DEVRO

FROM SCIENCE TO SUPERMARKET

ANNUAL REPORT & ACCOUNTS **2020**

DEVRO IS ONE OF THE LEADING GLOBAL SUPPLIERS OF COLLAGEN CASINGS FOCUSED ON SUPPORTING OUR CUSTOMERS WITH PRODUCTS AND EXPERTISE TO MAKE THE BEST POSSIBLE SAUSAGES.

The Devro story starts with great science and ends with the sizzle of a great sausage. In between, it's all about people. Making good products and looking after our customers properly are the givens of our business. Without them, we'd fail. But being a responsible business today means more than that. It involves looking after the interests of anyone who has a part to play in our story.

That means our customers, the people who work for us, the people who trust us enough to invest in our business, who supply the products and services we rely on and whose lives are indirectly affected by what we do. We try to be respectful of them all and deal fairly and honestly. We also do our best to make Devro a safe and fulfilling place to work.

The rest is about being aware that we're part of something bigger. Another way of saying that is that we take our corporate social responsibilities seriously.

pages 44 to 62 *Read more about this*

Highlights of the Year

REVENUE (£'M)

£247.6M

20	247.6
19	250.0
18	253.4
17	256.9
16	241.1

UNDERLYING* OPERATING PROFIT (£'M)

£40.8M

20	40.8
19	39.1
18	40.0**
17	38.1
16	38.1

OPERATING PROFIT/(LOSS) (£'M)

£36.2M

20	36.2
19	(14.0)
18	26.9
17	33.0
16	15.4

UNDERLYING* EARNINGS PER SHARE (PENCE)

16.5P

20	16.5
19	15.2
18	14.6
17	14.2
16	14.7

BASIC EARNINGS PER SHARE (PENCE)

13.8P

20	13.8
19	(24.8)
18	7.5
17	9.3
16	1.3

DIVIDENDS PER SHARE (PENCE)

9.0P

20	9.0
19	9.0
18	9.0
17	8.8
16	8.8

* Underlying measures are stated before exceptional items and net finance cost on pensions, and they are defined, explained and reconciled to the equivalent statutory measures in the Alternative Performance Measures on pages 32 to 35. Underlying figures for 2017 and earlier years have been restated to exclude net finance cost on pensions, where applicable.

** Before non-recurring items which relate to Board change costs of £0.8 million in 2018.

STRATEGIC REPORT

DIRECTORS' REPORT

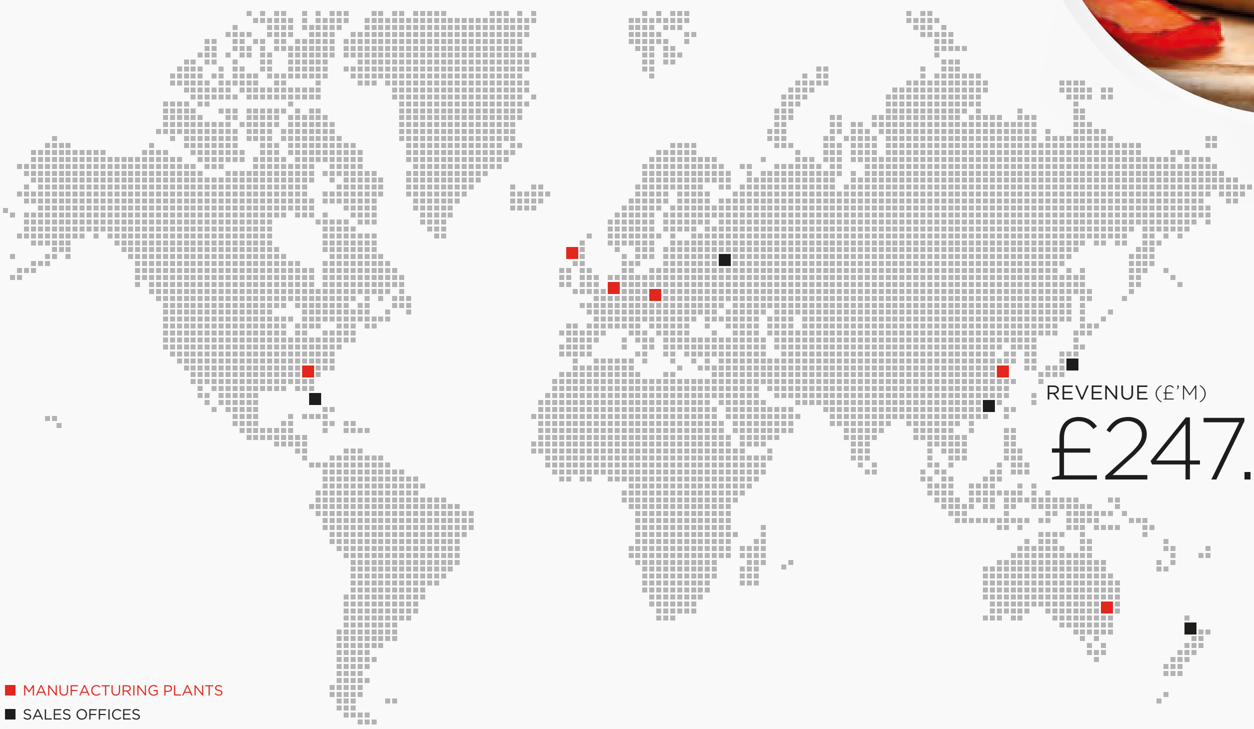
FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Devro at a Glance

DEVRO IS ONE OF THE WORLD'S LEADING SUPPLIERS OF COLLAGEN CASINGS FOR FOOD, USED BY CUSTOMERS IN THE PRODUCTION OF A WIDE VARIETY OF SAUSAGES AND OTHER MEAT PRODUCTS.

WHERE WE OPERATE



REVENUE (£'M)

£247.6M

THE DEVRO DIFFERENCE

- Over 85 years' experience in, and focus on, collagen casings
- Innovative quality products adapted to local customer needs
- Strong and long-standing customer relationships
- Expert technical support network – on-site and off-site
- Fully integrated global business

THE DEVRO VALUE PROPOSITION

1. MORE OPTIONS WITH THE BROADEST EDIBLE CASING PORTFOLIO

- Fits the need of meat processors, whether naturally coloured or different calibres - the right bite for the right sausage
- With more than 1,000 active products there is at least one for every sausage type

2. HIGHER YIELDS WITH SUPERIOR TECHNICAL SERVICE

- Global team with local experience
- Daily interactions with sausage manufacturers all over the world
- Supporting daily optimisations and larger changes to manufacturing setup

3. IMPROVED BRAND LOYALTY WITH SUPERIOR BITE AND QUALITY

- With our extensive experience in casings we help create the exact consumer characteristics our customers desire
- Dedicated to edible casings, we manufacture high quality casings balancing the need for high efficiency and robustness as well as thin walled casings for a better bite

LEADING THE WAY

MARKET-LEADING POSITIONS

- No.1 in many countries, gaining share elsewhere
- Provider of premium edible collagen casings
- Helping customers to increase yield and gels with superior technical support

SIGNIFICANT LONG-TERM GROWTH POTENTIAL

- Underlying market growth estimated at 2-4% p.a. globally
- Increasing protein consumption, driven by urbanisation and higher living standards
- Continued opportunity for gut conversion
- New product platforms, opening up new markets

