Reviewing the relevance and adequacy of our current accounting policies
- Challenging significant accounting judgements

Risk Management, Internal Control and Compliance

- Reviewing regular reports from the Group Risk Committee and reviewing risk management processes
- Reviewing the effectiveness of internal controls
- Monitoring the Right to Speak arrangements and the assessment and investigation of any claims made through this mechanism
- Reviewing regular compliance updates and assessing progress on the compliance transformation programme

Internal Audit

- Overseeing the internal audit activities
- Monitoring and reviewing the effectiveness of the Internal Audit function
- Agreeing the annual internal audit plan and monitoring its delivery

External Audit

- Making recommendations to the Board in relation to the appointment, reappointment and removal of the External Auditor
- Reviewing the relationship with the External Auditor and monitoring their independence and objectivity
- Continuous challenge of the effectiveness and quality of the external audit process
- Agreeing the scope, terms of engagement and fees for the external audit
- Initiating and supervising a competitive tender process for the external audit when required
- Monitoring the engagement policy of the External Auditor to supply non-audit services
- Reviewing and discussing reports presented by the external auditor at each meeting

Membership and attendance

	Meetings during the year
Mary Reilly Chair	5 (5)
Ralf K. Wunderlich Non-Executive Director	5 (5)
Adrian Peace Non-Executive Director	5 (5)
Nicki Demby Non-Executive Director	1 (1)

Figures in brackets denote the number of meetings that could have been attended.

Other attendees

Nicki Demby resigned as a Non-Executive Director on 19 May 2022 and therefore only attended one meeting. During the year, as deemed appropriate as part of his induction process for becoming Chief Executive, Scott Fawcett attended meetings.

The External Auditor, Chair of the Board, Chief Executive, Chief Financial Officer, Head of Risk Assurance, Group Financial Controller, members of the General Management Committee (GMC) and divisional Finance Directors attended meetings by invitation, as appropriate. During the year, the ARC met the External Auditor, PricewaterhouseCoopers LLP (PwC) and the Head of Risk Assurance without the Executive Directors being present.

The ARC received presentations from the Chief Executive, the Chief Financial Officer, Group Financial Controller, Head of Risk Assurance, Group Head of Tax and Treasury, Head of Governance, UK Shared Services Finance Director and the Chief Digital Information Officer.

During 2022, the Company Secretary and General Counsel acted as Secretary to the ARC, with the support of the Head of Governance who attended all meetings.

Dear Shareholder,

As Chair of the Essentra plc Audit and Risk Committee (ARC), I am pleased to present my report for the year ended 31 December 2022 to shareholders.

During the year, the ARC continued to assist the Board in fulfilling its oversight responsibilities by monitoring and robustly challenging the integrity of the Company's financial reporting the systems of internal control and its risk management framework. This report gives an overview of the activities undertaken and overseen during the year and explains how the ARC has met the requirements placed on audit committees by the 2018 Code and applicable guidance, laws and regulations. In carrying out its duties the ARC also operated in accordance with recommendations set out in the FRC Guidance on Audit Committees which was published in April 2016 and remains cognisant of updated FRC guidance, letters and reports that are relevant to the work of the ARC.

The ARC worked largely to a recurring and structured programme of activities, which was adapted to ensure the strategic reviews were included with appropriate oversight, scrutiny and assurance provided at each stage as the reviews progressed.

The 2022 internal audit plan was presented to the ARC at the end of 2021, in the knowledge that the strategic reviews would require the team to take an agile and flexible approach to ensure that the ARC and the Board would have the level of assurance required to work through often complex and difficult decisions that the strategic reviews would present. The internal audit plan proposed a blend of audits that focused on the Principal Risks, strategic initiatives and traditional site visits. Of the 12 Principal Risks presented during 2022, the internal audit plan focused on nine of those areas, which provided good coverage but also allowed the internal audit team the capacity and time required to support the strategic reviews.

The Principal Risk areas covered during 2022 have included delivery of strategic projects, regulatory governance, operational and supply chain disruption, internal processes and control, safety, health and wellbeing, exposure to cyclical industrial markets and the strategic reviews.

The Risk Assurance team spent considerable time working on the Class 1 Circulars to support the strategic reviews of each of the Packaging and Filters business. The team undertook reviews of the risks associated with each of the transactions and provided input to the Class 1 Circular documents.

The team took specific responsibility for the preparation of Financial Position and Prospects Procedures documentation and also preparation of Board memoranda and also supported the preparation of historical financial information and the pro-forma financial information of the retained business. The Board had an extensive role to play in approval of these documents and the internal audit team therefore had a significant role to play in reviewing the detail and reporting to the ARC on the financial information that was being presented to shareholders.

The ARC spent time considering the impact of the sale of the Packaging and Filters businesses. For the Packaging business, the ARC debated the effect of accounting for the discontinued operations for both the Half Year and then Full Year accounts. The ARC noted the business's obligations for transparent disclosure and that it would be necessary to recognise an impairment of the Packaging business. Similarly, for the Filters business, the ARC considered the impact of the sale, including providing assurance on the Class 1 Circular process, as well as the impact on the financial position of the Company following completion, and the presentation of discontinued operations in the year-end financial statements. In March 2022, the ARC considered the External Auditor's request for additional time to complete its standard procedures as a result of the disposals of the Filters and Packaging businesses during the year. This resulted in a slight delay in the publication of the Company's preliminary financial results for the year ended 31 December 2022.

A key role of the ARC is to support the Board in its assessment of the Principal and Emerging Risks and effectiveness of mitigation plans. The ARC considered the profile of some of the Company's Principal Risks which changed throughout the year reflecting the changing shape of the Company. By the time the year closed, each of the strategic reviews had completed and the Company was, as had been anticipated, a pure-play Components business, with a different risk profile. The ARC agreed to recommend to the Board a revised set of Principal and Emerging Risks that were relevant to the refreshed business and reflected its goals and ambitions.

During the year, the Company received a letter from the FRC which had carried out a thematic review into how companies had reported on their judgments and estimates disclosures. As reported under the key activities of the ARC, the FRC had no questions or queries to raise in relation to the FY2021 Financial Statements. The FRC highlighted areas to be considered during the preparation of the FY2022 Financial Statements where it believed the reader would benefit from improvements to existing disclosures. These points, where relevant, were then adopted by the Company in these accounts.

The ARC continued to receive regular reports on the compliance transformation programme. The ARC noted that each division had continued to encourage and enhance compliance reporting and emphasised that the importance of compliance remained even more relevant during a period of intense change.

There were no material breaches during the year and as the strategic reviews were concluded, the Group Compliance Committee, which had provided oversight and assurance to the ARC, transitioned its support to the retained business and embedded its people and functions within the business itself.

The ARC and the retained business recognised the lessons learnt around the DPA agreed with the DoJ in relation to historical non-compliance with US trade sanction laws arising out of the Filters business and believe this has provided a healthy culture and approach to compliance as a result.

During the year, Nicki Demby resigned from the ARC and I would like to extend my thanks to Nicki for the support and active role she took on the ARC.

Finally, as Chair of the ARC, I am pleased to engage with shareholders and continue to be available to meet if asked.

Mary Reilly
Senior Independent Non-Executive Director
Audit and Risk Committee Chair
28 March 2023

Report of the Audit and Risk Committee

DIRECTORS' REPORT

The Terms of Reference provide a framework for the ARC's work to review and oversee the quality, integrity, appropriateness and effectiveness including the following:

- Financial Statements and external financial reporting
- internal controls
- significant financial judgements
- Tax and Treasury function
- cyber security response
- the compliance programme
- the efficacy of the Internal Audit: function
- the risk management processes and practice
- the relationship with, and performance of the External Auditor.

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Ensuring the integrity of the Financial Statements and associated announcements is a fundamental responsibility of the ARC."

Governance

All the Audit and Risk Committee (ARC) members are independent Non-Executive Directors and have financial, risk management or related business experience gained in senior positions at other large diverse organisations. Mary Reilly has been the Chair of the ARC since April 2018, and the Board is satisfied that Mary has recent and relevant financial experience. Mary spent the majority of her career at Deloitte and is an experienced audit Chair. Each of the other ARC members also have relevant experience: Ralf K. Wunderlich has a deep understanding of internal capital market regulations and is a member of other firms' audit committees and Adrian Peace has extensive financial experience as a manufacturing industry expert. Biographies of the ARC members can be found on pages 70 and 71 and in the

Notice of Annual General Meeting. As a whole the Board believes that the members of the ARC are competent in the business sectors within which Essentra operates. The ARC supports the Board and reports to it following each of its meeting. No member of the ARC has a connection with the current External Auditor.

The ARC has independent access to the Risk Assurance Team and the Head of Risk Assurance, who also leads the Internal Audit team and the External Auditors and may obtain outside professional advice if required. Risk Assurance and the External Auditor has direct access to the Chair of the ARC who held a number of meetings with the Risk Assurance Team and the External Auditor during the year outside formal ARC meetings. The Chair of the ARC also liaises with the Chief Financial Officer as well as the Company Secretary as necessary to ensure there is robust oversight and challenge in relation to financial control, risk management and compliance.

An internal evaluation was carried out during the year. The ARC continued to be considered as a well run committee, operating in line with the Code and of appropriate length and with the opportunity for all members to contribute and consider issues properly.

The ARC observes an annual cycle of terms that covers the requirement of the external audit cycle and any other relevant matter, as detailed in the Terms of Reference of the ARC. The agenda cycle is reviewed annually to ensure that the ARC remains proactive and relevant. The current Terms of Reference for the ARC are available at www.essentraplc.com and are also reviewed annually.

Financial Statements and external financial reporting

Ensuring the integrity of the Financial Statements and associated announcements is a fundamental responsibility of the ARC. In recommending to the Board, with regard to the approval of the 31 December 2021 Annual Report and the 30 June 2022 Half Year Report, the ARC reviewed, examined and challenged the Chief Financial Officer and External Auditor on their respective assessments on such items as accounting for cloud-based software as a service, bad debt provision, an assessment of quantitative disclosures relating to TCFD, whether the Packaging or Filters businesses were held for sale at both the Year End and Half Year, hyperinflation in Turkey, accounting policies and disclosures, any financial reporting issues, significant financial judgements made and appropriate levels of disclosures to ensure that the reports are fair, balanced and understandable. The ARC also challenged the External Auditor on the appropriateness of their audit coverage and their measure of materiality.

As part of the year end process, the ARC reported on its assessment of the Financial Statements so that the Remuneration Committee could consider whether it needed to exercise its discretion when considering the outturns for 2022.

The ARC also spent considerable time considering impairment of the carrying value of the Packaging and Filters businesses, and the remaining entity, during the year and concluded that an impairment of the Packaging business was necessary. Having concluded that no impairment was necessary when considering the Financial Statements for the year ended 31 December 2021, when the ARC then met to consider the interim financial statements for the Half Year 2022, there had been significant changes to this position: the economic outlook had changed significantly since the year end and key impairment indicators were considered in depth by the ARC towards all businesses. As well as the shift in the economic outlook, the Company had also announced the sale of the Packaging business, and entered into a binding sale and purchase agreement on 24 June 2022. During the latter stage of the strategic review process, it was noted there was a shift in the M&A market with heightened risk aversion to COVID-19 related adjustments that included a return to prior levels of performance in longer term forecasts. Alongside the challenging macroeconomic backdrop and the recent performance of the business, the ARC agreed that it was necessary to recognise a discontinued business operating impairment charge of £181.6m. As the Packaging business has now been sold, the factors used to assess the impairment will not continue to be relevant to the wider business.

During the year, the ARC also considered the contents and suitability of the Long-Term Viability Statement and going concern, and challenged the risk scenarios, the range of

sensitivities applied and the potential impacts considered in line with FRC guidance. The risk scenarios used for the year end 2022 reflected the critical importance of the strategic reviews, alongside areas regularly monitored by the businesses, such as operational and supply chain disruption, which remained common concerns for all three businesses.

Following consideration of these assessments, the ARC confirmed that the application of the going concern basis for the preparation of the Financial Statements continued to be appropriate.

Tax and treasury

During the year presentations were made to the ARC by the Group Head of Treasury and Tax.

Particular attention in the presentations was drawn to:

- the underlying tax rate of 19.7% at year end 2021 (represented for continuing group: 3.2%) and the assumptions and judgements used to forecast the effective tax rate during the year
- the underlying tax rate for the continuing group of 21.4% to the half year ended 30 June 2022 with an expected range of 21-22% for the full year
- provision for some uncertain tax positions
- a review of FX exposures which confirmed the business was operating in line with the Treasury Policy
- repayment of the 2017 and 2019 USPP and the partial repayment of the 2021 USPP using the funds received from the divestment of the Filters and Packaging businesses
- a review and update of all Treasury process notes and an update on the systems used by Treasury.



During the year, the ARC also considered the contents and suitability of the Long-Term Viability Statement and going concern, and challenged the risk scenarios, the range of sensitivities applied and the potential impacts considered in line with FRC guidance."

The ARC considered the matters presented and were satisfied with the approach being taken.

Additional details on the Group Tax Strategy can be found at www.essentraplc.com/responsibility.

Cyber security response

During the year the Chief Information Security Officer, Laurence Dale, met with the ARC Chair regularly and was also invited to attend an ARC meeting.

As the strategic reviews progressed, the role transitioned to the become the Chief Digital and Information Officer, with a new roleholder, Sam Edwards, taking up the role. From September 2022, the Chief Digital and Information Security Officer was responsible for the Company's approach to cyber security. Sam attended the ARC towards the end of the year to provide a report on the continual improvements and controls both in place and in progress to strengthen the position and mitigate against the increasing risk posed to businesses by cyber attack.

The key priorities during the year remained an ongoing mitigation of key compliance and control risks, alongside ensuring that robust challenge was in place over financial disclosures made in respect of the strategic review.

Key activities 2022

- Continued review and roll out of compliance training
- Regular discussions with each business and their divisional Compliance Officers to assess and monitor their approach to compliance
- Ongoing monitoring of the Group's compliance with the Deferred Prosecution Agreement
- Transitioning responsibility for compliance to within each of the businesses, with the full support of the Group compliance team to provide the systems required to continue their own compliance programme
- Ongoing completion of the divisional Compliance Certification process at Full Year and Half Year
- Continued focus on third party due diligence
- Regular review of training completion rates across the Group
- Risk assessments
- Development of a Components Compliance Plan for 2023
- Monitoring and testing of the effectiveness of the compliance programme
- The Company reviewed a letter from the FRC regarding a thematic review into the disclosures reported on judgments and estimates. The FRC had no questions or queries but ARC has agreed to adopt additional disclosures around these points. The review conducted by the FRC was based solely on the Group's published Annual Report and does not provide assurance that the Annual Report is correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements

Compliance

The Company's commitment to conducting its business activities in accordance with all applicable laws and regulations continued to be prioritised during the year and the businesses were aware that maintaining momentum and a positive compliance culture would be critical to ensuring the strategic reviews progressed a good outcome. The Compliance programme therefore operated on a business-as-usual basis, with opportunities for raising awareness and the requirement for training remaining regular features during the year, with some changes as set out below.

The Group Compliance Committee continued its role for the first half of the year, and was chaired by the Company Secretary and General Counsel. Once the sale of the Packaging business had been announced, it was agreed to monitor compliance directly with the remaining businesses, with each divisional Compliance Officer, providing regular updates.

Each business continued their approach to compliance, training and awareness, and had particular regard to the impact of the Deferred Prosecution Agreement

requirements around regulatory and sanctions compliance, third-party due diligence, insider dealing and data privacy and undertook activity that supported these key areas.

The GMC received regular reports monitoring compliance training whilst the ARC continued to receive broad compliance reports which the Company Secretary and General Counsel provided, following consultation with the remaining Divisional Compliance Officer on their key compliance risks, and their fulfilment of the programme of activities designed to mitigate exposure.

As a result of this approach towards the Compliance Programme, each business had already integrated into their own capabilities to continue their own compliance programmes and upon the separation of the Packaging and Filters business, they were able to continue their compliance related activities, including those reliant upon compliance systems, seamlessly. Likewise, the Components business has continued in a similar manner, and reports on its Compliance Programme to the GEC on a regular basis.

Right to speak and whistleblowing

The ARC received updates at each of its meetings on any Right to Speak issues raised and sought assurance from management on the issues raised and the Company's response. The ARC noted that the Company has responded to each report received through the Ethics Points reporting system through arranging an investigation or response protocols, depending on the nature of the report, or by referring the case for resolution pursuant to HR grievance protocols.

During the year, the issues raised related primarily to specific HR concerns and where there were particular concerns expressed, the ARC had oversight of the action taken in response which it found to be appropriate.

Internal control and internal audit

The ARC supports the Board in meeting its responsibility for maintaining and monitoring sound risk management and internal control systems and achieves this by assessing the effectiveness of the risk management process and internal control systems. The ARC is supported in this work by the Risk Assurance Team, who are also responsible for internal audits.

The Risk Assurance Team made significant progress in its approach during 2021 and continued this in 2022, having adopted a business partnering approach. The ARC also agreed that for 2022, it was important for Risk Assurance to have an agile and adaptable mindset. Audit reviews were prioritised against current risk exposures and alignment with longer-term strategic objectives.

This ensured Risk Assurance continued to meet its core function as well as supported the Company where it was needed the most and accomplished its objectives through a systematic and disciplined approach to the evaluation, assurance and improvement in the effectiveness of the organisation's risk management, internal control and governance processes. It provided independent assessments of key processes and controls across the Group in support of its business objectives and strategies. In order to achieve this the ARC reviewed:

- the internal audit plan and its achievement of the approved internal audit plan's activities
- the level and skills of the resource available to the Risk Assurance function in line with the budget
- the effectiveness of the Risk Assurance function including its structure, and how Risk Assurance would transition into supporting a pure-play Components business
- internal audit activities with a focus on unsatisfactory audit results
- the adequacy of management's response and the necessary actions taken to address and rectify any weaknesses identified in a timely manner.

At the ARC meetings, Risk Assurance provided a report on the latest position with regards to the Company's systems of internal control, its effectiveness in managing principal risks and identifying any control failings or weaknesses.

Risk Assurance also reported on resourcing of the function, and whilst the plan was delivered mainly through internal resource, having recruited strong candidates to fill all roles within the function, some work was co-sourced where specific subject matter

expertise was required, or local language skills and ongoing COVID-19 restrictions prevented the internal team undertaking the review themselves, such as at our Components Hengzhu China site, where a co-sourced local team visited the site in person to carry out a review.

For Business Process Redesign (BPR) the Risk Assurance team used a continuous auditing approach to provide real time input for the BPR team whilst the programme rolled out in Spain and France, and this approach has been integrated into the BPR programme.

The agility required of the Risk Assurance function, also meant that they undertook work that supported the strategic reviews and supported the Class 1 process for each of the Packaging and Filters sales through providing assurance and oversight of the Financial Position and Prospects Procedure and risk factor disclosures.

Risk management process

The ARC's discussions and considerations and oversight of the risk management process continued throughout the year working closely with the Group Risk Committee and the Risk Assurance function. There was a focus during 2022 on assessing the changing risk landscape as a result of the strategic reviews, but also from the impact of the Ukraine invasion by Russia on the supply chain. The Risk Assurance function worked with the Components business to consider their Principal Risks in anticipation of the conclusion of the strategic reviews, recognising that whilst some of the Group's previous Principal and Emerging Risks would remain, others would not apply to a pure-play Components business.

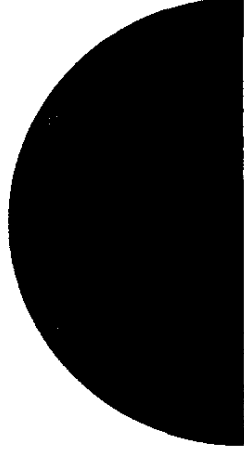
In addition to considering new Principal and Emerging Risks, the existing risk management process continued to enable the ARC to assess the quality of existing practices and processes

used to identify, assess and mitigate responses to existing and evolving risks to the Company achieving its long-term strategic objectives. This approach, combined with the risk management approach supported the ARC's challenge of the effectiveness of the Company's response, its actions and the process used to consider the effectiveness of the mitigations.

The ARC concluded that the process had been very thorough and remained fit for purpose and as the Chair of the ARC had also been present at the Group Risk Committee meetings when both ongoing review of risks, and consideration of the pure-play Components risks had been considered, the ARC was assured that the risks had been reviewed and challenged thoroughly, with appropriate resilience testing of assumptions also having been undertaken. The ARC's work in turn supported the Board by providing it with the assurance it needed as to the robust nature of the process used by the Company to identify risk.

The ARC concluded at Half Year 2022 that it was appropriate to change the Principal Risks, reflecting the changes in the business, followed by more extensive changes at year end 2022 to reflect the transition to a pure-play Components business.

More information on Principal and Emerging Risks can be found on pages 52 to 65, the Long-Term Viability Statement on page 103 and the Risk management process on 101.



External Auditor

During the year the ARC:

- agreed to request an extension of the Audit Partner, Nicholas Stevenson, for one further year, being his sixth successive year. The ARC believed this would support both the Company and the External Auditor in carrying out and completing the 2022 year end audit, having considered the activity presented by the strategic reviews, the change in Chief Financial Officer and Group Financial Controller, to be a risk to audit quality. The ARC noted that the FRC's Ethical Standard permitted extensions for exceptional circumstances such as those that applied to Essentra during 2022
- sought and received assurance that additional safeguards were in place to guard against any threat to independence from Nicholas Stevenson being in place for a further year. This was discussed in both open and private sessions between the ARC and PwC
- agreed the terms of engagement and fees to be paid to the External Auditor
- reviewed and agreed the scope and strategic nature of the audit work to be undertaken, with changes to sites in scope reflecting the change in the shape of the Company
- reviewed the qualifications, resources and independence of the External Auditor and assessed its performance with particular regard to the overall quality of the external audit and especially challenged the External Auditor's ability to carry out a robust audit on a hybrid basis
- reviewed the level of non-audit work carried out by the External Auditor which, during 2022, comprised of work relating to the Class 1 Circulars arising out of the strategic reviews. The ARC concluded this was best carried out by the External Auditor given their existing knowledge of the business

- the Chair of the ARC met with the External Audit partner frequently outside of the meeting schedule.

Assessment of the External Auditor

The ARC is dedicated to ensuring that the Company receives a high quality and effective external audit. Throughout the year, the ARC is provided with reports, reviews, information and advice, as set out in the terms of the External Auditor's engagement and performance is formally assessed by the ARC in conjunction with the GMC. The ARC assesses the External Auditor's independence annually and remains satisfied that the External Auditor is effective and provided appropriate independent challenge to the Company's management.

In reaching this conclusion, the ARC considered the additional processes that had been observed by the External Auditor in view of his serving for a sixth year to ensure he maintained his independence. The ARC were satisfied that the additional checks introduced provided the level of scrutiny and the ARC were appropriately reassured.

Independence of the External Auditor

The ARC believes that it is important to maintain the objectivity and independence of the External Auditor by minimising their involvement in projects of a non-audit nature. The Company policy complies with the FRC Revised Ethical Standard 2019 which provides a whitelist of services which may be provided to public interest entities and reflects best practice in relation to the engagement of the External Auditor to supply non-audit services in compliance with the whitelist, with defined parameters and approval requirements.

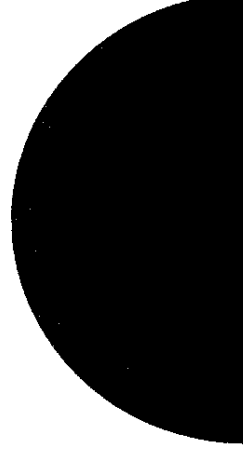


The ARC concluded at Half Year 2022 that it was appropriate to change the Principal Risks, reflecting the changes in the business, followed by more extensive changes at year end 2022 to reflect the transition to a pure-play Components business."

The ARC Chair, without the approval of the ARC, is authorised by the Company to engage the External Auditor on non-audit related work where the service is in compliance with the whitelist of services under the Revised Ethical Standard 2019, and the fees per project are not considered to be significant, provided that the annual aggregate of non-audit related fees shall not exceed 70% of the average of the audit fees paid in the last three consecutive financial years.

At the time of accepting non-audit services in relation to the disposal of the divisions, a number of scenarios and a range of fees were considered possible, all of which were expected to be within the 70% fee cap (calculated based on the average of the last three years' audit fees). Subsequently, there were a number of changes to the scope of this work and as a result the total value of non-audit services for the financial year 2022 was expected to exceed the fee cap. The External Auditor discussed at length with the ARC Chair and management before an exemption to the fee cap for non-audit services from the FRC was requested. The request was approved in September 2022 subject to the Company disclosing in its Annual Report how the ARC satisfied itself as to the continued independence of PwC to act as auditor given the additional non-audit services in 2022. Details on how ARC satisfied itself can be found in other sections on this page.

Details of the fees paid to PwC up until 31 December 2022 can be found in Note 2 of the Notes to the Consolidated Financial Statements, which includes fees paid to the External Auditor and its network firms for audit services, audit-related services and non-audit services. PwC provided a letter confirming that it believes it remains independent within the meaning of the regulations on this matter and in accordance with their professional standards.



The ARC formally reviewed the letter which describes arrangements in place to identify, report, and manage any conflicts of interests and policies and procedures including the extent of non-audit services, to maintain independence and the subsequent monitoring.

maintained their independence with PwC having put in place additional safeguards to guard against any threat to independence given his familiarity with the Company. More information on how ARC satisfied itself on this can be found on page 102. The ARC has now agreed a new Audit Partner for 2023.

Effectiveness of the External Auditor

The ARC assessed the effectiveness of the External Auditor by reviewing:

- the External Auditor's fulfilment of the agreed audit plan and the quality of their work including the depth and appropriate challenges of management
- feedback highlighting the major issues that arose during the course of the audit
- feedback from the businesses and management evaluating the performance of each assigned audit team.

Engagement of the External Auditor

The External Auditor was originally engaged by the Company in 2017 following a competitive tendering process. The External Auditor is engaged to express an audit opinion on the truth and fairness of the Financial Statements. The external audit includes the review and testing of the system of internal financial controls and the data contained in the Financial Statements to the extent necessary. In order to protect independence and objectivity and provide fresh challenge to the business, the External Auditor periodically changes the audit partners at a Group, divisional and country level, in accordance with professional and regulatory standards. Such changes are carefully planned to ensure that the Group benefits from staff continuity without incurring undue risk of inefficiency. However, it was agreed to extend the Audit Partner, Nicholas Stevenson's tenure as the audit engagement leader due to the exceptional circumstances that the strategic reviews presented. The Company and PwC are comfortable that Nicholas and PwC

Significant financial judgements

Goodwill and intangible assets

As required by IAS 36, the Company undertakes an assessment of the carrying value of intangible assets on an annual basis, or more frequently if there is an indication of impairment. The details of the work carried out and the results are in Note 8 of the Notes to the Financial Statements. The assumptions for 2023 and beyond (such as the annual growth rate and the terminal growth rate) are based on the 2023 annual plan and management's financial projections in subsequent years. The impairment reviews performed by management contain a number of significant judgements and estimates including

Revenue growth, profit margins and discount rates. A change in these assumptions can result in material changes in the valuation of the assets and the eventual outcome of the impairment assessment. The ARC evaluated and challenged the methodology of the impairment review and the assumptions on which it was based, including the financial plans approved by the Board.

The ARC discussed the current year assessment, which included the impairment to the Packaging business, which had been agreed at Half Year, at length with the Chief Financial Officer, the Chief Executive and the External Auditor, the review and assumptions presented. After due consideration the ARC was satisfied that the impairment assessments had been appropriately carried out. The relevant disclosure is set out in Notes 8 and 24 of the Notes to the Financial Statements.

Adjusting items

The Financial Statements include certain items which are disclosed as adjusting items. The nature of these items is explained within the Group Accounting Policy, and includes transaction costs and gains or losses relating to acquisitions and disposals of businesses, acquisition related integration and restructuring costs, and other items such as impairment losses. Following an extensive review, the ARC is satisfied that the Company's definition of adjusting items remains clear and the appropriate level of disclosure is included.

In the current year the ARC has been involved in a rigorous review of the items presented and following a robust discussion the ARC agreed to adopt a de minimus approach.

The ARC challenged the Chief Financial Officer about the appropriateness of items presented including impairment, the presentation of continuing and discontinuing operations and restructuring activities relating to the strategic reviews to ensure they are one-off material items rather than incurred in the ordinary course of business and are presented separately to allow a better understanding of the Group's ongoing activities. Further details can be found in Notes 8 and 24 of the Notes to the Financial Statements.

Significant financial judgements continued

Tax liabilities

The Company is, on occasion, subject to tax assessments that may represent potential future tax exposures, which arise from tax authorities in a number of the jurisdictions in which the Group operates. The Group assesses all such exposures in the context of specific country tax laws, where applicable, makes provisions for any settlements which it considers appropriate. The Company operates in a number of tax jurisdictions, and recognises tax based on interpretation of local laws and regulations which are sometimes opaque. Where the amount of tax payable is uncertain, the Directors are required to exercise significant judgement in determining the appropriate amount to provide in respect of potential tax exposures.

The ARC challenged the nature and extent of the tax provisioning of the Company and sought assurance that the Company was working diligently to resolve outstanding liabilities in an appropriate fashion. The potential tax exposures over the Company's transfer pricing position and the deductibility of interest on internal financing are also considered. The ARC reviewed the assumptions of the tax liabilities at the start of the year, those created during the year and the effective tax rate. The ARC questioned and challenged the Chief Financial Officer and Head of Group Tax as to the appropriateness of the Company's risk attitude and appetite in this area. The ARC was satisfied that the tax liabilities are appropriate, and that the Group's tax disclosures are adequate given the nature of the Company's activities.

Going concern and Long-Term Viability assessment

The ARC reviewed the assumptions applied for going concern and long-term viability assessment. At Half Year 2022 and at Full Year 2022, an extensive process was applied to the going concern that assessed the outcome of a range of scenarios.

The Board has considered a downside scenario that includes reasonably plausible changes in macro-economic conditions and is considered to represent a severe but plausible scenario. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 18 months from the date of approval of these Financial Statements, and do not indicate any covenant breach during the test period.

The downside scenario assumes a period of suppressed revenue growth into the latter part of 2023 and subsequently limits growth in 2024. Further, the downside scenario assumes a high inflationary cost environment not fully offset by price increases, and higher than planned cost base assuming the business does not right-size costs in line with expectations, as the Group transitions to a pure-play Components business. The scenarios do not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. The ARC was satisfied that the process used to assess the Company's going concern position was appropriate and made a recommendation to the Board in line with this view.

The External Auditor challenged the ARC on the process used to make the assessment and the outcome of the scenarios. The ARC, on behalf of the Board, also challenged management on the assumptions and sensitivities used within the scenarios to ensure they captured sufficient macro and micro environmental factors, as well as where judgement had been applied, and sought an explanation from management on this. Management provided this assurance and explained to the ARC that the scenarios had been carefully calculated with dedicated resource provided to test the range of outcomes.

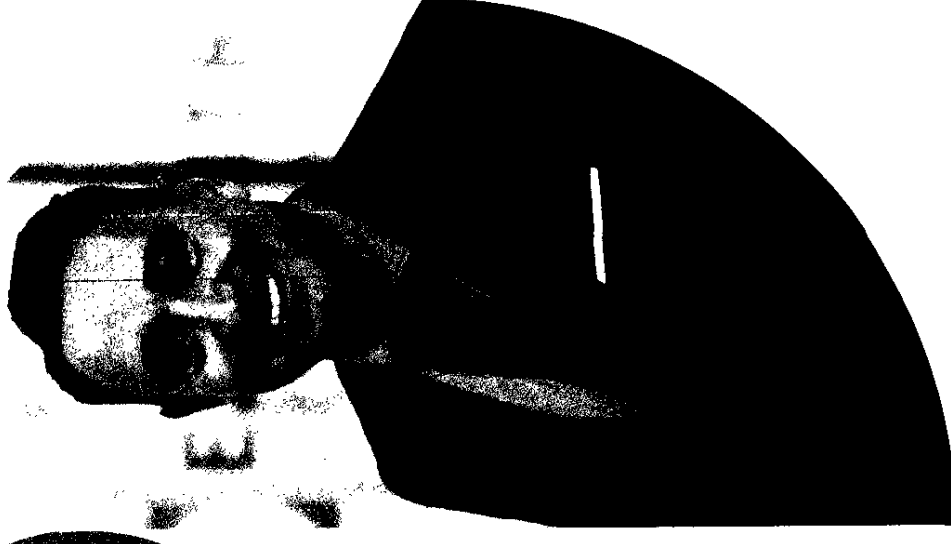
More information on the going concern can be found on pages 129 to 130.

The ARC reviewed the long-term viability assessment for the period to 31 December 2025 which considered a range of scenarios based on an assessment of four risks selected from the Principal Risks. The ARC considered the process used to assess the long-term viability against these risks and challenged management on the assumptions. The External Auditor in turn challenged the ARC on the process that had been adopted and was satisfied that the process used was robust and thorough. The ARC was satisfied that they could make a recommendation to the Board on the Group's long-term viability.

The ARC acknowledges that there have been a number of new accounting assessments relating to the transactions undertaken during the year. These are detailed in the Critical Accounting Judgments and Estimates section of the Financial Statements on pages 150 to 151.

Chair of the Remuneration Committee's Letter

RALF K. WUNDERLICH
Non-Executive Director



This report includes

- The Annual Directors' Remuneration report
- A summary of the Remuneration Policy, which was approved at our AGM in 2021

This report describes how the Policy has been put into practice during 2022, and how we plan to implement the Policy in 2023.

Dear Shareholder,

Following my appointment as the Chair of the Remuneration Committee at the AGM in May, I am pleased to present to you the Directors' Remuneration report for the year ended 31 December 2022.

The business context

As outlined elsewhere in this Annual Report, it has been an exceptional year of change for Essentra, not only in terms of the strategic reviews, but also the wider geopolitical changes impacting our people and our business.

In line with our values, Essentra has continued to focus on protecting the safety, health and wellbeing of our employees. Our three Board Employee Champions, Mary Reilly, Adrian Peace and I, have continued to engage with groups of employees throughout 2022 using both physical and virtual meetings to hear directly the views of our employees, gaining a valuable insight to views on remuneration and the impact of the external markets on our people.

These engagements also offer the opportunity to address any queries regarding Executive Remuneration and its alignment to the wider Company's pay policies.

All of the 34 countries in which we operated at the start of 2022 continued to be impacted by the pandemic and its aftermath. Early in 2022, we also responded to the hardship and economic uncertainty caused by the Russian invasion of Ukraine. This had an impact on input prices and caused disruption of the supply chain which has been challenging throughout the year. We recognise that these events continue to cause considerable uncertainty and hardship for some of our employees, customers, suppliers and communities we operate in.

Towards the end of 2021, after much deliberation, the Board announced the intention to move to a pure-play global Components business. The Board viewed this approach as necessary to maximise shareholder value and the growth potential of each of our three businesses, yet retaining the strong Components business with a focus on profitability, growth and value creation. During 2022, that strategic goal came to fruition with the sale of our Packaging business to Mayr-Melnhof Group (MM) and the sale of our Filters business to a wholly owned subsidiary of Centaury Management Limited. The work required to successfully deliver these divestments in the required time frame was considerable and the Board is extremely grateful for the commitment of all

those leaders and employees who assisted in this process, yet retained a focus on business-as-usual activities.

There have been a number of remuneration-related issues arising from the transactions and broad business challenges, making this a complex year in which the Remuneration Committee has been focussed on ensuring a fair and consistent approach to all aspects of reward. This letter details our thinking and approach, which the Remuneration Committee deliberated on throughout the year, holding seven meetings in 2022 to ensure all aspects were duly considered.

With all the complexities, the Remuneration Committee continued to consider remuneration in our wider workforce when making decisions that affected our senior executives, taking feedback received by our Board Employee Champions on employee share plans, merit increases and the ratio of Chief Executive pay to that of our other employees. These topics are reflected in the approach to reward across the workforce and the process of evaluating the right steps for 2022/2023.

Board Changes

There were a number of Board changes during 2022, some as a direct consequence of the strategic reviews and I will take you through each change in turn.

Change of Chief Executive

In October, after five years service, we announced Paul Forman would step down as Chief Executive on 31 December 2022, following the successful completion of the Packaging and Filters transactions. In recognition of Paul's contribution in 2022 with the successful divestment of Packaging and Filters and professional handover, the Remuneration Committee agreed that he should remain eligible to receive an annual

bonus for 2022 and receive "good leaver" status in respect of his outstanding LTIPs in line with plan rules and the Remuneration Policy.

The Board were pleased to welcome Scott Fawcett as Chief Executive Officer, also announced in October, with an effective date of 1 January 2023. This is a great example of successful succession planning, with Scott being promoted to the Board having led the transformation of the Components business over the last twelve years from a product-led to service-driven business, with an established track record of developing and expanding the business both organically and through acquisition. The remuneration arrangements for Scott are detailed in the Remuneration Report and are in line with our Policy. This includes a pension allowance of 5% of base salary, in line with the UK workforce. This delivers our commitment to reduce pension allowances by the end of 2022 made when our Directors' Remuneration Policy was approved by our shareholders at the AGM in May 2021. Scott's salary and LTIP award have been set commensurately lower than his predecessor in recognition of the reduced size of Essentra following the sale of the Packaging and Filters businesses.

CFO Change

As originally announced in November 2021, Lily Liu stepped down from the Board at the AGM on 19 May 2022 and ceased employment on 30 June 2022. The Committee decided to take a balanced approach to Lily's remuneration arrangements which recognised her significant contribution to the business, to the strategic reviews during the first half of the year and in supporting a managed succession. Accordingly, Lily did not receive a salary increase in April 2022 nor an annual bonus for 2022, her in-flight 2021 LTIP lapsed and she did not receive a LTIP award for 2022. However, the Committee determined that she should retain the Deferred Bonus shares

earned as part of the 2021 bonus as it related to the prior years performance, and this was released to her when her employment terminated.

The Board were also pleased to welcome Jack Clarke to the Board on 4 April 2022 as the Chief Financial Officer Designate, taking the role at the AGM on 19 May 2022

Full details of Scott and Jack's remuneration are contained in the 'Implementation of Remuneration Policy for 2023' section later in this report.

Full details of Paul and Lily's remuneration arrangements relating to their cessation of employment are set out in the 'Payments for loss of office' section later in this report.

Non-Executive Director changes

Nicki Demby stepped down from the Board at the AGM in May 2022 after a thorough and in-depth handover. On behalf of the Board, I would wish to thank Nicki for her professional guidance and excellent stewardship of the Remuneration Committee during her time with Essentra.

It was with great pleasure that we announced Dupsy Abiola's move to a full Non-Executive Director on the Board in March 2022, after a year as Board trainee. She also joined the Remuneration Committee as a member.

We were also delighted to welcome Kath Durrant to the Board with effect from January 2023. Kath will also be a member of the Remuneration Committee.

Given the reduced size of Essentra following the divestment of the Packaging and Filters businesses, we externally benchmark the fees of the Board Chair and adjusted them downward by 10% to £225,000.



Measuring and assessing performance for in-flight incentive awards

Given the materiality of the Packaging and Filters transactions to the wider Essentra business, there were a number of complexities for the measurement and assessment of performance for in-flight incentive awards, specifically the 2022 annual bonus and the 2021 and 2022 LTIP awards.

A particular area of focus for the Remuneration Committee has been to ensure that a fair and robust measurement and assessment process remained for these awards. The Committee sought to follow some basic principles summarised as follows:

- maintain consistency between the basis on which targets are set and how performance is measured
- ensure use of a consistent approach across affected awards where possible
- maintain the original performance periods
- use audited data to the extent that this is feasible.