GLOBAL CAPACITY

- Global commercial structure with products sold in over 100 countries
- Global manufacturing footprint with sites in the UK, Netherlands, Czech Republic, US, Australia and China
- Fully invested asset base with the latest technologies capability for phased expansion
- Leadership in higher growth, complex to manufacture products
- c.3% of revenue invested into R&D each year

HIGHLY CASH GENERATIVE

- Well-invested, high margin, tightly managed Group
- Major capital expenditures completed
- Potential to grow capacity substantially with low level investments
- Material cost per unit reduction opportunity as volumes grow, given high level of operational gearing

ATTRACTIVE DIVIDEND

- Dividend covered by cash generation
- Potential to grow

MANAGEMENT TEAM

- Dynamic and motivated team
- Refreshed: six out of seven Executive Management Team (‘EMT’) joined since 2016
- Experienced: the majority of the EMT have blue chip experience

Chairman's Statement

> DEVRO HAS MADE POSITIVE FINANCIAL AND STRATEGIC PROGRESS WHILE RESPONDING WELL TO THE MARKET, OPERATIONAL AND WORKPLACE CHALLENGES POSED BY COVID-19.
>
> **STEVE GOOD**
> CHAIRMAN

INTRODUCTION

In 2020 Devro made positive financial and strategic progress while responding very capably to the market, operational and workplace challenges posed by COVID-19. I would like to record my appreciation to the leadership team and all their colleagues across the Group who have worked safely, flexibly and tirelessly in support of all of our stakeholders during 2020. I am also pleased to report the completion of our Board refresh. We have added important new skills and diverse experiences to the Board to support the delivery of our growth strategy.

Despite the adverse financial impacts of COVID-19, the Group delivered a robust performance in 2020. Financial progress was driven by strong growth in emerging markets, material improvements to margins, and high cash conversion resulting in a substantial reduction in net debt. It is clear that the recent changes to the organisational structure and the associated investment in capabilities have been instrumental to our 2020 delivery and we expect to be able to build on this good progress.

OUR COVID-19 RESPONSE

The Group responded rapidly to the changing circumstances at the beginning of 2020. Our response was built around three clear priorities: protecting our people and communities, maintaining our position in the food supply chain and safeguarding our financial position. Strong governance structures and enhanced communication processes were established immediately. We were able to maintain consistent production throughout the Group, ensure that our important role to service customers in the food supply chain continued during 2020, whilst keeping our employees and communities safe. The additional costs involved in implementing additional protective measures including a track and trace system, securing key raw materials and providing wellbeing support to our teams, were essential investments underpinning our successful management of the pandemic to date.

OUR SUSTAINABLE FUTURE

Devro is very aware of its responsibilities to all stakeholders. We have for many years aimed to reduce our impact on the environment, and have made good progress, as well as improving social outcomes including those of our employees. Making a positive contribution towards our environmental, social and governance responsibilities is key to our future and there is commitment throughout the organisation from the Board down on this. The Group is currently working on a major sustainability enhancement and development of how we articulate our Company Purpose, all of which will be widely communicated in 2021, covering all aspects of sustainability and taking into consideration the views and priorities of all stakeholders. Actions are already well underway and we look forward to sharing further details in due course.

DIVIDEND

We understand the importance of the dividend to all our shareholders and we are delighted to have been able to maintain our long track record of distributions. In the early stages of the pandemic, as a precautionary measure, the Board decided to postpone the payment of the proposed final 2019 dividend. The postponement allowed us time to confirm the likely ongoing impact of COVID-19 on the business and ensured that our financial position was preserved throughout this evaluation period. Given robust trading in the first half of the year, in July we were able to reinstate the final 2019 dividend, which was paid in October 2020, as well as announce the 2020 interim dividend, which was paid in January 2021.

The Board is proposing a final dividend of 6.3p per share (2019: 6.3p) bringing the total for the year to 9.0p per share (2019: 9.0p). Subject to shareholder approval at the Annual General Meeting in April, the dividend will be paid on 1 October 2021, to those shareholders on the register at 20 August 2021.

GOVERNANCE AND BOARD

The Board leads an ongoing programme to ensure the highest standards of corporate governance and integrity across the Group. We regard this as critical to the Group's success. The Board's interactions and communication with executive management continues to be excellent and as a result, the Board is well placed to challenge, guide and support executive management in the delivery of the 3Cs strategy. Due to COVID-19, there has been a considerable increase in our interactions as a Board which have mainly taken place virtually in 2020. We look forward to more face to face meetings when conditions permit.

After announcing her resignation at the interim results in July we saw the departure of Jackie Callaway, our CFO and Board member, on 30 November 2020. We wish to thank her for her important contribution to the Group and the Board over the last few years. Our new CFO and Board member Rohan Cummings joined Devro on 1 December 2020 from Asahi Group Holdings and brings significant financial, commercial and growth experience which we consider to be invaluable in driving strategy execution at Devro.

The process to refresh the non-executive membership of the Board which commenced towards the end of 2019 was completed in 2020. We welcomed as Audit Committee Chair and Senior Independent Director, Lesley Jackson, ex-Group CFO for Stock Spirits PLC and Non-Executive Director Jeremy Burks, Executive Vice President at Roquette Group. We were also pleased to announce the non-executive appointment of Chantal Cayuela (with effect from the start of 2021), a Vice President of Kellogg's European business and leader of its R&D and Innovation team, thereby completing the renewal of the Board and equipping it with a wealth of skills and experience to challenge and support the development and execution of the Group's strategy. Our two long-serving Board members, Paul Withers and Jane Lodge, retired from the Board during the year. We thank them both for their invaluable service to the Board throughout their respective tenures and we wish them both well. With Paul Withers' retirement, Malcolm Swift, who has been a Non-Executive Director of the Company since 2017, took over the chairmanship of our Executive Remuneration Committee from the date of our 2020 AGM, 30 April.

I look forward to working with the newly constituted Board in delivering the Group's growth-led strategy.

PEOPLE

It's been a very difficult year for everybody as we strove to mitigate the impact of COVID-19 on our personal and working lives. Our leadership team and all their colleagues have responded very positively to these challenges, resolutely addressing short-term issues whilst not losing sight of our longer-term goals. It's been a huge team effort and on behalf of the Board I'd like to thank them for their commitment and professionalism.

We have continued to work on enhancing engagement with employees, which has been particularly important during these unprecedented times. Our annual 'TellDev!' employee engagement survey highlighted an improved level of both participation and engagement which we are encouraged by. We will continue to target further progress in 2021. We also engaged extensively with our colleagues in relation to our sustainability priorities and how we articulate our Company Purpose through a series of workshops in H2 2020. The Board considers it crucial to reflect on their collective views when building our future sustainability plans.

LOOKING AHEAD

Devro is well positioned for the future and we expect that as the impact of COVID-19 lessens this should become clearer in our financial performance. In 2021 we will continue to focus on our growth agenda, in building a fully integrated sustainability plan and in further improving our financial performance and strength.

STEVE GOOD
CHAIRMAN

CASE STUDY

GLOBAL GROWTH CONFERENCE

DRIVING OUR GROWTH AGENDA

In early February 2020, senior leaders met for a Global Growth Conference. Working in cross-functional teams, we prioritised our opportunity pipeline, driving forward our ambitious growth agenda. This was instrumental in clarifying key actions to be taken across the Company, and working with our business partners, to successfully deliver new business.