More detail on the Committee's specific application of these principles to affected in-flight incentive awards is set out on page 116, and page 113 in respect of the 2022 LTIP awards, bonus.

Linking reward to performance in 2022

The performance of the underlying business overall was resilient during 2022 with a strong performance in the Components business, despite ongoing global supply chain issues. The international Packaging business, which was part of the Group for nine months of the year, was impacted by slower than expected recovery in volumes during this period, coupled with global supply chain challenges. The availability and cost of raw materials had a particular impact.

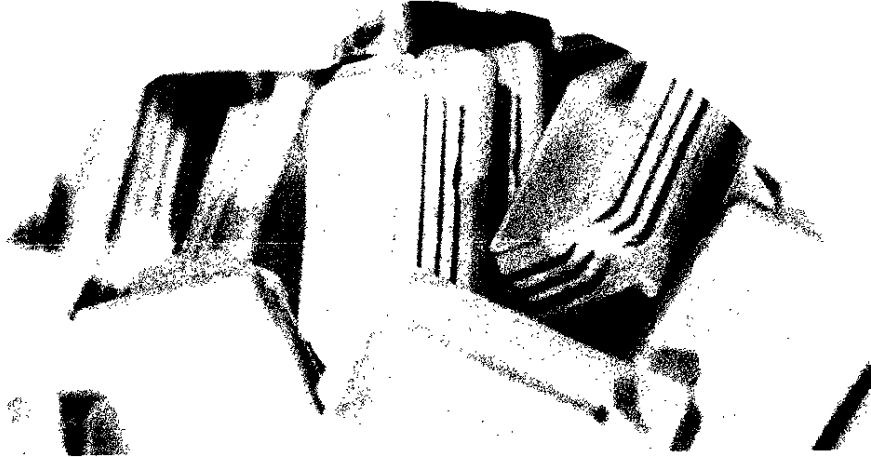
DIRECTORS' REPORT

The execution of the strategic reviews placed considerable demands on the leadership team during 2022. We received strong support from shareholders on both transactions. During the process, leadership managed to continue the strong focus on business-as-usual activities, retaining talent and driving performance. In addition, we further accelerated our Components growth strategy with the successful acquisition of Wixroyd in December which extends the business's capabilities in hardware components.

The Remuneration Committee considered the annual bonus outcomes for the 2022 period, balancing the outturn within the context of wider workforce, macroeconomic challenges and stakeholder experience.

Long term value creation for shareholders and pay for performance continue to be at the heart of our remuneration policy and practices.





We concluded that the outcome of 54.9% of the maximum for Chief Executive, Paul Forman and Chief Financial Officer, Jack Clarke (in the latter case pro-rated for time served) is justified given the performance delivered during this year of fundamental change. The bonus payments will be after the publication of the Group's Audited Annual Results on 29 March 2023.

No LTIP award was granted to the Executives during 2020 so no award vests in this reporting period. Due to the Company being in a closed period for much of the year, the 2022 LTIP award was delayed until October 2022. Being mindful of the risk of windfall gains, the Remuneration Committee exercised discretion and applied a circa 14% reduction in the number of shares awarded to the Executive Directors, taking account of the lower share price at the delayed grant date relative to the previous grant date in March 2021.

Executive remuneration in 2023 Principles

Our approach to setting executive remuneration continues to be guided by the following principles:

- rewarding the creation of sustainable, long-term performance, with long-term value creation for shareholders and pay for performance being at the heart of our policy and practices
- incentivising and rewarding delivery of the business strategy, with market competitive pay in return for performance against our strategic objectives
- attracting and retaining the talent we need to lead our business. This must also reflect the complexities of global business, attracting and nurturing a mix of talent with a range of backgrounds, skills and capabilities that will enable Essentra to thrive
- consideration of stakeholder interests ensuring our reward packages are appropriate and fair in the context of the experience of our key stakeholders – employees, shareholders and customers
- flexible in our approach to remuneration so that we can respond to a rapidly changing world. This has never been clearer than over recent years.

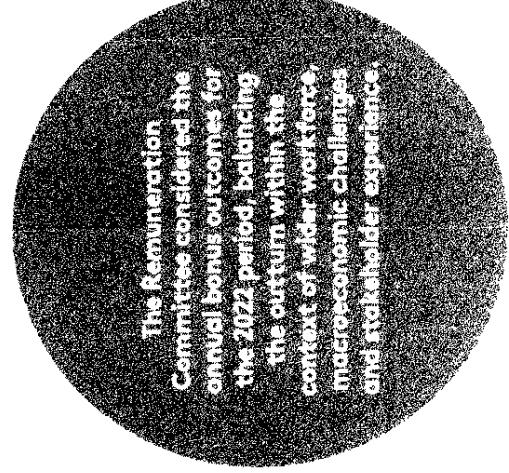
Salary increases in 2023
Following his recent promotion to Chief Executive, Scott Fawcett's salary will not be increased in April 2023. Similarly, Jack Clarke's salary, and the salaries of the Group Executive Committee will remain unchanged as the newly formed Essentra Component business will focus the 2023 salary increase budgets on the lower paid colleagues where the current economic challenges have a greater impact. For reference, the average 2023 salary increase for our UK workforce is budgeted to be 6% and distributed based on grade, so as to assist those most impacted by the financial challenges in many of our operating countries.

Linking reward to strategy – incentive plans in 2023

A number of changes have been made to the KPIs and their weighting in the 2023 annual bonus and LTIP to better align with the strategy of Essentra as a pure-play Components business.

One of those changes is the removal of ROIC as a performance measure in the LTIP structure which will be simplified to three measures (EPS, relative TSR and ESG). ROIC performance in the Components business

KPI	2022	2023	Strategic rationale
Annual Bonus: one-year performance			
Adjusted operating profit	40%	50%	The metrics are designed to provide a balanced alignment with our goals of generating sustainable, profitable growth and strong cash generation
Adjusted operating cash flow	10%	20%	The higher weighting attributed to strategic objectives in 2022 has been reduced following the completion of the scales of the Packaging and Filters businesses
ESG	10%	10%	
Personal & Strategic objectives	40%	20%	
LTIP : three-year performance			
Relative TSR	20%	30%	These measures are designed to provide a balanced alignment with our goals of delivering shareholders a superior return on their investment and generating sustainable, profitable growth
Adjusted EPS	40%	50%	To simplify the LTIP structure, the number of performance measures is being reduced from four to three by the removal of a separate ROIC measure
Return on Invested Capital (ROIC)	30%	-	
FSG	10%	20%	



is strong and accordingly we believe that an ongoing focus in the incentive plans on Operating Profit / EPS combined with Adjusted Operating Cash flow, management will continue to deliver a strong ROIC performance. The Committee will continue to assess ROIC as one of the key indicators of financial health when considering whether there should be any discretionary adjustment to incentive outturns.

We remain committed to our ESG agenda and have strengthened our commitment through both our bonus and LTIP targets and measures. We will continue to drive all elements of ESG as we seek to do our bit for the broader environment and our local communities.

We have taken a balanced approach to setting the annual bonus and LTIP performance targets given the uncertain economic environment in which the awards are being made. The Committee retains the discretion to adjust the outcomes of the incentive awards to reflect the overall performance of the business over the performance period.

Our current intention is that LTIP awards for 2023 will be granted for shares worth 150% of salary to both the Chief Executive and CFO although, as in 2022, the Remuneration Committee will carefully consider the appropriateness of these award sizes shortly before the grant date.

Conclusion

It has been a year of change for Essentra with significant implications on remuneration matters. The Committee has taken a balanced and considered approach.

It is also important that we maintain flexibility in our approach to remuneration, retaining agility in a rapidly changing world. The Committee is satisfied that our Policy operated as intended and is satisfied that it will continue to provide strong alignment between performance and the remuneration of the Executive Directors during 2023. However, we will keep this under review ahead of our triennial Policy review due in 2024.

As ever, the Remuneration Committee welcomes any questions or comments from shareholders. We greatly value any feedback received from shareholders which is considered by the Committee, as relevant, within our regular meetings. There has been no formal shareholder engagement exercise by the Committee during 2022 although the Board has consulted shareholders on other matters, as has been detailed in our Stakeholder engagement and Section 172 report, on page 38. The Chair of the Remuneration Committee is available to speak to shareholders if they so wish. However, as part of our triennial review of the Remuneration Policy, we will consult widely in 2023 with our major shareholders and proxy voting bodies as well as other key stakeholders. Details of that consultation and how it impacts our thinking on the Policy design will be outlined in next year's Remuneration Report.

Our consultation with employees, which is covered in more detail on page 106 as well as in the ESG and Corporate Governance chapters, includes explaining how executive remuneration aligns with our wider company pay policy. In addition, our Board Champions have met with employees during 2022, who have had the opportunity, and have raised remuneration as a topic, with them. Two of the Board Champions include the Remuneration Committee Chair and the Senior Independent Director, who is also a member of the Remuneration Committee.

I hope that you will find this report to be clear and helpful in understanding our remuneration practices and that you will support the advisory resolution on the Annual Remuneration report at the AGM on 16 May 2023.

In closing, I am grateful to the Board Chair and members of the Remuneration Committee for their continued diligence, engagement and support throughout the year in making responsible decisions on remuneration.

Ralf K. Wunderlich
Non-Executive Director
Remuneration Committee Chair
28 March 2023

Remuneration at a glance

2022 remuneration structure for Executive Directors



The committee reflected on remuneration outcomes in the context of significant strategic and organisation change, the demanding economic environment and global challenges. We believe the approach and outcomes appropriately reflect the performance of the Group and the broader stakeholder experience.



RALF K. WUNDERLICH
Remuneration
Committee
Chair

2022 total remuneration

Paul Forman (£000)



£0.5m £1.0m £1.5m

Jack Clarke (£000)



2021

£0m £0.5m £1.0m £1.5m

Lily Liu (£000)

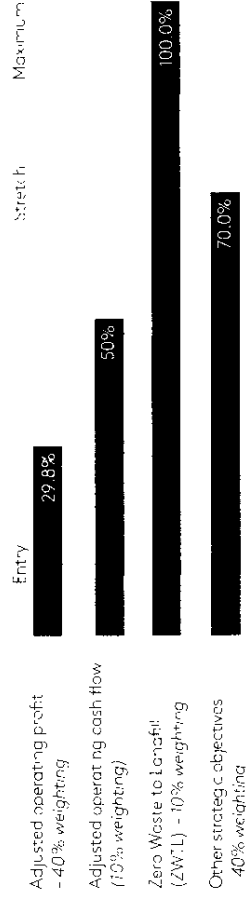


£0m £0.5m £1.0m £1.5m

- Fixed pay – salary, benefits, pension allowance
- Performance pay – annual bonus and LTIPs earned in respect of the three year performance period.

2022 remuneration structure for Executive Directors. The data is based on the remuneration structure for the three year performance period. The data is based on the remuneration structure for the three year performance period. The data is based on the remuneration structure for the three year performance period.

2022 Annual bonus



Overall
bonus
CEO: 54.9%

Overall
bonus
CFO: 54.9%

Annual Report on Remuneration

This section of the Remuneration Report will be subject to an advisory vote at the 2023 AGM together with the Annual Statement from the Remuneration Committee Chair.

Key activities

Meetings during 2022

- Q1 2022**
- Approved 2021 annual bonus outturn for Executive Directors and GMC members
 - Approved performance measures and targets for the 2022 annual bonus of Executive Directors and GMC members
 - Approved the 2019 LTIP outturn
 - Approved the 2021 CEO and CFO Objectives outturn
 - Approved the 2022 annual salary review for ED's and GMC
 - Reviewed Directors' Remuneration Report for inclusion in the 2021 Annual Report
 - Approved Proposed 2022 LTIP Targets

Q2 2022

- Approved CFO leaver terms

Q3 2022

- Approved appointees to Components Executive Committee

Q4 2022

- Approved exit terms for the outgoing CEO
- Approved remuneration terms for incoming CEO
- Considered the design of the 2023 annual bonus for Executive Directors and GMC
- Considered the LTIP 2023 Measures and Weightings
- Reviewed the Shareholding for Executive Directors
- Approved the 2022 LTIP awards
- Approved remuneration for the board Chair

Membership and attendance

Meetings during the year

Ralf K. Wunderlich Non-Executive Director	7 (7)
Mary Reilly Non-Executive Director	7 (7)
Nicki Demby Non-Executive Director	4 (4)
Dupsy Abiola Non-Executive Director	7 (7)

Other attendees

During the year, the Board Chair, Chief Executive, Chief Financial Officer, Group Human Resources Director and Director of Rewards were invited by the Remuneration Committee to provide views and advice. None participated in discussions regarding their own remuneration.

The board trustee Dupsy Abiola, joined officially as a NED in March of 2022

The Company Secretary and General Counsel act as Secretary to the Remuneration Committee, with the support of the Head of Governance, both of whom attend all meetings.

The Remuneration Committee consists of non-executive directors who review the Company's relationships with its independent advisers.

In addition, services and advice were received from the following independent and expert consultants:

- Deloitte LLP (Deloitte), who are a member of the Remuneration Consultants Group and have signed up to the Code of Conduct, provides advice to the Remuneration Committee on a variety of issues related to the remuneration of the Executive Directors and other senior executives within the Company. Deloitte were appointed by the Remuneration Committee who review their performance annually, and are contract with the continued advice and level of service provided. The Remuneration Committee regularly reviews the independence of Deloitte and continues to be assisting with the level of independence fees charged for the year under review are £129,700. The fees are charged on a time and expenses basis. Deloitte also provides other remuneration consulting and tax services to the Company during 2022.

Total Single Figure of Remuneration Table for 2022 (audited)

The remuneration received by Executive Directors and Non-Executive Directors for the year ended 31 December 2022 (and the 31 December 2021 comparative) was as follows:

	Year	Salary and fees for the year or from the date of appointment £000	Taxable benefits ¹ £000	Cash in lieu of pension ² £000	Total fixed remuneration £000	Bonus (cash and deferred shares) £000	Long-term Incentive Plan ³ £000	Other £000 ⁴	Total variable remuneration £000	Total £000
Executive Directors										
Paul Forman	2022	675	37	135	847	561	-	2	563	1,410
	2021	652	38	135	825	658	0	-	658	1,483
	2022	261	10	13	284	180	-	-	180	464
	2022	197	7	27	231	-	-	-	-	231
	2021	359	15	56	430	288	0	3	291	721
Non-Executive Directors										
Paul Lester	2022	250	-	-	250	-	-	-	-	250
	2021	250	-	-	250	-	-	-	-	250
	2022	85	-	-	85	-	-	-	-	85
	2021	81	-	-	81	-	-	-	-	81
Ralf K. Wunderlich	2022	80	6 ⁵	-	86	-	-	-	-	86
	2021	73	5 ⁶	-	78	-	-	-	-	78
	2022	62	13 ⁷	-	75	-	-	-	-	75
Adrian Peace	2021	31	-	-	31	-	-	-	-	31
	2022	42	-	-	42	-	-	-	-	42
Dupsy Abicia	2022	25	-	-	25	-	-	-	-	25
Nicki Demby	2021	65	-	-	65	-	-	-	-	65
Tommy Breon ⁸	2021	24	-	-	24	-	-	-	-	24
Totals	2022	1,677	73	175	1,925	741	-	2	743	2,668
Totals	2021	1,535	58	191	1,784	946	0	3	949	2,733

Notes

- Taxable benefits comprise car allowance, private medical insurance and life insurance cover.
- None of the EDs are entitled to any benefit under the Essentra Deferred Bonus Pension Scheme.
- Tommy Breon stopped working for the Group in May 2021.
- Tommy Breon stopped working for the Group in May 2021.
- Nicki Demby stopped working for the Group in May 2021.
- Adrian Peace joined Essentra as a NED in May 2021.
- Dupsy Abicia joined as a NED in April 2022.
- Dupsy Abicia joined as a NED in March 2022.
- Tommy Breon was the Chair of the Board in May 2021.
- Other Non-Executive Directors' remuneration is disclosed in the Directors' Remuneration Report.
- Paul Lester stepped down from the Board in May 2022.
- The 2022 comparative figure for Ralf K. Wunderlich was represented by the Group in May 2022.

CEO pay ratio (unaudited)

This is the fourth year that we are publishing our CEO pay ratio. We have elected to continue to follow Option A of the regulations, and to calculate the ratios using the full-time equivalent pay and benefits for all UK employees in respect of 2022. We have chosen Option A as this provides a more accurate reflection of the Chief Executive's pay in relation to the wider UK population. Salary for the UK workforce is at 31 December 2022.

	25th Percentile	50th Percentile	75th Percentile
Salary	£21,729	£31,462	£48,197
Total pay	£24,675	£34,846	£55,378
FY 2022	57:1	40:1	25:1
FY 2021	68:1	54:1	34:1
FY 2020	38:1	30:1	19:1
FY 2019	67:1	50:1	36:1

The salary for the employees at the above percentiles are typical salaries for operational roles in our factories and sites. The roles at these quartiles are a Production Operator, Product Information Executive and Dip Mould Operator. The majority of remuneration for these roles is fixed rather than performance linked. The ratios are calculated based on the total remuneration payable to the Chief Executive in respect of 2022, as set out in the Single Figure Table above. The Company believes the median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees.

The CEO pay ratio for 2022, has decreased to 40:1 at the median.

The CEO pay ratio will fluctuate year-on-year, reflecting the higher proportion of variable remuneration that the Chief Executive may receive relative to other employees, the value of which is dependent on Essentra's performance and share price movements. As a result, the Remuneration Committee does not believe it is appropriate to target a specific CEO pay ratio. However, the Committee will annually assess whether the year-on-year movement in the ratio is consistent with Company performance and employee reward decisions.

Annual bonus (audited)

Under the terms of the annual bonus arrangements for 2022, Paul Forman was potentially entitled to a maximum bonus of up to 150% of basic salary and Jack Clarke was potentially entitled to a maximum bonus of up to 125% of basic salary, pro-rated for his period of employment. The Remuneration Committee determined that Lily Liu, who left Essentra during the middle of the year, was not entitled to a bonus for 2022.

As outlined in last year's Remuneration Report, the balance of the performance measures for the 2022 annual bonus was designed so as to support successful execution of the strategic reviews of the Filters and Packaging businesses. Accordingly one half of the annual bonus rewarded the delivery of the strategic reviews (40%) and environmental targets based on Zero Waste to Landfill (10%). The other half of the annual bonus rewarded the delivery of Adjusted Operating Profit (40%) and Adjusted Operating Cash Flow (10%) in the year.

2022 Annual Bonus Outturn

Performance measure	Weighting	Entry performance	Stretch performance	Maximum performance	Actual performance	% of overall bonus payable
Adjusted Operating Profit ¹	40%	£78m	£91.8m	£96.4m	£82.6m ²	11.9%
Adjusted Operating Cash Flow ³	10%	£45.7m	£53.8m	£56.5m	£60.8m ²	5%
Zero Waste to Landfill (ZWTL) - number of production sites achieving ZWTL	10%	25	26	27	28	10%
Other strategic objectives	40%	Details in analysis below				CEO – 28% CFO – 28%
Total bonus						CEO – 54.9% ⁵ CFO – 54.9% ⁵

Notes

- As in 2021, 10%, 20% and 100% of the relevant portion of the bonus was payable for achieving Entry, Stretch and Maximum performance respectively. The cost of the 2022 bonus was budgeted at 50% of maximum.
- Following the sale of the Packaging and Filters businesses, the original targets were adjusted by the Remuneration Committee to ensure they were consistent with the ownership of the businesses as reflected in actual performance during 2022. This adjustment involved the removal from the targets of profit and cash flow originally forecast from the Packaging business in the period October-December 2022 and from the Filters business in December 2022. Profit targets were also adjusted to ensure a consistent accounting approach for conversion was adopted for targets and outturn following the acquisition of FR55.
- As in prior years, outturn was adjusted to be consistent with other FX ratios in order to align with the targets.
- Success is defined as a year-on-year improvement at least one quarter of the year with ZWTL, before year end with achievement, also measured through to year-end unless there is an exact end event. The Sustainability Committee reviews each element separately, the targets and provides the Remuneration Committee with the outcome for bonus purposes, following extensive review.
- Jack Clarke's bonus was paid 50% in cash and 50% in deferred shares with no further performance conditions. As a result, before the end of the 2022 Directors' Remuneration Policy, in recognition of Paul's extensive contribution during 2022, and acknowledging that he had been in employment for the full year, the Committee was satisfied that he should remain entitled to this bonus which will be delivered in each consistent with the Policy. Non-delivery relating to Paul Forman's remuneration to allow his reversion of employment are on page 119.
- Although the turn out of the adjusted operating Cash Flow measure would have resulted in a maximum 10% payout, the Remuneration Committee exercised its discretion to reduce the payout by 5% having considered the level of Adjusted Operating Profit outturn.

Irrespective of the outcome, the bonus design includes a 'gate' whereby no bonus is payable unless the Remuneration Committee determines that the Company's 2022 financial performance is satisfactory. As both financial measures met the Entry performance target, the Committee was satisfied that this 'gate' had been satisfied.

Additionally, the Remuneration Committee gave careful consideration to the outturn of the annual bonus in light of overall financial performance and the experience of our various stakeholders during the year. It also noted the continued progress in all areas of ESG, in particular against sustainability targets, and the Group's strengthened strategic direction following the successful execution of the sale of the Packaging and Filters businesses. The Committee also took into consideration that no LTIP award had been granted in 2020 so the annual bonus was the only element of variable remuneration to which executives were entitled at the end of 2022. Following this review, the Committee concluded that the outturn was appropriate.

Strategic objectives 2022

2022 has been a particularly complex year with management required to not only deliver strong operational performance and profitability from 'business as usual' activities but also to devote considerable amounts of time to ensure successful execution of the strategic reviews of the Filters and Packaging businesses that were announced in Q4 2021 within the broader strategic goal of becoming a pure play Components business. Given the criticality of these strategic reviews, an enhanced 40% weighting was given to this element of the bonus in 2022.

as disclosed in last year's Remuneration Report. The following table sets out a summary of the Committee's assessment in each of the key areas of strategic performance identified for 2022, as well as the Committee's overall assessment of the outcome for each objective. As outlined above, these outcomes in combination with the outcomes from the financial metrics were further assessed by the Remuneration Committee in the context of relevant factors, including overall Group performance and overall variable remuneration opportunity in 2022 (there having been no LTIP award granted in 2020).

Strategic area	Assessment of performance	Outcome
Successful execution of the strategic review of the Filters division	One of the key and engaging to successful execution of the strategic review of the Filters division was inherent ESG challenges and other factors impacting tobacco industry and tobacco related segments, which impacted the dividend. A tailor made transaction process was undertaken to maximise the likelihood of a successful completion of the strategic review. Whilst significant more complex in nature, management successfully managed the additional challenges that this process presented and delivered the following outcomes: - Filters' operational performance during the sale process remained strong as outlined in the Financial Review which helped achieve the value and successful outcome of the sale for an enterprise value of approximately £262.1m. - The sale to a wholly owned subsidiary of Centauri Management Limited was successfully completed in December 2022 following strong shareholder support received at the General Meeting of 9 November 2022. Senior leadership for the Filters Division continued to be successfully engaged through until the closing of the transaction and continue to work with Centauri Management Limited. Execution of the strategic review of the Packaging division followed a more standard sale process. Management successfully led the marketing and sale proposition, working through the 'bright and preparing the transaction position for the shortlist process. This culminated in successful completion of the sale to the May-Mehhof Group in October 2022 for £512 million on a cash free, debt free basis. The Executive Directors had to support the very comprehensive process as well as the ongoing business as Packaging industry was strongly impacted by a number of external factors such as the geopolitical environment, electricity cost and significant raw material increase and the related passing on of such costs. Overwhelming shareholder support for the transaction was received at the General Meeting of 8 August 2022. Although the sale process was successfully completed, the Remuneration Committee noted that operational performance of the Packaging division was less strong than budgeted prior to completion and reflected this in its outcome for this objective.	Partially Achieved
Ensure the residual Components business was the appropriate market strategy	This objective was included by the Committee on the basis that it was vital for management to not just focus on the transactions and 'business as usual' activities, but to also ensure the residual Components business was set up for success. In that context, the Committee noted that Components had successfully delivered a well received Capital Markets Day on 15 November 2022 demonstrating the work that had been undertaken to: - Establish a clear profitable growth strategy for the standalone PLC going forward; - Set out the vision for the business going forward, ensuring the right talent and staffing levels for the future comprising a mix of internal and external skills to balance business needs and demonstrate confidence in the standalone PLC being able to function effectively from January 2023. Whilst the Committee concluded that key elements of this objective had therefore been successfully delivered, it also noted that head office functional costs are taking longer to get to the targeted level than anticipated and reflected this in its outcome for this objective.	Partially Achieved
Ensure a controlled and successful migration of all central functions	One of the key operational challenges of moving to a pure play Components business was a controlled and successful migration of all central activities. Key elements of the successful transition from Group to standalone included: - Corporate structure of the legal entities, with related terms in readiness for sale - Full review of corporate contracts, apportioning revised terms and addressing stranded costs - Address the Section 75 obligations under the Pensions Act 1995, negotiating a flexible apportionment arrangement for the defined benefits pension obligations - Full map for the IT infrastructure, developing transitional services and separation of systems and services allowing the divisions to operate their own network and systems - Consultation and removal of roles surplus to the requirements of the standalone business going forward Whilst the Committee concluded that this objective had been successfully delivered, the cost of its delivery was higher than had been anticipated and this was reflected in the Committee's outcome for this objective.	Partially Achieved
Ensure financial function transition effectively to the new structure and is set up for success in terms of leadership structures, financial controls and operational structure	The financial controls were established and in place to ensure the smooth close out of the 2022 accounts, while also transitioning the financials to close and preparing for the 2023 standalone Components business for the Component's PLC: - The correct staffing and financial infrastructure were established - The controls and reporting requirements were established and ready for January 2023. - Treasury and tax smoothly transitioned into a new working arrangement with no material negative impact on the standalone PLC company Whilst the Committee concluded that key elements of this objective had been successfully delivered, it also noted that the desired finance fixed costs are taking longer to get to the targeted level than anticipated (although the foundations are in place) and reflected this in its outcome for this objective.	Partially Achieved
	Totals – Paul Farman John – Jack Gurnee	26/40 28/40

Notes:

1. Objectives set by the Committee, Paul Farman
2. Objectives set by the Committee, Jack Gurnee

Equity incentives (audited)

Details of the awards granted and outstanding during the year to the Executive Directors under the LTIP and DASB are as follows:

		Date of grant	At 1 Jan 2022	Awarded in 2022	Exercised/transferred in 2022	Lapsed in 2022	At 31 Dec 2022	Share price at date of grant	Earliest vesting date	Expiry date
Paul Forman										
LTIP		13 Aug 19	321,241	-	-	321,241	-	400.4p	13 Aug 22	13 Aug 25
LTIP		31 Mar 21	440,799	-	-	-	440,799 ¹	291.8p	31 Mar 24	31 Mar 27
LTIP		04 Oct 22	-	557,552	-	-	557,552 ²	210.5p	04 Oct 25	04 Oct 28
DASB		29 Mar 19	74,342	-	74,342	-	-	413.0p	01 Mar 22	01 Mar 22
DASB		30 Mar 20	56,840	-	-	-	56,840	253.4p	1 Mar 23	1 Mar 23
DASB		30 Mar 21	-	-	-	-	-	-	-	-
DASB ³		04 Oct 22	-	156,442	-	-	156,442	210.5p	04 Oct 25	04 Oct 25
Lily Liu										
LTIP ⁴		31 Mar 21	181,962	-	-	181,962	-	291.8p	31 Mar 24	31 Mar 27
DASB		30 Mar 20	22,642	-	-	-	22,642	253.4p	1 Mar 23	1 Mar 23
Jack Clarke										
LTIP ⁵		04 Oct 22	-	214,739	-	-	214,739	210.5p	04 Oct 25	04 Oct 28

Notes:

1. Subject to a two year holding period post-vesting.
2. DASB is exercisable at \$1.50 per share from grant date or subject to any performance conditions.
3. No DASB in 2022 as there was no bonus payable for 2022.
4. The October 2022 award was made to Paul Forman on the basis of the grant set at \$329.40 per share on the mid-market closing share price of 210.5p on the day preceding the grant on 03 October 2022.
5. Paul Forman's 2021 and 2022 LTIP awards are subject to "good leaver" terms and conditions, and will be pro-rated to the performance period until his termination date, as a proportion of the full performance period. As a result, 147,213 of 2021 LTIP and 81,100 of the 2022 LTIP will expire in 2025.

A total of 961,501 (2021: 1,744,055) share incentive awards were granted during the year ended 31 December 2022 to Executive Directors and other senior executives on the GMC, relating only to the LTIP award.

LTIIP awards (audited)
Performance conditions for LTIP awards made in 2020

There were no LTIP awards in 2020.

Share awards granted during the year (audited)

The following share awards were granted to Executive Directors on 04 October 2022.

Executive	Type of award	Number of awards granted	Share price used to determine award	Face value	Percentage which vests at threshold
Paul Forman	Conditional share award ¹	557,552	210.5p	£1,173,647 (172% of salary)	25%
	DASB Share awards ²	156,442	210.5p	£329,310	N/A ²
Jack Clarke	Conditional share award ¹	214,739	210.5p	£452,025 (129% of salary)	25%

Face value is based on the mid-market closing share price on the day preceding the grant ie 03 October 2022.

1. The performance condition for these awards is based on the following: 1. If the company's total shareholder return (TSR) for the year ending 31 March 2023 is higher than the TSR for the corresponding period for the FTSE 100 index, then the awards will vest in full. 2. The awards will vest in full if the company's TSR for the year ending 31 March 2023 is higher than the TSR for the corresponding period for the FTSE 100 index, then the awards will vest in full. 3. The awards will vest in full if the company's TSR for the year ending 31 March 2023 is higher than the TSR for the corresponding period for the FTSE 100 index, then the awards will vest in full.

Performance conditions for LTIP awards made in 2022 (audited)¹

	Condition definition	Threshold	Maximum
EPS Growth (40%)	2024 EPS compared to 2021 EPS	5% p.a. for 25% of the EPS element to vest	30% p.a. for 100% of the EPS element to vest
ROIC (Return on Invested Capital) (30%)	Average in 2022 – 2024	8.5% for 25% of the ROIC element to vest	14.5% for 100% of the ROIC element to vest
Relative TSR – FTSE250 (excluding specific Sectors) (70%)	Q4 2024 compared to Q4 2021	If median rank is achieved, 75% of the TSR element vests	If upper quartile rank is achieved, 100% of the TSR element vests
Reduction in GHG emissions (10%)	2024 compared with 2021	10% reduction for 25% of GHG element to vest	5% reduction for 100% of GHG element to vest

Notes:
1. Following the Performance and Metrics introduced in the 2022 Remuneration Policy, the Board has determined that the performance conditions for the 2022 LTIP awards should be based on the following metrics: 1. EPS Growth, 2. ROIC, 3. Relative TSR – FTSE250 (excluding specific Sectors), 4. Reduction in GHG emissions. The Board has determined that the performance conditions for the 2022 LTIP awards should be based on the following metrics: 1. EPS Growth, 2. ROIC, 3. Relative TSR – FTSE250 (excluding specific Sectors), 4. Reduction in GHG emissions. The Board has determined that the performance conditions for the 2022 LTIP awards should be based on the following metrics: 1. EPS Growth, 2. ROIC, 3. Relative TSR – FTSE250 (excluding specific Sectors), 4. Reduction in GHG emissions.

Directors' shareholdings (audited)

The beneficial interests of the current Directors in office and their connected persons during the year, in the issued ordinary share capital of the Company were as follows:

There have been no changes in the Directors' interests between 31 December 2022 and the date of this Report.

	Beneficially owned ¹		LTIP		DASB		SAVE	
	31 Dec 2021	31 Dec 2022	Vested	Unvested	Vested	Unvested	Vested	Unvested
Executive Directors								
Paul Forman	369,326	410,893	-	998,351	74,342 ²	213,282	-	-
Jack Clarke	-	-	-	214,739	-	-	-	-
Lynette Lyle	- ⁴	-	-	-	-	22,642 ³	-	-
Non-Executive Directors								
Paul Lester	21,346	21,346	-	-	-	-	-	-
Raif K. Wunderlich	170,230	170,230	-	-	-	-	-	-
Mary Reilly	14,423	14,423	-	-	-	-	-	-
Nick Demby	12,673	-	-	-	-	-	-	-
Adrian Peace	-	-	-	-	-	-	-	-
Dusky Abiodun	-	-	-	-	-	-	-	-

Notes

1. Calculations are in accordance with the 2020 DASB in its then most up to date version.
2. Essentra was not a listed company on an exchange prior to 1 April 2021 and therefore no DASB awards were made.
3. Bonus only awards includes the award after tax charges as at 31 Dec 2021 and 31 Dec 2022.
4. Award given to Lynette Lyle in 2021 in connection with her appointment as a director of the Company.
5. Certain amounts have been paid to directors in line with the Remuneration Policy, which includes the amounts of bonus and benefits payable.

Paul Forman and Jack Clarke are required to build up a shareholding worth 300% and 200% of salary respectively. Beneficially owned shares include the vested DASB awards and shares held directly. The shareholding guidelines are to be achieved up by retaining 50% of post-tax vested shares from the date of approval of this Policy. The current holdings as a percentage of salary for Paul Forman is 217%. Jack Clarke currently has no shareholdings.

Salary used is the prevailing annual salary as at 31 December 2022.

The Executive Directors are regarded as being interested in a portion of the 897,944 ordinary shares in Essentra plc that are held by the Essentra Employee Benefit Trust (EBT) as they are, together with other Essentra employees, potential beneficiaries of the EBT.

As at 31 December 2022, potential and actual share issuance through employee related share plans totalled 1.34%, which is well below UK institutional shareholder limits of 10% of the Company's issued share capital.

Performance graph (unaudited)

The graph below represents the comparative Total Shareholder Return (TSR) performance of the Company versus the FTSE 250 (excluding investment trusts) index for the last ten years. This index has been selected as it is considered the most appropriate published general index in which the Company is a constituent.

This graph shows the value, by 31 December 2022, of £100 invested in Essentra on 31 December 2012, compared with the value of £100 invested in the FTSE 250 (excl. Investment Trusts) index. The other points plotted are the values at intervening financial year-ends.



● Essentra
● FTSE 250 (excluding investment trusts) index

Chief Executive remuneration table (unaudited)

	Colin Day					Paul Forman				
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration (£000)	3,824	5,661	2,281	876	1,267	1,420	1,296	800	1,483	1,410
Annual bonus (% maximum)	100	60	46.2	0	48	64.2	30.2	0	67	54.9
LTF vesting (% maximum)	100	100	50	0	0	0	13.5	0	0	0

Colin Day retired as Chief Executive on 31 December 2016 and Paul Forman was appointed as Chief Executive on 1 January 2017.

Year-on-year change in pay for Directors compared to the average of employees (unaudited)

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which implement Articles 9a and 9b of the European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive), the table below shows the percentage change in Directors' remuneration and average remuneration of employees from the year ended 31 December 2020 to the year ended 31 December 2022 plus the prior year comparative. Given that Essentra plc entity has no employees, as a voluntary disclosure, data for all employees of the Essentra Group has been included.

2022	Average employees'	Paul Forman ²	Lily Liu	Paul Lester	Dupuy Abiola ³	Ralf K. Wunderlich	Mary Rellly	Nicki Demby	Adrian Peace	Jack Clarke ⁴
Salary / Fees	-6.3% ⁵	+3.4%	-82.2% ²	0.0%	n/a	+15.1%	+4.7%	-16.0%	+58.7%	n/a
Benefits	-7.3% ⁵	-0.6%	-47.8%	n/a	n/a	+16.7%	n/a	n/a	+100%	n/a
Bonus	+17.6%	-17.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2021										
Salary / Fees	+4.6%	+6.3% ³	+8.1% ³	+4.8%	n/a	+5.5%	+12.3%	+12.3%	n/a	n/a
Benefits	-14.6%	-9.0%	-9.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bonus	-7.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2020										
Salary / Fees	+1.7%	-4.3%	+0.9%	-4.8%	n/a	+21%	-7.8%	+90%	n/a	n/a
Benefits	+4.7%	0%	-57.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bonus	-73.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes

- The average employee salary is based on all full-time employees. The average employee benefits are based on employees located in the UK and USA. The difference between the information held in the global system.
- NEFs are not included in the average. The data for 2021 was based on the remuneration fees in 2020. In 2022, we had a few NEFs who had positions, or salaries, that were higher than 2021's average, but in full year of fees was paid.
- The 2021 remuneration salary of the CEO reflects the reduction of salary in 2020.
- Jack Clarke joined in 2022, so no prior year comparative.
- Reduction in average employee benefits, related to the change of employee population. This was a new employee population. In 2020, the average employee benefits were 42.5% and 3.5% in fees respectively, and in 2021, the average employee benefits were 42.5% and 3.5% in fees respectively, and in 2022, the average employee benefits were 42.5% and 3.5% in fees respectively.

Relative importance of spend on pay (unaudited)

	2022	2021	% change
Wages and salaries	105.4	98.2	7.4
Distributions to shareholders	19.0	16.0	18.8
Revenue - total ¹	337.9	301.7	12
Adjusted Operating Profit - total	25.1	26.4	-4.9

Notes

- Wages and salaries are as per Note 4 of the financial statements. The 2021 and 2022 numbers are based on the average of Fees and Payouts.
- Revenue and Adjusted Operating Profit are based on the results of the continuing operations of the business.

Payment to past Directors or for loss of office (audited)

Payments have been determined by the Remuneration Committee taking into account the Director's contractual entitlements, the rules of the Company's incentive plans and the provisions of the Company's Remuneration Policy (the "Policy") as approved by shareholders at the Company's Annual General Meeting held in May 2021.

Lily Liu stepped down from the role of Chief Financial Officer at the conclusion of the AGM held on 19 May 2022 and her employment with Essentra terminated on 30 June 2022. Basic salary and contractual benefits including pension continued to be paid as normal to Lily until 30 June 2022. No subsequent notice period.

The Remuneration Committee determined that Lily was not eligible for participation in the 2022 annual bonus plan or in the 2022 LTIP. Following careful consideration, the Committee also determined that her outstanding LTIP award would lapse upon cessation of employment, which was earned in respect of prior year performance. The post-tax vested that her outstanding DASBP award, which was earned in respect of two years post-employment in accordance with the post-employment shareholding guideline.

As disclosed in the 2021 Remuneration Report, Lily Liu was awarded a bonus of £288,000 in respect of performance in 2021. 50% of that bonus was delivered in cash in March 2022, and the remaining 50% deferred was released to Lily in cash following cessation of employment as a result of the trading restrictions in place throughout the first half of 2022 which prevented any share awards during that period.

Paul Forman stepped down from his role as Chief Executive on 31 December 2022. Paul will be paid in lieu of his unexpired (as at 31 December 2022) period of notice (the "Notice Payment"). The Notice Payment shall be paid in monthly instalments and will include the value of the benefits that Paul would otherwise have been entitled to receive during the period of the monthly payments, save for private medical insurance which will be continued after 31 December 2022 for the duration of the unexpired period of notice ending on 11 October 2023 (or, if earlier, the date Paul commences alternative employment which provides such benefits which are at the same level or better than the Company's private medical insurance). The monthly instalments shall reflect that, from 1 January 2023, Paul's pension provision would have been reduced and Paul would have received a cash contribution in lieu of pension equal to 5% of salary.