Business Review

2020 was a challenging but overall a positive year for Devro. The COVID-19 pandemic and our management of it quickly became our priority, which continued throughout the year and into 2021. We were also successful in leveraging recent investments in our structure, processes and competencies to make good progress on both our strategic and financial priorities.

The pandemic impacted all aspects of our lives however the Company performed well and demonstrated its robustness and flexibility in the most challenging of conditions. I am proud that we delivered on all of our COVID-19 related priorities, as well as making significant progress with both our trading performance and strategic priorities. This is testament to our people, and I would again like to put on the record my gratitude for all their selfless hard work and commitment.

2020 WAS A CHALLENGING BUT OVERALL A POSITIVE YEAR FOR DEVRO.

RUTGER HELBING
CHIEF EXECUTIVE OFFICER

COVID-19

The initial impact of the pandemic was felt during Q1 2020 in our Chinese business and manufacturing site, and we took our best practice learnings and rolled these out across the Group as necessary as the virus spread.

We immediately established three clear priorities ensuring the health and safety of our colleagues and communities; continuing to contribute in a positive way to the food supply chain and maintaining a robust financial position.

We responded to the pandemic swiftly and effectively, introducing precautionary health and safety measures which, as a minimum, were based on government guidelines but in many cases applied more stringent measures. These measures were maintained throughout the year and served us well. As a principal, we aimed to be 'ahead of the curve' in the introduction of precautionary measures and 'behind the curve' in terms of their relaxation. This approach helped us to maintain our operational performance throughout the year ensuring a good service to our customers and fulfilling our role in the food supply chain. Whilst we were successful in maintaining the continuity of our operations, this was not without challenges. In the second quarter of 2020, we faced issues securing hide supplies, a key raw material, but our close relationship with key suppliers allowed us to navigate this potential problem. We also had to manage periods where many colleagues had to self-isolate, and our teams have shown great flexibility to manage through this successfully. In the second half of the year our sites set up 'track and trace' processes which have been very effective in reducing the spread of the virus.

In some of our markets sales were impacted by COVID-19. We saw an uptick in retail driven end customer volumes (e.g. supermarkets) which contrasted to those volumes into the food service industry (e.g. hotels, educational facilities, sporting events) that were severely adversely affected. We estimate that the net impact of this, based on our geographical exposure, particularly in some important mature markets, was of circa 2% on edible casing volumes in 2020. Adjusting for this impact we would have delivered Group volume growth within our targeted long-term range of 2-4%.

BUSINESS PERFORMANCE

Despite the COVID-19 challenges, which we estimate had a net 2% adverse impact on our edible collagen ('EC') volumes, total EC volumes grew 1% in the year, driven by strong growth in emerging markets (+13%) and offset by a decline in mature markets (-5%) mainly due to the COVID-19 impact and distributor de-stocking in Continental Europe. Overall Group revenue was marginally down (-1%) but underlying operating profit was up 4% driven by strong margins resulting from significant supply chain savings. Underlying basic earnings per share increased by 9% to 16.5 pence (2019: 15.2 pence) further supported by lower finance costs. Despite higher exceptional items, related to the Bellshill closure, cash generation was also strong and net debt ended the year at £110 million, an improvement of almost £15 million in the year and the covenant ratio improved to 1.8 times net debt to EBITDA. The delayed final 2019 dividend was paid in October 2020 and the 2020 interim dividend was paid in January 2021 maintaining our long-term track record of distributions.

EMERGING MARKETS

Devro's growth ambition is based on delivering growth in emerging markets of between 6–10% per annum. In H2 2019 we saw an acceleration of growth in emerging markets and this momentum continued throughout 2020. Emerging markets growth was 13% with all sales areas contributing, except for the Middle East and Africa region, where sales were adversely impacted by COVID-19. Throughout the year we saw exceptional growth in Latin America (+76%), driven by new customer gains, as well as good growth in South East Asia (+14%) and Russia and East (+16%). China sales grew moderately at +3% partly impacted by COVID-19 but also due to a strong comparator in H2 2019. Emerging markets represented 28% of the Group revenue, a 300 bps increase year on year.

Business Review (continued)

MATURE MARKETS

Devro has strong market positions in mature markets. We continue to see growth opportunities in these markets mainly through gut conversion and the snacking category with an overall expectation, on average, of growth between 0-2% per annum. In 2020 we experienced two specific challenges, namely food service declines due to COVID-19 lockdowns across several important markets and the anticipated distributor partner de-stocking in H1 2020 in Continental Europe. Overall edible casing volumes in mature markets were down 5%, but with an improvement seen in the trend during H2 2020 (-6% H1 and -3% H2). Edible casing volumes grew strongly in North America (+9%) and were in positive territory in Australia & NZ (+2%) and Japan (+1%), but this was offset by lower volumes in Continental Europe (-16%), where sales were impacted by distributor de-stocking and a more general collagen casings market weakness in the UK and Ireland (-9%). In both of these areas volumes were also impacted by COVID-19 related declines in foodservice.

OUTLOOK

The progress we have made in all areas of our 3Cs strategy in 2020 provides a strong foundation for further strategic improvements in 2021. Encouragingly, the year has started positively but many of the COVID-19 related challenges experienced in 2020 remain providing a level of caution. Despite this we expect to make further progress in 2021 driven by our sales pipeline actions, solid underlying demand and the ongoing benefits of operational improvements including the Bellshill site closure. We would also expect another year of good free cash generation. Devro is well positioned for the future.

RUTGER HELBING
CHIEF EXECUTIVE OFFICER

STRATEGIC PROGRESS

Despite the challenges presented by COVID-19 we made very good progress on our strategic priorities in the year. After the introduction of the 3Cs strategy in 2018, considerable progress has been made to further strengthen the foundation of the business with, amongst others, the implementation of our global operating model and supporting processes like Integrated Business Planning and introduction of the sales cycle. The focus in 2020 shifted from building and designing those to using them to drive our growth agenda.

WIN WITH THE WINNING **CUSTOMERS**

In 2020 the focus was on delivering the first year of the three-year commercial plans for each of our sales areas. A key part of these plans is to identify growth opportunities and manage the delivery of those growth opportunities through our sales cycle management, for the current year, as well as setting-up further growth opportunities for the following year. We had notable successes in 2020, which was reflected in strong volume growth of 13% in our emerging markets and of almost 10% in North America. We continued to cultivate our sales pipeline in 2020 which we believe bodes well for future growth.

Delivering volume growth is supported by focused investment in both people and product. Given our ambition to grow between 6 to 10% per annum on average in emerging markets, we invested particularly in those sales areas. Across the Group we increased our commercial headcount by approximately 10%, the majority of which are focused on emerging markets. In addition, we upgraded our capabilities in five of our key commercial roles through a mixture of internal promotions and external recruitment. Further recruitment is planned for 2021.

In 2020 we again reviewed our route to market strategy for our different sales areas to be able to deliver our growth agenda more effectively in the future.

The Group continued to focus, accelerate, and expand its product development activities. In 2020 there were three main priorities. First, supporting our near-term growth opportunities as customers take our product to market. Second, the product development team helped support the transfer of production to the Czech site from Bellshill. The third important priority to ensure our long-term success was to drive our new category plans relating to the opportunities in gut conversion, snacking and emerging market growth, amongst other areas such as new technologies.

FOCUS ON THE **CORE** PROFITABILITY DRIVERS

In 2019 we announced the intention to close our Bellshill site in Scotland. This action targeted £5 million of annualised costs savings to be fully realised in 2021, and aimed to enhance the agility and flexibility of the Group's supply chain. As planned, on 30 June 2020 we closed the Bellshill site transferring some of the production lines to our largest site in Czech. The first tranche of savings were realised in H2 2020 with the 2020 cash costs well within our original guidance of £9 million. The new Czech lines will be commissioned in Q1 2021 with full year annualised savings still estimated to be £5 million. We are pleased with the delivery of the overall programme given the challenges posed by COVID-19.

Whilst 2019 was the last year of our D100 savings programme, the business continued to deliver ongoing cost savings in 2020, with a focus on efficiency gains in maintenance and automation, amongst other areas. The efforts delivered total supply chain savings (including Bellshill savings) well ahead of our original guidance, and also an improvement from the stated H1 position. The savings were partially offset by the unexpected, temporary costs due to COVID-19, including higher hide prices, as well as ongoing inflationary pressures driving net cost savings of £6.0 million[1].

To support our growth ambition we continued to focus on increasing capacity from our existing production lines, and in 2020, both overall yields and line speeds increased through our strategic capacity enhancement initiatives such as 'Stable Ops'. We have many opportunities which we can apply our cost effective capacity enhancement programme, which we piloted for the first time in 2019 in our US plant, and have incorporated it in the transferred lines from Bellshill to our Czech site. This programme allows for increased capacity within our existing footprint without the requirement for significant capital expenditure based on our medium-term growth plans.

STRENGTHENING **COMPETENCIES**

In our journey from a regional to a global business the Integrated Business Planning process ('IBP') has been crucial in linking our global functional organisation together and to delivering the 3Cs strategy. In 2020 after designing the process in 2019, we started to embed IBP and I am pleased with the progress we have made during the year. At the core of IBP is continuous improvement, which we will continue to focus on, but with IBP and our 36 months rolling financial forecast we already have a much better longer-term view which enables us to more effectively align our resources towards the most promising growth opportunities.

Devro takes its Environmental, Social and Governance ('ESG') responsibilities seriously, and in H2 2020 we began a Group wide programme to enhance our ambition, disclosure and performance including, as an initial step, engaging with our stakeholders. Whilst we already have, for some years, a significant Sustainability commitment, we started to define our longer-term ambitions. With the help of our colleagues and other stakeholders we use the UN Sustainable Development Goals to review our commitments and decided to focus our ambition and resources on Climate, Water, Waste and People & Our Communities with targets and priority projects to be finalised in H1 2021. We will communicate this further in H2 2021.

Now that we are globally managed, aided by the 3Cs strategy, it is the right time to redefine Devro's **Purpose**. We engaged with our workforce to help in the process and in the later part of the year over 33% of our workforce participated in workshops and webinars. Based on this work we will redefine Devro's Purpose, Mission and Vision in H1 2021 and start 'living' and communicating this both internally and externally in 2021.

Engagement continues to be high on our agenda. As part of our 3Cs strategy in 2018 we started with our first Group wide engagement survey and in 2020 we completed our third 'TellDev!' survey. I am pleased that 73% of our colleagues participated in the survey and our overall engagement increased by five percentage points, with higher scores, despite all the COVID-19 related challenges we faced. One of the areas we particularly focused on in 2020 was to significantly increase our internal communications efforts utilising our intranet. This has been well received. Our managers now have access to their team's engagement feedback and will decide, as they did in 2020, on the areas they specifically need to focus on to further increase engagement and contentment in the workforce.

[1] Refer to page 29 for breakdown of cost savings.

New Board Perspectives

OUR NEW BOARD MEMBERS SHARE THEIR FIRST IMPRESSIONS OF THE BUSINESS.

As highlighted in the Chairman's Statement, the planned refresh of the Board took place during 2020 with Lesley and Jeremy joining at the start of May, Rohan at the start of December, with the process concluding with the appointment of our newest Board member Chantal, who joined on 1 January 2021.

LESLEY JACKSON
NON-EXECUTIVE DIRECTOR/
SENIOR INDEPENDENT DIRECTOR

Since joining the Company, something that has resonated with me is the strong commitment shown to the success of the business and the overall alignment to the business goals. Rutger has set out the direction for Devro and on speaking to people within the business it's clear to me that the journey is truly underway. It's refreshing to see the extent to which ideas are being shared.

I've been really impressed with how Devro responded to the COVID-19 crisis, keeping projects and operations going and effectively managing many of the variables, such as market and customer volatility. Crisis can be devastating but it can also present a great opportunity! My advice would be not to waste it – look for the silver lining and ensure that it does present an opportunity for Devro.

Lastly, as Chair of the Audit Committee, I have a role to play in risk management. Risk is often seen as a negative factor but it doesn't need to be, as long as it is well managed. Risk can be an opportunity if assessed and addressed effectively and I believe my experience and insights gained in business to business ('B2B') and process manufacturing at a global level will help the Company make the most of this.

ROHAN CUMMINGS
CHIEF FINANCIAL OFFICER

I have been with Devro for just over three months and so far I have had a thorough induction process and although this has been done virtually, I look forward to travelling around the Group and meeting our people when the current circumstances allow. I have a very positive first impression of what great people we have and what an exciting place Devro is to work in. It is good to be part of such a truly global and dynamic Company, with such a great heritage and passion for what we do.

Strategically I can see that we made good progress in 2020, with 1.1% volume growth, increasing profit margins and good cash flow delivery despite the challenges of the COVID-19 pandemic. I feel this positions us well for future profitable and cash generative growth. I'm looking forward to progressing our 2021 priorities and bringing some of my past experience to Devro to contribute towards delivering on our 3Cs strategy and growth ambition.

JEREMY BURKS
NON-EXECUTIVE DIRECTOR

Devro is a unique, highly specialised, business and, although relatively new to the Company, I have been struck by the focus and consistency of the EMT members. The degree of alignment is impressive, especially around the strategy and delivery of major projects.

Hats off to the team for the focus on delivery – you can only get good results and growth in the current environment if you have real focus.

I hope to bring my experience of working in different cultures and markets to bear, particularly given Devro's growth ambitions and focus on emerging markets.

Another area that I'm passionate about and can bring experience in is nurturing innovation. This is critical for a business like ours but an organisation and its structure needs to facilitate innovation and position it as a 'must have', not stifle it, or see it as optional.

I've worked with a lot of customers over many years and understanding that our customers won't work today as they did last year is key. We need to adapt and change as they do if we want to keep and grow their business with us.

CHANTAL CAYUELA
NON-EXECUTIVE DIRECTOR

I joined Devro in January 2021 so am still learning about the Company. As part of my induction, I was able to experience a 'Virtual Site Tour' of our plant in Jilemnice, Czech Republic and was impressed that I could actually take a virtual tour in the current environment! Devro has clearly quickly adapted and embraced new ways of working in this period.

My initial thoughts are that Devro has a clear strategy and has made good progress in delivering against the 3Cs. The leadership team is quite new but very well aligned – it is good to see the willingness, energy and ambition behind transforming the Company. It does feel like a new chapter in the Company's evolution is being written.