Paul will receive a capped contribution of £12,500, excluding VAT, towards legal fees incurred in connection with his departure and the Company will meet the reasonable cost of Paul obtaining outplacement support through a provider to be nominated or approved by the Company, subject to a maximum (excluding VAT but including all disbursements) of £50,000.

Paul will receive a capped contribution of £12,500, excluding VAT, towards legal fees incurred in connection with his departure and the Company will meet the reasonable cost of Paul obtaining outplacement support through a provider to be nominated or approved by the Company, subject to a maximum (excluding VAT but including all disbursements) of £50,000.

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Subject to the below, each monthly instalment will amount to £62,637 (gross), save for the last monthly instalment which will be reduced on a pro rata basis to reflect the unexpired period of notice as at the beginning of October 2023. In the event that Paul should obtain an alternative remunerated position during the period of monthly payments then any remaining monthly payments shall be reduced by the amount received in respect of such employment or engagement, provided that no reduction shall be made where the position obtained is a non-executive director position (including a non-executive chairmanship) and is on a temporary or part time basis or is otherwise approved by the Board of the Company. The Company will pay Paul in lieu of holiday entitlement accrued but untaken as at 31 December 2022.

Paul remained eligible to receive an annual bonus for the 2022 bonus year which was subject to performance assessment in the ordinary course, consistent with the performance framework set out at the time of the launch of the 2022 bonus programme – details of this assessment are on pages 113 and 114. Consistent with the Remuneration Policy, the bonus shall be paid in cash on the normal bonus payment date.

Following careful consideration, the Remuneration Committee determined that Paul should be treated as a "good leaver" in relation to his outstanding LTIP awards. These awards will be time pro-rated to reflect the number of days elapsed from the start of the relevant performance period until and including 31 December 2022 as a proportion of the full applicable performance period and will also be subject to the assessment and degree of satisfaction of the applicable performance targets determined by the Remuneration Committee at the normal vesting date. Vested awards will remain subject to any applicable post-vesting holding periods in the usual way. The Committee also agreed to treat Paul as a "good leaver" for the purposes of the DASBP such that his outstanding awards would vest on cessation of employment. Paul is required to comply with the Company's post-employment shareholding requirements in respect of shares from incentive awards that have been released since the date of the adoption of the Policy at the 2021 AGM, or are released in future on an after-tax basis.

Paul will receive a capped contribution of £12,500, excluding VAT, towards legal fees incurred in connection with his departure and the Company will meet the reasonable cost of Paul obtaining outplacement support through a provider to be nominated or approved by the Company, subject to a maximum (excluding VAT but including all disbursements) of £50,000.

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Executive Director Contracts and NED letters of Appointment

The Executive Directors have open-ended contracts containing 12 months notice periods with their reappointment being confirmed annually at the AGM.

The Chair and Non-Executive Directors do not have service contracts, instead they have letters of appointment for an initial period of 3 years which may be terminated at 3 months' notice.

Implementation of Remuneration Policy for 2023 (unaudited)

When considering the implementation of the policy for 2023, the Committee was mindful of the 2018 Code and considers that the executive remuneration framework appropriately addresses the following factors:

Clarity	We provide open and transparent disclosures both internally and externally in relation to our executive remuneration arrangements.
Simplicity	Variable remuneration arrangements for our executives and our wider workforce are simple in nature with individuals eligible for a bonus and, at more senior levels, a single long-term incentive plan. These are well understood by both participants and shareholders.
Predictability	Our executive remuneration framework contains maximum opportunity levels for each component of remuneration, with variable incentive outcomes varying depending on the level of performance achieved against specific measures.
Alignment to culture	The performance measures used for annual bonus and LTIP awards are KPIs that drive behaviours that are closely aligned to our strategy and Company values. Including a greenhouse gas (GHG) emissions measure and a recycled content measure.
Proportionality and risk	The Committee believes that our variable pay structures provide a fair and proportionate link between Company performance and reward. In particular, the use for Executive Directors of annual bonus deferral, LTIP holding periods and shareholding requirements provide a clear link to the ongoing performance of the Company and therefore long-term alignment with stakeholders. For example, the shareholding guideline for Executive Directors continues two years after leaving Essentra.
	We are also satisfied that the variable pay structures do not encourage inappropriate risk-taking. Notwithstanding this, the Committee retains an overriding discretion that allows it to adjust formulaic outcomes from incentive plans so as to guard against disproportionate outcomes. Malus and clawback provisions also apply to both the annual bonus and LTIP.

Salary

Basic salary for each Executive Director is determined by the Remuneration Committee, taking into account the role, responsibilities, performance, experience of the individual and market movement. Any salary change is normally effective in April each year.

There is no salary increase for the executive directors and other senior management in 2023.

	Scott Fawcett ¹	Jack Clarke
Annual salary effective from 1 April 2023	£540,000	£350,000
Annual salary effective from 1 April 2022	£540,000	£350,000

¹ Scott Fawcett was promoted to CFO on 1 June 2023, after a period of £440,000.

1. Effective from 2023 AGM.

Benefits

Executive Directors are provided with the following benefits:

- car allowance
- private medical insurance with family level cover
- life assurance cover of four times basic salary.

Pension

From 1 January, 2023 pension allowance is 5% of salary for Scott Fawcett and Jack Clarke. This completes the phased approach to align with the wider UK workforce by the end of 2022.

2023 Annual bonus

Under the terms of the annual bonus arrangements for 2023, the CEO is potentially entitled to a maximum bonus of up to 150% of basic salary and the CFO is potentially entitled to a maximum bonus of up to 125% of basic salary.

The metrics used in the 2023 annual bonus (table below) are intended to align with the strategy of Essentra as a pure play Components business. In particular, the metrics are designed to provide a balanced alignment with our goals of generating sustainable, profitable growth and strong cash generation. The higher weighting attributed to strategic objectives in 2022 has been reduced following the completion of the sales of the Packaging and Filters businesses.

Measures	2022 Weighting (%)	2023 Weighting (%)
Adjusted Operating Profit	40%	50%
Adjusted Operating Cash Flow	10%	20%
Strategic Objectives	40%	20%
Environmental targets	10%	10%

In 2023, there will be no bonus payable unless the Remuneration Committee determines that the Company's 2023 financial performance is satisfactory. For achieving threshold Adjusted Operating Profit and Adjusted Operating Cash Flow, 0% of the relevant portion of the bonus will be payable. Progress against environmental targets will be reviewed by the Sustainability Committee.

Targets are considered to be commercially sensitive so will be disclosed retrospectively in next year's Remuneration Report.

2023 LTIP

An award granted under the LTIP consists of a conditional right to receive shares in the Company, subject to satisfaction of performance conditions over a three year period. An additional two year holding period applies. Malus and clawback provisions also apply to LTIP awards for three years from vesting.

The following LTIP awards are intended to be granted to the CEO and CFO during 2023.

Condition	Scott Fawcett	Jack Clarke
LTIP awards as a percentage of salary	150%	150%
Condition	Threshold	Maximum
Compound Annual Growth in Adjusted EPS: (50%)	7% ⁴	12.5%
Relative TSR v FTSE250 (30%)	Median	Upper quartile
ESG		
GHG: – reduction in GHG emissions over the 3 year LTIP (0%)	11.5% ⁴	17%
Social – Diversity of gender in our Leadership teams both GEC and the GEC 1 (10%)	28% ⁴	40%

- Notes
1. FTSE250 excluding companies in the following industries: basic materials, energy, financial services, healthcare, utilities and travel and leisure.
 2. Adjusted EPS is subject to adjustment from our full management changes.
 3. Externally, our ESG Scope 1 and 2 GHG emissions consistent with our publicly stated commitment to be carbon neutral by 2040, and our commitment to cut 25% by 2025 relative to a 2019 baseline.
 4. 25th, 50th or 75th percentile with the exception of the newly introduced Diversity metrics where the 50th percentile threshold.

Non-Executive Director fees

The fees for the Company Chair are set by the Remuneration Committee, while fees for the Non-Executive Directors are determined by the Chief Executive and the Company Chair.

There has been a reduction in the Company Chair fees from £250,000 to £225,000. There were be no other changes to Non-Executive Directors' fees in 2022. No individual was present for the discussion related to their fees.

Annual fee effective	Chair	Non-Executive Director	Additional fee for Senior Independent Director	Additional fee for Audit and Remuneration Committee chairs	Additional fee for sustainability Committee chair	Additional fee for Employee Champions
From 1 Jan 2023	£225,000	£52,000	£10,000	£13,000	£11,000	£10,000

Outside appointments (unaudited)

Paul Forman is the Senior Independent Director of Tate & Lyle plc. Paul received and retained fees of £78,800 in respect of this directorship during 2022.

Statement of shareholder voting (unaudited)

The results of shareholder voting in relation to the approval of the 2021 Directors' Remuneration Report and the Directors' Remuneration Policy Report at the 2022 and 2021 AGM respectively were as follows:

	Annual Report on Remuneration (2022 AGM)		Remuneration Policy Report (2021 AGM) ¹	
	No. of votes	%	No. of votes	%
Votes cast in favour	258,579,487	99.65	255,799,845	94.14
Votes cast against	913,557	0.35	15,919,880	5.86
Total votes cast	259,493,044		271,719,725	
Abstentions	5,057	-	7,852	-

- Notes
- 1. 2021 Number of shareholder votes in relation to the remuneration policy was not presented to reflect the final result of the 2021 AGM. There were no shares in the overall ownership of the vote.

The Directors' Remuneration Policy Report

The Directors' Remuneration Policy ("the Policy Report") sets out the policies under which the Executive and Non-Executive Directors are remunerated. The Policy Report is designed to be in full compliance with the requirements of the large and medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code as issued by the Financial Reporting Council and the Listing Rules.

The current Directors' Remuneration Policy was approved by our shareholders at the AGM in May 2021 following shareholder consultations. A summary of the Policy Report is set out below and the full version can be downloaded from www.essentraplc.com/investors/corporate-governance/remuneration-committee.

Summary of 2021 Policy Report

The Remuneration Committee structures Executive Director remuneration in two distinct parts: (i) fixed remuneration of basic salary, pension and benefits; and (ii) variable performance-related remuneration in the form of cash bonuses, deferred share bonuses and long-term incentive arrangements.

Remuneration for Executive Directors is structured so that the variable performance-related pay element forms a significant portion of the remuneration opportunity. The majority of total remuneration at the maximum performance level will derive from the Company's long-term incentive arrangements. All incentives are designed to be aligned to the delivery of Essentra's strategic priorities.

Basic salary

Purpose and link to strategy

To reflect the particular skills and experience of an individual and to provide a competitive basic salary

Operation

Generally reviewed annually with any increase normally taking effect from 1 April, although the Remuneration Committee may award increases at other times of the year if it considers it appropriate.

The review takes into consideration a number of factors, including (but not limited to):

- the individual Director's role, experience and performance
- business performance
- pay and conditions elsewhere in the Group
- market data for comparable roles in appropriate pay comparators.

Opportunity

No absolute maximum has been set for Executive Director base salaries.

Any annual increase in salaries is at the discretion of the Committee taking into account the factors stated in this table and the following principles:

- salaries would typically be increased at a rate consistent with the average salary increase (in percentage of salary terms) for the relevant workforce
- larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group)
- larger increases may also be considered appropriate if a Director has been initially appointed to the Board at a lower than typical salary.

Performance measure

Not applicable.

Bonus

Purpose and link to strategy

To ensure the delivery of Company performance related objectives, aid retention and to align Directors' interests with those of the Company's shareholders.

Operation

One half of the total bonus is generally paid in cash shortly after the announcement of the annual results.

The other half is generally deferred into shares in the Deferred Annual Share Bonus ("the DASB") which will normally vest after three years subject to continued service.

Performance is assessed against measures and targets which are established by the Remuneration Committee. As performance increases so does the percentage payable up to the maximum.

The bonus is subject to malus and clawback provisions for a period of three years following the determination of the bonus. Circumstances in which these provisions could be applied by the Remuneration Committee are material misstatement in the Company's Financial Statements, error in assessing the performance conditions, serious misconduct by an individual, business failure or serious reputational damage to the Company or a relevant business unit.

An additional payment (in the form of cash or shares) may be made in respect of shares which vest under deferred awards to reflect the value of dividends which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).

Opportunity

Up to 150% of basic salary.

Performance measure

The bonus will be based on performance using appropriate financial, strategic and individual performance measures.

The majority of the bonus will normally be determined by measure(s) of the Company's financial performance. The remainder of the bonus will be based on financial, strategic, ESG, operational or other suitable business measures appropriate to the individual Director.

No more than 20% of each financial measure will vest at threshold performance.

Long-Term Incentive Plan (LTIP)

Purpose and link to strategy

To drive the long-term delivery of the Company's strategic objectives, aid retention and to align Directors' interests with those of the Company's shareholders.

Operation

An annual grant of performance share awards usually with a three-year performance and additional two-year holding period.

Awards are subject to the LTIP plan rules, including malus and clawback provisions for a period of three years following the vesting of the awards. Circumstances in which these provisions could be applied by the Remuneration Committee are material misstatement in the Company's Financial Statements, error in assessing the performance conditions, serious misconduct by an individual, business failure or serious reputational damage to the Company or a relevant business unit.

An additional payment (in the form of cash or shares) may be made in respect of shares which vest under LTIP awards to reflect the value of dividends which would have been paid on those shares during the period up to the release of the shares (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).

Opportunity

An award to any Executive Director would be limited to a maximum of 300% of salary.

Performance measure

Vesting will be subject to performance conditions as determined by the Remuneration Committee on an annual basis.

The performance conditions will usually be some combination of relative TSR, adjusted EPS, adjusted cumulative operating cash flow, ESG and a cap on return measure although the Remuneration Committee will retain discretion to include alternative performance measures which are aligned to the corporate strategy.

The Remuneration Committee may adjust the weightings of the performance conditions for each award although usually each condition would have a weighting in the range of 10% to 40% of the award.

Performance will usually be measured over a three-year period.

Up to 25% of each element vests at threshold performance, usually rising on a straight-line basis for performance up to the maximum level for full payment. If below threshold performance, that element of the award will not vest.

Employment and Post-Employment Shareholding guideline

Purpose and link to strategy

To align the interests of Executive Directors and shareholders, encourage a focus on long-term performance and risk management.

Operation

Whilst in-employment, Executives Directors are expected to build up a shareholding worth 300% of salary for the Chief Executive and 200% for the Chief Finance Officer. The shareholding guidelines are to be built up by retaining 50% of post-tax vested shares from the date of approval of this Policy.

The Remuneration Committee will review progress towards the guidelines on an annual basis and has the discretion to adjust the guidelines in what it feels are appropriate circumstances.

Executive Directors will also be expected to remain compliant with the above guideline for a period of two years post-employment. This guideline applies from the date of adoption of the Policy at the 2021 AGM. The Committee would retain discretion to waive this guideline if it is not considered appropriate in the specific circumstances.

Non-Executive Directors are encouraged to hold a minimum of 7,500 shares.

Opportunity

Not applicable.

Performance measure

Not applicable.

All Employee Plans – Sharesave

Purpose and link to strategy

To create alignment of employees' interests with those of shareholders.

Operation

Under the UK Sharesave, employees (including Executive Directors) are invited to enter a savings contract of three years or five years, whereby the proceeds can be used towards the exercise of an option granted at the time they choose to participate. The Remuneration Committee has the discretion to set the option price up to a 20% discount on the share price at the time employees are invited to participate.

An equivalent US plan is operated aligned to the UK plan where possible.

Opportunity

For the UK plan, shares worth up to the value of the savings an Executive Director agrees to make over the saving period at the previously agreed option price. The savings amount is subject to the HMRC limit, currently £500 per month.

The US Plan is limited to the monthly dollar equivalent of the UK Sharesave plan and an option price of up to a 15% discount.

Performance measure

The Remuneration Committee agrees the annual discount to be applied to the Sharesave schemes.

No performance conditions apply to All Employee Plans.

Other benefits

Purpose and link to strategy

To provide cost-effective benefits comparable with similar roles in similar companies.

Operation

Other benefits include family medical expenses, life insurance, and car allowance. The Remuneration Committee may vary these benefits from time to time to suit business needs, but they will be provided on broadly similar terms to those offered to other Group employees. Executive Directors are entitled to reimbursement of reasonable expenses.

Opportunity

There is no overall maximum as the level of benefits depends on the annual cost of providing individual benefits in the relevant local market and the individual's specific role.

Performance measure

Not applicable.

Pension

Purpose and link to strategy

To provide cost-effective long-term benefits comparable with similar roles in similar companies.

Operation

A contribution to a defined contribution plan or paid as a cash supplement.

Opportunity

Any future Executive Director appointment will have a pension provision in line with the relevant workforce.

The pension provision for the current Executive Directors has been phased down to align with the relevant workforce.

Performance measure

Not applicable.

Chair and Non-Executive Directors – Fees

Purpose and link to strategy

To attract a high-calibre Chair and Non-Executive Directors with the relevant experience and skills.

Operation

A basic fee is payable to the Chair and Non-Executive Directors with supplementary fees for those NED's with additional responsibilities, such as acting as Senior Independent Director, chairing a Board Committee, an additional defined role such as a Board Employee Champion or for a significantly increased time commitment.

Additional payments may be made to Non-Executive Directors for time spent travelling on Company business.

Fees are reviewed periodically with reference to market levels in companies of a comparable size, complexity and taking account of the responsibilities and time commitment of each role.

The Chair and the Non-Executive Directors do not participate in the Group's incentive arrangements or pension plan or receive any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case the Chair or a Non-Executive Director may receive the grossed-up costs of travel as a benefit.

The Chair and Non-Executive Directors are entitled to reimbursement of reasonable expenses.

Opportunity

Fees for the current year are stated in the Annual Report on Remuneration.

Fee increases may be greater than those of the wider workforce in any particular year as they reflect changes to responsibilities and time commitments and the periodic nature of any increases.

Performance measure

Not applicable.

This Report of the Remuneration Committee has been approved by the Board.

By order of

Ralf K. Wunderlich
Non-Executive Director
Remuneration Committee Chair
28 March 2023

Other statutory information

The Directors present their Report prepared in accordance with the Companies Act 2006, which requires the Company to provide a fair review of the business of the Group during the financial year ended 31 December 2022 and audited Financial Statements of the Company and its subsidiary undertakings for the year ended 31 December 2022. The Company's Registered Office is Langford Locks, Kidlington, Oxford OX5 1HX.

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual Report and Accounts, where applicable, under LR 9.8.4 is set out in the Directors' Report.

In this section:

The Directors' Report comprises pages 68 to 131, and where information has been included in the Strategic Report sections of the Annual Report this has been incorporated by reference and as set out on the right:

Membership of Board during 2021 financial year	page 70
Financial instruments and financial risk management	pages 47 to 51
CO ₂ emissions	pages 24 to 28
Corporate governance report	pages 72 to 87
Future developments of the business of the Group	pages 10 to 18
Employee diversity	page 31
Stakeholder engagement and s172 report	page 38
TCFD disclosures	pages 40 to 46

Directors

As at 31 December 2022 the Board of Directors comprised:

Paul Lester	Non-Executive Chair
Paul Ferman	Chief Executive
Jack Clarke	Chief Financial Officer
Dupsy Agbola	Non-Executive Director
Mary Kelly	Non-Executive Director
Ralf K. Wunderlich	Non-Executive Director
Adrian Peace	Non-Executive Director

As at the date of this report, being 22 March 2023, the Board of Directors comprised:

Paul Lester	Non-Executive Chair
Scott Fawcett	Chief Executive
Jack Clarke	Chief Financial Officer
Dupsy Agbola	Non-Executive Director
Mary Kelly	Non-Executive Director
Ralf K. Wunderlich	Non-Executive Director
Adrian Peace	Non-Executive Director
Kath Durrant	Non-Executive Director

The Company requires all Directors appointed since the last AGM to be elected at the following AGM and for all other Directors to be re-elected at each AGM.

Scott Fawcett was appointed as Chief Executive and Executive Director on 1 January 2023 and will therefore stand for election. Kath Durrant joined the Company on 3 January 2023 as a Non-Executive Director and will also stand for election. All other Directors will be standing for re-election.

None of the Non-Executive Directors have service contracts. In accordance with the Company's Conflict of Interests policy, Directors are required to review their potential conflict of interests at least on an annual basis and to notify any changes to the Company Secretary as soon as possible.

Results and dividends

The adjusted profit after tax of the total Group for the year ended 31 December 2022 was £5.7m (2021: profit £11.2m represented).

As at 29 March 2023, the Company has paid the following dividend in respect of the year ended 31 December 2022.

	Per share p	Total £m
Interim dividend paid 28 October 2022	2.3p	6.9

The Directors recommend that a final dividend of 1.0p (2022: 4.0p) per share be paid, making a total dividend distribution for the year of 3.3p (2021: 6.0p).

The final dividend, subject to shareholders approval at the AGM, will be paid on 30 June 2023 to shareholders on the register on 19 May 2023.

The Company announced a Special Dividend and Share Buyback Programme on 2 February 2023, using the proceeds of the sale of the Filters and Packaging businesses. The Special Dividend, of approximately 29.8p per share will be paid on 27 April 2023 to shareholders on the register on 21 March 2023. This equates to a total Special Dividend of £90m.

As also announced on 2 February 2023, the Share Buyback Programme is expected to commence following the release of the Full Year results for an amount of approximately £60m. The Company intends to release more information following the release of the Full Year results.

During 2022 the current register was approved at each Board meeting. During the year, there were occasions when Directors were perceived to have a potential conflict and where it was considered necessary, the Chair asked the Director to leave the meeting until the Board had concluded their discussions.

At no time during the year has any Director had any material interest in a contract with the Group, being a contract of significance in relation to the Group's business. A statement of Directors' interests in shares of the Company as at 31 December 2022 and as at the date of this Report is shown on page 117.

Share capital

The issued share capital of the Company is shown in Note 20 of the Notes to the Financial Statements.

On 31 December 2022, there were 302,590,708 ordinary shares of 25p each in issue. There were 897,944 ordinary shares of 25p each held in treasury. The rights and obligations attaching to the Company's ordinary shares, and the provisions governing the appointment and replacement of, as well as the powers of, the Company's Directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company, except, in the case of transfers of securities:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws)
- whereby, pursuant to the Listing Rules of the Financial Conduct Authority, certain employees of the Company require approval of the Company to deal in the Company's ordinary shares

No persons hold securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Substantial shareholders

As at 31 December 2022 the Company was advised of the following voting rights attaching to the Company's shares in accordance with the Disclosure and Transparency Rules:

	% holding
Invesco	5.83%
M&G plc	5.00%
Liontrust Asset Management plc	5.03%
Ninety One UK Limited	4.98%
Ameriprise Financial, Inc. and its group	4.98%
Royal London Asset Management	4.90%
BlackRock, Inc.	4.78%
Standard Life	4.82%
AXA Investment Managers	4.61%
Herenbridge	4.61%
AXA	4.61%
Norge Bank	3.07%
Kornes Capital	2.99%

Employees

As at 31 December 2022, the Company employed 3,209 people globally and 500 people in the UK. Information on the Company's policies on employee recruitment, engagement and the employment of disabled persons can be found on page 31.

Political contributions

In line with Group policy, the Company made no political contributions (2021: £nil).

Environmental

The disclosures concerning CO₂ emissions required by law are included in ESG section on pages 24 to 28.

DIRECTORS' REPORT

Directors' indemnities

During the year, and as at the date of this Report, qualifying third-party indemnities are in force under which the Company has agreed to indemnify the Directors and the Company Secretary, in addition to other senior executives who are Directors of subsidiaries of the Company, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as a Director or Officer of the Company or any of its subsidiaries, including the pension scheme trustee companies. The scope of the indemnities extends to include liabilities to third parties.

Significant agreements

In line with the strategic reviews and bank consent, the Company reduced the multicurrency revolving credit facility (RCF) from £275m to £200m in October 2022. Following the sale of the Filters business in early December, a portion of the proceeds totalling £124m were used to settle the outstanding RCF balance in full. To this end, the Company has an undrawn RCF of £200m as at 31 December 2022. All other terms and conditions of the RCF remain in place with six syndicated banks until November 2025.

Prior to the strategic reviews, the Company held US\$350m of medium and long-dated debt in private placement notes. Under the terms of the USPP notes, the Company repaid in full the 2017 and 2019 notes, and issued an offer at par, to partially repay the 2021 notes. The par offer for the 2021 notes was accepted and the Company repaid US \$147m plus accrued interest on 5 January 2023.

As the Company already had an undertaking to repay the 2017 and 2019 notes in full, a total of US \$100m plus US \$2m for make whole was paid within 30 days from when the Company is notified notice to repay the noteholders \$103m USPP notes are held as of the date of this report. The transaction completed on 20 January 2023.

Annual General Meeting

The AGM of the Company will be held at Slaughter and May, One Bunhill Row, London, EC1Y 8YY on 16 May 2023 at 13:00. The meeting will be held in person only as no shareholders joined virtually in 2022.

In addition to the ordinary business of the AGM, resolutions in respect of the following matters of special business are included in the Notice of Annual General Meeting:

Authority to allot unissued shares

At the 2022 AGM, the Directors were granted authority to allot relevant securities up to a nominal amount of £25,140,523, which expires at the end of the forthcoming AGM.

At this year's AGM, shareholders will be asked to grant the Directors' authority to allot shares or grant rights to subscribe for or convert any security into shares: (i) up to an aggregate nominal amount of £25,141,064 representing approximately one-third of the Company's issued share capital, excluding treasury shares, at 27 March 2023 (such an amount to be reduced by the nominal amount allotted or granted under section (ii) below in excess of such sum); and (ii) comprising equity securities up to an

aggregate nominal amount of £50,282,121 representing approximately two-thirds of the issued share capital, excluding treasury shares, at 27 March 2023 (such an amount to be reduced by any allotments or grants made under section (i) above) in connection with an offer by way of a rights issue.

The proposal conforms to the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded. The Directors have no present intention of exercising either of these authorities, which will expire at the end of next year's AGM (or, if earlier, the close of business on 16 August 2024) except in relation to share options.

Allotment of shares for cash

At the 2022 AGM, shareholders approved a special resolution to enable the Directors to allot shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. That approval expires at the end of the forthcoming AGM and resolutions 15 and 16 in the Notice of AGM seek to renew it.

Following changes in the Pre-Emption Group's Statement of Principles, which was updated in November 2022, and the issuance of new Share Capital Management Guidelines, issued by the Investment Association in February 2023, the Company seeks a resolution which authorises disapplication of pre-emption rights in respect of up to an aggregate nominal amount of £7,542,319 (representing 30,169,276 ordinary shares). This aggregate nominal amount represents approximately 10% of the issued ordinary share capital of the Company (excluding treasury shares).

In addition to the above Resolution, the Company seeks a Resolution which authorises disapplication of pre-emption rights in respect of up to an aggregate nominal amount of £7,542,319 (representing 30,169,276 ordinary shares) in connection with acquisitions and other capital investments, which is in line with the Pre-Emption Group's Statement of Principles and the guidance of The Investment Association. This aggregate nominal amount represents an additional 10% of the issued ordinary share capital of the Company (excluding treasury shares).

Whilst the Board do not currently intend to make use of these resolutions, the Board believe the flexibility that the increased levels to which pre-emption rights may be disapplied, provides the Company flexibility for future opportunities. The Board therefore support both these resolutions which seek authority to disapply pre-emption rights at the higher amounts of 10% of the ordinary share capital (excluding treasury shares).

These authorities will expire at the conclusion of the following AGM or, if earlier, on 16 August 2024. The proposal conforms to the guidelines issued by the institutional investment protection bodies to ensure that existing shareholders' interests are safeguarded.

Purchase of own shares

The Company announced on 2 February 2023, the intention to launch a share buyback programme of approximately £60m ("Share Buyback Programme") which is expected to commence following the Company's full year results which will launch when the 2022 full year results are released. The Share Buyback Programme returns funds to shareholders following the sale of the Filters and Packaging businesses.

The purpose of the Share Buyback Programme is to return funds to shareholders following the divestment of the Filters and Packaging businesses during 2022 and will reduce the share capital of the Company. The Directors consider the Share Buyback Programme to be in the best interests of the Company and of its shareholders generally, and it is expected that the implementation of the Share Buyback Programme will enhance earnings per share.

Having announced the Share Buyback Programme, the Board have proposed a resolution which would authorise 10% of its own (excluding any treasury shares) of its own shares which will be put to shareholders at the 2023 AGM. The increase from 5% to 10% is in line with The Investment Association Share Capital Guidelines, and allows the Company to complete the Share Buyback up to the full £60m.

Under the arrangements for the Share Buyback Programme, shares once purchased, will be cancelled or held in treasury. The power would apply until the end of next year's AGM (or if earlier, 3 August 2024).

Other than the Share Buyback Programme, the Directors have no immediate plans to exercise this authority, but will keep under review the need to do so in light of business and investment opportunities. Purchases of the Company's own shares, where made, would be in the best interests of the Company and of its shareholder generally and could generally be expected to result in an increase in earnings per share.

In accordance with the requirements of the Listing Rules of the Financial Conduct Authority, the minimum price (exclusive of expenses) which may be paid for a share is its nominal value and the maximum price (exclusive of expenses) for shares which may be paid is the highest of: (i) an amount equal to 105% of the average market value for a share for the five business days immediately preceding the date of the purchase; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

During the financial year ending 31 December 2022, 7,213 ordinary shares were transferred out of Treasury by the Company to satisfy share options under the Company's Sharesave and executive share incentive plans.

No dividends have been paid on shares while held in Treasury and no voting rights attach to the treasury shares.

External Auditor

PricewaterhouseCoopers LLP have expressed their willingness to continue to be appointed as External Auditor of the Company. Upon the recommendation of the Audit and Risk Committee, resolutions to appoint them as External Auditor and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Recommendation

The Directors believe that the resolutions in the Notice of Annual General Meeting are in the best interests of the Company and its shareholders as a whole, and unanimously recommend that shareholders vote in favour of each resolution.

Derivatives

Information related to derivatives is included in the Accounting Policies on page 189 and in Note 15 and Note 19 to the Notes of the Financial Statements.

Going concern

The Directors have prepared the consolidated financial statements for the year ended 31 December 2022 on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's balance sheet position, forecast earnings and cash flows for a period of at least 18 months from the date of approval of these consolidated financial statements. The disposal of the Packaging business and Filters business have been included in the Directors' going concern assessment.

Information regarding the financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in the Financial Review on pages 47 to 49. In addition, Note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit, market and liquidity risk. Cash balances and borrowings are detailed in Note 22.

At 31 December 2022, the Group's external financing arrangements amounted to £492.7m, comprising United States Private Placement Loan Notes (USPP) of US\$350.0m (with a range of expiry dates from November 2024 to July 2033) and a multi-currency revolving credit facility (RCF) of £200.0m (expiring in November 2025).

On 1 October 2022, the Group completed its disposal of the Packaging business and on 3 December 2022, the Group completed the disposal of the Filters business. In December 2022 the Group repaid its RCF loan to £nil, and continues to maintain a facility of £200.0m. Furthermore, as a consequence of the business disposals, the Group was required to repay \$247m of its USPP loan notes, classified as current liabilities at the balance sheet date, which were repaid in full during January 2023.

No amount was drawn under the RCF as at 31 December 2022, with the available undrawn balance amounting to £200.0m. The facility is subject to two covenants, which are tested semi-annually: net debt to EBITDA (leverage) and EBITA to net finance charges. Despite the significant economic and operational challenges in the recent years, the Group has not sought to change either of the two covenants. The Directors

believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performance and considering the existing borrowing facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 18 months following the date of approval of the financial statements, and no breaches of covenants are expected.

As part of the going concern assessment, the Board has considered a downside scenario that includes reasonably plausible changes in macro-economic conditions and is considered to represent a severe but plausible scenario. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 18 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The downside scenario assumes a period of suppressed revenue growth into the latter part of 2023 and subsequently limits growth in 2024. Further, the downside scenario assumes a high inflationary cost environment not fully offset by price increases, and higher than planned cost base assuming the business does not right-size costs in line with expectations, as the Group transitions to a pure-play Components business. The financial impact of the downside scenario in 2023 and 2024 is to reduce adjusted operating profits by 45% and 4% respectively compared to the Group's strategic plan.

The overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalent) at 31 December 2022 was £621.4m, which was significantly higher than the £352.1m as at 31 December 2021. Adjusting for the repayment of borrowings of \$247m in January 2023, planned Special Dividend of £90m, and planned Share Buyback Programme of £60m, this still leaves overall liquidity at £268.4m. Capital expenditure, sales and general overhead, and working capital will continue to be managed closely to ensure sufficient liquidity.

The scenarios do not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. Based on these, and taking into consideration the risks detailed in Note 19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly have adopted the going concern basis in preparing the consolidated financial statements. This disclosure has been prepared in accordance with the Financial Reporting Council's UK Corporate Governance Code.

Post balance sheet event

As a consequence of the business disposals, the Group was required to repay \$247m of its USPP loan notes, classified as current liabilities at the balance sheet date, which were repaid in full during January 2023.

Long term viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the longterm viability of the Company over the three-year period to December 2025.

The assessment has been based on the Company's strategy and implementation programme, balance sheet and financing position, and the potential impact of the key risks and uncertainties described above. The Company strategy has been translated into a three-year strategic plan comprising a one-year detailed budget and a financial forecast for the following two years. The plan will be subject to annual updates by management, and review by the Board. As a consequence, the Directors have chosen a three-year time horizon for the Longer-Term Viability Statement ("LTVS") as being an appropriate time frame for assessing the viability of the Company, as this is the period reviewed by the Board in its strategic planning process. The Directors believe that this presents a reasonable degree of confidence over this longer-term outlook. However, the Directors have also given due consideration to any potential significant risks beyond this time horizon.

This assessment was informed by our judgements as to the potential financial impact of the following Principal Risks if they materialise over the three-year period:

- operational & supply chain disruption
- macroeconomic environment uncertainties including GDP decline, inflation and cost pass-through
- delivery of the strategic plan
- environmental relating to climate change related transition risks and opportunities

In order to support the assessment of the viability, the Directors have considered the following realistic and plausible scenarios. The Directors have assumed that the risks in each scenario would all crystallise simultaneously. In Scenario 3, the Directors have considered the worst case events from each of the selected Principal Risks.

Scenario 1

Environment, Social and Governance (low)

Level of severity tested

Transition risks and opportunities from the climate change quantitative analysis, leading to an increase in operating profit of £0.9m, £1.9m and £2.8m respectively for 2023, 2024 and 2025.

Operational and Supply Chain disruption (low)

£2.1m operating profit reduction in 2023 and £2.2m operating profit reduction in 2024. Further disruption in China until Q3-23 reducing operating profit by £0.4m in 2023.

Macro-economic environment (low)

£11.6m reduction in sales and £4.5m reduction in operating profit in 2023.

Execution of strategic plan, failure to deliver above market growth rates (low)

Per base case

Scenario 2

Environment, Social and Governance (medium)

Level of severity tested

Transition risks and opportunities in the climate change quantitative analysis which are assigned a 50% probability are excluded, leading to an increase in operating profit of £0.0m, £0.1m and £0.1m respectively for 2023, 2024 and 2025.

Operational and Supply Chain disruption (medium)

£2.1m operating profit reduction in 2023 and £2.2m operating profit reduction in 2024. Further disruption in China until Q4-23 reducing operating profit by £1.0m in 2023.

Macro-economic environment (medium)

£11.6m reduction in sales and £4.5m reduction in operating profit in 2023. £3.4m reduction in sales and £1.8m reduction in operating profit in 2024. Further cost inflation leads to a reduction in operating profits of £4.8m.

Execution of strategic plan, failure to deliver above market growth rates (severe)

£3.1m reduction in operating profit in 2024 and £3.1m reduction in operating profit in 2025

Scenario 3

Environment, Social and Governance (severe)

Level of severity tested

No transition opportunities in the climate change quantitative analysis are included. Only transition risks are included, leading to an reduction in operating profit of £1.5m, £3.0m and £4.5m respectively for 2023, 2024 and 2025.

Operational and Supply Chain disruption (severe)

£2.1m operating profit reduction in 2023 and £2.2m operating profit reduction in 2024. Disruption in China does not recover until 2024. Captured within macro-economic environment decline, and therefore not modelled simultaneously.

Macro-economic environment (severe)

Macro-economic environment provides challenging trading conditions through 2023 with no recovery / growth in the year. 2023 and 2024 growth seen in the base case is deferred to 2024 and 2025 respectively. Operating profit reduction of £10.2m in 2023, operating profit increase of £13.1m in 2024; and operating profit reduction of £6.2m in 2025.

Further cost inflation leads to a reduction in operating profits of £4.8m.

£3.1m reduction in operating profit in 2024 and £3.1m reduction in operating profit in 2025

Execution of strategic plan, failure to deliver above market growth rates (severe)

In all of the scenarios assessed, there is no indication of potential breaches of banking covenants, and there remains sufficient liquidity headroom from the Group's current borrowing facilities. In making the assessment, the Directors have assumed that capital markets and bank funding will continue to be available over the period. Furthermore, management would be in a position to implement effective mitigation actions to reduce the impact a potential risk event and to preserve cash resources. Mitigating actions considered by management include availability of alternative sources of funding, cost rationalisation measures, working capital and capital expenditure management and potential disposal of non-core assets. Based on the viability assessment undertaken, the Directors have a reasonable expectation that the Group will be able to continue in operational existence and meet its liabilities as they fall due over the period of the assessment.

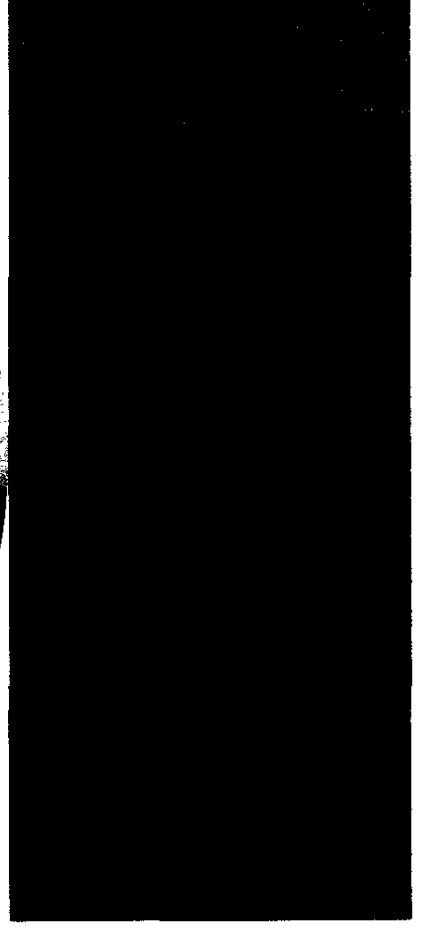
Directors' statement as to disclosure of information to the External Auditor

As required by Section 418(2) of the Companies Act 2006, the Directors who were members of the Board at the time of approving this Report, having made enquiries of fellow Directors and of the External Auditor, confirm that:

- as far as each Director is aware, there is no relevant audit information of which the Company's External Auditor is unaware
- each Director has taken all reasonable steps that they ought to have taken as a Director to ascertain any relevant audit information, and to ensure that the Company's External Auditor is aware of that information
- the Strategic Report and Directors' Report, including the Report of the Remuneration Committee, were approved by the Board on 28 March 2023.

By order of the Board

Emma Reid
Company Secretary
28 March 2023



Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with UK-adopted International Accounting Standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently

- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's 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

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the group;
- 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 and financial position of the company; and
- the Strategic 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.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Scott Fawcett
Chief Executive

Jack Clarke
Chief Financial Officer
28 March 2023

Independent Limited Assurance Statement to Essentra plc (Group)

ERM Certification and Verification Services Limited ("ERM CVS") was engaged by Essentra plc ("Essentra") to provide limited assurance in relation to the selected information set out below and presented in Essentra's Annual Report 2022 (the "Annual Report").

Engagement summary

Scope of our assurance engagement

Whether the 2022 data and explanatory notes for the following indicators presented on page 27 of the Annual Report are fairly presented, in all material respects, in accordance with the reporting criteria

- Total Scope 1 greenhouse gas ("GHG") emissions
- Total Scope 2 GHG emissions (location-based)
- Total Scope 2 GHG emissions (market-based)
- Total Scope 3 GHG emissions from the following categories:
 - Category 1: Purchased goods and services
 - Category 2: Capital goods
 - Category 3: Fuel- and energy-related activities
 - Category 4: Upstream transportation and distribution
 - Category 5: Waste generated in operations
 - Category 12: End-of-life treatment of sold products (Recycling, Recovery, Incineration, Landfill)
 - Total solid hazardous and non-hazardous waste by destination (Recycling, Recovery, Incineration, Landfill)
 - Total liquid hazardous and non-hazardous waste by destination (Recycling, Recovery, Incineration, Landfill)
 - Zero waste to landfill sites
 - Total water usage
 - Percentage of raw materials from sustainable sources in polymer ranges

Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Annual Report.

Reporting period

2022 (1st January – 31st December 2022)

Reporting criteria

- WBCSD/WRI GHG Protocol Corporate Accounting and Reporting Standard (for the Scope 1 and Scope 2 GHG emissions)
- WBCSD/WRI GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (for the Scope 3 GHG emissions)
- Essentra's internal definitions and methodology for the waste, zero waste to landfill, water and raw materials from sustainable sources in polymer ranges indicators

Assurance standard and level of assurance

We performed a limited assurance engagement, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) / Assurance Engagements other than Audits or Reviews of Historical Financial Information. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Respective responsibilities

Essentra is responsible for preparing the Annual Report and for the collection and presentation of the information within it. ERM CVS' responsibility is to provide conclusions to Essentra on the agreed scope based on our engagement terms with Essentra, the assurance activities performed and exercising our professional judgement. We accept no responsibility, and deny any liability, to any party other than Essentra for the conclusions we have reached.

Our conclusion

Based on our activities, as described below, nothing has come to our attention to indicate that the 2022 data and explanatory notes for the indicators listed under 'Scope of our assurance engagement' above are not fairly presented in the Annual Report, in all material respects, in accordance with the reporting criteria.

Emphasis of matter

We draw attention to the organisational boundary for the data presented on page 27 of the Annual Report, as described by Essentra in the notes to the data on page 27 of the Annual Report. This information should be taken into account by users of the Annual Report, but does not affect our conclusion.

Our assurance activities

Considering the level of assurance and our assessment of the risk of material misstatement of the 2022 data and explanatory notes for the indicators in the scope of our assurance engagement a multi-disciplinary team of sustainability and assurance specialists performed a range of procedures that included, but was not restricted to, the following:

- Assessing the appropriateness of the reporting criteria for the indicators.
- Conducting interviews with relevant Essentra staff to understand and evaluate the relevant management systems and processes (including internal review and control processes) used for measuring, collecting and reporting the indicators.
- Performing an analytical review of the 2022 data for the indicators from Essentra sites included in the reporting boundary.
- Conducting in-person and virtual sites to three Essentra sites in the United Kingdom, the United States of America and Thailand, to review site-level data management and reporting processes, and the consistency of reported 2022 data for the indicators with underlying source data and related information.
- Examining supporting evidence for a sample of the 2022 activity data underlying the Scope 3 GHG emissions.
- Testing the accuracy of the GHG emissions calculations from the underlying activity data, including a review of the unit conversion factors and emissions factors used in these calculations.
- Examining supporting evidence for the zero waste to landfill status of Essentra sites in 2022.
- Examining supporting evidence for the percentage of raw materials from sustainable sources in polymer ranges in 2022.
- Reviewing the accuracy of the data consolidation at the Essentra corporate level.
- Reviewing the presentation of information relevant to the scope of our work in the Annual Report to ensure consistency with our findings.

The limitations of our engagement

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our independence, integrity and quality control

ERM CVS is an independent certification and verification body accredited by UKAS to ISO 17021:2015. Accordingly, we maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our quality management system is at least as demanding as the relevant sections of ISQM-1 and ISQM-2 (2022).

ERM CVS applies a Code of Conduct and related policies to ensure that its employees maintain integrity, objectivity, professional competence and high ethical standards in their work. Our processes are designed and implemented to ensure that the work we undertake is objective, impartial and free from bias and conflict of interest. Our certified management system covers independence and ethical requirements that are at least as demanding as the relevant sections of Parts A & B of the IESBA Code relating to assurance engagements.

The team that has undertaken this assurance engagement has extensive experience in conducting assurance on environmental, social, ethical and health and safety information, systems and processes, and provides no consultancy related services to Essentra in any respect.

Gareth Manning

Partner, Corporate Assurance
London, UK

28 March 2023

ERM Certification and Verification Services Limited
www.ermcvs.com | Email: post@ermcvs.com

ERM CVS

Independent Limited Assurance Statement to Essentra plc (Components)

ERM Certification and Verification Services Limited ("ERM CVS") was engaged by Essentra plc ("Essentra") to provide limited assurance in relation to the selected information set out below and presented in Essentra's Annual Report 2022 (the "Annual Report").

Engagement summary

Scope of our assurance engagement

Whether the 2019, 2020, 2021 and 2022 data and explanatory notes for the following indicators for Essentra's Components Division presented on page 28 of the Annual Report are fairly presented, in all material respects, in accordance with the reporting criteria:

- Total Scope 1 greenhouse gas ("GHG") emissions
- Total Scope 2 GHG emissions (location based)
- Total Scope 2 GHG emissions (market-based)
- Total Scope 3 GHG emissions from the following categories (2022 only):
 - Category 1: Purchased goods and services
 - Category 2: Capital goods
 - Category 3: Fuel and energy-related activities
 - Category 4: Upstream transportation and distribution
 - Category 5: Waste generated in operations
 - Category 12: End of life treatment of sold products
- Total solid hazardous and non-hazardous waste by destination (Recycling, Recovery, Incineration, Landfill)
- Total liquid hazardous and non-hazardous waste by destination (Recycling, Recovery, Incineration, Landfill) (2020, 2021 and 2022 only)
- Zero waste to landfill sites
- Total water usage (2020, 2021 and 2022 only)
- Percentage of raw materials from sustainable sources in polymer ranges (2022 only)

Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Annual Report.

Reporting period

- 2019 (1st January 2019 – 31st December 2019)
- 2020 (1st January 2020 – 31st December 2020)
- 2021 (1st January 2021 – 31st December 2021)
- 2022 (1st January 2022 – 31st December 2022)

Reporting criteria

- WBCSD/WRI GHG Protocol Corporate Accounting and Reporting Standard (for the Scope 1 and Scope 2 GHG emissions)
- WBCSD/WRI GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (for the Scope 3 GHG emissions)
- Essentra's internal definitions and methodology for the waste, zero waste to landfill, water and raw materials from sustainable sources in polymer ranges indicators

Assurance standard and level of assurance

We performed a limited assurance engagement, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement; and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Respective responsibilities

Essentra is responsible for preparing the Annual Report and for the collection and presentation of the information within it.

ERM CVS' responsibility is to provide conclusions to Essentra on the agreed scope based on our engagement terms with Essentra, the assurance activities performed and exercising our professional judgement. We accept no responsibility, and deny any liability, to any party other than Essentra for the conclusions we have reached.

Our conclusion

Based on our activities, as described below, nothing has come to our attention to indicate that the 2019, 2020, 2021 and 2022 data and explanatory notes for the indicators listed under 'Scope of our assurance engagement' above for Essentra's Components Division are not fairly presented in the Annual Report, in all material respects, in accordance with the reporting criteria.

Emphasis of matter

We draw attention to the organisational boundary for the data presented on page 28 of the Annual Report, as described by Essentra in the notes to the data on page 28 of the Annual Report. This information should be taken into account by users of the Annual Report, but does not affect our conclusion.

Our assurance activities

Considering the level of assurance and our assessment of the risk of material misstatement of the 2022 data and explanatory notes for the indicators in the scope of our assurance engagement a multi-disciplinary team of sustainability and assurance specialists performed a range of procedures that included, but was not restricted to, the following:

- Assessing the appropriateness of the reporting criteria for the indicators.
- Conducting interviews with relevant Essentra staff to understand and evaluate the relevant management systems and processes (including internal review and control processes) used for measuring, collecting and reporting the indicators.
- Performing an analytical review of the 2019, 2020, 2021 and 2022 data for the indicators from Essentra sites included in the reporting boundary.
- Conducting in-person and virtual sites to selected Essentra sites in its Components Division, to review site-level data management and reporting processes, and the consistency of reported 2019, 2020, 2021 and 2022 data for the indicators with underlying source data and related information.
- Examining supporting evidence for a sample of the 2022 activity data underlying the Scope 3 GHG emissions.
- Testing the accuracy of the GHG emissions calculations from the underlying activity data, including a review of the unit conversion factors and emissions factors used in these calculations.
- Examining supporting evidence for the zero waste to landfill status of Essentra sites in its Components Division for 2019, 2020, 2021 and 2022.
- Examining supporting evidence for the percentage of raw materials from sustainable sources in polymer ranges in 2022.
- Reviewing the accuracy of the data consolidation at the Essentra corporate level.
- Reviewing the presentation of information relevant to the scope of our work in the Annual Report to ensure consistency with our findings.

The limitations of our engagement

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our independence, integrity and quality control

ERM CVS is an independent certification and verification body accredited by UKAS to ISO 17021:2015. Accordingly, we maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our quality management system is at least as demanding as the relevant sections of ISQM-1 and ISQM-2 (2022).

ERM CVS applies a Code of Conduct and related policies to ensure that its employees maintain integrity, objectivity, professional competence and high ethical standards in their work. Our processes are designed and implemented to ensure that the work we undertake is objective, impartial and free from bias and conflict of interest. Our certified management system covers independence and ethical requirements that are at least as demanding as the relevant sections of Parts A & B of the IESBA Code relating to assurance engagements.

The team that has undertaken this assurance engagement has extensive experience in conducting assurance on environmental, social, ethical and health and safety information, systems and processes, and provides no consultancy related services to Essentra in any respect.

Gareth Manning

Partner, Corporate Assurance
London, UK

28 March 2023

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ERM CVS

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Financial Statements

Consolidated Income Statement

For the year ended 31 December 2022

	2022	2021
	£m	£m
Revenue	337.9	301.7
Operating (loss)/profit²	(11.3)	7.7
Finance income	7.1	2.1
Finance expense	(24.9)	(16.9)
Loss before tax	(29.1)	(7.1)
Income tax (expense)/credit	(2.0)	2.2
Loss for the year from continuing operations	(31.1)	(4.9)

(Loss)/profit from discontinued operations	24	33.2
(Loss)/profit for the year	(183.8)	28.3

Attributable to:

Equity holders of Essentra plc	(188.0)	26.9
Non-controlling interests	4.2	1.4
(Loss)/profit for the year	(183.8)	28.3

Earnings per share attributable to equity holders of Essentra plc:

Basic	6	(62.4)p	8.9p
Diluted	6	(62.4)p	8.9p

Earnings per share from continuing operations attributable to equity holders of Essentra plc:

Basic	6	(10.3)p	(1.6)p
Diluted	6	(10.3)p	(1.6)p

	2022	2021
	£m	£m
Adjusted profit measure: continuing operations		
Operating (loss)/profit	(11.3)	7.7
Amortisation of acquired intangible assets	10.4	8.6
Adjusting items	26.0	10.1
Adjusted operating profit³	25.1	26.4

Notes:

- The Group disposed of the Packaging business and the Property services during the year ended 31 December 2022. Transactions related to operations have been re-presented as discontinued operations. See note 24 for details.
- The adjusted operating profit is calculated as operating profit of £183.8 (2021: £6.2m) less £158.7 (2021: £10.5m).
- See note 22 for details of the adjusted operating profit measure.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	2022 €m	2021 €m
(Loss)/profit for the year	(183.8)	28.3
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss in subsequent years		
Remeasurement of defined benefit pension schemes	18	28.5
Deferred tax income/(expense) on remeasurement of defined benefit pension schemes	4.1	(7.9)
	(15.4)	20.6
Items that may be reclassified to profit or loss in subsequent years		
Effective portion of changes in fair value of cash flow hedges:		
Net change in fair value of cash flow hedges transferred to the income statement:	15	(1.8)
Ineffective portion of changes in fair value of cash flow hedges transferred to the income statement:	15	(0.5)
Effective portion of changes in fair value of cash flow hedges	16.1	0.9
Foreign exchange translation differences:		
Attributable to equity holders of Essentra plc:		
Arising on translation of foreign operations	24	(23.4)
Recycling of foreign currency translation reserve		-
Arising on effective net investment hedges		(0.4)
Income tax credit	4	0.4
Attributable to non-controlling interests	(0.1)	(0.1)
	(4.3)	(24.9)
Total other comprehensive expense for the year, net of tax	(19.7)	(4.3)
Total comprehensive (expense)/income for the year	(203.5)	24.0
Attributable to:		
Equity holders of Essentra plc	(207.6)	22.7
Non-controlling interests	4.1	1.3
Total comprehensive (expense)/income for the year	(203.5)	24.0
Attributable to:		
Continuing operations	(12.1)	(9.2)
Discontinued operations	(191.4)	33.2
Total comprehensive (expense)/income for the year	(203.5)	24.0

Note 1 - The Group has used the 'Rolling Forward' method to calculate the impact of the change in the accounting policy for the year ended 31 December 2022. The impact of the change in the accounting policy for the year ended 31 December 2022 is shown in note 24 for details.

Consolidated Balance Sheet At 31 December 2022

		31 December 2022	31 December 2021
	No.	£m	£m
Assets			
Property, plant and equipment	7	65.2	254.3
Lease right-of-use asset	9	21.0	50.4
Investment properties	7	7.0	-
Intangible assets	8	206.6	483.5
Long-term receivables	19	11.6	5.2
Derivative assets	15, 19	8.3	0.7
Deferred tax assets	16	11.7	11.6
Retirement benefit assets	18	7.9	34.1
Total non-current assets		339.3	839.8
Inventories	10	65.0	128.7
Income tax receivable		1.1	1.5
Trade and other receivables	11, 19	66.4	175.2
Derivative assets	15, 19	0.2	0.5
Cash and cash equivalents	12, 19, 22	421.4	136.3
Total current assets		554.1	442.2
Total assets		893.4	1,282.0
Equity			
Issued share capital	20	75.6	75.6
Merger reserve		385.2	385.2
Capital redemption reserve		0.1	0.1
Other reserve	21	(132.8)	(132.8)
Cash flow hedging reserve		(0.8)	(1.5)
Translation reserve		(52.4)	(47.5)
Retained earnings	21	129.2	333.6
Attributable to equity holders of Essentra plc		404.1	612.7
Non-controlling interests		-	16.2
Total equity		404.1	628.9

		31 December 2022	31 December 2021
	No.	£m	£m
Liabilities			
Interest bearing loans and borrowings	14, 19, 22	85.0	313.3
Lease liabilities	22	18.0	46.1
Retirement benefit obligations	18	18.5	25.1
Provisions	17	1.1	2.5
Other financial liabilities	19	2.4	5.6
Deferred tax liabilities	16	7.6	45.3
Total non-current liabilities		132.6	437.9
Interest bearing loans and borrowings	14, 19, 22	208.0	-
Lease liabilities	22	4.9	11.6
Derivative liabilities	15, 19	1.3	0.1
Income tax payable		16.2	21.5
Trade and other payables	13, 19	91.5	180.9
Other financial liabilities	19	24.1	-
Provisions	17	10.7	1.1
Total current liabilities		356.7	215.2
Total liabilities		489.3	653.1
Total equity and liabilities		893.4	1,282.0

The consolidated financial statements on pages 137 to 183 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf by:

Scott Fawcett
Chief Executive

Jack Clarke
Chief Financial Officer

Company registration no: 05444653

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

2022										
		Issued capital £m	Merger reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging and cost of hedging reserves ¹ £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
	No. c	75.6	385.2	0.1	(132.8)	(1.5)	(47.5)	333.6	16.2	628.9
At 1 January 2022										
(Loss)/profit for the year										
Other comprehensive expense										
Total comprehensive (expense)/income for the year										
Recycling of non-controlling interest:										
Share option expense										
Tax relating to share-based incentives										
Net impact of IAS 29 ²										
Dividends paid										
	24	-	-	-	-	0.7	(4.9)	(15.4)	(0.1)	(19.7)
		-	-	-	-	0.7	(4.9)	(203.4)	4.1	(203.5)
At 31 December 2022										
	25	-	-	-	-	-	-	(19.0)	(1.9)	(20.9)
		75.6	385.2	0.1	(132.8)	(0.8)	(52.4)	129.2	-	404.1

2021										
		Issued capital £m	Merger reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging and cost of hedging reserves ¹ £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
	No. c	75.6	385.2	0.1	(132.8)	(0.1)	(24.1)	300.8	13.3	618.0
At 1 January 2021										
Profit for the year										
Other comprehensive income/(expense)										
Total comprehensive loss for the year										
Equity issue to non-controlling interest										
Share option expense										
Tax relating to share-based incentives										
Dividends paid										
	25	-	-	-	-	-	-	(16.0)	(1.5)	(17.5)
		75.6	385.2	0.1	(132.8)	(1.5)	(47.5)	333.6	16.2	628.9
At 31 December 2021										

Notes:

1. See notes 15 and 16 to the consolidated financial statements in respect of hedge accounting.

2. The Group applied AS 29 Financial Reporting to all typical financial reporting entities for the first time during the year on 31 December 2022. See Changes to accounting policies under note 16. Assets or liabilities are further classified by reference to their nature.

Consolidated Statement of Cash Flows For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Operating activities			
(Loss)/profit for the year from:			
Continuing operations		(31.1)	(4.9)
Discontinued operations		(152.7)	33.2
(Loss)/profit for the year		(183.8)	28.3
Adjustments for:			
Income tax (credit)/expense	4	(2.0)	4.9
Net finance expense	3	18.4	16.5
Intangible amortisation	2,8	19.6	25.0
Adjusting items	2	26.0	10.1
Loss on business disposals	24	19.0	–
Impairment of acquired intangible assets on discontinued operations		182.7	–
Depreciation of property, plant and equipment	7	29.5	36.6
Lease right-of-use asset depreciation	9	10.1	12.0
Loss on disposal of right of use asset		0.2	–
Loss on disposal of fixed assets		0.3	–
Impairment of fixed assets		0.5	0.5
Share option expense	5,18	2.6	0.8
Hedging activities and other movements		0.8	(0.5)
Increase in inventories		(27.4)	(28.3)
Increase in trade and other receivables		(35.5)	(27.9)
Decrease in trade and other payables		41.2	26.3
Cash outflow in respect of adjusting items		(23.7)	(23.9)
Movement in provisions		1.0	(0.2)
Adjustment for pension contributions		0.2	(4.8)
Movement due to hyperinflation		(3.2)	–
Cash inflow from operating activities		76.5	75.4
Income tax paid		(12.5)	(12.2)
Net cash inflow from operating activities		64.0	63.2
Investing activities			
Interest received		2.3	0.4
Acquisition of property, plant and equipment ³		(39.7)	(38.5)
Proceeds from sale of property, plant and equipment		0.5	8.9
Payments for non-acquired intangible assets		(1.0)	(3.2)
Acquisition of businesses net of cash acquired ²	23	(27.9)	(14.6)
Proceeds from sale of businesses net of cash disposed ²	24	416.9	–
Cash outflow from costs on business disposals		(31.5)	–
Net cash inflow/(outflow) from investing activities		319.6	(47.0)
Financing activities			
Interest paid		(19.5)	(11.0)
Dividends paid to equity holders		(19.0)	(16.0)
Dividends paid to non-controlling interests		(1.9)	(1.5)
Arrangement fee paid for financing activities		–	(4.4)
Repayments of long-term loans		(124.2)	(182.5)
Proceeds from long-term loans		65.0	211.4
Proceeds from early settlement of derivative contracts		6.5	–
Lease liability principal repayments		(11.5)	(12.8)
Proceeds from equity issue to non-controlling interests		–	3.1
Net cash outflow from financing activities		(104.6)	(13.7)
Net increase in cash and cash equivalents	22	279.0	2.5
Net cash and cash equivalents at the beginning of the year		136.3	135.8
Net increase in cash and cash equivalents		279.0	2.5
Net effect of currency translation on cash and cash equivalents		6.1	(2.0)
Net cash and cash equivalents at the end of the year	12,22	421.4	136.3

Notes

- The Group disposed of the Packaging business and the Pharma business during the year ending 31 December 2022. The results of these operations have been presented as discontinued operations. See note 24 for details.
- Acquisition of businesses is net of cash acquired. Of £3.5m (2021: £nil). See note 23. Proceeds from sale of businesses net of cash disposed of £45.7m. See note 24.
- Acquisition of property, plant and equipment. Includes capital expenditures of £0.4m (2021: £0.5m).

Basis of Preparation and Principal Accounting Policies

Accounting Policies

a Basis of preparation
 Essentra plc is a public company limited by shares that is incorporated and domiciled in England and Wales (registration no 05444653). The address of its registered office is Langford Locks, Kidlington, Oxford, OX5 1HX, United Kingdom. The Company's ordinary shares are publicly traded on the London Stock Exchange. For the purposes of these consolidated financial statements "Essentra" or "the Group" means Essentra plc ("the Company") and its subsidiaries.

The Group's principal activities are focused on the manufacture and distribution of a comprehensive range of components, used in diverse industrial applications and end-markets.

The Group's consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with UK-adopted International Accounting Standards and comply with the requirements of the Companies Act 2006.

The Group's consolidated financial statements are prepared under the historical cost convention unless prepared in accordance with UK-adopted International Accounting Standards and comply with the requirements of the Companies Act 2006.

These consolidated financial statements are prepared under the historical cost convention unless otherwise stated.

The Company has elected to prepare its individual company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101); these are presented on pages 184 to 192.

The principal accounting policies used in the preparation of the consolidated financial statements for the year ended 31 December 2022 are detailed below. These policies, except those set out below under the heading 'Changes in accounting policies' adopted during the year, have been consistently applied to all periods presented.

On 1 October 2022, the Group completed its sale of ESNT Packaging & Securing Solutions Limited and Essentra Packaging US Inc and their respective subsidiary companies (together the 'Packaging business'). On 3 December 2022, the Group also completed the sale of Essentra Filter Holdings Limited and its respective subsidiary companies (the 'Filters business'). The results of the Packaging 2022 and the Filters business have been classified as discontinued operations at 31 December 2022 and comparative information has been re-presented.

In preparing the consolidated financial statements management have taken into account the potential effects of climate changes including medium to longer term transitional risks resulting from the relative uncertainty created by the global shift towards a more sustainable, net-zero economy, which include regulatory, geopolitical and social pressures that may impact the operations of the business in future. Management have considered the potential effects of climate related changes in its assessment of going concern, longer-term viability of the business, in preparing the residual values of cash flow forecasts underpinning impairment testing, and in its assessment of the residual values of property, plant and equipment.

Going concern

The Directors have prepared the consolidated financial statements for the year ended 31 December 2022 on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's balance sheet position, forecast earnings and cash flows for a period of at least 18 months from the date of approval of these consolidated financial statements. The disposal of the Packaging business and Filter's business have been included in the Directors' going concern assessment.

Information regarding the financial position of the Group, its cash flows, liquidity position, and borrowing facilities are described in the Financial Review on pages 47 to 49. In addition, note 19 to the financial statements includes the Group's objectives, policies and processes for managing

its capital, its financial risk management objectives, details of its financial instruments and hedging activities and exposures to credit, market and liquidity risk. Cash balances and borrowings are detailed in note 22.

At 31 December 2022, the Group's external financing arrangements amounted to £491.7m, comprising United States Private Placement Loan Notes (USPP) of US\$350.0m (with a range of expiry dates from November 2024 to July 2033) and a multi-currency revolving credit facility (RCF) of £200.0m (expiring in November 2025).

On 1 October 2022, the Group completed its disposal of the Packaging business and on 3 December 2022, the Group completed the disposal of the Filters business. In December 2022 the Group repaid its RCF loan to £nil, and continues to maintain a facility of £200.0m. Furthermore, as a consequence of the business disposals, the Group was required to repay £247m of its USPP Loan Notes, classified as current liabilities at the balance sheet date, which were repaid in full during January 2023.

No amount was drawn under the RCF as at 31 December 2022, with the available undrawn balance amounting to £200.0m. The facility is subject to two covenants, which are tested semi-annually, net debt to EBITDA (leverage) and EBITA to net finance charges. Despite the significant economic and operational challenges in the recent years, the Group has not sought to change either of the two covenants. The Directors believe that the Group is well placed to manage its business risks and after making enquiries including a review of forecasts and predictions, taking account of reasonably possible changes in trading performances and considering the existing borrowing facilities, including the available liquidity, have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 18 months following the date of approval of the financial statements, and no breaches of covenants are expected.

As part of the going concern assessment, the Board has considered a downside scenario that includes reasonably plausible changes in macro-economic conditions and is considered to represent a severe but plausible scenario. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 18 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The downside scenario assumes a period of suppressed revenue growth into the latter part of 2023 and subsequently limits growth in price increases, the downside scenario assumes a high inflationary cost environment not fully offset by price increases and higher than planned cost base assuming the business does not right-size costs in line with expectations, as the Group transitions to a pure-play Components business. The financial impact of the downside scenario in 2023 and 2024 is to reduce adjusted operating profits by 45% and 4% respectively compared to the Groups strategic plan.

The overall level of liquidity (defined as available undrawn borrowing facility plus cash and cash equivalents) at 31 December 2022 was £621.4m, which was significantly higher than the £352.1m as at 31 December 2021. Adjusting for the repayment of borrowings of \$247m in January 2023 planned special dividend of £90m, and planned share buyback programme of £60m, this still leaves overall liquidity at £265.4m. Capital expenditure, sales and general overhead, and working capital will continue to be managed closely to ensure sufficient liquidity.

The scenarios do not indicate a material uncertainty which may cast significant doubt over the Company's and Group's ability to continue as a going concern. Based on these, and taking into consideration the risks detailed in note 19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and accordingly have adopted the going concern basis in preparing the consolidated financial statements. This disclosure has been prepared in accordance with the Financial Reporting Council's UK Corporate Governance Code.

a Basis of preparation continued
Changes in accounting policies
(i) Application of IAS 29 Financial Reporting in Hyperinflationary Economies

During 2022, the Group held trade and assets denominated in Turkish Lira where IAS 29 has been applied for the first time. The Component's division's business in Turkey holds property, plant and equipment, intangible assets, lease right-of-use assets and inventory that are closed as non-monetary and, along with any associated deferred tax, must be adjusted for the effect of inflation at the date of the transaction. The income statement must be adjusted for the effect of inflation consolidated financial statements. The application of the standard has a material impact on the operations restated to the measuring unit current at the end of the period.

A summary of the impact on the consolidated balance sheet is shown below:

	As at 31 December 2022	Em
Goodwill		
Intangibles		
Property, plant & equipment		
Lease right-of-use asset		10.3
Inventory		3.6
Deferred tax liabilities		3.2
Impact on net assets		2.7
		0.4
Favourable impact on income statement		(2.2)
Increase in equity		18.0
Total equity		18.0

Note: For the year ended 31 December 2022, an analysis value of £3.2m was included within net finance expense.

(ii) Application of IAS40 Investment Properties

During 2022, the Group transferred property with a carrying amount of £7.0m from Property, Plant and Equipment to Investment Property. Investment properties are measured initially at cost less accumulated depreciation (on a straight-line basis) and impairment losses.

The application of the standard had no effect on the income statement for the year and no amounts were required to be restated in respect of prior years.

FINANCIAL STATEMENTS

(iii) Other pronouncements

The Group adopted the following new pronouncements with effect from 1 January 2022, which did not have a material impact on the Group's consolidated financial statements:

- Amendments to IAS 16 – Property Plant and Equipment: Proceeds before intended use;
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract;
- Amendments to IFRS 3 – Reference to the Conceptual Framework, and
- Annual Improvements to IFRS Standards 2018 – 2020 Cycle.

The following new standards and amendments to standards issued before 31 December 2022 with an effective date on or after 1 January 2023 which are not expected to have a material impact on the Group's consolidated financial statements, have not been early adopted by the Group:

- IFRS 17 Insurance Contracts and Amendments to IFRS 17
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction;
- Amendments to IAS 1 – Disclosure of Accounting Policies; and
- Amendment to IAS 8 – Definition of Accounting Estimates

b Principal accounting policies
Basis of consolidation
(i) Subsidiaries

Subsidiaries are entities controlled by Essentra. Control exists when Essentra is exposed, or has rights, through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

Non-controlling interests (NCI) are measured at their proportionate share of the investee's identifiable net assets at the date of acquisition.

When the group loses control of a subsidiary, it derecognises the net assets of the subsidiary together with any NCI and other related components of equity. Any resulting gain or loss on disposal is recognised in the consolidated income statement. On 3 December 2022, the Group completed the sale of Essentra Filter Holdings Limited and its respective subsidiary companies (the 'Filters business') which included the Group's investments in IFC Essentra Limited (India) (50% owned) and China Tobacco Essentra (Xiamen) Filters Co., Ltd (China) (49% owned).

Previously, the ownership held by the Group in these companies through its holding of ordinary shares were accounted for as subsidiaries of the Group in the consolidated financial statements due to the control achieved via board membership. Following the disposal of the Group's investments in India and China as part of the wider Filters business disposal, the associated balance of NCI arising on consolidation was derecognised.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expense arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction. Unless hedge accounting criteria apply (see policy for financial instruments), the consolidated financial statements are translated into sterling at the exchange rate ruling at that date and recognised in the income statement at average exchange rates.

(ii) Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated from their functional currency into sterling at the exchange rate ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at average exchange rates.

(iii) Net investment in foreign operations
Exchange differences on translation at the closing rate of the opening balances of overseas entities are taken to other comprehensive income, as are exchange differences arising on related foreign currency borrowings and derivatives designated as net investment hedges, to the extent that they are effective. Other exchange differences are taken to the income statement. Differences arising prior to 1 January 2004 are included in retained earnings.

(iv) Adjustments for hyperinflation
The Group applies hyperinflationary accounting to the financial statements of foreign operations that meet the requirements to be designated a hyperinflationary economy as specified in IAS 29 Financial Reporting in Hyperinflationary Economies. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, comparative amounts are not restated.

Under IAS 29, the results and non-monetary asset and liability balances are revalued to present value equivalent local currency amounts, based on an inflation index, before translation to sterling at the reporting date. The gain or loss on net monetary assets resulting from the application of IAS 29 is recognised in the consolidated income statement within net finance expense. Subsequent amounts arising on translation of foreign operations within other comprehensive income are presented under the effect of inflation as operating, investing and financing cash flows in the consolidated statement of cash flows.

The Components division's foreign operations in Turkey were designated as hyperinflationary during the year ended 31 December 2022. The Group has therefore applied hyperinflationary accounting, reporting period ended 31 December 2022. For further details of the main effects to the Group's consolidated financial statements, refer to note (a) 'Application of IAS 29 Financial Reporting in Hyperinflationary Economies'.

Alternative performance measures

The consolidated financial statements provide further disclosures and measures of financial performance, including adjusted operating profit and adjusted earnings per share, which are not defined or specified in accordance with UK adopted International Financial Reporting Standards. The presentation of alternative performance measures enables management to reflect the underlying performance of the continuing operations of the Group and provides investors with a more meaningful comparison of how the business is managed and measured on a periodic basis.

Adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are identified separately in order for the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations, by excluding items which, in management's view, do not form part of the Group's underlying operating results, such as gains, losses or costs arising from business acquisition and disposal activities, significant restructuring and closure costs, and costs of major Software as a Service projects, and items which are non-recurring or one-off in nature (such as the costs of fundamental strategic review and reorganisation). Operating profit forms the primary basis for management's review and assessment of operational performance of the Group's businesses.

(i) Expense/(credit) relating to acquisitions, disposals and restructuring following disposals of businesses

In 2022, Essentra incurred advisory and reorganisation costs in relation to major restructuring activities to "right size" the continuing operations of the business following the disposal of the Filtere and Packaging businesses. These costs do not include costs relating to the disposal of the Filtere and which form part of the result from discontinued operations (refer to note 24).

In 2022, Essentra acquired the Witroyd Group, incurring one-off acquisition related costs (refer to note 23).

In 2021, Essentra acquired Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu"), incurring one-off acquisition related costs (refer to note 23).

(ii) Acquisition integration and restructuring costs

These relate to costs incurred on the integration of acquired businesses and restructuring associated with acquisitions.

(iii) Customisation and configuration costs of significant Software as a Service ("SaaS") arrangements

These relate to costs incurred on implementation (customisation and configuration) of significant "software as a service" ("SaaS") arrangements. In the view of management, these are investments to upgrade the Group's technical capabilities and therefore their costs are excluded from adjusted operating profit.

(iv) Defined benefit pension scheme charges (from 2022)

These relate to costs incurred in relation to defined benefit pension scheme charges which, following the completion of the strategic review, no longer pertain to employees of the continuing Group and are therefore excluded from adjusted operating profit.

(v) Other adjusting items

In 2022 this comprised costs in respect of the write-down of centrally held IT assets following the completion of the strategic review, and costs of restructuring activities within the continuing European and Americas businesses, offset by a credit relating to adjustments to the carrying value of right-of-use assets.

b Principal accounting policies continued

In 2021 this represented advisory and professional fees in relation to strategic reviews of the on going business and the now disposed Group's Filivers and Packaging businesses. Components restructuring comprised costs in relation to restructuring activities within the European and American businesses, comprising the reversal of certain provisions, and a credit relating to adjustments to the carrying value of lease right-of-use assets.

Further details of the Group's adjusting items are included in note 2. The Group has also provided a reconciliation of its adjusted performance measures in note 27 to the consolidated financial statements.

Assets and disposal groups held for sale and discontinued operations

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount, as profit or loss after tax from discontinued operations in the income statement.

Segment reporting

A segment is identified on the basis of internal reports that are regularly reviewed by the Group Management Committee (identified as the Chief Operating Decision Maker) in order to allocate resources to the segment and assess its performance.

Revenue

Revenue from the sale of goods is recognised in the income statement net of expected discounts, rebates, refunds, credits, price concessions or other similar items, when the associated performance obligation has been satisfied, and control of the goods has been transferred to the customer.

A significant part of the Group's businesses sell goods on an ex-works basis, where the Group as seller makes its goods ready for collection at its premises on an agreed upon sales date and the buyer incurs all transportation and handling costs and bears the risks for bringing the goods to their chosen destination.

Where the Group operates non ex-works terms with customers, revenue is recognised when the control of the goods has been transferred to the customer. These terms include consignment stock agreements, where revenue is recognised upon the customer removing goods from consignment stock provided the relevant conditions for revenue recognition are met.

Each customer arrangement/contract is assessed to identify the performance obligations being provided to the customer. Where distinct performance obligations are deemed to exist, an element of revenue is apportioned to that obligation.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are included within the carrying amount of the

related property, plant and equipment and are released to the consolidated income statement on a straight-line basis over the expected useful lives of the relevant assets.

Government grants that compensate the Group for expenses incurred are credited to the consolidated income statement so as to match them with the expenditure to which they relate.

Finance income and expense

Finance income is recognised in the consolidated income statement as it accrues by reference to the principal outstanding and at the effective interest rate applicable.

Finance expense consists of interest and other expenses that are incurred in connection with the Group's external financing arrangements and is recognised in the consolidated income statement using the effective interest method. Finance expense includes the interest portion of lease liabilities, as it accrues. Prepaid facility fees are amortised over the term of the related debt financing using the effective interest method.

Income tax is recognised in the consolidated income statement as it accrues by reference to the effective interest rate applicable.

Income tax

Income tax in the consolidated income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using the applicable tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in prior years. Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the financial statements. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable tax rates enacted or substantively enacted at the balance sheet dates.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Business combinations

Business combinations are accounted for using the acquisition method. Goodwill arising in a business combination represents the difference between the fair value of the assets given in consideration and the fair value of identifiable assets, liabilities and contingent liabilities assumed of the acquiree, at the date of acquisition.

Costs attributable to acquisitions are expensed in the consolidated income statement. Given their one-off nature, these costs are generally presented within adjusting items.

Where consideration for an acquisition includes any assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration amount is measured at fair value at the acquisition date. Subsequent changes in the fair value of such contingent consideration is adjusted against the cost of acquisition where they result from additional information obtained within one year from the acquisition date, about facts and circumstances that existed at the acquisition date. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised in the consolidated income statement.

b Principal accounting policies continued

Intangible assets

(i) Goodwill

Goodwill is initially recognised as an intangible asset at cost and subsequently measured at cost less accumulated impairment. Goodwill is allocated to the cash-generating unit ("CGU") or group of CGUs expected to benefit from the synergies related to the business combination.

(ii) Research and development

Research costs are expensed to the income statement in the year in which they are incurred.

Development costs relating to new products are capitalised when the Group is able to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

(iii) Acquired intangible assets

An intangible asset acquired in a business combination is recognised at fair value to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably.

Intangible assets principally relate to customer relationships, which are valued using discounted cash flows based on historical customer attrition rates, and developed technology, which is valued using an income approach. The cost of intangible assets is amortised through the income statement on a straight-line basis over their estimated useful economic life.

(iv) Other intangible assets

Other intangible assets which are not acquired through a business combination ("non-acquired intangible assets") are recognised at cost to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably, and amortised on a straight-line basis over their estimated useful economic life.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Where costs incurred for the development of software code enhances, modifies, or creates additional capability to existing on-premise systems and meets the definition of and recognition criteria for an intangible asset, these costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

Intangibles are amortised over their estimated remaining useful lives on a straight-line basis at the following annual rates:

Customer relationships	6-12%
Other intangibles – research and development	7-20%
Other intangibles – development of e-commerce	10-20%
Other intangibles – software and software development	10-20%

Impairment

All assets are reviewed regularly to determine whether there is any indication of impairment. Goodwill is tested for impairment annually.

An impairment loss is recognised whenever the carrying amount of a non-financial asset or the CGU to which it belongs exceeds its recoverable amount, being the greater of value in use and fair value less costs to sell, and is recognised in the income statement. Value in use is estimated based on future cash flows discounted using a pre-tax discount rate based upon the Group's weighted average cost of capital.

Financial assets are assessed for impairment using the expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Changes to the expected credit loss are recognised in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Previously revalued properties were treated as being held at deemed cost upon transition to adopted IFRS.

Where parts of an item of property, plant and equipment or other assets have different useful lives, they are accounted for as separate items. The carrying values of property, plant and equipment and other assets are periodically reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Property, plant and equipment are depreciated over their estimated remaining useful lives on a straight-line basis at the following annual rates:

Land and buildings – Freehold land	Not depreciated
Land and buildings – Buildings	2% or life of lease if shorter
Plant and machinery	7-20%
Fixtures, fittings and equipment	10-33%

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

Inventories

Inventories are valued at the lower of standard cost and net realisable value. For work-in-progress and finished goods, standard cost includes an appropriate proportion of direct production labour costs and overheads attributable to bringing inventory items to their present location and condition, allocated by rates based upon a budgeted level of normal activity. Net realisable value is based on the estimated selling price net of the expected costs to sell. Provision is made for slow-moving, defective and obsolete items where appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and fixed term investments whose maturities are three months or less from the date of acquisition. Bank overdrafts repayable on demand form an integral part of Essentra's cash management and are included as part of cash and cash equivalents in the statement of cash flows.