As we move forward, I'm excited by the opportunity to help write the next chapter; to inform our direction with real customer focused innovation, in particular helping us not only to think about what our customers need, but what end consumers need and want. My experience is more B2C oriented but I think we can leverage this to build really strong partnerships with our customers, demonstrating we understand their own, and their customers' agenda. As I say: One team, one dream!

A SAFE PAIR OF HANDS IN A CLIMATE OF UNCERTAINTY

THREE DRIVERS OF GROWTH

UNDERLYING MARKET GROWTH	COLLAGEN MARKET GROWTH	DEVRO GROWTH
01	02	03
GDP per capita Urbanisation Food trends	Cost savings Consistency Labour shortage	Customer intimacy Product performance Cost savings
INCREASING SAUSAGE CONSUMPTION	**GUT TO COLLAGEN CONVERSION**	**MARKET SHARE GAINS**

...MEETS GLOBAL AMBITION

2020 will forever be remembered as the year that the coronavirus pandemic disrupted global markets and changed consumer behaviour on a macro level, halting some trends and accelerating others. COVID-19 emerged as a health crisis and has rapidly escalated into a worldwide social and economic crisis.

Understanding the short, medium and longer-term impact on each individual Devro marketplace is challenging, but having a global presence as well as a strong foothold in retail grocery has undoubtedly helped Devro weather the COVID-19 storm.

Three core growth drivers remain relevant to Devro in the year ahead: increasing sausage consumption, opportunities for gut to collagen conversion and market share gains.

01

INCREASING SAUSAGE CONSUMPTION

SAUSAGES HAVE NEVER BEEN MORE RELEVANT

At-home consumption of sausages has risen during lockdown, for example around one in three sausage consumers in Japan and the UK are eating more than they used to (Devro Consumer Attitude & Behavioural Study 2020). In mature/developed markets, sausages are seen as affordable, easy to cook (safe), and a popular and tasty meal or snack that everyone in the household can enjoy. In a relatively short period of time, COVID-19 restricted mobility has changed the role of convenience foods and snacking as the balance of consumption has shifted to the in-home environment, creating new usage occasions and consumer needs. According to Mintel Asia, 'air-frying' is a growing household trend as is eating sausages for breakfast and in lunch boxes. Kantar UK data showed UK and Irish consumers sought comfort in familiar pork-based recipes, putting recent demand for chicken and plant-based sausages on hold.

Out of home has been a different story. One side-effect of COVID-19 has of course been reduced foodservice demand (dine-in or on the go), with the rise in takeaway/delivery and the uplift in retail offsetting this to a degree. Adopting a multichannel strategy has been an important food industry mantra this year. Across all countries featured in McKinsey's 2020 global consumer sentiment surveys, consumers are turning to digital and reduced-contact ways of accessing products and services – a trend accelerated by COVID-19. In a B2B environment, finding new ways to collaborate on innovation and interact remotely, and to increase automation in manufacturing are challenges Devro is tackling head-on with several new initiatives already in play.

GLOBAL MEAT CONSUMPTION SET TO REBOUND BY 2022

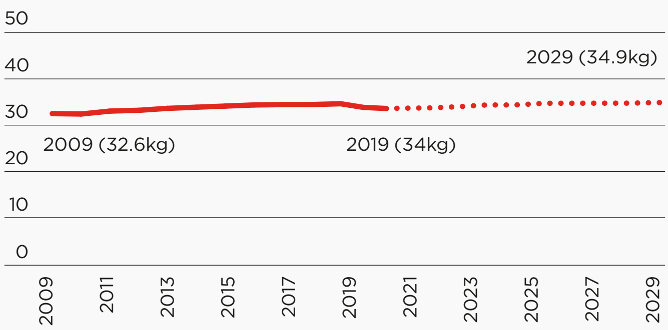
Global meat consumption has experienced a slight dip during 2019–2021, largely due to the impact of African Swine Fever ('ASF') across Asia. It should then rise again steadily, representing 12% forecasted growth over the ten years to 2029. Much of the per capita increase (3%) is attributed to developing countries (6%) and poultry is the main driver of growth. Similar to the trends we see in collagen casing, the overall growth rates in meat consumption volumes in developing countries are approximately five times that of developed countries.

Slower income growth, ageing populations and a levelling off in developed markets as a result of saturation and dietary preference will contribute to a flattening curve towards the end of the decade. As regards eating preferences, attitudes towards meat consumption continue to be influenced by growing awareness and engagement with macro topics such as health and wellbeing, animal welfare and the environment.

Understanding our Markets (continued)

Overall, consumer demand for protein shows no sign of abating across global markets. To capitalise on this, Devro will continue to communicate its commitment towards product transparency, clean label ingredients such as natural colours, and sustainable sourcing in order to stay aligned to consumer trends.

MEAT CONSUMPTION PER CAPITA, 2009–2029



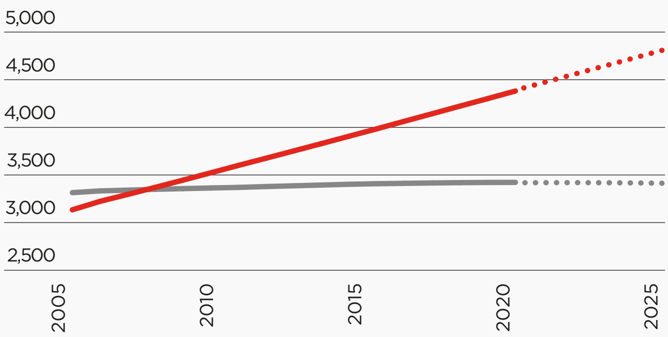
Source: OECD-FAO Agricultural Outlook 2020-2029

ECONOMIC SHOCK LIKELY TO HAVE AN IMPACT ON URBAN POPULATIONS

According to the National Health and Family Planning Commission, the total population of China will reach 1.43 billion by the end of 2020. Based upon a population growth of 60 million people and the current consumption level (per capita consumption of 41.5kg), the newly added population will increase pork consumption by about 2.5 million tons (Genesus Global Market Report).

It is too soon to report on the effect of COVID-19 on fertility rates (it could accelerate the long-term trend towards smaller households in high income countries) while the financial uncertainty as well as lack of access to healthcare during this period may also have a lasting impact on birth rates. Similarly, the economic shock could accelerate urbanisation; the rise of digitalisation, automation and need for employment could offset the remote working trend and higher cost of living in urban centres.

GLOBAL POPULATION GROWTH, 2005–2025 (MILLIONS)



■ URBAN
■ RURAL

Source: FAOSTAT, UN, 2021

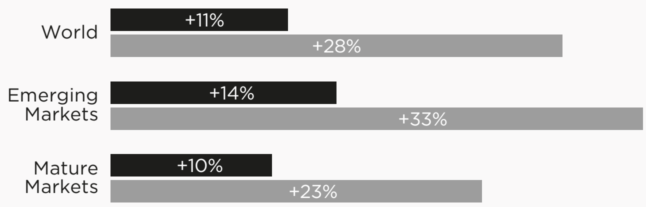
RECOVERY IN SPENDING POWER GROWTH AHEAD

Affordability will be a key selling point for sausages in the challenging economic climate ahead. Meat consumption is widely used as an indicator of economic wellbeing and vice versa, and the ongoing financial uncertainty and blow to consumer confidence in the last 10-12 months is likely to put meat under pressure.