Loans and borrowings

Loans and other borrowings are initially recorded at cost (which is equal to fair value at inception plus interest cost) and are subsequently measured at amortised cost using the effective interest method.

b Principal accounting policies continued

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, which is generally equivalent to recognition at nominal value less impairment loss calculated using the expected loss model.

The Group applies the simplified model to recognise lifetime expected credit losses for its trade and other receivables, including those due in greater than 12 months, by making an accounting policy election. The expected loss rate estimated for each ageing period is as follows: Current: 0.2%, Overdue 1-30 days: 0.5%, Overdue 31-60 days: 1%, Overdue 61-90 days: 5%, Overdue 91-180 days: 10%, Overdue 181-360 days: 50% and Overdue over 360 days: 100%.

Trade other payables

Trade payables are non-interest bearing and are recognised initially at fair value and subsequently at amortised cost.

Deferred consideration

Deferred consideration is recognised and held at fair value. Changes in its fair value are recognised in profit or loss, within adjusting items.

Financial instruments

(i) Financial assets

Financial assets comprise trade and other receivables, cash and cash equivalents, deferred consideration receivable and derivative financial instruments.

(ii) Financial liabilities

Financial liabilities comprise trade and other payables, deferred consideration payable, and financing liabilities.

Interest bearing loans and borrowings and other financial liabilities (excluding derivatives) are initially measured at cost (which is equal to fair value at inception plus issuance cost) and are subsequently measured at amortised cost using the effective interest method, unless they are included in a hedge accounting relationship. See note 15 for separate disclosure of hedge types.

(iii) Derivative financial instruments and hedge accounting

Derivatives are measured initially at fair value with any related transaction costs expensed as incurred. Subsequent measurement in the financial statements depends on the classification of the derivative as follows:

Fair value hedges

Where a derivative is used to hedge the foreign exchange exposure of a monetary asset or liability, any gain or loss on the derivative is recognised in the income statement.

Cash flow hedges

Where a derivative is designated as a hedging instrument in a cash flow hedge, the change in fair value is recognised in other comprehensive income to the extent that it is effective and any ineffective portion is recognised in the income statement. Where the underlying transaction results in a financial asset, accumulated gains and losses are recognised in the income statement in the same period as the hedged item affects profit or loss. Where the hedged item results in a non-financial asset, the accumulated gains and losses previously recognised in other comprehensive income are included in the initial carrying value of the asset.

Hedges of net investment in foreign operations

The gain or loss on an instrument used to hedge a net investment in a foreign operation that is deemed effective is recognised in other comprehensive income. Any ineffective portion is recognised in the income statement.

Unhedged derivatives

The movements in the fair value of derivatives which are not designated as an effective hedge relationships are charged/credited to the profit or loss.

Lease liabilities and lease right-of-use assets

Leases greater than 12 months in length, and those not of low-value, are recognised as a lease right-of-use asset with the associated future lease payment terms recognised as a lease liability. The right-of-use assets and the associated lease liabilities are recognised by discounting the future lease payments at the rate implicit to the lease or, if the rate implicit to the lease cannot be readily determined, at the relevant incremental borrowing rate.

Determining the incremental borrowing rate incorporates three key elements: risk-free rate (reflecting specific country and currency), credit spread (reflecting the specific risk for each subsidiary within the Group) and an asset class adjustment (reflecting the variation in risk between asset categories).

The Group has leases of certain equipment (e.g. printing and photocopying machines) that are considered of low value. Rentals associated with leases that are of low-value or less than 12 months in length are expensed to the income statement on a straight-line basis. The associated lease incentives are amortised in the income statement over the life of the lease.

(i) The Group's leasing activities

The Group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 20 years, but might have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the right-of-use asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

(ii) Variable lease payments

The Group has certain assets which may include variable lease payments based on usage, although this is a small proportion of the Group's assets. These include vehicles, with variable lease payments based on mileage or equipment such as printers, of which the lease payments vary based on their usage. The variable lease payments are not material for the Group.

b Principal accounting policies continued

Any future variable payment increase that requires either speculation or an estimate is not included. Future lease payments should then be applied only when they are known, with no change to the discount rate.

(iii) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Provisions

A provision is recognised when there is a probable legal or constructive obligation as a result of a past event; and a reliable estimate can be made of the outflow of resources that will be required to settle the obligation. The outflow is the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Unavoidable costs include a reasonable allocation of shared costs that can be directly linked to fulfilling contractual obligations. The provision is calculated as the lower of the termination costs payable for an early exit from the contract and the expected net cost to fulfil the Group's unavoidable contract obligations.

Retirement benefit obligations

(i) Defined contribution schemes

Obligations for contributions to defined contribution pension schemes are expensed to the income statement as incurred.

(ii) Defined benefit schemes

The net obligations in respect of defined benefit pension schemes are calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted.

The discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating to the terms of Essentra's obligations. The calculation is performed by a qualified independent actuary using the projected unit credit method. Net interest on defined benefit assets is presented within finance income, and net interest on defined benefit liabilities is presented within finance expense.

Actual gains and losses that have arisen are recognised in full in the consolidated statement of comprehensive income.

The amounts charged to operating profit are the current service cost, past service cost (including curtailments) and gains and losses on settlement.

The value of a net pension asset is the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Share-based payments

Essentra operates equity-settled, share-based incentive plans. A charge is made in the income statement based on the fair value of option awards using the Monte Carlo or binomial valuation models and relevant quoted share price information with a corresponding increase in equity. The fair value is measured at grant date and spread over the period between grant date and vesting date of the options. The amount recognised as an expense will be adjusted to reflect the actual number of share options that vest with the exception of options that fail to vest because market conditions are not met.

Dividends

Dividends are recognised as a liability in the period in which they are approved in a general meeting by the shareholders of the Company (final dividend) or paid (interim dividend).

Investment in own shares

The shares held in the Essentra Employee Benefit Trust for the purpose of fulfilling obligations in respect of share option plans are treated as belonging to the Company and are deducted from its retained earnings. The cost of shares held directly (treasury shares) are also deducted from retained earnings.

Net debt

Net debt is defined as cash and cash equivalents, short-term liquid investments and derivatives hedging gains; placement loans, net of lease liabilities and interest bearing loans and borrowings.

Investment properties

Properties that are either owned or leased by the Group that are held to earn rental income or for capital appreciation, or both, are accounted for as investment properties. Investment properties are measured initially at cost including directly related transaction costs, and subsequently, applying the cost model.

Under the cost model, the carrying value of investment properties where the Group owns the freehold to the properties, is stated at cost less accumulated depreciation (on a straight-line basis) and impairment losses. The useful lives of investment properties where the Group owns the freehold are adjusted, as appropriate, at each balance sheet date.

Where an investment property is owned through a long leasehold arrangement under which the Group is a lessee rather than owning the freehold to the property, a right-of-use asset is recognised at the commencement date of the lease and accounted for as an investment property. The cost of leased investment properties recognised in right-of-use assets includes the present value of future lease payments recognised together with lease payments made before commencement of the lease, less any incentives received. A corresponding lease liability is recognised on the balance sheet.

The Group transfers a property to or from its classification of investment properties only when there is a change in use. For example, when it is the Group's intention to end or commence owner-occupation is the point at which the property respectively meets or ceases to meet the definition of an investment property; the determination of which, may require the application of management judgement.

Investment properties are classified as non-current assets in the consolidated balance sheet.

The carrying value of investment properties is periodically reviewed for impairment when events and circumstances indicate that the carrying amount may not be recoverable.

Critical Accounting Judgements and Estimates

The preparation of the consolidated financial statements requires the Directors and management to make judgements and estimates in respect of certain items where the choice of accounting policy and assumptions applied in determining the judgement or estimate could materially affect the Group's financial position, results, or cash flows at the reporting date.

Management regularly reviews the critical accounting judgements that significantly impact the amounts recognised in the consolidated financial statements and the critical accounting estimates that due to their significant estimation uncertainty, may give rise to a material adjustment in the next financial reporting period.

Although the determination of accounting estimates is based on management's best estimate considering its knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future reporting periods.

The Group's critical accounting judgements and estimates are detailed below.

Accounting Judgements

Adjusting items

Adjusting items are separately presented from other items of financial performance as this enables management to reflect the underlying performance of the continuing operations of the Group.

Judgement is required to determine whether such items of financial performance should be included within adjusting items by virtue of their nature, size or incidence. The Group's accounting policy concerning adjusting items is detailed under alternative performance measures.

Adjusting items of £26.0m (2021: £10.1m) have been reported in continuing operations including £10.4m of costs incurred relating to acquisitions, disposals and restructuring of the continuing business following the sale of the Filters and Packaging divisions, and £12.4m has been incurred in relation to the customisation and configuration costs of significant "software as a service" ("SaaS") arrangements which, in management's judgement, constitute material one-off charges to upgrade the Group's technical capabilities and meets the Group's policy for being categorised as adjusting items.

A complete analysis of the amounts included in adjusting items is detailed in note 2.

"Software as a service" ("SaaS") arrangements

The recognition of customisation and configuration costs (which are included within adjusting items) relating to SaaS arrangements involves a number of key judgements:

- whether a software arrangement is a SaaS arrangement: management considers the fact pattern of the software arrangement: carefully to identify SaaS arrangements, distinguishing from other arrangements such as "platform as a service" or "infrastructure as a service",
- whether any cost incurred in customisation and configuration results in an additional code from which the Group has the power to obtain the future economic benefits and restricts other third parties access to those benefits: management considered whether the code can be used in or transferred to another computing arrangement;
- whether the customisation and configuration service provided by the SaaS provider is distinct from the regular SaaS arrangement: management considers factors such as whether the Group can benefit from the service separately from the other elements of deliverables from the SaaS provider;

- whether a third party providing customisation and configuration service is in effect a subcontractor of the SaaS provider: management considers factors such as the nature of the contractual and working relationship between the SaaS provider and the third party, the obligations of the third party who has the primary responsibility for the services that it provides.

Leases and lease right-of-use assets

A key judgement in determining the right-of-use asset and lease liability is establishing whether it is reasonably certain that an option to extend the lease will be exercised. Distinguishing whether a lease will be extended or otherwise could have a material impact on the value of the right-of-use assets and lease liabilities recognised on the balance sheet, but may not have a material impact on the income statement.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting Estimates

Business disposals – completion accounts

At 31 December 2022, the Group has recognised £13.0m (2021: nil) in other financial liabilities in relation to the completion accounts processes in respect of the Group's disposals of the Packaging business and the Filters business.

The amount recognised, based on the facts and circumstances that were present and known at the balance sheet date, represents management's best estimate of the expected settlement payable through the respective completion accounts processes and other mechanisms allowed by the share purchase agreements (SPA). Although the outcome of the completion accounts process for both the Packaging business and the Filters business remains inherently uncertain at the end of the reporting period, given that the SPA terms related to the completion accounts mechanisms are complex, and the completion accounts could be the subject of commercial negotiation and, in the absence of agreement, an expert determination process, it is therefore recognised that the final amount agreed could be materially different from the estimate.

The future range of possible outcomes associated with the various assumptions and judgements applied in the determination of the total value of the financial liability recognised at 31 December 2022 could therefore lead to a material increase or decrease in the value of the financial liability recognised in the next financial year, the extent of which is dependent upon the outcome and timing of many variables linked to the SPA mechanisms in place and the associated commercial negotiations that will ensue. The assessed range of possible future outcomes in the next financial year could potentially lead to a decrease in the liability of up to £8.5m or an increase of up to £11m

Measurement of contingent consideration

The Group has recognised a net loss of £16.6m on the disposal of the Filters business (refer to note 24). The value of the loss is subject to finalisation of the deferred contingent consideration receivable which requires judgement. The maximum potential undiscounted deferred contingent consideration amount that the Group could receive is £20.0m. Deferred consideration is structured as an earn-out in two tranches of up to £10.0m with each tranche contingent upon the Filters business achieving certain contractual profit performance targets in its financial years ending 31 December 2023 and 31 December 2024 (the 'earn-out years'), respectively.

Management has, with the assistance of an external valuation specialist, determined the fair value of contingent consideration receivable using an option pricing model which applies prudent assumptions to risk-free cash flows in each of the earn-out years. For valuation purposes, as inputs into the model are intended to be risk-neutral, profit forecasts for the earn-out years are discounted to neutralise forecast risk by applying a risk-adjusted rate to expected cash flows based on an industry specific and geographically derived weighted average cost of capital. The resulting risk-adjusted profit for each earn-out year has been modelled against the respective contractually agreed profit performance target with the calculated earn-out achieved discounted to present value by applying a rate that reflects counterparty credit risk and the timing of future cash flows.

At 31 December 2022, deferred contingent consideration receivable with a fair value of £10.6m (2021: £nil) has been classified as a long-term receivable in the consolidated financial statements (refer to note 19). The actual earn-out receivable when the contingent consideration is finalised may differ materially from the fair value estimate at 31 December 2022 as a result of reasonable changes to assumptions applied.

Based on information available at the reporting date, the assessed range of possible future outcomes next potentially lead to an increase of up to £7.0m in the earn-out receivable being recognised in the next financial year, or a decrease of £10.6m were the conditions for the earn-out to fail in their entirety, representing the resolution of the uncertainty inherent in the cash flows. Any future movements in fair value of the deferred contingent consideration when re-measured at subsequent reporting period end dates will be taken through the consolidated income statement, and recognised as part of the result from discontinued operations.

Taxation

Liabilities for tax contingencies require management judgements and estimates in respect of tax audit issues and exposures in each of the jurisdictions in which the Group operates. Management is also required to make an estimate of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. Where management concludes a tax position is uncertain, a current tax liability is held for anticipated taxes that are considered probable based on the information available.

Key judgement areas for the Group include the pricing of intercompany goods and services as well as the tax consequences arising from restructuring operations. Management may engage with professional advisors in making their assessment and, if appropriate, will liaise with the relevant taxation authorities to resolve the matter. The tax liability is reassessed in each period to reflect management's best estimate in light of information available. If the final outcome of these matters differs to the liability held in the financial statements, the difference may materially impact the income tax charge / (credit) in the year the matter is concluded.

At 31 December 2022, included in the tax payable is a liability of £4.4m (2021: £7.4m) for transfer pricing matters and £11.7m (2021: £12.3m) for other uncertain tax positions. The reduction in each provision is primarily due to the expiry of statute of limitations following the passage of time, favourable agreements reached with tax authorities on previous matters, and part of the liability transferring with disposed entities. Adjustments for current year transactions and foreign exchange movements complete the movement in the year. Of the £16.2m recognised at the end of the reporting

period, a possible range of outcomes could potentially see between £2.8m and £6.7m resolved in the next financial year as a result of expiring statute of limitations and completion of tax audits.

In addition the Group has recognised a net deferred tax asset of £7.3m in the UK. The assessed range of possible future outcomes in the next financial year could potentially lead to a decrease in the deferred tax asset of up to £0.7m or an increase of up to £2.6m, notwithstanding that the Group has unrecognised UK tax losses which could be utilised as information on the sustainable long term UK profitability position becomes available.

Retirement benefit obligations

At 31 December 2022, the net retirement benefit liability was £10.6m (2021: £9.0m asset) including a retirement benefit liability of £18.5m (2021: £25.1m). The measurement of defined benefit obligations requires the application of judgement in relation to the key assumptions used, particularly in determining the discount rate, inflation rate, and mortality rates.

In consultation with Essentra's actuaries, management determines the point within the range of possible outcomes for those assumptions applied at the balance sheet date that most appropriately reflects Essentra's circumstances. Small changes to these assumptions can have a material impact on the valuation and therefore reported amounts. Consequently, the Group performs a sensitivity analysis for the key assumptions applied in determining post-employment costs and liabilities, as detailed in note 18.

Provision for contractual obligations

The provision for contractual obligations represents amounts that the Group may be liable to pay arising from the disposal of the Packaging and Filters businesses during the year.

At 31 December 2022 provisions for contractual obligations amounted to £5.5m (2021: £nil), representing the Group's estimate of ongoing obligations due to each of the buyers under the respective Share Purchase Agreements.

Based on management's assessment at the balance sheet date, the resolution to the uncertainty inherent in the assumptions applied in determining the Group's provisions for contractual obligations, could result in a material impact to the value and settlement of the liability in the next reporting period.

The assessed range of possible future outcomes in the next financial year could potentially lead to a decrease in the provision of up to £3.5m or an increase of up to £2.0m.

Notes to the Consolidated Financial Statements

1. Segment analysis

The Group has determined its operating segments based upon the information reported to the Group Management Committee, which is the Group's Chief Operating Decision Maker. Segment information is reported on a divisional basis consistent with the basis upon which the Group manages its operations, allocates resources, and assesses performance. The adjusted operating profit/loss presented for each operating segment includes the effect of the allocation of certain functional costs such as finance, human resources, legal and IT, as well as costs relating to management of the divisions, based on a consistently applied internal management methodology.

The Group's operating segments, as reported, are as follows:

Components is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items.

Packaging is one of only two multi-continental suppliers of a full secondary packaging range to the health and personal care sectors. On 1 October 2022, the Group completed its sale of the Packaging business and in accordance with IFRS 5, this segment has been re-presented within discontinued operations.

Filters is the only global independent supplier of innovative cigarette filters and related solutions to the tobacco industry. On 3 December 2022, the Group completed the sale of the Filters business and in accordance with IFRS 5, this segment has been re-presented within discontinued operations.

	Components £m	Central Services £m	Continuing Operations £m	Discontinued Operations ³ £m	2022 ¹ Total £m
Income statement information					
External revenue	337.9	–	337.9	653.9	991.8
Adjusted operating profit after allocation of central costs to discontinued operations ²	63.7	(24.9)	38.8	38.4	77.2
Central cost allocations to discontinued operations ⁴	–	(13.7)	(13.7)	13.7	–
Adjusted operating profit	63.7	(38.6)	25.1	52.1	77.2
Amortisation and impairment of acquired intangible assets	(10.4)	–	(10.4)	(189.2)	(199.6)
Adjusting items	(12.4)	(13.6)	(26.0)	–	(26.0)
Operating profit/(loss)	40.9	(52.2)	(11.3)	(137.1)	(148.4)
Balance sheet information					
Segment assets	204.5	31.7	236.2	–	236.2
Intangible assets	204.4	2.2	206.6	–	206.6
Unallocated items ⁵	–	450.6	450.6	–	450.6
Total assets	408.9	484.5	893.4	–	893.4
Segment liabilities	78.7	74.0	152.7	–	152.7
Unallocated items ⁶	–	336.6	336.6	–	336.6
Total liabilities	78.7	410.6	489.3	–	489.3
Other segment information					
Capital expenditure (cash spend)	12.1	1.4	13.5	27.5	41.0
Depreciation of plant, property and equipment	8.5	5.4	13.9	15.6	29.5
Average number of employees	3,114	234	3,348	4,067	7,415

1. Segment analysis continued
Geographic segment: information;

	2022		2021	
	Continuing Operations £m	Discontinued Operations £m	Continuing Operations £m	Discontinued Operations £m
	Total	Total	Total	Total
External revenue by destination				
United Kingdom	21.0	39.9	21.0	49.8
Rest of Europe and Africa	146.1	211.4	135.5	246.8
Americas	122.4	184.8	106.5	189.8
Asia and Middle East	48.4	217.8	38.7	171.6
Total external revenue by destination	337.9	653.9	301.7	658.0

2. Operating costs and adjusting items from continuing operations

The following is an analysis of net operating costs included in arriving at operating (loss)/profit:

	2022	2021
	£m	£m
Changes in inventories of finished goods and work-in-progress	(7.7)	(11.3)
Raw materials and consumables	109.3	99.1
Personnel expense ¹	122.7	111.9
Depreciation of property, plant and equipment	13.9	12.3
Depreciation of lease right-of-use assets	5.6	5.4
Loss/(gain) on sale of property, plant and equipment	0.1	(0.1)
Amortisation of intangible assets ²	13.1	11.2
Adjusting items	2	10.1
Other operating expenses ³	66.2	55.4
Net operating expenses	349.2	294.0

Notes

- The Group's expenses at the Packaging business are the filters business during the year ended 31 December 2022 and consequently comparative information for the year ended 31 December 2021 has been re-presented.
- Excluded from the expenses are the filters business during the year ended 31 December 2022 and consequently comparative information for the year ended 31 December 2021 has been re-presented.
- Other purchasing expenses include the filters business during the year ended 31 December 2022 and consequently comparative information for the year ended 31 December 2021 has been re-presented.
- Specialized services expenses include the filters business during the year ended 31 December 2022 and consequently comparative information for the year ended 31 December 2021 has been re-presented.
- Include an amount of 10 million occurring in the year ended 31 December 2022 and consequently comparative information for the year ended 31 December 2021 has been re-presented.

2. Operating costs and adjusting items continued

Auditors' remuneration

Fees payable to the Company's external auditor, PricewaterhouseCoopers LLP and its associates are analysed below.

	2022 £m	2021 £m
Fees payable for the audit of the Company and the consolidated financial statements	3.1	1.6
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	0.4	1.0
Total audit fees	3.5	2.6
Audit-related assurance services ¹	0.1	0.1
Other assurance services ²	1.2	–
Total non-audit fees	1.3	0.1
Total fees	4.8	2.7

Notes:

1. Audit-related assurance services mainly comprised of a review of the half-year financial statements and other one-off specific arrangements.
2. Other assurance services were provided to PricewaterhouseCoopers LLP in respect of the Group's Corporate Governance in respect of the Filinvest business.
3. During the year audit firm remuneration has been disclosed in greater detail and consequently there have been representations made in more appropriate line items to ensure consistency with the statement of financial position.

Adjusting items

Adjusting items are separately presented from other items by virtue of their nature, size and/or incidence. They are identified separately in order for the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations, by excluding items which, in management's view, do not form part of the Group's underlying operating results, such as gains, losses or costs arising from business acquisition and disposal activities, significant restructuring and closure costs, and costs of major Software as a Service projects, items which are non-recurring or one-off in nature (such as the costs of fundamental strategic review and reorganisation) and (from 2022) charges relating to the Group's legacy defined benefit pension schemes, and the related tax effect, as adjusting items.

Continuing operations

Costs relating to restructuring following disposals of businesses³

Gains/losses and transaction costs relating to acquisitions and disposals of businesses⁴

Acquisition integration and restructuring costs⁵

Customisation and configuration costs of significant software as a service ("SaaS") arrangements⁶

Defined benefit pension scheme charges⁷

Other⁸

	2022 £m	2021 £m
Costs relating to restructuring following disposals of businesses ³	10.4	–
Gains/losses and transaction costs relating to acquisitions and disposals of businesses ⁴	0.3	(3.6)
Acquisition integration and restructuring costs ⁵	0.2	0.3
Customisation and configuration costs of significant software as a service ("SaaS") arrangements ⁶	12.4	11.8
Defined benefit pension scheme charges ⁷	2.0	–
Other ⁸	0.7	1.6
Adjusting items before tax	26.0	10.1
Tax	2.8	(0.5)
Adjusting items after tax	28.8	9.6

Notes:

1. The Group's disposal of the Filinvest and Filinvest subsidiaries during the year ended 31 December 2022 and consequent reorganisation of the Group's business structure resulted in a net gain of £1.4m (after tax) in 2022 and a net loss of £3.6m (after tax) in 2021. The net gain of £1.4m (after tax) in 2022 is primarily due to the disposal of the Filinvest subsidiaries, which were sold at a profit. The net loss of £3.6m (after tax) in 2021 is primarily due to the disposal of the Filinvest subsidiaries, which were sold at a loss.
2. The Group's acquisition of the Filinvest subsidiaries during the year ended 31 December 2022 and consequent reorganisation of the Group's business structure resulted in a net gain of £1.4m (after tax) in 2022 and a net loss of £3.6m (after tax) in 2021. The net gain of £1.4m (after tax) in 2022 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a discount. The net loss of £3.6m (after tax) in 2021 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a premium.
3. The Group's acquisition of the Filinvest subsidiaries during the year ended 31 December 2022 and consequent reorganisation of the Group's business structure resulted in a net gain of £1.4m (after tax) in 2022 and a net loss of £3.6m (after tax) in 2021. The net gain of £1.4m (after tax) in 2022 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a discount. The net loss of £3.6m (after tax) in 2021 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a premium.
4. The Group's acquisition of the Filinvest subsidiaries during the year ended 31 December 2022 and consequent reorganisation of the Group's business structure resulted in a net gain of £1.4m (after tax) in 2022 and a net loss of £3.6m (after tax) in 2021. The net gain of £1.4m (after tax) in 2022 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a discount. The net loss of £3.6m (after tax) in 2021 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a premium.
5. The Group's acquisition of the Filinvest subsidiaries during the year ended 31 December 2022 and consequent reorganisation of the Group's business structure resulted in a net gain of £1.4m (after tax) in 2022 and a net loss of £3.6m (after tax) in 2021. The net gain of £1.4m (after tax) in 2022 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a discount. The net loss of £3.6m (after tax) in 2021 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a premium.
6. The Group's acquisition of the Filinvest subsidiaries during the year ended 31 December 2022 and consequent reorganisation of the Group's business structure resulted in a net gain of £1.4m (after tax) in 2022 and a net loss of £3.6m (after tax) in 2021. The net gain of £1.4m (after tax) in 2022 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a discount. The net loss of £3.6m (after tax) in 2021 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a premium.
7. The Group's acquisition of the Filinvest subsidiaries during the year ended 31 December 2022 and consequent reorganisation of the Group's business structure resulted in a net gain of £1.4m (after tax) in 2022 and a net loss of £3.6m (after tax) in 2021. The net gain of £1.4m (after tax) in 2022 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a discount. The net loss of £3.6m (after tax) in 2021 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a premium.
8. The Group's acquisition of the Filinvest subsidiaries during the year ended 31 December 2022 and consequent reorganisation of the Group's business structure resulted in a net gain of £1.4m (after tax) in 2022 and a net loss of £3.6m (after tax) in 2021. The net gain of £1.4m (after tax) in 2022 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a discount. The net loss of £3.6m (after tax) in 2021 is primarily due to the acquisition of the Filinvest subsidiaries, which were acquired at a premium.

3. Net finance expense from continuing operations

	2022 £m	2021 £m
Finance income		
Bank deposits	1.4	-
Other finance income ¹	5.1	1.9
Net interest on pension scheme assets	0.6	0.2
Total finance income	7.1	2.1
Finance expense		
Interest on loans and overdrafts	(15.9)	(10.9)
Amortisation of bank facility fees	(4.7)	(1.1)
Other finance expense ²	(2.2)	(2.9)
Net interest on pension scheme liabilities	(0.6)	(0.6)
Interest on leases	(1.5)	(1.4)
Total finance expense	(24.9)	(16.9)
Net finance expense	(17.8)	(14.8)

Notes:

- The Group's operations in the Packaging business during the year ended 31 December 2022. The total net finance expense for the Group is presented above on a continuing operations basis. Refer to note 24 for further details. The total net finance expense for the Group, including pension income, amortisation, was £78.4m (2021: £16.5m).
- The net balance of finance income is £1.8m (2021: £1.9m) relating to emergency loan schemes. Borrowings from emergency loan schemes are £0.4m (2021: £0.4m).
- The net balance of finance expense is £3.9m (2021: £4.0m) relating to pension scheme liabilities. £0.8m (2021: £0.8m) of finance expense relates to interest on pension scheme liabilities. £3.1m (2021: £3.2m) relating to emergency loan schemes.

4. Income tax (credit)/expense

	2022 £m	2021 £m
Amounts recognised in the consolidated income statement		
Current tax	14.5	2.7
Prior years' tax	(2.0)	0.7
Deferred tax	(16.3)	2.5
Prior years' deferred tax	1.8	(1.0)
Income tax (credit)/expense	(2.0)	4.9
Income tax (credit)/expense is attributable to:		
Expense/(credit) on loss from continuing operations	2.0	(2.2)
(Credit)/expense on loss/profit from discontinued operations	(4.0)	7.1
Income tax (credit)/expense	(2.0)	4.9
Amounts recognised in the consolidated statement of comprehensive income		
Tax credit in respect of taxable foreign exchange taxable losses	(0.9)	(0.4)
Tax (credit)/expense on remeasurement of defined benefit pension schemes	(5.1)	7.9
Income tax (credit)/expense	(6.0)	7.5

4. Income tax expense/(credit) continued

Factors affecting income tax for the year

The tax charge for the year ended 31 December 2022 is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%). The differences are explained below:

	2022 £m	2021 £m
Loss from continuing operations before income tax	(29.1)	(7.1)
Loss from discontinued operations before income tax	(156.7)	40.3
	(185.8)	33.2
Tax at UK statutory rate of 19.0% (2021: 19.0%)	(35.3)	6.3
Effects of:		
Permanent disallowable items (including adjusting items) ¹	16.6	(8.3)
Disposal of entities ²	4.7	1.6
Overseas state and local tax	0.3	(0.5)
Unrecognised tax attributes utilised ³	10.6	1.0
Adjustments in respect of prior years	(0.2)	(0.3)
Withholding tax (including on unremitted earnings)	1.1	2.4
Change in tax rates ⁴	(1.3)	(2.2)
Difference between UK and overseas tax rates ⁵	(2.0)	(0.2)
Reassessment of deferred tax recognition ⁶	3.5	6.1
Other ⁷	-	(1.0)
Income tax (credit)/expense⁸	(2.0)	4.9

Notes

- This includes £19.5m (2021: £14.1m) relating to permanent differences arising from special losses and losses on disposal of subsidiaries and other assets and liabilities, with the exception of the disposal of American tax provisions of £2.9m (2021: £9.0m).
- Included £5.9m (2021: £6.0m) tax charge arising on an intra-group transfer of a subsidiary not of the nature of an alienation tax provision of £1.2m (2021: £4.4m) relating to a disposal in prior years where the benefit of the loss has now expired.
- See further information regarding deferred tax assets and liabilities in note 16.
- Reflects the impact of differences in substantially enacted, or enacted corporate tax rates, for future periods to those of the current period.
- Reflects the impact of different tax rates in the jurisdictions in which Essentra operates by reference to the UK statutory rate.
- This impact may arise in future years due to change in our own tax rates (Exemptions, concessional rates, split).
- As a result of the reassessment of deferred tax assets (primarily on tax losses) during the year and likely future years which may result in no longer probable that the relief on tax benefits will be realised.
- For 2021 Other includes £0.8m reflecting the difference between the UK statutory rate of 19% and the 28% marginal rate at which the deferred tax assets arising on the change in South accounting policy is recognised (see note 5a).
- The main rate of corporation tax in the UK is 19.0% (2021: 19.0%).

5. Personnel expense

Total personnel expense, including Directors is analysed below:

	2022 £m	2021 £m	2020 £m
Wages and salaries	105.4	98.2	245.5
Social security expense	13.0	10.4	25.5
Pension expense (note 18)	2.9	4.0	8.6
Share option expense (note 18)	1.4	(0.7)	0.8
Total personnel expense^{1,2}	122.7	111.9	280.6

Notes (containing)

- Adjusted total personnel expenses totalling £57.1m (2021: £9.0m) were included within adjusting items, including wages and salaries of £4.1m (2021: £8.5m), social security expense of £0.4m (2021: £0.0m), pension expense of £0.1m (2021: £0.3m), and £0.2m (2021: £0.7m) relating to share option expense.
- Total pension expense for 2022 includes £2.0m (2021: £1.1m) included within adjusting items.
- The Annual Report on Remuneration on pages 111 to 121 sets out information on Directors' remuneration.

Key management remuneration

	2022 £m	2021 £m
Short-term employee benefits	5.2	5.2
Post-employment benefits	0.3	0.6
Share-based payments	1.8	0.5
Termination benefits	0.9	0.3
Total¹	8.2	6.6

Notes

- Essentra considers its key management personnel to be the Directors and the members of the Group Management Committee. The amounts included are on the same basis as those used to determine the average remuneration disclosed in the annual financial statements (see pages 111 to 121).

6. Earnings per share

	Discontinued operations		Continuing operations	
	2022	2021	2022	2021
	£m	£m	£m	£m
Earnings from continuing operations				
(Loss)/profit attributable to equity holders of the Company	(156.9)	31.8	(31.1)	(4.9)
Adjustments:				
Amortisation of acquired intangible assets			10.4	8.6
Tax on amortisation of acquired intangible assets			(2.4)	(2.1)
Adjusting items ¹			26.0	10.1
Tax on adjusting items ²			2.8	(0.5)
Adjusted earnings attributable to equity holders of the Company			5.7	11.2

Notes

- The Group disposed of the Packaging business and the Fitens business during the year ended 31 December 2022 and, consequently, comparative information for the year ended 31 December 2021 has been restated. See note 24 for further details.
- Refer to note 2 for details of adjusting items.

	2022	2021
	million	million
Weighted average number of ordinary shares		
Basic weighted average ordinary shares outstanding¹	301.1	301.0
Dilutive effect of employee share option plans	2.0	1.3
Diluted weighted average ordinary shares	303.1	302.3

Note

- The basic weighted average number of ordinary shares includes shares held in treasury and shares held by the employee benefit trust.

	2022	2021
	pence	pence

Earnings per share from continuing operations²

Basic (loss)/earnings per share	(10.3)p	(1.6)p
Adjustment	12.2p	5.3p
Adjusted basic earnings per share from continuing operations	1.9p	3.7p

Diluted (loss)/earnings per share from continuing operations	(10.3)p	(1.6)p
Adjustment	12.2p	5.3p
Adjusted diluted earnings per share from continuing operations	1.9p	3.7p

Earnings per share discontinued operations		
Basic (loss)/earnings per share	(52.1)p	10.6p
Diluted (loss)/earnings per share	(52.1)p	10.5p

Earnings per share discontinued operations		
Basic (loss)/earnings per share	(52.1)p	10.6p
Diluted (loss)/earnings per share	(52.1)p	10.5p

Earnings per share discontinued operations		
Basic (loss)/earnings per share	(52.1)p	10.6p
Diluted (loss)/earnings per share	(52.1)p	10.5p

Earnings per share discontinued operations		
Basic (loss)/earnings per share	(52.1)p	10.6p
Diluted (loss)/earnings per share	(52.1)p	10.5p

Earnings per share discontinued operations		
Basic (loss)/earnings per share	(52.1)p	10.6p
Diluted (loss)/earnings per share	(52.1)p	10.5p

Earnings per share discontinued operations		
Basic (loss)/earnings per share	(52.1)p	10.6p
Diluted (loss)/earnings per share	(52.1)p	10.5p

Notes

- The Group disposed of the Packaging business and the Fitens business during the year ended 31 December 2022 and, consequently, comparative information for the year ended 31 December 2021 has been restated. See note 24 for further details.
- Adjusted earnings per share from continuing operations includes the impact of the discontinued operations of the Group.

7. Investment Properties, Property, plant and equipment

	Note	2022				2021				2020			
		Investment properties ¹	Land and buildings	Plant and machinery	Fixtures, fittings and equipment ²	Total property, plant and equipment ³	Goodwill	Intangible assets	Deferred tax	Other non-current assets	Total		
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
Cost													
Beginning of year		-	79.4	386.5	78.9	544.8	84.8	387.2	78.4		550.4		
Acquisitions	23	-	0.5	0.7	0.2	1.4	(0.5)	2.4	0.1		2.0		
Additions		-	2.5	33.1	4.0	39.6	2.1	31.8	4.9		38.8		
Disposals		-	(0.7)	(9.4)	-	(10.1)	(4.2)	(20.6)	(3.2)		(28.0)		
Business disposals	24	-	(43.5)	(324.5)	(14.4)	(382.4)	-	-	-		-		
Transfers		7.0	(7.0)	-	-	(7.0)	-	-	-		-		
Currency translation ²		-	6.5	39.2	3.3	49.0	(2.8)	(14.3)	(1.3)		(18.4)		
End of year		7.0	37.7	125.6	72.0	235.3	79.4	386.5	78.9		544.8		
Accumulated depreciation and impairment													
Beginning of year		-	18.0	223.7	48.8	290.5	17.2	226.0	44.7		287.9		
Charge in period ²		-	2.8	18.5	8.2	29.5	3.2	25.3	8.1		36.6		
Disposals		-	(0.7)	(8.7)	-	(9.4)	(0.8)	(19.2)	(3.2)		(23.2)		
Business disposals	24	-	(9.0)	(161.2)	(0.1)	(170.3)	-	-	-		-		
Impairment ⁴		-	-	0.1	0.4	0.5	0.2	0.5	-		0.7		
Currency translation ²		-	3.1	23.3	2.9	29.3	(1.8)	(8.9)	(0.8)		(11.5)		
End of year		-	14.2	95.7	60.2	170.1	18.0	223.7	48.8		290.5		
Net book value at end of year													
		7.0	23.5	29.9	11.8	65.2	61.4	162.8	30.1		254.3		

1. $\|f_n\|_{\infty} \rightarrow 0$ as $n \rightarrow \infty$ and f_n is continuous on $[0, 1]$ for each n . Then $\int_0^1 f_n(x) dx \rightarrow 0$ as $n \rightarrow \infty$.

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4. The authors have been informed by the publisher that the article is not eligible for consideration for the 2021 JGIM award.

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power, and the following year, the Group is depreciating another 26,000 units. No units were received in 1997, and the Group is depreciating another 26,000 units. The units were received in 1996, and the Group is depreciating another 26,000 units.

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8. Intangible assets

	Note	2022				2021			
		Goodwill	Customer relationships	Other intangible assets ²	Total	Goodwill	Customer relationships	Other intangible assets	Total
		£m	£m	£m	£m	£m	£m	£m	£m
Cost									
Beginning of year		354.9	423.2	26.4	804.5	356.0	424.4	23.1	803.5
Acquisitions ³		20.7	8.2	0.6	29.5	4.5	8.6	-	13.1
Additions		-	-	1.0	1.0	-	-	3.2	3.2
Disposals		-	-	(1.4)	(1.4)	-	-	-	-
Business disposals ⁴		(271.9)	(319.2)	(2.7)	(593.8)	-	-	-	-
Currency translation ⁵	24	36.4	47.1	0.9	84.4	(5.6)	(9.8)	0.1	(15.3)
End of year		140.1	159.3	24.8	324.2	354.9	423.2	26.4	804.5
Accumulated amortisation and impairment									
Beginning of year		27.9	280.9	12.2	321.0	27.8	264.3	9.0	301.1
Charge for the year ³		-	16.6	3.0	19.6	-	22.2	2.8	25.0
Business disposals ⁴		(214.6)	(228.0)	(1.1)	(443.7)	-	-	-	-
Impairment ⁵	24	181.6	1.1	-	182.7	-	-	0.3	0.3
Disposal		-	-	(0.8)	(0.8)	-	-	-	-
Currency translation ⁵		9.6	28.5	0.7	38.8	0.1	(5.6)	0.1	(5.4)
End of year		4.5	99.1	14.0	117.6	27.9	280.9	12.2	321.0
Net book value at end of year		135.6	60.2	10.8	206.6	327.0	142.3	14.2	483.5

Notes

- Other intangible assets principally comprise intangible assets acquired with Research and Development technology, software development costs, Customer relationship costs, Salary costs of £0.2m (2021: £0.7m) were capitalised as part of other intangible assets during the year.
- Intangible assets are amortised over their useful lives. In December 2022, the assets in the course of construction of £11.9m, which were not amortised during the year.
- Amortisation charges on other intangible assets with an expected useful life of less than 10 years are included in the cost of construction of £11.9m (2021: £11.9m), which were not amortised during the year.
- The Group disposed of the Packaging business at the end of the year. The Packaging business was included in the carrying value of goodwill, allocated to the Packaging business, of £1.1m (2021: £1.1m) relating to continuing operations.
- An impairment charge of £181.6m was recognised at 30 June 2022 following the Group's impairment assessment in respect of the carrying value of goodwill, allocated to the Packaging business, of £1.1m (2021: £1.1m) relating to continuing operations. The impairment charge was included within the result from discontinued operations.
- The weighted average remaining useful lives of customer relationships and other intangible assets at the end of the year were 5.8 years and 4.3 years (2021: 9.0 years and 5.2 years) respectively.
- Currency translation at 31 December 2022 includes £13.9m (2021: £11.9m) in respect of adjustments for hyperinflation. See 'Changes in accounting policies' under note 19 for further details of the Group's application of IAS 29 during the year.
- Acquisition of the goodwill of £0.2m and business relationships and other intangibles of £8.8m relating to the acquisition of the Wixom Group, and £0.5m relating to the Hong Kong acquisition. See note 23.