OECD estimates (September 2020) projected a rise in unemployment to 9.4% in Q4 2020 from 5.4% in 2019. They indicated that constant global GDP was projected to decline by 4.5% in 2020 before picking up by 5% in 2021. Many economies will not recover their 2019 output levels until 2022 at the earliest (OECD Economic Outlook, Interim Report September 2020). These projections did not anticipate further national lockdowns, however, nor did they consider the possibility of a vaccination roll out as soon as early 2021.

IMF projections of per capita GDP reflect the slowdown in 2020 but also the acceleration anticipated in the following five years.

GDP PER CAPITA GROWTH, 2015–2025*



■ 2015-20
■ 2020-25

*Gross domestic product based on purchasing-power-parity (PPP) per capita GDP
Source: International Monetary Fund (IMF) – World Economic Outlook Database, October 2020

02

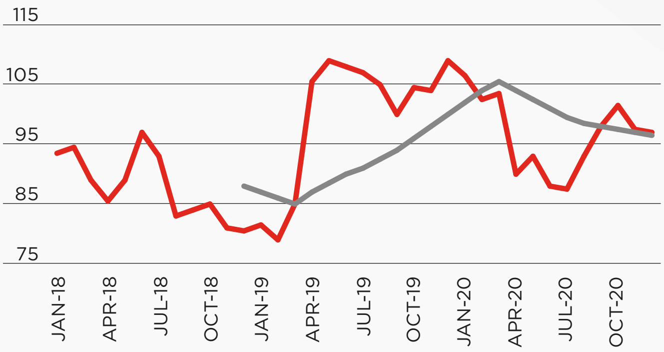
OPPORTUNITIES FOR GUT TO COLLAGEN CONVERSION

TRUST AND TRANSPARENCY WILL SHAPE GLOBAL MEAT PATTERNS

The global agri-food sector is likely to be more resilient to the crisis than some other sectors despite the challenges it faces. While global meat production is expected to contract for the second consecutive year, global trade has increased due to China's ongoing pork shortage caused by ASF. Global processing capacity has been reduced due to social distancing measures putting farmgate prices under pressure. Pork prices have softened in H2 2020, with increased supply from Brazil, Europe and the US, but will remain high relative to previous years due to robust import demand from China and export restrictions on ASF-affected areas.

A focus on animal disease outbreaks, food security and transparency in the supply chain is likely to have a significant influence on the evolving world protein market although trade policies such as the China/US trade deal or related to Brexit will continue to influence world meat trade patterns. In these volatile times, Devro's reputation for being a strong and trusted supply partner will be key.

RABOBANK FIVE-NATION HOG PRICE INDEX 2018–2020 (JAN 2015=100)



FIVE-NATION INDEX
12-MONTH MOVING AVERAGE

Source: CME Group, CEPEA, CANSIM, European Commission, Macrobond, Rabobank 2020 (five nations refers to China, Canada, Brazil, the US and the EU)

03

MARKET SHARE GAINS

LISTENING TO OUR CUSTOMERS CREATES SHARED OPPORTUNITIES FOR COLLAGEN CASINGS AND GELS

In 2020, Devro undertook several initiatives to provide continuity of supply and communication with customers, including a one-to-one survey on the impact of COVID-19 with senior management in Autumn 2020. Clearly, COVID-19 has incurred higher manufacturing costs along the supply chain, stemming from efficiency losses (labour shortages, social distancing and safety measures) along with higher costs due to PPE, logistics and the disruption of materials and packaging.

New ways of working have created leaner and more efficient businesses and we expect the pursuit of production efficiencies to be one way in which Devro can gain market share by continuing to work closely with our customers, supported by expert technical application of collagen casings and gels. Hand in hand with efficiency, we expect quality control, safety and consistency to be high on the agenda for our customers emerging from this crisis. Together we can help mitigate future risk, capitalise on new opportunities in product and channel diversification and guard against future procurement issues.

COLLAGEN VS GUT

EDIBLE COLLAGEN
GUT

Source: Devro plc/Collagen Casing Trade Association ('CCTA') estimates

Understanding our Markets (continued)

REGIONAL MARKETS OFFER SCOPE FOR GUT CONVERSION
As food retailers operate in increasingly competitive environments, the drive to deliver value and consistent quality for consumers has never been greater. Edible collagen's share of global sausage production continues to grow as a result.

REGIONAL VIEWPOINT – DEFEND AND BUILD MARKET SHARE
With casings and gel manufacturing facilities across six locations (UK, Netherlands, Czech Republic, US, Australia and China), Devro has significant global reach and access to state-of-the-art technology. This enables us to leverage our collagen expertise across regional markets as well as partner with manufacturers with global reach.

Customer intimacy means understanding the challenges our customers face and this is a key aspect of our business philosophy. As some markets experience faster business recovery than others, it has been especially important to stay close during COVID-19.

Devro's growth strategy is to defend strong market positions in mature markets and increase our share in emerging markets.

MATURE MARKETS
Within Devro's mature market classification, we include North America, Japan, Australia & New Zealand, the UK & Ireland and Europe. Combined, these markets represent approximately two-thirds share of Devro 2020 sales revenue, and growth opportunities typically arise from gut to collagen conversion in the UK & Ireland, Australia & New Zealand and Europe.