Essentra tests intangible assets annually for impairment, or more frequently if there are indications of impairment. A discounted cash flow analysis is computed to compare the discounted estimated future operating cash flows to the net carrying value of the goodwill and other intangible and tangible assets for each cash generating unit or group of cash generating units as appropriate.

Goodwill is allocated to groups of cash generating units, being the operating segments, as follows:

	2022	2021
	£m	£m
Components		
Packaging – discontinued	135.6	96.8
Filters – discontinued	-	208.5
Total net book value of goodwill	135.6	327.0

8. Intangible assets continued

Customer relationships and other intangible assets are allocated to the businesses to which they relate, as follows:

Business	2022 £m	2021 £m
Components – Businesses of former Moss and Skiffy	8.3	8.8
Components – Businesses of former Richco	13.4	15.3
Components – Business of former Mesan	0.9	1.4
Components – Business of former Abriac	5.9	6.7
Components – Business of former Micro Plastics, Inc.	3.8	3.7
Components – Industrial Supply	0.7	1.6
Components – Innovative Components	6.6	6.6
Components – Hengzhu	8.3	8.8
Components – Wixroyd Group	8.8	–
Components – e-Commerce development costs	5.9	6.3
Components – other businesses	3.7	3.0
Components – Sweden	2.5	–
Software and development costs	2.2	4.5
Packaging – Americas	–	45.5
Packaging – Asia	–	1.1
Packaging – Europe	–	38.2
Packaging – Nekicesa	–	3.7
Filters	–	1.3
Total net book value of customer relationships and other intangible assets	71.0	156.5

Following an impairment assessment of the carrying value of intangible assets held by the Group's operations performed by management at 31 December 2022, no impairment charge was required to be recognised on the Group's continuing operations.

The impairment assessment for intangible assets (excluding goodwill) and property, plant and equipment is performed on the cash generating units within the divisions. The cash generating units are primarily the manufacturing sites. Goodwill is tested at the divisional level, which is the level that management monitor goodwill. The recoverable amount is estimated on the basis of value in use, i.e. discounted cash flows expected to be generated by the group by its cash generating units. For assets in the cash generating units assessed to be impaired, their fair value less costs to sell is also considered in determining the impairment loss to be recognised, if any. In these cases, the fair value less costs to sell is based on estimated market prices reflecting the age and condition of the asset.

The impairment tests for goodwill and intangible assets are based on the Board approved business plan (the "Plan"). Cash flow projections are over five years using the approved annual budget for the first year and subsequent years based on the Group and Divisional Strategic Plan. The Group's impairment test incorporates the following assumptions:

- The key assumptions in the cash flow projections for the Plan are revenue growth and operating margin. Operating margin is primarily based upon the historical levels achieved, adjusted by targets set for revenue expansion and cost control and reduction within the Plan period. The values assigned to these assumptions represent management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies resulting from integration activities. The annual revenue growth rate over the five year forecast period averages 6.6% with a terminal growth rate of 2.4% from 2028 onwards. The average operating profit margin over the five year forecast period is assumed to improve by 120 bps.
- The estimated cash flows are discounted using a post-tax discount rate based upon Essentra's estimated post-tax weighted average cost of capital of 10.8% (2021: 6.5%). The post-tax discount rate for 2022 was significantly higher than for 2021 as the rate for 2021 was a blended rate incorporating the Packaging and Filters businesses that were sold during 2022, whereas the rate for 2022 was for the Components business only, which generally had a higher discount rate than the Packaging and Filters businesses. The specific pre-tax discount rates applied for the Group on continuing operations are 11.0% (2021: 8.4% for Components).

9. Lease right-of-use asset

	2022						2021
	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m
Cost							
Beginning of year	100.5	13.4	0.4	114.3	102.0	13.9	0.4
Additions, extensions and surrenders	7.6	2.7	-	10.3	8.2	1.8	-
Terminations	(6.9)	(1.5)	(0.1)	(8.5)	(6.3)	(1.7)	-
Business disposals	(71.2)	(12.4)	(0.2)	(83.8)	-	-	-
Acquisitions	-	-	-	-	2.0	-	-
Currency translation ⁴	10.3	0.7	0.1	11.1	(5.4)	(0.6)	-
End of year	40.3	2.9	0.2	43.4	100.5	13.4	0.4
Accumulated depreciation and impairment							
Beginning of year	56.6	7.0	0.3	63.9	57.7	5.7	0.2
Charge for the year ¹	7.4	2.5	0.2	10.1	9.0	2.9	0.1
Terminations	(6.7)	(1.3)	(0.1)	(8.1)	(6.0)	(1.3)	-
Disposal of businesses	(40.4)	(6.8)	(0.2)	(47.4)	-	-	-
Impairment write back	(0.6)	-	-	(0.6)	(1.1)	-	-
Currency translation ⁴	4.1	0.5	(0.1)	4.5	(3.0)	(0.3)	-
End of year	20.4	1.9	0.1	22.4	56.6	7.0	0.3
Net book value at end of year	19.9	1.0	0.1	21.0	43.9	6.4	0.1

Notes:

- During the year, an impairment write back of \$5.6m (2021: impairment write back of \$1.1m) was recognised in respect of long-term assets held in the United Kingdom, which represented non-current assets.
- Construction contracts were completed during the year and equipment was disposed of in the year ended 31 December 2022 (2021: \$nil).
- Depreciation expense of £11.1m in the year was on equipment of £6.9m and on construction contracts of £4.2m (2021: £10.1m on equipment and £1.1m on construction contracts).
- Currency translation of £11.1m in the year was on equipment of £6.9m and on construction contracts of £4.2m (2021: £10.1m on equipment and £1.1m on construction contracts).

9. Lease right-of-use asset continued

The income statement shows the following amounts relating to leases:

On continuing operations	2022 £m	2021 £m
Lease right-of-use asset depreciation	5.6	5.4
Interest expense (included in finance costs) ¹	1.5	1.4
Exchange losses (included in finance costs)	1.2	2.4
Expense relating to short-term leases (included in cost of goods sold and administrative expenses) ²	0.1	0.2
Expense relating to leases of low-value assets not shown above as short-term leases (included in operating expenses) ³	0.1	0.1
	8.5	9.5

Notes:

- The Group uses part of the Packaging business and the Freight business during the year ended 31 December 2022 and consequently, comparative information for the year ended 31 December 2021 has been re-presented. See note 24 for further details.
- For the year ended 31 December 2022, the weighted average incremental borrowing rate applied to lease liabilities was 7.1% (2021: 6.2%).
- The short-term leases expense for the year ended 31 December 2023 is not expected to be materially different to the expense disclosed above.

The maturity analysis of lease liabilities has been included within note 19. The total cash outflow for leases and analysis of movements in lease liabilities are included within note 22.

10. Inventories

	2022 £m	2021 £m
Raw materials and consumables	10.6	60.0
Work-in-progress	4.3	12.5
Finished goods and goods held for resale	50.1	56.2
Total¹	65.0	128.7

Note:

- Inventory is stated at value of £64 (2021: £41m) were written down in the year.

11. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	45.3	144.8
Trade receivables subject to factoring	-	4.0
Other receivables	17.7	19.9
Prepayments and accrued income	3.4	6.5
Total	66.4	175.2

12. Cash and cash equivalents

	2022 £m	2021 £m
Bank balances	421.4	123.9
Short-term bank deposits and investments	-	12.4
Total¹	421.4	136.3

Note:

- Included in cash and cash equivalents at 31 December 2022 are amounts totaling £11 (£2021: £12.6m) subject to currency controls or other legal restrictions.

13. Trade and other payables

	2022 £m	2021 £m
Trade payables	31.9	103.3
Other tax and social security contributions	9.5	13.2
Other payables	7.9	15.2
Accruals and deferred income	42.2	49.2
Total	91.5	180.9

14. Interest bearing loans and borrowings

	2022 £m	2021 £m
Non-current liabilities		
Unsecured bank loans	–	55.6
US Private Placement Loan Notes	85.0	257.7
Total	85.0	313.3
Current liabilities		
US Private Placement Loan Notes	208.0	–
Total	208.0	–

At 31 December 2022, the Group had £nil (2021: £59.2m) of unsecured bank loans drawn in sterling at floating rates of interest set by reference to SONIA (2021: SONIA). Essentra's \$350.0m US Private Placement Loan Notes are at a weighted average interest rate of 4.01% per annum (2021: 4.02%).

In October 2021, the Group completed the refinancing of its revolving credit facility with a new five-year term, expiring in November 2025 for a commitment of £275m. In October 2022, following lender consent and following the sale of the Packaging business and the expected completion of the Filters business, the decision was taken by the Directors to reduce the facility to £200m, maintaining the same terms.

Following the sale of the Packaging and Filters businesses, \$247m of the US Private Placement Loan Notes were repaid in January 2023. This left \$33m maturing July 2028, \$35m maturing July 2031 and \$35m maturing July 2033.

The currency profile of the carrying and nominal values of Essentra's loans and borrowings is as follows:

	2022			2021	
	Carrying value £m	Nominal value £m	Carrying value £m	Nominal value £m	
Sterling	–	–	55.6	59.2	
US dollar	293.0	291.7	257.7	259.3	
Total	293.0	291.7	313.3	318.5	

The difference between the total nominal and carrying value of loans and borrowings relates to the amortised value of prepaid facility fees of £0.4m (2021: £5.2m) and to the accrued make whole payments due on early repayment in January 2023 of \$1.7m.

15. Derivatives**Derivative financial instruments – cash flow hedges**

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The carrying value of derivatives designated in cash flow hedges at the balance sheet date was as follows:

	At 31 December 2022			At 31 December 2021		
	Fair values £m	Contractual or notional amounts £m	Change in fair value £m	Fair values £m	Contractual or notional amounts £m	Change in fair value £m
Current assets						
Forward foreign exchange contracts	0.2	58.4	(0.3)	0.5	23.0	0.2
Non-current assets						
Gross currency interest rate swaps	8.3	66.7	7.6	0.7	77.8	0.7
	8.3	66.7	7.6	0.7	77.8	0.7
Current liabilities						
Forward foreign exchange contracts	1.3	77.4	1.2	0.1	11.9	(0.4)
	1.3	77.4	1.2	0.1	11.9	(0.4)
Non-current liabilities						
Gross currency interest rate swaps	–	–	–	–	29.6	–
	–	–	–	–	29.6	–

Cash flow hedges are hedges of the currency risk exposure to variability in cash flows. They relate to trading transactions and interest and principal payments denominated in foreign currencies.

15. Derivatives continued

The net fair value gains or losses on open forward foreign exchange contracts that hedge foreign currency risk of anticipated future sales, purchases and interest payments are accounted for as cash flow hedges. The fair value will be transferred to profit or loss when the forecast transactions occur. All of these hedged transactions are expected to occur over the next 12 months and all derivative instruments mature in the next 12 months.

In July 2021, Essentra entered into a number of cross currency interest rate swap contracts to hedge the foreign currency risk of \$145m of its US Private Placement Loan Notes. The maturity profile of these match those of the underlying loan notes with \$20m notional value maturing within 3 years and the remainder between 5 and 7 years. These contracts are accounted for as cash flow hedges, with the impact of cross currency basis treated as a cost of hedging. In November 2022, following the Group's strategic review, swap contracts hedging \$65m were terminated on 28 November 2022 for a net receipt of £6.5m. This resulted in ineffectiveness being recognised during the period of £0.8m and hedge accounting being discontinued at the repayment date. At 31 December 2022, the Group has derivatives with a total notional value of \$80m remaining, which are due to mature in 2028. Of these remaining derivatives, hedge accounting was discontinued for a total notional value of \$47m as the related debt is due to be repaid, resulting in a release to finance expense in the period of £0.2m.

Movements in the Group's hedging reserves are analysed below:

	2022				2021	
	Cost of hedging reserve £m	Cash flow hedging reserve £m	Total hedging reserve £m	Cost of hedging reserve £m	Cash flow hedging reserve £m	Total hedging reserve £m
Balance at the beginning of the year	0.9	(2.4)	(1.5)	-	(0.1)	(0.1)
Change in fair value of forward foreign exchange contracts recognised in other comprehensive income	-	(0.9)	(0.9)	-	0.2	0.2
Amounts recycled to finance expense on discontinued hedges	-	0.2	0.2	-	-	-
Change in fair value of cross currency interest rate swaps recognised in other comprehensive income	(2.0)	19.0	17.0	0.9	(0.2)	0.7
Ineffectiveness recognised in finance expense/(income)	-	0.8	0.8	-	(0.5)	(0.5)
Amounts recycled to finance expense to offset retranslation of hedged loans	-	(16.4)	(16.4)	-	(1.8)	(1.8)
Balance at the end of the year	(1.1)	0.3	(0.8)	0.9	(2.4)	(1.5)

The following movements were recognised for the purpose of calculating hedge ineffectiveness in the year:

	Movement in hedging instrument £m	Movement in hedged item £m	Ineffectiveness recognised in P&L £m
Cumulative movement at 1 January 2022	0.7	(0.2)	0.5
Movement in period	13.9	(14.7)	(0.8)
Cumulative movement at 31 December 2022	14.6	(14.9)	(0.3)

	Movement in hedging instrument £m	Movement in hedged item £m	Ineffectiveness recognised in P&L £m
Movement in period	0.7	(0.2)	0.5
Cumulative movement at 31 December 2021	0.7	(0.2)	0.5

Hedges of net investments in foreign operations

Hedges of net investments are hedges of the currency risk exposure to changes in the carrying value of net investments in foreign operations.

Essentra had other US dollar (and in 2021 euro) denominated borrowings which it designated as hedges of its net investments in subsidiary undertakings. Exchange losses of £21.7m (2021: losses of £2.8m) on these US dollar borrowings and the gains of £nil (2021: gains of £2.6m) on the euro borrowings were recognised in other comprehensive income.

16. Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	2022				2021			
	Assets		Income statement		Liabilities		Income statement	
	£m	£m	Charge/(credit)	Net £m	£m	£m	Charge/(credit)	Net £m
Property, plant and equipment	(7.1)	2.9	(2.0)	(4.2)	(11.0)	13.2	2.2	1.9
Intangible assets ¹	-	13.3	(13.0)	13.3	-	39.9	39.9	(2.8)
Employee benefits ²	(4.6)	0.6	0.1	(4.0)	(8.5)	8.5	-	1.5
Other ⁴	(11.3)	2.1	0.4	(9.2)	(20.2)	11.8	(8.4)	0.9
Tax (assets)/liabilities	(23.0)	18.9	-	(4.1)	(39.7)	73.4	33.7	-
Set off of tax	11.3	(11.3)	-	-	28.1	(28.1)	-	-
Net tax (assets)/liabilities	(11.7)	7.6	-	(4.1)	(11.6)	45.3	33.7	-
Total income statement charge/(credit)	-	-	-	(14.5)	-	-	-	1.5

Notes:

1. A deferred tax liability arises on property, plant and equipment as the tax value of assets is lower than the corresponding accounting value. This arises as tax deductions are determined by the applicable tax laws in each country the Group operates in whereas accounting depreciation is calculated in line with the Group's accounting policy.
2. A deferred tax liability is provided on temporary differences arising on the Group's intangible assets as in the majority of cases the initial tax deduction is not allowed until the amortisation of these intangible assets. The reduction during the period is primarily due to the disposal of the Packaging and Filler business, and by the reducing intangible value from the amortisation charge for the year, offset by the acquisition of the Weyard Group.
3. The recognition of tax on the Group's defined benefit pension schemes, net of tax based on employee expected retirement benefits, will be deductible in future periods for tax purposes where the amounts are settled in cash. Tax losses expected to be utilised in future periods and withholding tax on overseas earnings from Group companies expected to be remitted in the foreseeable future of £1.4m (2021: £9.4m). Tax losses expected during the period primarily relate to the disposal of the Packaging and Filler businesses and the deferred tax arising on tax losses.
4. This includes a temporary difference that will be deductible in future periods for tax purposes where the amounts are settled in cash. Tax losses expected to be utilised in future periods and withholding tax on overseas earnings from Group companies expected to be remitted in the foreseeable future of £1.4m (2021: £9.4m). Tax losses expected during the period primarily relate to the disposal of the Packaging and Filler businesses and the deferred tax arising on tax losses.

Movements in the year:

	2022 Total Net £m	2021 Total Net £m
Beginning of the year	33.7	24.9
(Credit)/charge to the income statement in respect of current year	(16.3)	2.5
Charge/(credit) to the income statement in respect of prior years	1.8	(1.0)
(Credit)/charge to other comprehensive income – defined benefit pensions	(5.1)	7.9
Charge to reserves – hyperinflation (IAS 29)	2.7	-
Charge/(credit) to reserves on share-based incentives	0.6	(0.5)
Acquisitions and disposals	(25.8)	0.6
Currency translation	4.3	(0.7)
End of year	(4.1)	33.7

As at 31 December 2022 it was expected that earnings from certain overseas Group companies will be remitted and a deferred tax liability of £1.4m (2021: £8.2m) has been recognised accordingly.

This represents withholding taxes payable on the remittance of these earnings under local tax laws. The amount of unrecognised deferred tax in respect of unremitted earnings is £2.0m (2021: £13.3m).

Based on available information, management determined whether it is probable for some or all of the deferred tax assets to be recognised. In determining this management considered the cumulative losses in prior years, the history of tax losses, the manner in which assets can be used (including time limitations under local laws), future earnings potential and expectation of future reversal of taxable temporary differences. Following management assessment, gross deferred tax assets of £0.2m (2021: £0.2m) in respect of capital losses and unutilised tax losses of £61.6m (2021: £46.5m) have not been recognised as their realisation is not probable. The capital losses have an unlimited expiry date.

The income tax losses expire as follows: £3.3m within 5 years, £1.2m in 5+ years and £57.1m with no expiry.

If future conditions change the amount of unrecognised deferred tax assets will be reassessed.

This may impact the income tax expense in the year of remeasurement.

17. Provisions

	Reorganisation £m	Contractual obligations £m	Onerous contracts £m	Other £m	2022 Total £m
Beginning of year	0.9	-	-	2.7	3.6
Provisions made during year	3.4	-	1.9	0.6	5.9
Provisions recognised on business disposal	-	6.5	-	-	6.5
Business disposals	(0.5)	-	-	(2.0)	(2.5)
Utilised during year	(0.2)	(1.0)	-	(0.7)	(1.9)
Currency translation	-	-	-	0.2	0.2
End of year	3.6	5.5	1.9	0.8	11.8
Non-current	-	-	0.7	0.4	1.1
Current	3.6	5.5	1.2	0.4	10.7
End of year	3.6	5.5	1.9	0.8	11.8

Contractual obligations

The provision for contractual obligations represents amounts that the Group may be liable to pay arising from the disposal of the Packaging and Filters businesses during the year. At 31 December 2022 provisions for contractual obligations amounted to £5.5m (2021: £nil), representing the Group's estimate of ongoing obligations due to each of the buyers under the respective Share Purchase Agreements.

Onerous contracts

At 31 December 2022, onerous contract provisions of £1.9m (2021: £nil) were recognised in respect of contracts for services that are now in excess of the Group's requirements following the disposal of the Packaging and Filters businesses during the year.

Other

Other provisions relate primarily to non-lease contracts on vacant properties, lease dilapidations, employees' compensation claims, regulatory claims and other claims. Non-current provisions are generally provisions for non-lease service contracts on vacant properties and lease dilapidations which are expected to be utilised within the next 10 years. The timing of the utilisation of the lease dilapidations assumes the business continues to operate based on the most up to date business plan. The release of £2.0m during the year to 31 December 2022 mainly relates to claims and non-lease property-related provisions.

18. Employee benefits

Post-employment benefits

The Group operates a number of defined benefit, and defined contribution pension schemes around the world covering many of its employees. The Group also has a number of other post-employment obligations in certain countries, some of which are required under local law.

The defined benefit plans are administered by boards of trustees and the assets are held independently from Essentra. The boards of trustees comprise member nominated trustees, employer nominated trustees and independent advisory trustees. The articles of the plans prohibit a majority on the boards to be established by either the member or employer nominated trustees.

Pension costs of the defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the principal European defined benefit schemes as at 5 April 2021 and annual actuarial valuations are performed on the principal US defined benefit schemes. The assets and liabilities of the defined benefit schemes have been updated to the balance sheet date from the most recently completed actuarial valuations taking account of the investment returns achieved by the schemes and the level of contributions.

The principal European defined benefit schemes entitle remaining members to a pension calculated on 1.25% or 2% of their capped final pensionable pay multiplied by the number of pensionable years of service. Some members have historical entitlements to accrual rates of 1.67%-1.9% and 3% for certain tranches of their service. The principal US defined benefit schemes entitle certain participating employees to annuity benefits equal to 50% of final average pensionable salary, reduced for years of service less than 30, and other participating employees to annuity benefits equal to \$49 per month for each year of service.

	Reorganisation £m	Contractual obligations £m	Onerous contracts £m	Other £m	2021 Total £m
Beginning of year	5.2	-	-	8.3	13.5
Provisions made during year	0.2	-	-	0.1	0.3
Provisions released during year	(0.2)	-	-	(5.2)	(5.4)
Utilised during year	(4.3)	-	-	(0.3)	(4.6)
Currency translation	-	-	-	(0.2)	(0.2)
End of year	0.9	-	-	2.7	3.6
Non-current	0.4	-	-	2.1	2.5
Current	0.5	-	-	0.6	1.1
End of year	0.9	-	-	2.7	3.6

Reorganisation

Reorganisation provisions are generally held against restructuring and redundancy costs, primarily related to the integration of acquired businesses and restructuring associated with acquisitions and other businesses. During the year to 31 December 2022, £3.4m of costs associated to reorganisation provisions were recognised in adjusting items (see note 2). The majority of the balance is expected to be utilised by the Group in the next financial year.

18. Employee benefits continued

The amounts included in the consolidated financial statements on a total group basis (including discontinued operations) are as follows:

	2022 £m	2021 £m
Amounts expended against operating profit		
Defined contribution schemes	7.0	6.9
Defined benefit schemes – current service cost	2.0	1.5
Defined benefit schemes – curtailment gain	–	(0.2)
Other post-employment obligations	0.4	0.4
Total operating expense	9.4	8.6

Amounts included as finance (income)/expense

Net interest on defined benefit scheme assets ¹	(0.6)	(0.2)
Net interest on defined benefit scheme liabilities ²	0.7	0.8
Net finance expense³	0.1	0.6

Notes:

- Net interest on defined benefit assets is the net assets on a continuing basis (pre-31 was £0.6m, 2021: £0.2m).
- Net interest expense on defined benefit liabilities is based on a continuing basis (pre-31 was £0.6m, 2021: £0.8m).

Amounts recognised in the consolidated statement of comprehensive income

Losses on defined benefit scheme assets excluding amounts in net finance income	108.5	0.6
Gains on changes in assumptions and experience to the present: value of defined benefit scheme liabilities	(88.0)	(29.1)
Remeasurement losses/(gains) of defined benefit schemes	20.5	(28.5)

During the period, the company incurred administrative expenses totalling £2.0m which, in management's judgement, are not considered to be part of the Group's ongoing operations. As such, these expenses have been classified as adjusting items and have been presented separately (see note 2).

During 2015, the principal defined benefit pension schemes in the UK and the US were closed to future accrual. Following the closure of the Group's principal defined benefit pension schemes to future accruals, the schemes are funded by the Group's subsidiaries and employees are not required to make any further contribution. The funding of these schemes is based on separate actuarial valuations for funding purposes for which the assumptions may differ from those used in the valuation for IAS 19 purposes.

In April 2022, the Company, Essentra Components Limited and Essentra Pension Trustees Limited (the trustee of the UK Essentra Pension Plan) entered into a flexible appointment agreement ("FAA") subject to UK legislation such that Essentra Packaging and Security Limited (a former participating employer and Group subsidiary disposed of as part of the Packaging business), and Essentra Filter Products Limited and Essentra Pte Limited (both former participating employers and Group subsidiaries disposed of as part of the Filters business) transferred all defined benefit pension liabilities to Essentra Components Limited, a continuing participating employer of the UK Essentra Pension Plan.

In consideration for the trustee entering into the FAA, it was agreed that Essentra Components Limited pay the following amounts into the Essentra section of the UK Essentra Pension Plan: (i) £0.7m (this was paid during the year); and (ii) £1.3m payable upon completion of the divestiture of the Packaging business in the year of disposal which will be paid in 2023, and make further cash payments of £0.6m in each of the six years after the year of divestiture; and (iii) £1.3m payable upon completion of the divestiture of the Filters business in the year of disposal which will be paid in 2023, and make further payments of £0.6m in each of the six years after the year of divestiture.

The Group's contributions to its defined benefit pension schemes are determined in consultation with trustees, taking into consideration actuarial advice, investment conditions and other local conditions and practices. The outcome of these consultations can impact the timing of future cash flows. Contributions payable by the Group to its defined benefit pension schemes during the year to 31 December 2022 amounted to \$nil (£nil) to its US schemes and £0.7m in respect of the Group's European schemes. In 2023, the Group expects to make defined benefit contributions of \$1.9m to its US schemes and £2.5m in respect of the Group's European schemes.

During the year, the Group's total contributions to defined contribution schemes amounted to £7.0m (2021: £6.9m). Contributions on continuing operations of £2.9m were paid in 2022. A similar amount is expected to be payable during the ending 31 December 2023.

There was a change to the methodology and assumptions relating to Retail Prices Index (RPI) and Consumer Prices index (CPI) in 2021. This was due to the Chancellor issuing a response to set out that RPI inflation will be aligned with CPIH inflation (CPI plus housing) by no later than 2030. As such, the actuary derived the inflation assumption based on a "term-based" curve approach, by weighing the Scheme's projected cash flows with the gilt-based RPI curve.

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 are as follows:

	2022	2022	2021	2021
	Europe	US	Europe	US
Increase in salaries (pre-2010)	n/a	n/a	n/a	n/a
Increase in salaries (post-2010)	n/a	n/a	n/a	n/a
Increase in pensions				
at RPI capped at 5%	3.0%	n/a	3.1%	n/a
at CPI capped at 5%	2.7%	n/a	2.7%	n/a
at CPI minimum 3%, capped at 5%	3.3%	n/a	3.3%	n/a
at CPI capped at 2.5%	2.2%	n/a	2.2%	n/a
Discount rate	4.8%	5.0%	1.9%	2.8%
Inflation rate – RPI	3.1%	n/a	3.2%	n/a
Inflation rate – CPI	2.7%	n/a	2.7%	n/a

Notes:

- The service period to April 2010, prior to the retirement, is subject to a salary cap of 5% per annum, capped at 3%.
- During 2021, the Group changed its methodology for actuarial assumptions relating to the UK scheme pension schemes, including with the European pension plan, the Retail Prices Index (RPI). This is based on the government's commitment in November 2020 that RPI inflation will be aligned with CPIH inflation (CPI plus housing) by no later than 2030. As such, the actuary derived the inflation assumption based on a "term-based" curve approach, by weighing the Scheme's projected cash flows with the gilt-based RPI curve.
- Due to the three-year period, the assumptions supporting the net balance at 31 December 2021 are not relevant to the April 2020 period.

18. Employee benefits continued

The life expectancy assumptions (in number of years) used to estimate defined benefit obligations at the year-end are as follows:

	2022		2021	
	Europe	US	Europe	US
Male retiring today at age 65	22.0	20.5	22.0	20.5
Female retiring today at age 65	24.4	22.5	24.4	22.5
Male retiring in 20 years at age 65	23.3	22.1	23.2	22.0
Female retiring in 20 years at age 65	25.9	24.0	25.8	23.9

The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustees' investment policies. The allocation of assets is arrived at taking into consideration current market conditions and trends, the size of potential returns relative to investment risk and the extent to which asset realisation needs to match liability maturity. There are risks underlying these considerations. If asset returns fall below the returns required for scheme assets to match the present value of scheme liabilities, a scheme deficit results. Persistent deficits represent an obligation the Group has to settle through increased cash contributions. If asset maturities are not properly matched with liability maturities, there is also the risk that the Group could be required to make unplanned short-term cash contributions to resolve resulting liquidity issues. Scheme assets are invested by the trustees in asset classes and markets that are considered to be reasonably liquid, so through this matching liquidity risk is considered to be sufficiently mitigated.

The fair value of scheme assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the pension scheme liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are:

	2022			
	% of total fair value of scheme assets	Europe value of scheme assets	US value of scheme assets	Total value of scheme assets
Equities	42%	61.8	33.3	95.1
Bonds/LDI	57%	84.0	17.3	101.3
Other	< 1%	0.7	1.2	1.9
Fair value of scheme assets		146.5	51.8	198.3
Present value of scheme liabilities ¹		(141.1)	(67.6)	(208.7)
Net retirement benefit assets/(obligations) ²		5.4	(15.8)	(10.4)

	2022		2021	
	% of total fair value of scheme assets	Europe value of scheme assets	US value of scheme assets	Total value of scheme assets
Equities	28%	68.6	36.8	105.4
Bonds/LDI	71%	174.7	21.3	196.0
Other	1%	2.8	1.7	4.5
Fair value of scheme assets ¹		246.1	59.8	305.9
Present value of scheme liabilities ²		(215.6)	(77.5)	(293.1)
Net retirement benefit assets/(obligations) ³		30.5	(17.7)	12.8

Notes

- The fair value of scheme assets are not intended to be realised in the short-term and may be subject to significant change before they are realised.
- The present value of the pension scheme liabilities, which are derived from cash flow projections over long periods and are therefore inherently uncertain, are:
- In the Consolidated Balance Sheet, the retirement benefit asset of £7.9m relates to the UK pension scheme (2021: £34.1m), and the retirement benefit obligation of £16.6m relates to the US and other smaller schemes (2021: £25.3m).

The equity, corporate bond and government bond assets are either direct investments or investments made via a managed fund for those asset classes. All of these assets have a quoted market price in an active market. The other asset class relates primarily to property and hedge funds, which are valued at their cumulative unit offer price. No direct investment in property is held. No plan assets are invested directly in the shares of Essentra plc.

The pension surplus in Europe is not restricted as the asset is considered realisable on the basis of the Group's unconditional right to a refund.

The average expected duration of the Group's European defined benefit pension liability at 31 December 2022 is 14 years (2021: 18.0 years). The average expected duration of the Group's US defined benefit pension liability at 31 December 2022 is 10.2 years (2021: 12.1 years).

18. Employee benefits continued
Movement in the fair value of post-employment obligations recognised during the year:

	2022				2021			
	Defined benefit pension scheme		Other ¹	Total	Defined benefit pension scheme		Other ¹	Total
	Assets	Liabilities			Assets	Liabilities		
	£m	£m	£m	£m	£m	£m	£m	£m
Beginning of year	305.9	(293.1)	(3.8)	9.0	312.0	(332.0)	(3.9)	(23.9)
Current service cost and administrative expense ²	(1.8)	(0.2)	(0.4)	(2.4)	(1.5)	—	(0.3)	(1.8)
Employer contributions	0.7	0.2	—	0.9	6.3	0.1	—	6.4
Reduction on plan assets excluding amounts in net finance income ³	(108.5)	—	—	(108.5)	(0.6)	—	—	(0.6)
Actuarial gains arising from change in financial assumptions	—	95.5	—	95.5	—	18.5	0.3	18.8
Actuarial gains arising from change in demographic assumptions	—	(1.9)	—	(1.9)	—	4.5	—	4.5
Actuarial (losses)/gains arising from experience adjustment	—	(5.6)	—	(5.6)	—	5.8	—	5.8
Finance income/(expense)	6.3	(6.3)	(0.1)	(0.1)	4.7	(5.1)	(0.2)	(0.6)
Benefits paid	(11.5)	11.5	—	—	(16.1)	16.1	—	—
Curtailments	—	—	—	—	—	—	0.2	0.2
Currency translation	7.2	(9.4)	(0.1)	(2.3)	1.1	(1.0)	0.1	0.2
Business disposals ⁴	—	0.6	4.2	4.8	—	—	—	—
End of year	198.3	(208.7)	(0.2)	(10.6)	305.9	(293.1)	(3.8)	9.0
Defined benefit schemes – net retirement benefit assets/(obligations)	(10.4)				12.8			

Notes:

- 1 Included within the other categories above are other post-employment obligations outside of Europe and the US which are required under local law and the pension schemes disposed of due to the sale of the Packaging and Filters businesses.
- 2 During the year, the company incurred administrative expenses totalling £2.0m which, in management's judgement, are not considered to be part of the Group's ongoing operations. As such, these expenses have been classified as adjusting items and have been presented separately (see note 2).
- 3 Included within the result on pension plan assets is an actuarial loss of £10.8m relating to an investment decision to purchase a bulk purchase annuity ("buy-in") contract. A premium of £38.2m was paid to purchase buy-in to insure against liabilities within the UK defined pension scheme. The loss represented the difference between the premium paid and the actuarial present value of the obligations and is included within other comprehensive income.
- 4 The Group disposed of the Packaging Business and the Filters Business during the year to 31 December 2022 (refer to note 24 for further details). The packaging and employees in the UK Essentra Pension Plan of the disposed business, transferred their defined benefit pension liabilities to Essentra Components Limited as part of the sale, excluded in April 2022.

Sensitivity

For the significant assumptions used in determining defined benefit costs and liabilities, the following sensitivity analysis gives the estimate of the impact on the measurement of the scheme liabilities as at 31 December 2022.

	(Increase)/decrease in schemes net liabilities		
	Europe	US	Total
	£m	£m	£m
0.5% decrease in the discount rate	(9.7)	(3.4)	(13.1)
1.0% increase in the rate of inflation	(8.2)	n/a	(8.2)
1.0% increase in rate of salary/pension increases	n/a	n/a	n/a
1 year increase in life expectancy	(4.8)	(1.9)	(6.7)
1 year decrease in life expectancy	3.3	1.9	5.2
0.5% increase in the discount rate	8.0	3.3	11.3
1.0% decrease in rate of salary/pension increases	n/a	n/a	n/a
1.0% decrease in the rate of inflation	6.6	n/a	6.6

18. Employee benefits continued

Share-based incentives

Essentra operates equity-settled share-based incentive plans for its Executive Directors and employees. The total expense in respect of these plans during the year was £2.6m (2021: £0.8m). A charge of £0.5m was also recognised within adjusting items, in relation to the acceleration of share options in respect of certain senior management employees leaving the business following the completion of the strategic review. Details of these plans are set out below:

Share awards/options outstanding:

	2022										2021									
	Number At 1 January 2022	Weighted average exercise price	Number Granted during the year	Weighted average exercise price	Number Lapsed during the year	Weighted average exercise price	Number Exercised during the year	Weighted average exercise price	Number At 31 December 2022	Weighted average exercise price	Number Exercised 31 December 2021	Weighted average exercise price	Number At 31 December 2021	Weighted average exercise price	Number Exercised 31 December 2020	Weighted average exercise price	Number At 31 December 2020	Weighted average exercise price	Number Exercised 31 December 2019	Weighted average exercise price
LTIP Part A	98,735	649.1p	-	-	(32,535)	562.0p	-	-	66,200	692.0p	-	-	66,200	692.0p	-	-	66,200	692.0p	-	-
LTIP Part B	5,370,852	-	961,501	-	(3,788,200)	-	(349)	-	2,543,804	-	-	-	2,543,804	-	-	-	2,543,804	-	-	-
DASB	416,992	-	253,721	-	-	-	(235,123)	-	435,590	-	-	-	435,590	-	-	-	435,590	-	-	-
SAYE 3 year plan	813,975	265.7p	-	-	(487,933)	276.9p	(4,030)	248.0p	322,012	249.2p	-	-	322,012	249.2p	-	-	322,012	249.2p	-	-
SAYE 5 year plan	227,571	267.8p	-	-	(117,408)	278.7p	-	-	110,163	256.2p	-	-	110,163	256.2p	-	-	110,163	256.2p	-	-
US SAYE 2 year plan	46,818	284.8p	-	-	(15,993)	266.5p	-	-	30,825	294.3p	-	-	30,825	294.3p	-	-	30,825	294.3p	-	-
Restrictive Shares	-	-	419,519	-	-	-	-	-	419,519	-	-	-	419,519	-	-	-	419,519	-	-	-
Total	6,974,943		1,634,741		(4,442,069)		(239,502)		3,928,113				3,928,113				3,928,113			

	2021										2020									
	Number At 1 January 2021	Weighted average exercise price	Number Granted during the year	Weighted average exercise price	Number Lapsed during the year	Weighted average exercise price	Number Exercised during the year	Weighted average exercise price	Number At 31 December 2021	Weighted average exercise price	Number Exercised 31 December 2020	Weighted average exercise price	Number At 31 December 2020	Weighted average exercise price	Number Exercised 31 December 2019	Weighted average exercise price	Number At 31 December 2019	Weighted average exercise price	Number Exercised 31 December 2018	Weighted average exercise price
LTIP Part A	113,980	607.8p	-	-	(15,245)	539.8p	-	-	98,735	649.1p	-	-	98,735	649.1p	-	-	98,735	649.1p	-	-
LTIP Part B	4,176,820	-	3,279,124	-	(2,068,570)	-	(16,522)	-	5,370,852	-	-	-	5,370,852	-	-	-	5,370,852	-	-	-
DASB	629,662	-	-	-	(16,543)	-	(196,127)	-	416,992	-	-	-	416,992	-	-	-	416,992	-	-	-
SAYE 3 year plan	515,255	339.5p	694,862	248.0	(396,142)	331.9p	-	-	813,975	265.7p	-	-	813,975	265.7p	-	-	813,975	265.7p	-	-
SAYE 5 year plan	141,726	349.0p	193,408	248.0	(107,563)	339.1p	-	-	227,571	267.8p	-	-	227,571	267.8p	-	-	227,571	267.8p	-	-
US SAYE 2 year plan	32,994	338.2p	37,561	266.5	(20,244)	331.0p	(3,493)	324.5p	46,818	284.8p	-	-	46,818	284.8p	-	-	46,818	284.8p	-	-
Total	5,610,437		4,204,955		(2,624,307)		(216,142)		5,974,943				5,974,943				5,974,943			

18. Employee benefits continued

The exercise prices of options outstanding at the end of the year range from nil to 692.0p.