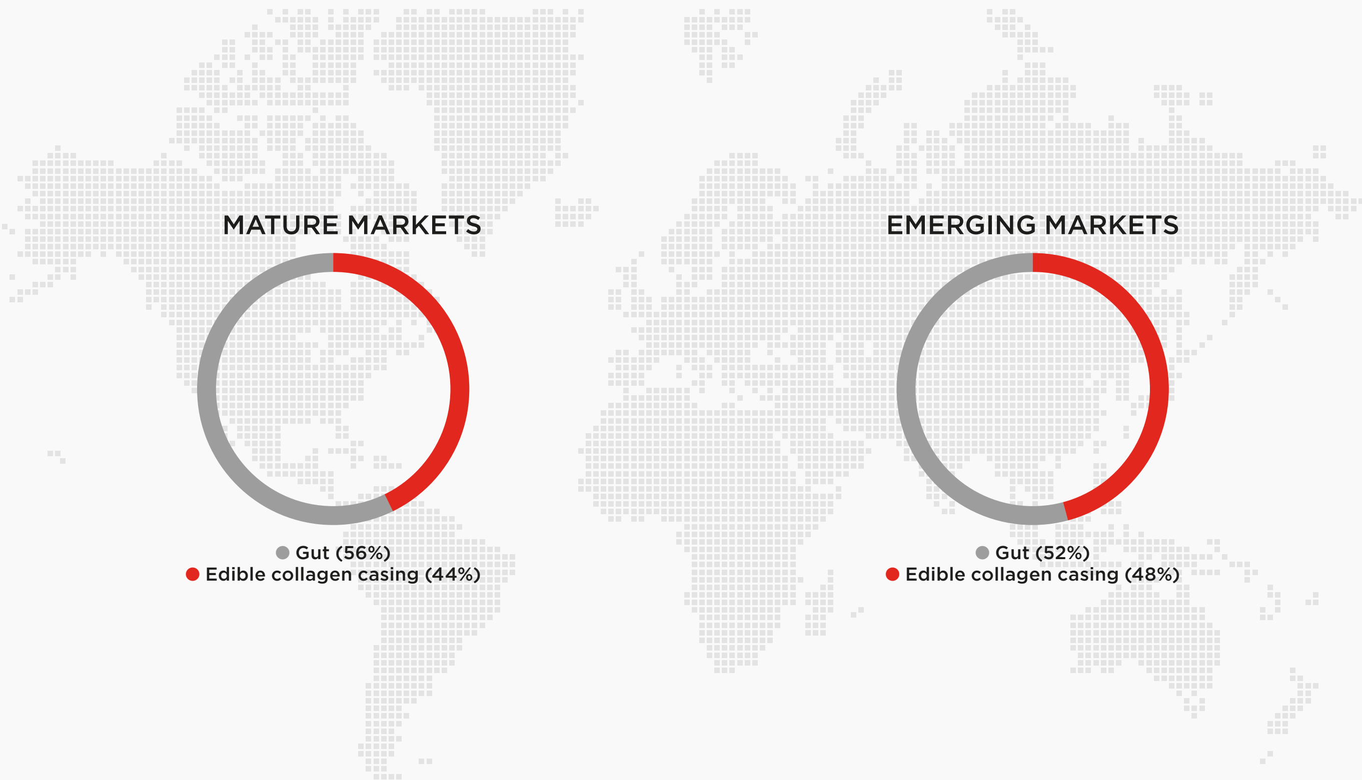
The European market is highly fragmented and includes a wide variety of sausage applications demanding different attributes from the casings. Many markets still use traditional processing methods, and with the increased pressures on manufacturers to reduce costs and maximise production efficiencies, this presents a sizeable opportunity to convert the market from gut to collagen. The UK & Ireland market is dominated primarily by fresh sausages which have benefited from increased retail demand over the past year, helping to offset a difficult year in the food service market where collagen has higher penetration than in retail. In the UK, £17 billion less was spent out of home in 2020, an estimated 60% of that switched to take home channels (Kantar UK, January 2021).

Snacking continues to be a dynamic growth area in North America and Japan with some emerging snack opportunities for Devro Stix in Europe and Australia & New Zealand.

Consistent quality, performance and yield are important competitive advantages for Devro as well as clean label initiatives such as our growing natural colour library.

EMERGING MARKETS
Within Devro's emerging market classification, we include Latin America, Middle East and Africa, Russia, China and South East Asia. These markets represent a rising share of Devro sales, now approximately one-third of revenue. Overall growth in sausage consumption here tends to be ahead of mature markets in line with GDP growth, increasing urbanisation and the drive for higher protein diets, convenient meal solutions and snacking.

EDIBLE COLLAGEN CASING MARKET SHARE



Source: Devro plc estimates

In markets such as China and South East Asia, meat is still considered a luxury and attitudes towards diet and nutrition revolve around counter trends of obesity and malnutrition. Food security (availability and safety) and quality control are important. Overall the outlook is promising, not only from rising spending power and consumption per capita but also from Devro's continuous product development to meet customer application needs.

Devro is proactively developing 'fit for purpose' products for the specific challenges from manufacturing processes utilised in emerging markets like Brazil and Columbia. We have experienced organic growth in areas such as Chile and Central America and have a strong innovation pipeline for wider commercialisation in 2021-2022. We also continue to leverage our experience with global snack players to target opportunities in markets such as China and Russia.

Business Model

DEVRO SELLS PREMIUM COLLAGEN PRODUCTS BOTH DIRECTLY TO FOOD MANUFACTURERS AND, IN SOME MARKETS, THROUGH LOCAL DISTRIBUTORS.

+1,000

WE SUPPLY COLLAGEN CASING, GEL AND FILM TO OVER 1,000 CUSTOMERS IN MORE THAN 100 COUNTRIES

OUR MARKET POSITION

Devro is one of a few significant producers of collagen casing with a global footprint/reach. Approximately one-third of Devro's sales are in emerging markets and two-thirds are in mature markets. Devro has a No.1 market position in many countries.

KEY DIFFERENTIATORS

CUSTOMER INTIMACY

Having pioneered the conversion from gut to edible collagen casing, Devro has established intimate customer relationships both directly and through our global distributor network.

OUR PEOPLE

Devro employs nearly 2,000 people, with skills and knowledge ranging from chemical and electrical engineering to food technology, meat science and environmental health. Over 100 Devro employees work in customer-facing operations as sales and technical advisers.

GLOBAL REACH

Devro has plants on four continents. This enables us to provide class-leading service to our global customer base.

TECHNOLOGY

Over the past 10+ years we have made significant investments to upgrade our manufacturing facilities.

EXTRACT

EXTRACTING COLLAGEN

Collagen used for casing and gel is taken from the hides of carefully selected animals.

INNOVATE

APPLIED TECHNOLOGY

The production of collagen casing is a complex technological process. Devro combines over 85 years of expertise and innovation to produce edible casings that allow our customers to offer a variety of sausages that are adapted to local consumer needs.

MANUFACTURE

Devro is a world leader in the manufacturing technology of a highly sophisticated process. Our edible casings are consistent and reliable to suit the needs of both sausage manufacturers and consumer preferences.

REINVEST

REINVESTING IN OUR BUSINESS

Devro invests in applied research and development and in a phased and disciplined capital programme, supporting the growth ambition.

OUR COMPETITIVE ADVANTAGE

Devro differentiates itself from competitors by developing innovative new products, by working closely with customers to enhance manufacturing efficiencies and by providing high quality technical support to customers. We can also offer support to our customers to innovate.

SELL

SALES, MARKETING AND DISTRIBUTION

Devro products are sold in over 100 countries across all continents. We sell directly to food manufacturers and via distributors.

CUSTOMER PRODUCTS TO CONSUMERS

Devro's innovation and casing performance allow our customers to produce differentiated sausage products for the consumer. Our casing consistently scores highly for appearance, colour, bite and overall acceptance in independent research and consumer testing.

ADDING VALUE

INVESTORS

Devro is well placed to benefit from underlying market growth potential of 2–4% globally. We are highly cash generative which allows us to offer investors an attractive dividend.

CUSTOMERS

We deliver value to our customers by offering them innovation, efficient processing and cost savings and by helping them to supply products with great consumer appeal.

SUPPLIERS

The long-term relationships we have built with many of our key suppliers are underpinned by the commitment in our Business Conduct Policy to act professionally, fairly and with integrity in all our business dealings wherever we operate.

COMMUNITIES

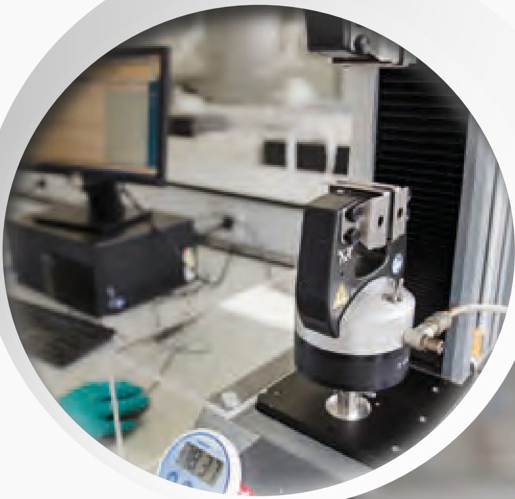
We employ almost 2,000 people globally and we do our best to make Devro a safe and fulfilling place to work. We have a long-standing presence in many of the communities in which our employees are located, where we aim to maintain the trust of all those affected by what we do, mindful, in particular, of the importance of reducing our environmental impact.