The weighted average share price at the date of exercise for options exercised during the year was 257.6p (2021: 293.5p). The following table shows the weighted average fair value at the date of grant for options granted during the year:

	LTIP Part A	LTIP Part B	SAYE 3 year plan	SAYE 5 year plan	Restrictive Shares
Year ended 31 December 2022	n/a	165.4p	172.3p	n/a	230.2p
Year ended 31 December 2021	n/a	257.0p	n/a	68.7p	74.7p

Fair value model inputs for cumulative share options awarded

	2022				
	LTIP Part A	LTIP Part B	SAYE 3 year plan	SAYE 5 year plan	Restrictive Shares
Weighted average fair value at grant	141.4p	225.8p	189.0p	75.5p	230.2p
Weighted average share price at grant	692.0p	275.6p	223.7p	293.1p	304.2p
Weighted average exercise price	692.0p	-	-	249.2p	265.5p
Weighted average volatility	27.0%	37.0%	35.8%	36.1%	40.5%
Weighted average dividend yield	1.80%	2.79%	3.00%	2.74%	2.94%
Weighted risk free rate	0.40%	1.08%	2.37%	0.21%	0.44%
Expected employee retention rates	85.0%	81.1%	100.0%	80.1%	81.0%
Expected term	3.00 years	2.30 years	3.00 years	3.20 years	5.20 years
Valuation model	Binomial	Monte Carlo	Binomial	Binomial	Binomial

Weighted average fair value at grant

Weighted average share price at grant

Weighted average exercise price

Weighted average volatility

Weighted average dividend yield

Weighted risk free rate

Expected employee retention rates

Expected term

Valuation model

Weighted average fair value at grant

Weighted average share price at grant

Weighted average exercise price

Weighted average volatility

Weighted average dividend yield

Weighted risk free rate

Expected employee retention rates

Expected term

Valuation model

Where relevant, market conditions are taken into account in determining the fair value of the awards at grant date. The three year average historic volatility at grant date has been used as the volatility input for the LTIP Part A, LTIP Part B, DASB and SAYE 3 year awards, and the five year average historic volatility at grant date has been used as the volatility input for the SAYE 5 year award.

	2022 and 2021				
	LTIP Part A	LTIP Part B	SAYE 3 year plan	SAYE 5 year plan	Restrictive Shares
Contractual life	3 - 10 years	3 - 6 years	3 years	5 years	3 years

Details of the vesting conditions of the LTIP Part A, LTIP Part B and DASB share option schemes are set out in the Annual Report on Remuneration on pages 111 to 121.

19. Financial risk management

Essentra's activities expose the business to a number of key financial risks which have the potential to affect its ability to achieve its business objectives.

The Board has overall responsibility for Essentra's system of internal control and financial risk management and for reviewing the effectiveness of this system. Such a system can only be designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

Essentra has a centralised treasury function to manage funding, liquidity and exposure to interest rate and foreign exchange risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of derivatives that may be employed and the criteria for investing and borrowing cash. Essentra uses derivatives only to manage currency and interest rate risk arising from underlying business activities. No transactions of a speculative nature are undertaken. The Treasury function is subject to periodic independent reviews by the Group Assurance function. Underlying policy assumptions and activities are reviewed by the Treasury Committee.

Control's over exposure changes and transaction authenticity are in place and dealings are restricted to those banks with the relevant combination of geographical presence, expertise and suitable credit rating.

The following describes Essentra's financial risk exposure and management from a quantitative and qualitative perspective

(i) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset or liability fails to meet its contractual obligations, and arises principally from trade receivables and cash and cash equivalents. Essentra has no significant individual concentrations of credit risk. The following is an overview of how Essentra manages its credit risk exposures.

Trade and other receivables

Essentra's exposure to credit risk is primarily driven by the profile of its customers. This is influenced by the demographics of the customer base, including the industry and country in which customers operate

Trade receivables were assessed for impairment at the balance sheet date using an expected credit loss model which measures the required allowance at an amount equal to expected lifetime credit losses applying both a qualitative and quantitative analysis of the asset base. The Group monitors significant customers' credit limits and recognises a specific impairment of trade receivables in circumstances where a customer's credit standing has deteriorated to the extent that a credit default is considered probable. The Group also recognises an expected credit loss impairment of trade receivables through an accounting policy election, whereby default losses are expected for each ageing category as follows: Current: 0.2%, Overdue 1-30 days: 0.5%, Overdue 31-60 days: 1%, Overdue 61-90 days: 5%, Overdue 91-180 days: 10%, Overdue 181-360 days: 50% and Overdue over 360 days: 100%.

As at 31 December 2022, gross trade receivables were £46.7m (2021: £151.4m) of which £15.7m (2021: £27.1m) were past due. The ageing analysis of past due trade receivables is as follows:

	2022 £m	2021 £m
1-60 days	13.7	21.6
61-180 days	1.4	3.2
181-360 days	0.3	0.6
360+ days	0.3	1.7
Total	15.7	27.1

As at 31 December 2022, the combined specific and expected credit loss impairment of trade receivables was £1.4m (2021: £2.6m). The analysis of the combined impairment based on the underlying receivables is as follows:

	2022 £m	2021 £m
Current	0.3	0.4
1-60 days	0.1	-
61-180 days	0.4	0.1
181-360 days	0.3	0.4
360+ days	0.3	1.7
Total	1.4	2.6

The movement in the provision for impaired receivables is as follows:

	2022 £m	2021 £m
Beginning of year	2.6	2.7
Impaired receivables acquired/(disposed)	-	(0.1)
Impairment loss recognised	1.1	0.3
Business disposals	(2.3)	-
Utilisation	-	(0.3)
End of year	1.4	2.6

Notes:
1. Impairment loss recognised during period is £0.6m (2021: £0.2m)

19. Financial risk management continued

On a periodic basis the Group undertakes the sale of certain trade receivables to banks using facilities set up by its customers. These trade receivables are factored on a non-recourse basis and therefore are derecognised from the Group's balance sheet at the point of sale to the bank. The Group does not operate its own invoice discounting or factoring facilities. As at 31 December 2022, £nil was drawn under invoice discounting facilities (2021: £19.9m), representing cash collected before it was contractually due from the customer.

Derivative assets

Credit risk with respect to derivatives is controlled by limiting transactions to major banking counterparties where internationally agreed standard form documentation exists. The credit ratings of these counterparties are monitored regularly. The maximum exposure to credit risk in relation to derivatives at the balance sheet date is £8.5m (2021: £1.3m) being predominantly, the fair value of cross currency interest rate swaps (see note 15).

Cash and cash equivalents

Credit risk relating to cash and cash equivalents is monitored daily, on a counterparty by counterparty basis. The credit limits imposed specify the maximum amount of cash which can be invested in, or with, any single counterparty. These limits are determined by geographic presence, expertise and credit rating. The Group regularly monitors the credit ratings of counterparties.

The following credit risk table provides information regarding the credit risk exposure of Essentra by classifying derivative assets, short-term investments and cash and cash equivalents according to credit ratings of the counterparties. AAA is the highest possible rating and all of the assets are neither impaired nor past due.

	2022					
	AAA £m	AA £m	A £m	BBB £m	BB £m	Total £m
Current derivative assets	-	-	0.1	0.1	-	0.2
Non-current derivative assets	-	-	8.3	-	-	8.3
Cash and cash equivalents	-	2.8	232.4	180.9	-	421.4
Total	-	2.8	240.8	181.0	-	429.9

	2021					
	AAA £m	AA £m	A £m	BBB £m	BB £m	Total £m
Current derivative assets	-	-	0.5	-	-	0.5
Non-current derivative assets	-	-	0.7	-	-	0.7
Cash and cash equivalents	1.5	11.3	107.5	15.2	-	136.3
Total	1.5	11.3	108.7	15.2	-	137.5

Essentra's maximum credit risk exposure is £504.5m (2021: £331.4m) and no collateral is held against this amount (2021: £nil).

(ii) Market price risk

Market price risk is the risk that changes in foreign exchange rates and interest rates will affect income or the value of financial assets and liabilities. Essentra has produced a sensitivity analysis that shows the estimated change to the income statement and equity of a 1%, 5% or 10% weakening or strengthening in sterling against all other currencies or an increase or decrease of 50 basis points ("bps"), 100bps and 200bps in market interest rates. The amounts generated from the sensitivity analysis are estimates and actual results in the future may materially differ.

Essentra is exposed to two types of market price risk: currency risk and interest rate risk.

a) Currency risk

Essentra publishes its consolidated financial statements in sterling but conducts business in several foreign currencies. Therefore it is subject to currency risk due to exchange rate movements which affect the translation of results and underlying net assets of its operations and their transaction costs.

Hedge of net investment in foreign operations

The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to limit the translation exposure and the resulting impact on shareholders' funds through measures such as borrowing in those currencies in which the Group has significant net assets. Essentra's US dollar denominated assets were approximately 100% (2021: 53%) hedged by \$205m of US dollar denominated borrowings.

Transaction exposure hedging

Essentra does not formally define the proportion of highly probable forecast sales and purchases to hedge, but agrees an appropriate percentage on an individual basis with each business by reference to the Group's risk management policies and prevailing market conditions. The Group documents currency derivatives used to hedge its forecast transactions as cash flow hedges. To the extent that cash flow hedges are effective, gains and losses are recognised in other comprehensive income until the forecast transaction occurs, at which point the gains and losses are transferred either to the income statement or to the non-financial asset acquired.

The majority of Essentra's transactions are carried out in the functional currencies of its operations and therefore transaction exposure is limited. However, where such exposure does occur, Essentra uses forward foreign currency contracts to hedge its exposure to movements in exchange rates on its highly probable forecast foreign currency sales and purchases over a period of up to 18 months.

In accordance with its Treasury policy, Essentra does not hold or issue derivatives for speculative purposes.

Hedging of foreign currency loan principal and interest payments

In July 2021, Essentra entered into a number of cross currency interest rate swap contracts to hedge the foreign currency risk (principal and interest) of \$145m of its US dollar loan notes. The maturity profile of these match those of the underlying instruments with \$20m notional value maturing within 3 years and the remainder between 5 and 7 years. In November 2022 \$65m of these swap contracts were terminated leaving \$80m notional value maturing within 6 years.

The following table shows Essentra's sensitivity to a 1%, 5% and 10% weakening or strengthening in sterling against all currencies. To calculate the impact on the income statement for the year all currencies' average rates have been increased or decreased by 1%, 5% or 10%. The translational effect on equity is limited as a proportion of US dollar and euro exposure is hedged. Accordingly the effect on equity is calculated by increasing or decreasing the closing rate of all currencies with an adjustment for the movement in currency hedges. It is assumed that all net investment and cash flow hedges will continue to be 100% effective. The sensitivity on profit before tax is calculated by increasing or decreasing the average rate of all currencies.

19. Financial risk management continued

	2022			
	Weakening in sterling		Strengthening in sterling	
	10% £m	5% £m	1% £m	1% £m
Impact on the profit before tax – gain/(loss)	0.4	0.2	0.0	(0.0)
Impact on equity – gain/(loss)	25.0	11.8	2.3	(2.2)

	2021			
	Weakening in sterling		Strengthening in sterling	
	10% £m	5% £m	1% £m	1% £m
Impact on the profit before tax – gain/(loss)	1.8	0.8	0.2	(0.2)
Impact on equity – gain/(loss)	65.5	31.0	6.0	(5.8)

A 1 cent change to the US dollar rate against sterling will impact the adjusted operating profit by £0.1m (2021: £0.2m). A 1 cent change to the euro rate against sterling will impact the adjusted operating profit by £0.1m (2021: £0.3m).

b) Interest rate risk

Essentra's strategy is to ensure that at least 30% of the total debt with maturities of more than one year is protected with fixed interest rates or approved interest rate derivatives.

The following table shows the Group's sensitivity to a 50bps, 100bps and 200bps decrease or increase in sterling, US dollar and euro interest rates. To calculate the impact on the income statement for the year, the interest rates on all external floating rate interest bearing loans and borrowings have been increased or decreased by 50bps, 100bps or 200bps and the resulting increase or decrease in the net interest charge has been adjusted for the effect of Essentra's interest rate derivatives. See note 14 for interest rate disclosures on loans and borrowings.

	2022			
	Decrease in interest rates		Increase in interest rates	
	200bps £m	100bps £m	50bps £m	50bps £m
Impact on the income statement – gain/(loss)	1.9	1.0	0.5	(0.5)

	2021			
	Decrease in interest rates		Increase in interest rates	
	200bps £m	100bps £m	50bps £m	50bps £m
Impact on the income statement – gain/(loss)	2.9	1.5	0.7	(0.7)

(iii) Liquidity risk

Liquidity risk is the risk that Essentra, although solvent, will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Essentra's objective is to maintain a balance between continuity of funding and flexibility. Essentra is primarily funded by a series of US Private Placement Loan Notes from various financial institutions totalling US\$350m and syndicated multi-currency 5-year revolving credit facilities of £200.0m (2021: £275.0m) from its banks. Following the disposal of the Packaging and Filters businesses, in January 2023 \$247m of the loan notes were repaid leaving \$33m maturing in July 2028, \$35m in July 2031 and \$35m in July 2033).

In October 2021 the revolving credit facility was renegotiated with a revised maturity date of November 2025. In October 2022, given the sale of the Packaging business and the expected completion of the sale of the Filters business, the total facility was reduced to £200m with £1m being drawn at 31 December 2022.

Amounts drawn by Essentra on its committed facilities are subject to standard banking covenants. The financial covenants require the net debt to EBITDA ratio to be less than 3.0x and interest cover to be greater than 3.5x. There has been no covenant breach during the period.

Essentra's available undrawn committed facilities at 31 December were:

	2022 £m	2021 £m
Expiring after two years	200.0	215.8

Any loans drawn on these facilities would bear interest at floating rates with reference to SONIA for the currency and period of the loan.

The maturity of Essentra's financial liabilities, including estimated interest payments, is analysed below.

	Fair value £m	Carrying amount £m	Undiscounted contractual cash flows £m	<1 yr £m	1-2 yrs £m	2-5 yrs £m	>5 yrs £m
US Private Placement: Loan Notes ¹	277.7	293.0	326.4	215.3	3.3	9.9	97.9
Derivative liabilities	1.3	1.3	1.3	1.3	–	–	–
Trade and other payables ²	82.0	82.0	82.0	82.0	–	–	–
Lease liabilities	22.9	22.9	28.3	6.3	4.9	10.5	6.6
Deferred contingent consideration ³	2.4	2.4	2.4	–	2.4	–	–
Other financial liabilities	24.1	24.1	24.1	24.1	–	–	–
Total	410.4	425.7	464.5	329.0	10.6	20.4	104.5

19. Financial risk management continued

	2021				
	Fair value £m	Carrying amount £m	Unencumbered cash flows £m		
				12 yrs £m	25 yrs £m
US Private Placement Loan Notes ¹	270.5	257.7	349.1	10.4	44.7
Unsecured bank loans ²	59.2	55.6	64.6	1.1	62.4
Derivative liabilities	0.1	0.1	0.1	–	–
Trade and other payables ³	167.7	167.7	167.7	–	–
Lease liabilities	57.7	57.7	68.1	14.3	24.4
Deferred consideration	5.6	5.6	5.6	–	–
Total	560.8	544.4	655.2	193.6	131.5
				29.3	300.8

- Notes
- The fair value of the US Private Placement Loan Notes is estimated by discounting the future cash flows (interest and principal at the prevailing market rates in 2021) the fair value of the unsecured bank loans is the same as the carrying amount as the loans are at floating rate, except for incremental facility fees.
 - Total trade and other payables carried at £91.5m (2020: £86.2m) including other trade and socio security contributions of £9.5m (2020: £13.2m). Other financial liabilities are therefore excluded from the above analysis. The fair value of the trade and other payables (excluding the carrying amount) as they are due to be settled within six months from the reporting date is the carrying amount. Consideration is primarily based on the post acquisition financial performance of the 'acquired business' and reflects management's expectation of the performance during the earn-out period.
 - The value of deferred consideration is based on the performance during the earn-out period.

The table below shows the amount of bank overdrafts offset against the bank balances under enforceable master netting agreements with banks:

	Gross amount of recognised financial assets £m	Gross amount of recognised financial liabilities set off in the balance sheet £m	Net amount of financial assets presented in the balance sheet £m
Cash and cash equivalents:			
At 31 December 2022	421.4	–	421.4
At 31 December 2021	137.7	(1.4)	136.3

Total financial assets and liabilities

The table below sets out the Group's accounting categories and fair value for each class of financial asset and liability:

	2022				2021	
	Fair value £m	Amortised cost £m	Total carrying value £m	Fair value £m	Amortised cost £m	Total carrying value £m
Trade and other receivables ²	–	63.0	63.0	–	169.9	169.9
Cash and cash equivalents	–	421.4	421.4	–	136.3	136.3
Interest bearing loans and borrowings ³	–	(293.0)	(293.0)	–	(313.3)	(313.3)
Lease liabilities	–	(22.9)	(22.9)	–	(57.7)	(57.7)
Trade and other payables	–	(82.0)	(82.0)	–	(167.7)	(167.7)
Level 2 of fair value hierarchy						
Derivative assets ⁵	8.5	–	8.5	1.2	–	1.2
Derivative liabilities ⁵	(1.3)	–	(1.3)	(0.1)	–	(0.1)
Level 3 of fair value hierarchy						
Trade receivables subject to factoring	–	–	–	4.0	–	4.0
Other financial assets ⁶	11.6	–	11.6	–	–	–
Other non-current financial liabilities ⁴	(2.4)	–	(2.4)	(5.6)	–	(5.6)
Other current financial liabilities ⁷	(24.1)	–	(24.1)	–	–	–
Total	(7.7)	86.5	78.8	(0.5)	(232.5)	(233.0)

Notes

- Financial assets and liabilities held at amortised cost mostly have short terms to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.
- Total trade and other receivables carried at £66.4m (2021: £75.2m), include prepayments of £3.4m (2021: £6.5m) which are not financial assets and are therefore excluded from the above analysis.
- Included within interest bearing loans and borrowings are £350m (2021: \$350m) US Private Placement Loan Notes. The Loan Notes are held at amortised cost with a carrying value of £293.0m (2021: £257.7m). The Group estimates that the total fair value of the Loan Notes at 31 December 2022 is £277.7m (2021: £270.5m). Unsecured bank loans amounting to £m (2021: £65.6m) included within interest bearing loans and borrowings, occur in respect of floating rates and as a result, their carrying amounts also approximate their fair values at the reporting date.
- Included other non-current financial liabilities (classified as long-term fair value hierarchy), is an amount of £2.4m representing deferred consideration on payable in respect of acquisitions (2021: £5.6m).
- Fair value of forward foreign exchange contracts and cross currency in effect swaps have been calculated at year end and forward exchange rates compared to contracted rates using observable market data from third party financial institutions.
- Other financial assets included within long-term receivables of £11.6m (2021: £5.2m), and loan deferred consideration on receivable amounting to £10.6m following the disposal of the 'Inter business' transaction, which is structured as an earn-out has been classified as a long-term receivable in the consolidated financial statements. The fair value has been determined as the completion date based on management's best estimate of the 'Inter business' performance target to which the earn-out is linked with forecast earnings being a critical unobservable input into the fair value measurement. Management have assessed and concluded that any difference in fair value between completion date and 31 December 2022 would be immaterial.
- Other current financial liabilities include £18.1m which represent management's best estimate of the combined earning and working payable by the Group through the respective completion of acquisition circumstances (based on the facts and circumstances that were agreed and known at the reporting date). The amount recognised is based on the facts and circumstances that were agreed and known at the reporting date. Other current financial liabilities also include £6.1m (2021: £m) in respect of acquisitions.
- During the year, a fair value loss of £m (2021: £m) was recognised in respect of financial instruments of value £m for fair value hierarchy, and £m (2021: £m) were settled in cash. No other fair value gains or losses were recorded in profit or loss and no other comprehensive income.

19. Financial risk management continued**iv) Capital structure**

Essentra defines its capital structure as its equity and non-current interest bearing loans and borrowings, and aims to manage this to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders.

Essentra sets the amount of capital in proportion to risk. Essentra manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Essentra may return capital to shareholders through dividends and share buybacks, issue new shares or sell assets to reduce debt.

Essentra monitors its capital structure on the basis of the medium-term net debt-to-EBITDA ratio. EBITDA is defined as operating profit before depreciation and other amounts written off property, plant and equipment, share option expense, intangible amortisation and adjusting items.

Since the disposal of Filters and Packaging, the Group has a net funding surplus. At 31 December 2022 the net funding surplus was £113.8m (2021: net debt of £234.7m).

Essentra's medium term target for net-debt to EBITDA is 0x-1.5x.

The net debt-to-EBITDA ratios at 31 December were as follows:

	2022 £m	2021 £m
Total Group (including the result from discontinued operations)		
Net (funding surplus)/debt	(113.8)	234.7
Operating profit before intangible amortisation and adjusting items	77.2	82.2
Plus depreciation and other amounts written-off property, plant and equipment, lease right-of-use assets, and amortisation of non-acquired intangible assets	42.3	51.2
Plus share option expense	2.6	0.8
EBITDA	122.1	134.2

Net (funding surplus)/debt-to-EBITDA ratio

(0.9)

1.7

Net (funding surplus)/debt-to-EBITDA ratio excluding the impact of IFRS

(1.3)

1.5

16

1 The Group has opted of the Pre-empting Business during the year ended 31 December 2022 and consequently, comparative information for the year ended 31 December 2021 has been re-presented. See note 24 for further details.

2 Includes amortisation on non-current intangible assets of £2.7m (2021: £2.6m).

20. Issued share capital

	2022 £m	2021 £m
Issued, authorised and fully paid ordinary shares of 25p (2021: 25p) each	75.6	75.6
Number of ordinary shares in issue		
Beginning of year	302,590,708	302,590,708
End of year	302,590,708	302,590,708

At 31 December 2022, the Company held 897,944 (2021: 905,157) of its own shares with a nominal value of £0.2m (2021: £0.2m) in treasury. This represents 0.3% (2021: 0.3%) of the number of ordinary shares in issue.

21. Reserves

Within retained earnings the Company has deducted the value of own shares purchased for an employee trust and treasury shares held by the Company with a total cost of £5.5m (2021: £7.3m).

Employee trust shares are ordinary shares of the Company held in an employee benefit trust.

The purpose of this trust is to hold shares in the Company for subsequent transfer to Executive Directors and employees relating to deferred share awards and options granted under the Company's share-based incentive plans. Full details are set out in the Annual Report on Remuneration on pages 111 and 121. The assets, liabilities and expenditure of the trust have been incorporated in these financial statements. At 31 December 2022, the trust held 410,035 (2021: 645,507) shares, upon which dividends have been waived, with an aggregate nominal value of £0.1m (2021: £0.2m) and market value of £1.0m (2021: £2.2m).

The other reserve balance of £132.8m debit (2021: £132.8m) relates to the Group reorganisation, which took place as part of the de-merger from Bunzl plc. It represents the difference between Essentra plc's share capital and Essentra International Limited's share capital and share premium on 6 June 2005.

22. Analysis of net funding surplus/(debt)

	1 January 2022 £m	Cash flow £m	Business disposals £m	Business acquisitions £m	Lease additions £m	Exchange movements £m	Non-cash movements £m	31 December 2022 £m	January 2021 £m	Capital flow £m	Business movements £m	Lease additions £m	Exchange movements £m	Non-cash movements £m	31 December 2021 £m
Cash at bank and in hand	123.9	(115.7)	434.9	(27.9)	-	6.2	-	421.4	121.5	4.2	-	-	(1.8)	-	123.9
Short-term deposits and investments	12.4	5.7	(18.0)	-	-	(0.1)	-	-	14.3	(1.7)	-	-	(0.2)	-	12.4
Cash and cash equivalents in the statement of cash flows	136.3	(110.0)	416.9	(27.9)	-	6.1	-	421.4	135.8	2.5	-	-	(2.0)	-	136.3
Derivative financial instruments	-	(6.5)	-	-	-	13.4	1.4	8.3	-	-	-	-	-	-	-
Hedging private placement loans ¹	-	-	-	-	-	(1.2)	(206.8)	(208.0)	-	-	-	-	-	-	-
Debt due within one year	(313.3)	59.2	-	-	-	(31.2)	200.3	(85.0)	(285.2)	(24.5)	-	-	(2.5)	(1.1)	(313.3)
Debt due after one year	(11.6)	14.3	7.5	-	(2.9)	(0.9)	(11.3)	(4.9)	(11.9)	15.6	(0.3)	(2.0)	0.3	(13.3)	(11.6)
Lease liabilities due within one year	(46.1)	-	30.1	-	(7.4)	(3.3)	8.7	(18.0)	(49.1)	-	(1.7)	(8.0)	1.2	11.5	(46.1)
Lease liabilities due after one year	(371.0)	67.0	37.6	-	(10.3)	(23.2)	(7.7)	(307.6)	(346.2)	(8.9)	(2.0)	(10.0)	(1.0)	(2.9)	(371.0)
Debt from net financing activities	(234.7)	(43.0)	454.5	(27.9)	(10.3)	(17.1)	(7.7)	113.8	(210.4)	(6.4)	(2.0)	(10.0)	(3.0)	(2.9)	(234.7)

Notes

- The net cash movements in debt due after one year represent the amortisation and write-down of prepaid facility fees (£0.148m (2021: £0.1m)) and the realisation of gains on fair value (£1.7m), which of £185.0m has been included in the cash flow statement.
- The net cash movements in debt due after one year represent the amortisation and write-down of prepaid facility fees (£0.148m (2021: £0.1m)) and the realisation of gains on fair value (£1.7m), which of £185.0m has been included in the cash flow statement.
- The net cash movements in debt due after one year represent the amortisation and write-down of prepaid facility fees (£0.148m (2021: £0.1m)) and the realisation of gains on fair value (£1.7m), which of £185.0m has been included in the cash flow statement.
- The net cash movements in debt due after one year represent the amortisation and write-down of prepaid facility fees (£0.148m (2021: £0.1m)) and the realisation of gains on fair value (£1.7m), which of £185.0m has been included in the cash flow statement.
- The net cash movements in debt due after one year represent the amortisation and write-down of prepaid facility fees (£0.148m (2021: £0.1m)) and the realisation of gains on fair value (£1.7m), which of £185.0m has been included in the cash flow statement.

23. Acquisitions

Acquisition of Wixroyd Group

On 1 December 2022, Essentra acquired 100% of the equity interests of Wixroyd Holdings Limited (the "Wixroyd Group"), a leading UK supplier of industrial parts for the engineering sector for an initial consideration of £31.4m. The consideration payable for the Wixroyd Group comprises an initial cash consideration of £31.4m and up to £7.0m deferred earn-out consideration. The deferred earn-out consideration is conditional on achieving certain performance criteria for the 12-month period commencing 1 January 2023.

On acquisition, the assets and liabilities of the business acquired were adjusted to reflect their fair value to Essentra. The most significant fair value adjustment arising on the acquisition of the Wixroyd Group related to attributing fair value to the acquired intangible asset recognised in the form of customer relationships. In determining the fair value of the intangible asset, the Group used an external valuation specialist whose assessment considered forecast cash flows from the Wixroyd Group's customer contracts, expected attrition rates based on an analysis of historic customer sales data, and the application of an appropriate discount rate specific to the customer relationship asset. The resulting analysis indicated a provisional fair value for the customer relationships asset of £8.2m, with a corresponding provisional deferred tax liability in relation to the intangible asset of £1.4m.

Under IFRS 3 *Business Combinations*, the fair value of assets and liabilities must be finalised within a 12-month "measurement period" from the date of acquisition. At the reporting date, the purchase price allocation and fair value adjustments are provisional. The acquired business contributed revenues of £0.7m and net profit of £0.1m to the Group for the period from 1 December to 31 December 2022 and these results are included within these consolidated financial statements. Had the acquisition completed on 1 January 2022, the contribution to the Group's revenue and operating profit would have been £10.5m and £2.8m higher respectively.

Acquisition-related costs of £0.3m are included within adjusting items in the consolidated income statement (see note 2) and in operating cash flows in the consolidated statement of cash flows.

The Groups' provisional assessment of the fair value of the assets and liabilities recognised as part of the acquisition of the Wixroyd Group are detailed below:

	Provisional fair value £m
Intangible assets	8.8
Property, plant and equipment	1.4
Inventories	2.3
Trade and other receivables	1.6
Corporation tax receivable	0.4
Cash and cash equivalents	3.5
Corporation tax payable	(0.4)
Trade and other payables	(2.0)
Deferred tax liabilities	(1.8)
Net identifiable assets acquired	13.8
Goodwill ¹	20.2
Total consideration	34.0
Cash consideration	31.4
Deferred consideration ²	2.6
Total consideration	34.0

Note:

1. Intangible assets comprises customer relationships of £6.2m and other intangible assets of £2.6m
2. Goodwill recognised of £20.2m represents the excess of the purchase price over the fair value of the identifiable intangible assets acquired. Goodwill is not deductible for tax purposes.
3. Includes £0.2m relating to an amount withheld pending resolution of an uncertain tax position.

Acquisition of Hengzhu

On 2 August 2021, Essentra acquired the trade and assets of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu"), an access hardware manufacturer and distributor in China via an newly incorporated entity, Essentra Hengzhu Precision Components Co Ltd, which acquired 100% of the business for ¥103m (approximately £11.8m). Essentra had subscribed and paid up 73% of the issued share capital of Essentra Hengzhu Precision Components Co Ltd with the remaining 27% stake subject to put and call options exercisable 6 months after issuance of the subsidiary's audit report for 2022. The remaining 27% stake does not confer any shareholder right (including entitlement to dividends and right to transfer to other parties) to the vendor shareholder. Therefore it is concluded that the amount payable under the put option of £4.7m (2021: £4.2m) in substance represents deferred consideration and is accounted for as a financial liability. No non-controlling interest is recognised in respect of this acquisition.

Acquisition of Micro Plastics

On 12 December 2017, Essentra acquired 100% of the share capital of Micro Plastics, Inc. The transaction was settled with cash consideration of £19.7m and deferred consideration of £3.7m, of which £1.3m (2021: £1.2m) remains payable to the vendor.

24. Discontinued operations

On 1 October 2022, the Group completed its sale of ESNT Packaging & Securing Solutions Limited and Essentra Packaging Us Inc and their respective subsidiary companies (together the 'Packaging business'). On 3 December 2022, the Group also completed the sale of Essentra Filter Holdings Limited and its respective subsidiary companies (the 'Filters business'). The results of the Packaging business and the Filters business have been classified as discontinued operations at 31 December 2022 and comparative information has been re-presented. Financial information relating to these discontinued operations for the period to their respective dates of disposal, is set out below. On 28 September 2022 the Group also completed the sale of its Packaging business in India for cash consideration of £1.1m on net assets of £2.2m, resulting in a loss on disposal of £1.1m, which has been included in the loss on disposal reported below.

Total (loss)/profit for the year from discontinued operations

The Group recognised a total £152.7m loss (2021: £33.2 profit) for the year from discontinued operations as reported in the consolidated income statement.

	2022			2021		
	Packaging business £m	Filters business £m	Total £m	Packaging business £m	Filters business £m	Total £m
Total consideration received or receivable ¹	294.1	161.1	455.2	-	-	-
Net assets disposed	(300.6)	(180.1)	(480.7)	-	-	-
Costs of disposal	(23.4)	(27.2)	(50.6)	-	-	-
Recycling of non-controlling interest	-	18.4	18.4	-	-	-
Recycling of foreign currency translation reserve	27.5	11.2	38.7	-	-	-
Loss on disposal of discontinued operations before tax	(2.4)	(16.6)	(19.0)	-	-	-
Income tax on disposal	-	-	-	-	-	-
(Loss)/profit for the period after tax ²	(173.6)	39.9	(133.7)	33.2	-	33.2
Total (loss)/profit for the year from discontinued operations	(176.0)	23.3	(152.7)	-	-	-

Notes:

- The Group's discontinued operations during the year ended 31 December 2022. The results of these operations are presented in the discontinued operations section of the consolidated income statement.
- The total profit or loss for the year from discontinued operations is £152.7m (2021: £33.2m) after tax. This includes the profit or loss on disposal of the Packaging business and the Filters business, and the profit or loss on disposal of the Packaging business in India. The profit or loss on disposal of the Packaging business in India is included in the discontinued operations section of the consolidated income statement.
- The total profit or loss for the year from discontinued operations is £152.7m (2021: £33.2m) after tax. This includes the profit or loss on disposal of the Packaging business and the Filters business, and the profit or loss on disposal of the Packaging business in India. The profit or loss on disposal of the Packaging business in India is included in the discontinued operations section of the consolidated income statement.

Net assets disposed

The assets and liabilities of the disposed businesses were as follows:

	2022			2021		
	Packaging business £m	Filters business £m	Total £m	Packaging business £m	Filters business £m	Total £m
Property, plant and equipment	123.1	89.0	212.1	-	-	-
Lease right-of-use assets	19.8	16.6	36.4	-	-	-
Intangible assets	126.8	23.3	150.1	-	-	-
Long-term receivables	1.9	1.7	3.6	-	-	-
Deferred tax assets	7.7	1.4	9.1	-	-	-
Income tax receivable	0.3	0.1	0.4	-	-	-
Inventories	47.0	56.6	103.6	-	-	-
Trade and other receivables	93.6	66.7	160.3	-	-	-
Cash and cash equivalents	1.8	33.9	45.7	-	-	-
Total assets	432.0	289.3	721.3	-	-	-
Trade and other payables	80.1	71.1	151.2	-	-	-
Lease liabilities due less than one year	4.3	3.2	7.5	-	-	-
Lease liabilities due greater than one year	15.5	14.6	30.1	-	-	-
Retirement benefit obligations	0.6	4.2	4.8	-	-	-
Provisions	2.3	0.2	2.5	-	-	-
Deferred tax liabilities	26.5	10.9	37.4	-	-	-
Income tax payable	2.1	5.0	7.1	-	-	-
Total liabilities	131.4	109.2	240.6	-	-	-
Net assets disposed	300.6	180.1	480.7	-	-	-

Notes:

- The total profit or loss for the year from discontinued operations is £152.7m (2021: £33.2m) after tax. This includes the profit or loss on disposal of the Packaging business and the Filters business, and the profit or loss on disposal of the Packaging business in India. The profit or loss on disposal of the Packaging business in India is included in the discontinued operations section of the consolidated income statement.

25. Dividends

	2022			2021		
	Packaging business £m	Filters business £m	Total discontinued operations £m	Packaging business £m	Filters business £m	Total discontinued operations £m
Revenue	319.1	334.8	653.9	362.4	295.6	658.0
Operating (loss)/profit²	(184.7)	47.6	(137.1)	6.6	35.4	42.0
Finance income	0.1	1.4	1.5	–	0.6	0.6
Finance expense	(0.6)	(1.5)	(2.1)	(1.0)	(1.4)	(2.4)
(Loss)/profit before tax	(185.2)	47.5	(137.7)	5.6	34.6	40.2
Income tax credit/(expense)	11.6	(7.6)	4.0	(2.6)	(4.4)	(7.0)
(Loss)/profit for the period after tax	(173.6)	39.9	(133.7)	3.0	30.2	33.2

No. 2

1. The Group disposed of the Packaging business and the Fitbit business during the year ended 31 December 2022. The results of these discontinued businesses have been reported as discontinued operations.
2. The operating result of discontinued operations is after the impairment charge of £82.7m. An impairment charge of £141.6m was recognised on 30 June 2022 following the Group's impairment assessment in respect of the carrying value of goodwill allocated to the Packaging business prior to its exclusive arrangement. An impairment charge of £3.1m was recognised relating to intangible assets held prior to following an impairment review triggered by the acquisition of the Packaging business.

Cash flow information from discontinued operations:

	2022		2021	
	Packaging business £m	Filters business £m	Total £m	Total £m
Cash consideration	299.5	163.1	462.6	—
Cash and cash equivalents disposed	(11.8)	(33.9)	(45.7)	—
Proceeds from disposal of businesses net of cash disposed	287.7	129.2	416.9	—
Net cash inflow from operating activities	24.0	35.7	59.7	66.1
Net cash inflow from investing activities	255.8	103.0	358.8	(19.7)
Net cash outflow from financing activities	(4.6)	(5.7)	(10.3)	(7.5)
Increase in cash and cash equivalents	275.2	133.0	408.2	38.9

For the Group's basis of consolidation policy, see note b within Accounting Policies.

26. Related parties

Other than the compensation of key management (note 5), Essentra has not entered any material transactions with related parties since the last Annual Report.

ITC Essentra Limited was 50% owned by the Group until its disposal on 3 December 2022. Until that date, its results were fully consolidated within the Group's results as it was deemed Essentra had control up to the date of disposal by virtue of its having control of the board. At the date of disposal, the entity had gross assets of £34.0m (31 December 2021: £27.6m) and gross liabilities of £14.6m (31 December 2021: £9.9m). Operating profit for the period to disposal was £6.9m (2021: £5.0m) and cash decreased by £0.5m (2021: £0.8m increase).

China Tobacco Essentra (Xiamen) Filters Co., Ltd was 49% owned by the Group until its disposal on 3 December 2022. Until that date, its results were fully consolidated within the Group's results as it was deemed Essentra had control up to the date of disposal by virtue of its having control of the board. As the date of disposal, the entity had gross assets of £30.0m (31 December 2021: £20.3m) and gross liabilities of £12.7m (31 December 2021: £5.4m). Operating profit for the period to disposal was £2.4m (2021: £0.8m loss) and cash decreased by £0.9m (2021: £0.2m).

27 Adjusted performance measures

The Group presents alternative performance measures including adjusted operating profit, adjusted operating profit, after allocation of central costs, adjusted operating cash flow and adjusted earnings per share, which are not defined or specified in accordance with UK adopted International Financial Reporting Standards. These non-GAAP measures enable management to reflect the underlying performance of the continuing operations of the Group and provides investors with a more meaningful comparison of how the business is managed and measured on a periodic basis. For further information on alternative performance measures applied by the Group, refer to pages 50 and 51.

The adjusted performance measures presented below cannot be derived directly from the Group's consolidated financial statements and therefore, a reconciliation of the adjusted performance measure to the most directly comparable reported measure in accordance with UK adopted International Financial Reporting Standards has been provided.

Reconciliation to the Group's adjusted profit measures

Continuing operations	2022 £m	2021 £m
Operating (loss)/profit	Reported statutory measure	7.7
Amortisation of acquired intangible assets		
Adjusting items	Note 2	
Adjusted operating profit	Adjusted performance measure	25.4
Finance income	Note 3	
Finance expenses	Note 3	
Adjusted profit before income tax	Adjusted performance measure	11.6
Tax on adjusted profit		
Adjusted net income	Adjusted performance measure	11.2

Reconciliation of reported statutory measures to the Group's segment analysis

	2022						2021
	Components £m	Central Services £m	Continuing Operations £m	Discontinued Operations £m	Total £m	Corporate £m	Discontinued Operations £m
Operating (loss)/profit							
Reported statutory measure	40.9	(52.2)	(11.3)	(137.1)	(148.4)	47.9	42.0
Adjusting items	12.4	13.6	26.0	-	26.0	0.4	-
Amortisation and impairment of acquired intangible assets	10.4	-	10.4	189.2	199.6	8.6	13.8
Adjusted operating profit	63.7	(38.6)	25.1	52.1	77.2	56.9	55.8

Note 2

1 The Group's assessment of the underlying business performance is based on the operating profit before tax for the period ended 31 December 2022. The operating profit before tax for the period ended 31 December 2021 is £11.2m.

27. Adjusted performance measures continued

Net funding surplus/(debt)

Net funding surplus/(debt) is defined as cash and cash equivalents (including short term liquid investments) and derivatives against hedging placement loans, net of lease liabilities and interest-bearing loans and borrowings. It is a measure that provides additional information on the Group's financial position.

	2022 £m	2021 £m
Cash and cash equivalents		
Debt liabilities	Reported statutory measure	136.3
Lease liabilities	Note 14	(313.5)
Derivative financial instruments hedging placement loans	Note 19	(57.7)
	Note 15	8.3
	Adjusted performance measure	-
Net funding surplus/(debt)	113.8	(234.7)

Reconciliation to the Group's adjusted operating cash flow measure

Adjusted operating cash flow from continuing operations is presented to exclude the impact of tax, adjusting items, interest and other items not impacting operating profit. Net capital expenditure is included in this measure as management regards investment in operational assets (tangible and intangible) as integral to the underlying cash generation capability of the Group, except amounts relating to adjusting items.

	2022 £m	2021 £m
Net cash inflow from operating activities	Reported statutory measure	63.2
Adjusted for: net cash outflow from discontinued operations	Note 24	(59.7)
Operating net cash inflow/(outflow) from continuing activities		(66.1)
Cash outflow from adjusting items	4.3	(2.9)
Tax paid on continuing operations	23.7	23.9
Adjustments for pension contributions	5.0	4.7
Net capex expenditure on continuing operations	-	4.8
	(12.8)	(12.7)
Adjusted operating cash flow from continuing operations	Adjusted performance measure	20.2
		17.8

	2022 £m	2021 £m
Adjusted operating profit from continuing operations	Adjusted performance measure	
Depreciation of property, plant and equipment	Note 2	25.1
Lease right-of-use asset depreciation	Note 2	13.9
Amortisation of non-acquired intangible assets	Note 2	5.6
Share option expense	Note 5	2.7
Other non-cash items		1.4
Working capital movements		(1.5)
Net capital expenditure		(14.2)
		(12.8)
Adjusted operating cash inflow from continuing operations	Adjusted performance measure	
		20.2
Reconciliation of cash flows from adjusting items:		
Adjusting items	Note 2	
Non-cash credit/(charge) in adjusting items		26.0
		(2.0)
Cash outflow on adjusting items recognised in the year		
Utilisation of prior year and acquired accruals and provisions	Note 17	24.0
		(0.3)
		7.2
Cash outflow from adjusting items	Adjusted performance measure	
		23.7
		23.9

Notes

Other non-cash items comprise impairment of fixed assets of £0.4m (2021: £0.2m), net of non-hedging derivative and other movements of £1.1m (2021: £0.5m outflow), movement in provisions of £0.1m (2021: £0.4m) and loss movement on fair value adjustment of £3.2m (2021: £1.1m).

28. Post balance sheet events

As a consequence of the business disposals, the Group was required to repay \$247m of its US Private Placement Loan Notes, classified as current liability at the balance sheet date, which were repaid in full during January 2023.

Essentra plc Company Balance Sheet At 31 December 2022

	2022 £m	2021 £m
Fixed assets		
Investments in subsidiary undertakings	3,12	466.6
Current assets		
Debtors	4	498.3
Current liabilities		
Creditors: amounts falling due within one year	5	(211.8)
Net current assets	303.2	494.8
Non-current liabilities		
Creditors: amounts falling due after more than one year	6,7	(85.0)
Net assets	687.9	703.7
Capital and reserves		
Issued share capital	8	75.6
Merger reserve	9	385.2
Capital redemption reserve		0.1
Profit and loss account	9	242.8
Total shareholders' funds	687.9	703.7

Note 1. The profit for the financial year ended 31 December 2022 is stated in the financial statements of the Company at £0.2m.

The Company's financial statements on pages 184 to 192 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf by:

Scott Fawcett
Chief Executive

Jack Clarke
Chief Financial Officer

Essentra plc Company Statement of Changes in Equity

	Profit and loss account					
	Issued share capital £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	Own shares £m	Total equity £m
1 January 2022	75.6	385.2	0.1	250.1	(7.3)	703.7
Profit for year	-	-	-	0.1	-	0.1
Total comprehensive income for the year	-	-	-	0.1	-	0.1
Shares issued to satisfy employee share option exercises	-	-	-	(1.8)	1.8	-
Share-based payments	-	-	-	3.1	-	3.1
Dividends paid	-	-	-	(19.0)	-	(19.0)
31 December 2022	75.6	385.2	0.1	232.5	(5.5)	687.9

	Issued share capital	Morgan Stanley	Capital reserve	Reserves	Other reserves	Total reserves
1 January 2021	75.6	385.2	0.1	266.8	(9.0)	718.7
Profit for year	-	-	-	0.2	-	0.2
Total comprehensive income for the year	-	-	-	0.2	-	0.2
Shares issued to satisfy employee share option exercises	-	-	-	(1.7)	1.7	-
Share-based payments	-	-	-	0.8	-	0.8
Dividends paid	-	-	-	(16.0)	-	(16.0)
31 December 2021	75.6	385.2	0.1	250.1	(7.3)	703.7

Essentra plc Company Notes

1. Basis of preparation and principal accounting policies

(a) Basis of preparation

Essentra plc (the 'Company') is a public limited company, limited by shares, that is incorporated and domiciled in England and Wales (registration no 05444653). The address of its registered office is Langford Locks, Kidlington, Oxford, OX5 1HX, United Kingdom. The Company's ordinary shares are publicly traded on the London Stock Exchange and it is not under the control of any single shareholder.

These financial statements were prepared using the historical cost convention in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and the Companies Act 2006. The Company financial statements have been prepared on a going concern basis for the reasons set out on page 143 to the consolidated financial statements.

The profit and loss account of the Company is not presented as permitted by Section 408 of the Companies Act 2006.

In the preparation of these financial statements, the Company has applied the following disclosure exemptions available under FRS 101, which the Company intends to maintain in future years:

- the requirements of paragraph 45(b) and 46-52 of IFRS 2 *Share-Based Payments*;
- the requirements of paragraphs 62, B64(b), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- the requirement of IFRS 7 *Financial Instruments: Disclosures*;
- the requirement of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 *Property, Plant and Equipment* and paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-(e) of IAS 36 *Impairment of Assets*.

The results of the Company are included in the Group's consolidated financial statements. Where required, equivalent disclosures are given in the consolidated financial statements.

There are no new and mandatory effective standards in the year that would have a material impact on the financial statements.

No critical accounting judgements or estimates were required in the year.

(b) Principal accounting policies

The following principal accounting policies have been consistently applied.

Investment in subsidiary undertaking

Investment in subsidiary undertaking is held at cost less any provision for impairment. The Company assesses at each balance sheet date whether the investment in its subsidiary has been impaired.

Share-based payments

The fair value of share options is measured at grant date. It is recognised as an addition to the cost of investment in the subsidiary in which the relevant employees work over the expected period between grant and vesting date of the options, with a corresponding adjustment to reserves. Detailed disclosures for the share-based payment arrangements of the Company are provided in note 18 to the consolidated financial statements.

Own shares

The shares held in the Essentra Employee Benefit Trust for the purpose of fulfilling obligations in respect of share incentive plans are treated as belonging to the Company and are deducted from its retained earnings. The cost of shares held directly (treasury shares) is also deducted from retained earnings.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the period in which they are approved by the shareholders of the Company (final dividend) or paid (interim dividend).

Dividend income is recognised when the right to receive payment is established.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Exchange differences arising from movements in spot rates are included in the profit and loss account as exchange gains or losses, while those arising from the interest differential elements of forward currency contracts are included in external interest income or expense.

Financial assets

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Company's financial assets at amortised cost comprise receivables in the balance sheet.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised accordingly using the effective interest method.

1. Basis of preparation and principal accounting policies continued

Financial liabilities

Interest bearing loans and borrowings and other financial liabilities (excluding derivatives) are initially recognised at fair value net of transaction costs incurred. They are subsequently held at amortised cost using the effective interest method. Any difference between the proceeds, net of transaction costs, and the settlement or redemption of borrowings is recognised in profit or loss over the term of the borrowings.

The Company holds financial instruments which hedge the net investments in the foreign operations of its subsidiary undertakings. Gains and losses on these instruments are recognised in the profit and loss account of the Company.

Taxation

Income tax in the profit and loss account comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using the applicable tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in prior years.

Deferred tax is provided, using the balance sheet liability method, on temporary differences arising between the tax bases and the carrying amounts of assets and liabilities in the financial statements. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset or liability is settled, using the applicable tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Net operating charges

The auditors were paid £5,125 (2021: £5,125) for the statutory audit of the Company. Fees paid to the Company's auditors for services other than the statutory audit of the Company are disclosed in note 2 to the consolidated financial statements.

The Directors' remuneration, which was paid by Essentra International Limited, is disclosed in the Annual Report on Remuneration on pages 111 to 121. The only employees of the Company are the seven Directors and Company Secretary.

3. Investments in subsidiary undertakings

	2022 £m	2021 £m
Beginning of year	466.6	465.8
Additions	3.1	0.8
End of year	469.7	466.6

For the year end management performed a value-in-use impairment assessment of its investments in subsidiary undertakings using a discounted cash flow model.

The key assumptions in the cash flow model are revenue growth and operating margin for the Group. Operating margin is primarily based upon the historical levels achieved, adjusted by targets set for revenue expansion and cost control and reduction within The Plan period. The values assigned to these assumptions represent management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies resulting from integration activities. The annual revenue growth rate over the five year forecast period averages 6.6% with a terminal growth rate of 2.4% from 2028 onwards. The average operating profit margin over the five year forecast period is assumed to improve by 120 bps.

The estimated cash flows are discounted using a post-tax discount rate based upon Essentra's estimated post-tax weighted average cost of capital of 10.8%. The specific pre-tax discount rates applied for the Group are 11.0%.

No impairment in the carrying amount of investments has been identified.

4. Debtors

	2022 £m	2021 £m
Amounts receivable from subsidiary undertakings	515.0	498.3
	515.0	498.3

Receivables due from group companies to the Company are interest free and repayable on demand. Receivables from group companies have been assessed for impairment in accordance with IFRS 9. As all balances are repayable on demand, and the Company expects to be able to recover the outstanding intercompany balances if demanded, no provision has been recognised in the year ended 31 December 2022 (2021: £nil).

5. Creditors: amounts falling due within one year

	2022 £m	2021 £m
Accruals and deferred income	3.8	3.5
US Private Placement Loan Notes	208.0	-
	211.8	3.5

Note 1
Refer to note 14 of the consolidated financial statements for details of the US Private Placement Loan Notes.

6. Creditors: amounts falling due after more than one year

	2022 £m	2021 £m
US Private Placement Loan Notes	85.0	257.7
	85.0	257.7

Note 1
Refer to note 14 of the consolidated financial statements for details of the US Private Placement Loan Notes.

7. Maturity of financial liabilities

	2022 £m	2021 £m
<i>Debt analysed as falling due:</i>		
Within one year	208.0	-
Between one and five years	-	14.8
More than five years	85.4	244.4
Less prepaid facility fees	(0.4)	(1.5)
	293.0	257.7

8. Issued share capital

	2022 £m	2021 £m
Issued, authorised and fully paid ordinary shares of 25p (2021: 25p) each	75.6	75.6
<i>Number of ordinary shares in issue</i>		
Beginning of year	302,590,708	302,590,708
End of year	302,590,708	302,590,708

At 31 December 2022, the Company held 897,944 (2021: 905,157) of its own shares in treasury.

9. Reserves

The merger reserve represents the excess of net proceeds received over the nominal value of shares issued subject to the provisions of s612 of the Companies Act 2006.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in these Financial Statements. The profit attributable to equity holders included in the financial statements of the Company is £0.1m (2021: £0.2m).

Included in the profit and loss account are accumulated share-based payments of £53.0m (2021: £49.9m) which are credited directly to reserves. Full details of these share-based payments are set out in the Annual Report on Remuneration on pages 111 to 121.

10. Dividends

	Per share		Total
	2022	2021	
	p	p	£m
2021 interim: paid 29 October 2021	–	2.0	6.0
2021 proposed final: paid 1 June 2022	–	4.0	12.1
2022 interim: paid 28 October 2022	2.3	–	6.9
2022 special dividend: payable 27 April 2023	29.8	–	90.0
2022 proposed final: payable 30 June 2023	1.0	–	3.0

11. Post balance sheet events

As a consequence of the business disposals, the Group was required to repay \$247m of its US Private Placement Loan Notes, classified as current liabilities at the balance sheet date, which were repaid in full during January 2023. At the same time amounts due from subsidiary undertakings of £515m (note 4) were reduced by \$247m.

12. Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the exemption from the requirements under section 479A of the Companies Act 2006 relating to the audit of financial statements for the year ended 31 December 2022. Essentra plc has given a parental guarantee in respect of the debts and liabilities of these subsidiaries under section 479C of the Companies Act 2006.

Company name	Company name
Essentra Components Limited	Essentra (Northampton) Ltd
ESNT Holdings (No.1) Limited	Essentra Services Limited
ESNT Holdings (No.2) Limited	Wixroyd Holdings Limited
ESNT International Limited	Wixroyd Group Limited
Essentra International Limited	Automation Components Limited
Essentra Overseas Limited	Coburg Components Ltd
Essentra Pension Trustees Limited	Teknipart Limited
Essentra Finance Limited	

13. Subsidiary undertakings

The Group's subsidiaries (including dormant entities) at 31 December 2022, are set out below and are 100% owned directly or indirectly by the Group unless otherwise indicated. Essentra International Limited is the only direct subsidiary of Essentra plc.

The principal country in which each company operates is the country of incorporation. All subsidiaries have the same 31 December year end date as the Company.

On 2 August 2021, Essentra acquired the trade and assets of Jiangxi Hengzhu Electrical Cabinet Lock Co., Ltd ("Hengzhu"), an access hardware manufacturer and distributor in China via an newly incorporated entity, Essentra Hengzhu Precision Components Co Ltd, which acquired 100% of the business for ¥103m (approximately £11.8m). Essentra has subscribed and paid up 73% of the issued share capital of Essentra Hengzhu Precision Components Co Ltd with the remaining 27% stake subject to put and call options exercisable 6 months after issuance of the subsidiary's audit report for 2022. The remaining 27% stake does not confer any shareholder right; (including, entitlement to dividends and right to transfer to other parties) to the vendor shareholder. No non-controlling interest is recognised in respect of this acquisition.

13. Subsidiary undertakings continued

Company name	Country of incorporation	Principal activity	Address of registered office
Essentra Components Limited	UK	Manufacturing	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
ESNT Holdings (No.1) Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
ESNT Holdings (No.2) Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
ESNT International Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra International Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Overseas Limited	UK	Holding Company	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Pension Trustees Limited	UK	Pension Trustee	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Finance Limited	UK	Treasury activities	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra (Northampton) Ltd	UK	Non-trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Services Limited	UK	Non-trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Filtrona Limited	UK	Dissolved 17 January 2023	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Alliance Plastics Limited	UK	Dormant	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Cigarette Components Limited	UK	Dormant	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
ESNT Components Limited	UK	Dormant	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Filtrona Custom Moulding Limited	UK	Dormant	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Stera Tape Limited	UK	Dormant	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Wix-oyd Holdings Limited	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Wix-oyd Group Limited	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Automation Components Limited	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Coburg Components Ltd	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Teknipart Limited	UK	Trading	Langford Locks, Kidlington, Oxfordshire, OX5 1HX
Essentra Plastics LLC	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Innovative Components, Inc.	US	Manufacturing	1315 W Lawrence Avenue, Springfield, IL 62704, United States
Micro Plastics, Inc.	US	Manufacturing	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Components Inc	US	Distribution	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Component's Japan Inc	US	Distribution	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
ESNT Holdings Inc	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
ESNT (Parous) Holdings Inc.	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
ESNT US Holdings Corp	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Corporation	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Holdings Corp. (DE)	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
US NewCo LLC	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
ESNT Components Co.	US	Holding Company	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Essentra Components BV	Netherlands	Non-trading	Two Westbrook Corporate Center, Suite 200, Westchester IL 60154, United States
Blue NewCo 1 B.V.	Netherlands	Distribution	Dragonder 3, 5554 GM Valkenswaard, Netherlands
	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard, Netherlands

13. Subsidiary undertakings continued

Company name	Country of incorporation	Principal activity	Address of registered office
Blue NewCo 2 B.V.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard Netherlands
Blue NewCo 3 B.V.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard Netherlands
Blue NewCo 4 B.V.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard Netherlands
ESNT Holdings Cooperatie 1 W.A.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard Netherlands
Essentra BV	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard Netherlands
Essentra International BV / LLC	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard Netherlands
ESNT Holdings Cooperatie 2 W.A.	Netherlands	Holding Company	Dragonder 3, 5554 GM Valkenswaard Netherlands
Essentra Components GmbH	Netherlands	Non-trading	Dragonder 3, 5554 GM Valkenswaard Netherlands
Essentra Pty Ltd	Austria	Holding Company	Schuberting 6, 1010 Wien, Austria
Essentra Industria E Comercio LTDA	Australia	Treasury activities	32 Clyde Street, Rydalmere NSW 2116, Australia
Essentra Limited	Brazil	Manufacturing	Room 7, No 1000 Avenida Emilio Marconato, Centro Comercial, Chacara Primavera, Jaguaruina, Sao Paulo, 13.916-074, Brazil
Essentra Hengzhu Precision Components Co., Ltd	Canada	Manufacturing	2538 Spears Road, Oakville ON L6L 5K9, Canada
Essentra Precision Machinery Components (Ningbo) Co. Ltd	China	Manufacturing	No. 12 Jingfa Avenue, Yichun, Economic and Technological Development Zone, Yichun City, Jiangxi Province, China
Essentra Trading (Ningbo) Co. Ltd	China	Manufacturing	99 Huanghai Road, Beilun District, Ningbo, Zhejiang Province, China
Essentra Components International Trading (Shanghai) Co Ltd	China	Distribution	No.99 Huanghai Road, Beilun District, Ningbo, Zhejiang Province, China
Essentra Plastic Trading (Ningbo) Co. Ltd	China	Holding Company	Room 347, Xinmaolou Building, 2 Taizhong South Road, China (Shanghai) Pilot Free Trade Zone, Pudong New Area, Shanghai, 200120, China
Componentes Innovadores Limitada	China	Holding Company	99 Hucnghai Road, Beilun District, Ningbo, Zhejiang, China
Essentra Components sro	Costa Rica	Manufacturing	Cartago-Cartago Parque Industrial Y Zona Franca Zeta, Cartago, Edificios, 48C3 48C4, Costa Rica
Essentra Components SAS	Czech Republic	Holding Company	Videnska 101/119, Dolni Heršpice, Brno, 619 00, Czech Republic
Essentra International GmbH	France	Non-trading	280 rue de la Belle Étoile, 95700, Roissy, France
Essentra Components GmbH	Germany	Holding Company	Filmstr. 5, 06766, Bitterfeld-Wolfen, Germany
Essentra Components Limited – Branch Germany	Germany	Manufacturing	Herrenpfad Süd 36, 41334, Nettetal, Germany
Essentra (Hong Kong) Limited	Germany	Distribution	Montel-Allee 3, 41334 Nettetal, Germany
Essentra Components Kft	Hong Kong	Non-trading	36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Essentra (India) Private Limited	Hungary	Holding Company	2040 Budaörs Gyar u. 2., Hungary
Essentra Components (India) Private Limited	India	Manufacturing	Survey No. 46, Jala Hobli, Dorajala Village, Bangalore North – 562 157, Karnataka, India
ESNT Holdings SpA	India	Trading	No 3, Main Rd, Phase 1 Yeshwanthpur Hobli, Bengaluru, Bangalore, Karnataka, 560058, India
	Italy	Holding Company	Podenzano (PC), Loc.1 Casani Fraz. Gargia, Via Copernico no. 54, 29027, Italy

13. Subsidiary undertakings continued

Company name	Country of incorporation	Principal activity	Address of registered office
Essentra Components srl	Italy	Non-trading	via Massarenti, 1 Loc. 1 Maggio, 40013, Castel Maggiore, Italy
Essentra Filter Products Spa	Italy	Non-trading	Studio De V vo SCLF, 84123 Salerno, Corso, Garibaldi n. 143, Italy
Abicri Encode Sdn Bhd	Malaysia	Manufacturing	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Essentra Malaysia Sdn Bhd	Malaysia	Non-trading	Unit 1110 Block A, Pusat Dagangan Phileo Damansara II, 15 Jalan 16/11 Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Essentra Asia Sdn Bhd	Malaysia	Non-trading	Unit D - 3A - 10, 4th Floor, Greentown Square, Jalan Dato' Seri Ahmed Said, 30450 Ipoh, Perak, Malaysia
Essentra Components SDN BHD	Malaysia	Non-trading	D5-5-6, Solaris Dutamas 1, Jalan Dutamas 1, 50480, Kuala Lumpur, Malaysia
Essentra Components S.A. de C.V. de R.L.	Mexico	Manufacturing	Carretera a Huinala #510, Apodaca, NL 66540, Mexico
Essentra Sp. z o.o.	Poland	Non-trading	104a, Muratowska, Łódź, 04-007, Poland
Essentra Components SRL	Romania	Distribution	Bucuresti Sectorul 1, Strada POLANA, Nr. 68-72, Etaj 2, Biroul NR 5, Romania
Essentra Components Products Pte	Singapore	Non-trading	36 Robinson Road, #17-01 City House, Singapore, 068877, Singapore
Essentra Components sro	Slovakia	Distribution	Gogol'ova 18, 852 02 Bratislava, Slovakia
Essentra Components (Pty) Ltd	South Africa	Distribution	Unit: 2, Sage Corporate Park, Corner Suni and Tsesebe Streets, South Midrand, Gauteng, 1683, South Africa
ESNT Holdings S.A.U.	Spain	Holding Company	Carre dels Fusters 18-20, Poligono Industrial Can Cuyas, Montcada i Reixac, 08110, Barcelona, Spain
Essentra Components S.L.U	Spain	Distribution	Calle Roure Gros 1-11, Poligono Industrial Mas d'En Cisa, 08181, Spain
Essentra Components AB	Sweden	Manufacturing	Askims Verkstadsvag 13Sweden, 436 34 Askim, Vastra Gotalands lan, Goteberg kommun, Sweden
Essentra Components AB - Finland Branch	Finland	Manufacturing	2A, Tallbergsgatan, Helsinki 00180, Finland
Essentra Components Sari	Switzerland	Non-trading	Rue du Grand-Chene 2, c/o Pierre-Alain Kilias, Lexaris Avocats, 1003 Lausanne, Switzerland
Essentra Eastern Limited	Thailand	Non-trading	111/5 Moo 2 Tambon Makamku, Amphur Nikom Pattana, Rayong Province, Thailand
Ban Lamai Limited	Thailand	Holding Company	o. 111/5, Moo 2, Makham Khu Sub-district, N khom Phatthana District, Rayong Province, Thailand
Essentra Components (Thailand) Limited	Thailand	Trading	111/5 Moo 2 Tambon Makamku Amphur Nikom Pattana, Rayong Province, Thailand
Apex Filters Company Limited	Thailand	Non-trading	31/2 Rama 3 Road, Chongnanssee, Yannawa, Bangkok 10120, Thailand
Mesan Kilit A.S.	Turkey	Distribution	Ilirelli Organzie Sanayi ., Bolgesi Metal Is San, Sit.7 Blok No24 Basaksehir, Istanbul, Turkey
Mesan Kilit Anonim Şirketi Maslak Şubesi - Digital Hub Branch	Turkey	Trading	Maslak Mahallesi, Bilim Sokak, Sun Plaza Blok No: 5A, 4. Kapi No:41 Sarıyer, Istanbul, Turkey
Mesan Kilit Anonim Şirketi Silivri Şubesi - Branch	Turkey	Trading	at Mimar Sinan Mah. Uluğtepe Cad. Ofis Isleri Blok No: 5, Silivri, Istanbul, Turkey

Independent auditors' report to the members of Essentra plc Report on the audit of the financial statements

Opinion

In our opinion:

- Essentra plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet and Essentra plc Company Balance Sheet as at 31 December 2022; the Consolidated Income Statement; Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and Essentra plc Company Statement of Changes in Equity for the year then ended; the Basis of Preparation and Principal Accounting Policies, Critical Accounting Judgements and Estimates, and the notes to the Consolidated Financial Statements and Essentra plc Company Notes.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 2, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

On 1 October 2022 the Group completed its sale of the Packaging business and on 3 December the Group completed the disposal of the Filters business. As part of our audit planning, we have considered the impact of these transactions on our audit risk assessment including evaluating management's analysis of the impact of the disposals on the Group financial statements, the presentation of continuing and discontinued operations, the process used by management

to deconsolidate the disposed entities and the calculation and disclosure of the losses and cash flows arising on the disposals. We have also developed our audit scope including local component audits of disposed entities to ensure we had sufficient coverage of both continuing and discontinued operations.

Overview

Audit scope

- Local PwC component teams engaged to perform full scope audit procedures over 20 reporting units
- PwC Group audit team performed full scope audit procedures over a further 16 reporting units
- *Specified audit procedures were performed by component auditors over certain balances, including revenue, at a further 3 reporting units*
- PwC Group audit team also performed audit procedures over specific balances within a further 11 reporting units
- The audit of the company financial statements was undertaken by the PwC Group audit team and included substantive procedures over all material balances and transactions

Key audit matters

- Presentation of discontinued operations (group)
- Presentation of adjusting items (group)
- Recoverability of the company's investment in subsidiary undertakings (parent)

Materiality

- Overall group materiality: £3,500,000 (2021: £3,300,000) based on our professional judgement having applied benchmark percentages to a number of profit measures and considering the overall scale of the business.
- Overall company materiality: £6,879,000 (2021: £7,000,000) based on 1% of net assets.
- Performance materiality: £2,625,000 (2021: £2,500,000) (group) and £5,159,000 (2021: £5,250,000) (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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Presentation of discontinued operations is a new key audit matter this year. Goodwill impairment in the Packaging division, which was a key audit matter last year, is no longer included because of the disposal of the Packaging division during the year. Otherwise, the key audit matters below are consistent with last year.

Presentation of discontinued operations (group)

As disclosed in Note 24 of the financial statements. On 1 October 2022, the Group completed the sale of the Packaging division and on 3 December 2022 the sale of the Filters business was completed.

The results of the Packaging and Filters businesses have been classified as discontinued operations as of 31 December 2022 and comparative information in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows has been re-presented. Discontinued operations recognised a loss of £152.7 million for the year, including an impairment charge of £181.6 million recognised at 30 June 2022 related to the carrying value of goodwill allocated to the Packaging business prior to its disposal and £1.1 million related to an impairment charge for the disposal of a Packaging business in India.

These transactions have a significant impact on the consolidated financial statements. They have triggered a number of non-routine complex accounting considerations including the separation of the underlying transactions and ledgers between continuing and discontinued operations, consideration of allocation of costs to discontinued operations, including the disposal calculation, and allocation of central costs. For this reason the presentation of discontinued operations is considered as a key audit matter.

How our audit addressed the key audit matter

As part of our audit, we have critically assessed the deconsolidation, the calculations of the losses on disposal and the disclosure of the discontinued operations in the consolidated financial statements.

We inspected the Sale and Purchase agreements and other relevant documents underlying the disposals in order to understand key terms and conditions and to assess the accounting impact. Our audit work in this area has included completeness testing of entities included in the continuing and discontinued consolidations (to ensure each entity is correctly mapped), detailed testing of intercompany eliminations and journal entries, specifically in relation to the implementation of step plans that were put in place prior to the disposals taking place, in addition to risk based testing of journals that may be used to manipulate the results between continuing and discontinued operations.

We have also performed detailed procedures to confirm that the costs of disposal appropriately relate to discontinued operations (and are presented as such), and to ensure that the calculation of net assets disposed of in each case directly agree to the appropriate entity codes at the date of disposal (as audited by our component teams), and in the case of the Packaging disposal, these figures also agree to the completion accounts. For completeness we have also tested adjusting items disclosed in the financial statements (see below) to ensure they were correctly allocated to the continuing rather than the discontinued business.

We have performed detailed testing of the costs testing bonus costs to payment; and staff communications (to ensure no future service is required to receive the remaining bonuses) and testing a sample of onerous contracts back to contract and management's cost assessment. In addition, we have tested a sample of professional fees to ensure that the costs are clearly associated with the disposal, and therefore are correctly presented as discontinued operations.

As part of our audit, we have critically assessed the deconsolidation, the calculations of the losses on disposal and the disclosure of the discontinued operations in the consolidated financial statements.

Key audit matter

Presentation of discontinued operations (group) – continued

How our audit addressed the key audit matter

We have assessed the impairment of goodwill and other intangible assets recognised at the point in the year that the Packaging division was classified as held for sale by reference to the agreed consideration included in the signed Sale and Purchase Agreement and management's estimation of the expected costs of disposal. We consider the impairment charge recognised to be appropriate.

We have also considered the allocation of central costs as part of the segmental report note in the Annual Report, and challenged management regarding the allocation of costs between the continuing and discontinued businesses.

We consider that presentation of results as those from discontinued operations, is adequately reflected and disclosed in the financial statements.

Key audit matter**Presentation of adjusting items (group)**

The financial statements include certain items which are disclosed as adjusting items. The nature of the adjusting items is explained within the Group accounting policies and includes transaction costs relating to acquisition and disposals of businesses, acquisition integration and restructuring costs, customisation and configuration costs of significant Software as a Service ("SaaS") arrangements and other items such as site closure costs and one-off projects.

In the year the most significant adjusting items relate to customisation and configuration costs of SaaS arrangements (£12.4 million), costs of restructuring following disposal of businesses (£10.4 million), defined benefit pension scheme charges (£2.0 million) associated with people who are no longer employed by the group, acquisition integration and restructuring costs (£0.5 million) and other costs, including site closure costs (£0.7 million).

We focused on this area as there is limited guidance relating to this presentational matter with IFRS and judgement is required by the directors in determining whether items classified as adjusting are consistent with the Group's accounting policy. Consistency in identifying and disclosing items as adjusting is important to maintain comparability of the results year on year.

See note 2 to the Group financial statements for details of adjusting items and the Critical Accounting Judgements and Estimates section for management's disclosure of this significant judgement. Also see the Significant financial judgements section in the Report of the Audit and Risk Committee

How our audit addressed the key audit matter

We assessed the appropriateness of the Group's accounting policy for the recognition of adjusting items with reference to the applicable accounting guidance. We challenged management and considered whether the items disclosed as adjusting items were consistent with the accounting policy and the approach taken in prior years, to determine that items were appropriately classified. We did not identify any material items which we would expect to be reported in earnings before adjusting items.

Customisation and configuration costs relate to costs incurred in system development and implementation written off. In 2021 management updated its accounting policy to include the costs which no longer meet the criteria for capitalisation as adjusting items. In 2022, the Group incurred additional costs of £12.4 million in relation to SaaS related projects that meet this criteria. We have selected a sample of costs incurred in the current year and obtained supporting documents. For the samples selected we traced the expense to supporting documents to ensure the accuracy of the cost and inspected the nature of these projects to ensure they relate to SaaS arrangements. Due to the highly material nature of the costs in the current and prior year, we agree with management's conclusions and presentation of this item as adjusting in the year for projects of significant value.

Costs of restructuring following disposals of businesses include employee redundancy costs of (£4.2 million), external professional costs (£5.7 million) and a charge for share option acceleration (£0.5 million). For redundancy costs and external professional costs, in addition to the acquisition and integration related costs of £0.5 million, we have performed sample testing and verified those samples to payroll records and redundancy consultation statements, supporting invoices, agreements or other evidence. Other costs of £0.7 million relate to site closure and legal costs (£0.6 million) and net write down of assets (£0.1 million). We have tested through sampling and items have been traced to invoices and other supporting documentation.

Key audit matter**Presentation of adjusting items (group) – continued****How our audit addressed the key audit matter**

Our review of the presentation of adjusting items of the continuing business has also considered the appropriateness of presentation of the share option acceleration charge (£0.5 million) and defined benefit pension scheme charges, being IAS 19 current service costs and administrative expenses (£2.0 million). We have concluded that the share option acceleration is clearly one-off in nature and associated with the transformation of the group to be a pure-play components business. We have challenged management over their decision to include the costs of the defined benefit schemes as an additional adjusting item in 2022 and have sought evidence to verify management's justification for the changed presentation. We have also considered the impact of the change on the overall presentation of adjusting items and whether the revised approach is appropriately disclosed and explained in the financial statements.

The disclosures included in note 2 were reviewed and deemed reasonable.

Key audit matter**Recoverability of the company's investment in subsidiary undertakings (parent)**

The value of the investment held by the company at year end is £469.7 million. Essentra plc holds a direct investment in Essentra International Limited, and through this entity an indirect investment in the Group as a whole. The valuation of this investment is significant to the company balance sheet.

Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment charge, if any. Any such impairment charge is recognised in the income statement. Given the disposal transactions completed in the year and the decline in market capitalisation an impairment trigger has deemed to have occurred.

Judgement is required in this area, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; and (2) whether the carrying value of an asset can be supported by the recoverable value, being the higher of FVLCTS or VIU which is estimated based on the continued use of the asset in the business.

Given the magnitude of the investment and the judgement involved we have identified this area as a key audit matter for the audit of the company.

See notes 3 and 13 in the company financial statements for details of the company's investment in subsidiary entities.

How our audit addressed the key audit matter

Given the restructuring of the Group during the year management have performed a Value in Use impairment assessment of the Group using a discounted cash flow model. We have tested the model including assessments of the mathematical accuracy and the key assumptions. We compared the revenue and margin growth assumptions to the historical track record of the Components business and performed sensitivity analysis. We have engaged our valuation experts to assess the reasonableness of the discount rate and long term growth rates applied in the model. Where assumptions sat outside of the ranges established by our experts we performed sensitivity analysis to confirm that alternative assumptions within the PwC ranges did not result in a material impairment.

We also considered alternative valuation reference points including deriving an implied valuation of the group below the company from the Group's market capitalisation at 31 December 2022 adjusted for the external debt held in the company's balance sheet. This analysis highlighted no evidence of impairment.

Based on these procedures, we concluded that we concur with management's assessment that there were no impairments identified in the carrying value of the company's investment in the group.

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.

Prior to the disposals, the Group was split into three divisions being Components, Packaging and Filters. Each division consisted of a large number of reporting sites spread globally across 34 territories. There were 187 reporting units within the consolidation, which included the reporting sites and other consolidation units. We did not identify any individually significant components within the Group with the largest contribution to revenue of the continuing group being 16.9% from one reporting site, and the average being 2.4%. We determined the most effective approach was to engage PwC local component teams to perform full scope procedures over 20 reporting units, with the Group audit team performing full scope audit work over a further 16 reporting units. In addition, specified units procedures were performed over certain balances, including revenue, at a further 3 reporting units. The Group audit team also performed audit procedures over specific balances within a further 11 reporting units. This approach ensures that appropriate audit coverage has been obtained over all material financial statement line items.

Where work was performed by component auditors, we determined the appropriate level of involvement we needed to have in that audit work to ensure we could conclude that sufficient appropriate audit evidence had been obtained for the Group financial statements as a whole. We issued written instructions to all component auditors and had regular communications with them throughout the audit cycle. This included a virtual clearance meeting with each component team and review of all significant matters reported. In addition members of the Group engagement team have reviewed working papers of a number of component audit teams and have performed oversight visits to teams in the US, Dubai, the UK and Turkey. Based on the detailed audit work performed across the Group, we have gained coverage of 70% of revenue, 84% of profit before tax for the continuing group, and 66% of revenue for discontinued operations, in addition to 85% of net assets.

The impact of climate risk on our audit

In planning our audit, we considered the potential impact of climate change on the Group and company financial statements. Given the principal activities of the Group, it is highly likely that climate risk will have an impact on the Group's business. As part of our audit, we evaluated management's climate change risk assessment including the identified physical and transitional risks and the assessment of the impact of those risks on the Group financial statements. We note therefore have no current financial statement impacts. Transitional risks are considered to have a more significant impact on the business as set out in the Task Force on Climate-Related Financial Disclosures (TCFD) on page 43. We performed procedures to evaluate the appropriateness of management's risk assessment. We considered the Group's externally published environmental targets and understood the progress made towards these targets to date in addition to plans in place to bridge to meeting these targets in the future. We challenged management on the potential additional future costs associated with meeting these targets. We assessed that the key financial statement line items and estimates which are more likely to be impacted by climate risks are those associated with future cash flows, given the more notable impacts of climate change on the business are expected to arise in the medium to long term. These included the assessment of impairment and the long term viability assessment. However, our procedures did not identify any material impact on either the Group or company financial statements or our key audit matters for the year ended 31 December 2022.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£3,500,000 (2021: £3,300,000).	£6,879,000 (2021: £7,000,000).
How we determined it	Professional judgement having applied benchmark percentages to a number of profit measures and considering the overall scale of the business Overall Group materiality in 2021 was £3,300,000, which represented 5% of profit before tax, amortisation of acquired intangible assets and adjusting items.	
Rationale for benchmark applied	Given the significant changes in the Group's structure following the disposal of the Packaging and Filters divisions, we considered materiality in a number of different ways, including: • revenue benchmarks; • income statement benchmarks including adjusted profit metrics for the continuing as well as discontinued businesses; • asset benchmarks based on the balance sheet of the continuing business. We determined that an appropriate level of materiality for performing the 2022 audit would be within the range of the above benchmarks, whilst at neither the upper nor lower ends. Based on our professional judgement, we selected an overall materiality level of £3,500,000.	

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 £50,000 and £2,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our

testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,625,000 (2021: 2,500,000) for the group financial statements and £1,159,000 (2021: £,250,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £170,000 (group audit) (2021: £160,000) and £170,000 (company audit) (2021: £160,000) 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:

- obtaining and agreeing management's going concern assessment to the board approved business plan and ensuring that the base case scenario for the 18 month period to 30 September 2024 indicates that sufficient cash flows are generated to meet the obligations of the business as they fall due while complying with covenant arrangements;
- identifying revenue growth and operating margin as the key assumptions inherent in the plan and validating these to historical precedent and market or industry forecasts;
- analysing the cash flows in the forecast models to identify unexpected trends and relationships and ensuring the mathematical accuracy of management's models;
- evaluating management's severe but plausible downside scenario including the impact on the Group's liquidity headroom and its ability to meet debt covenants;
- evaluating management's analysis of the likely impacts of the strategic reviews on the going concern assessment; and
- validating that climate change is expected to have a limited impact during the period of the going concern assessment.

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 directors' 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.

- 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 and company 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 and Risk 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

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 in

Statements, the directors are responsible for the preparation of the financial statements to enable the company to comply 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 statement is as a whole 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 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 of the financial statements or a material misstatement of the other information, if, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006

Corporate governance statement

The Listing Rules require us to review the 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, included within the Risk Management Report and Other Statutory Information 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 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' confirmation that they have carried out a robust assessment of the emerging principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are 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 adapt 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;

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and regulations, health and safety legislation and import and export restrictions including US sanctions legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Listing Rules and UK and overseas tax legislation. 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 of journal entries to improve revenue performance or to manipulate performance metrics relating to bank covenants, and management bias in key 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:

- Review of correspondence with legal advisors.
- Review of matters reported through the Group's whistleblowing helpline and the results of management's investigation of such matters.
- Enquiries of management at the Group, divisional and local levels.
- Enquiries of the Group's legal team
- Enquiries with component auditors.
- Evaluation of management's controls designed to prevent and detect irregularities, in particular their compliance procedures in respect of sanction market trading.
- Review of internal audit reports in so far as they related to the financial statements.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which result in an impact to revenue or to performance metrics relevant to banking covenants; and
- Testing of critical accounting estimates to identify evidence of management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 20 April 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2017 to 31 December 2022.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.114R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Milton Keynes
29 March 2023

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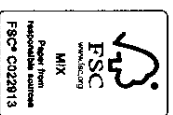
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DESIGN group



Printed in the UK by Pyeprint Group, a Carbon Neutral company.
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