Development of new product lines is completing, moving to full commercialisation stage in 2021 and expanding our product offerings.

We have developed new insights into our gel making approach and identified methods to increase manufacturing flexibility as well as introducing new opportunities for processed sausage manufacturing.

We continue to apply agile and continuous improvement methodologies in R&D to ensure speed and agility, no matter if the projects are low or high in complexity.

We have stepped up efforts to feed our R&D projects with targeted market research initiatives, helping to inform our direction and ensure that our R&D effort is aligned to future customer demand. With a clear focus on key target markets and applications we will continue to use new insights to inform our R&D investments and resource alignment.



TO POTENTIAL

People are at the core of our innovation and ensuring we have the right competences to support different markets and requirements is key. It's definitely not a 'one size fits all' scenario.

At any one time, our R&D function is supporting around 100 development projects, so we need to ensure that we have support across the globe. We have R&D resources located in six locations, contributing to both strategic and line extension projects.

R&D expertise is only one vital component in meeting our customers' requirements; without the excellent collaboration and joint problem solving alongside commercial and technical support colleagues, we would not be able to ensure that theory becomes practical reality.

To ensure we have the right blend of market and product competences, we have invested in a truly global organisation, ensuring we have the right technical know-how and trained resources to support from wherever they happen to live. Everyone in the Devro technical community is trained to a standard in common areas, for example problem solving, whilst required specialist competences are nurtured and valued. Our focus on globalisation has paid off in that the current portfolio has the largest number of global strategic projects for many years.

Integrated Business Planning

IBP: A CONTINUOUS **COMPANY-WIDE GLOBAL PLANNING** PROCESS, ENABLING GREATER **COLLABORATION AND ALIGNMENT** ACROSS ALL FUNCTIONS OF OUR GLOBAL BUSINESS, ENSURING WE ARE WORKING TO **ONE PLAN TO ACHIEVE A SHARED AMBITION.**

36-MONTH ROLLING PLANNING PROCESS

1. PRODUCT
2. DEMAND
3. SUPPLY
4. INTEGRATED RECONCILIATION
5. MANAGEMENT BUSINESS REVIEW (‘MBR’)

SOME EXAMPLES OF WHAT IBP HAS HELPED IMPROVE AT DEVRO SO FAR...

- **Integration:** IBP is how we manage the business. Having one end-to-end global process means all sub processes feed into the one plan to ensure we are fully integrated and aligned across the global business. Good examples are our stage gate process within portfolio and the sales cycle process within demand. By being aligned and integrated this ensures one set of numbers and better visibility across the business for all opportunity initiatives. Having 36 months forward view aids decision-making to ensure we allocate critical resources to the right priorities, which in turn optimises profits and focuses the whole business in one direction to meet the strategy.
- **Continuous improvement:** KPI reviews highlight areas for improvement and by addressing the root causes we continue to improve performance trends in all areas of the business.

IBP WILL CONTINUE TO HELP DEVRO WORK SMARTER, TOGETHER WITH A SHARED VISION OF HOW WE'LL ACHIEVE OUR LONG-TERM GOALS

- **Focus on long-term plans:** Execution of short-term plans via a demand control process supports IBP to be able to focus on the longer term. During COVID-19 this allowed the business to execute highly variable demand meeting customer expectations whilst continuing to focus on meeting long-term goals.
- **People engagement and empowerment:** Through education and training to understand and embed the IBP way of working, focusing on process and behaviours. The process encourages collaboration and cross-functional working, empowers the whole organisation to own and deliver on their plan whilst identifying and proposing new opportunities.
- **Long-term capacity planning:** High level demand planning giving insight into future trends, enables capacity scenario planning, better decision-making on where to invest, providing sufficient time to execute in the most cost-effective manner.
- **Portfolio planning:** Driving the long-term strategic projects for our next generation of products and helping identify where further improvements are needed within our existing product offering. Having this longer-term view enables the business to make the right choices in terms of investments and resource planning at the right time.
- **Financial planning and reporting:** A simplified 36-month rolling financial plan forms the basis of monthly reporting, forecasting and annual plans removing the duplication and effort required for separate processes. Financial performance reviews looking over the longer horizon explain any key changes in assumptions, providing improved visibility much earlier, allowing for scenario planning and enabling better and faster decision-making.

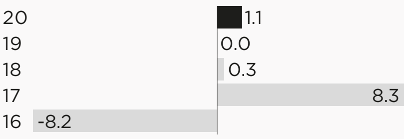
MEASURING PROGRESS

WE MONITOR OUR PERFORMANCE AGAINST STRATEGIC PRIORITIES BY MEANS OF KEY PERFORMANCE INDICATORS (‘KPIs’). THE MOST IMPORTANT OF THESE KPIs AT A GROUP LEVEL FOCUS ON THE FOLLOWING AREAS:

SALES VOLUME GROWTH

VOLUME GROWTH OF EDIBLE COLLAGEN CASINGS (%)

1 3

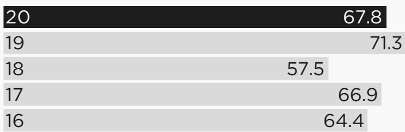


A key element underpinning the Group’s strategy is to deliver growth in sales revenue. There are several components to revenue growth, including changes in sales volumes and in price/mix. As a result, the Group monitors sales volume growth separately, and changes in price/mix are monitored through revenue growth. Devro sells to markets around the world from strategically located commercial operations and through an extensive network of distributors and agents.

UNDERLYING[1] OPERATING CASH FLOW

CASH GENERATED FROM UNDERLYING OPERATIONS BEFORE PENSION DEFICIT FUNDING (£’m)

1 2 3



Underlying operating cash flow is the amount of cash generated by the Group through its trading activities and manufacturing operations before exceptional items, investment in capital expenditure and pension deficit funding. This measure is used to evaluate the performance of the business and to assist the management of working capital.

CONSTANT CURRENCY REVENUE GROWTH[2]

VALUE GROWTH AT CONSTANT CURRENCY (%)

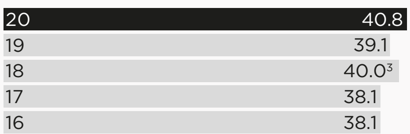
1 2 3

The Group has operations across the world in multiple currencies, and is exposed to translation risk on fluctuations in foreign exchange rates. As a result the Group’s reported revenue will be impacted by movements in actual exchange rates. The Group monitors revenue growth on a constant currency basis[2] in order to eliminate the translation effect of foreign exchange rate movements, to enable a better understanding of the operational performance of the Group.

UNDERLYING[1] OPERATING PROFIT

OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS (£’m)

1 2 3



While the Group aims to take a long-term perspective on shareholder value, it also monitors the financial performance of the Group in the shorter term. The KPI used in this monitoring process is underlying operating profit. This measure is used to evaluate the performance of the Group, including sales price, manufacturing efficiency and overhead and operating cost control.

Underlying operating profit excludes exceptional items and the definition, explanation and reconciliation to equivalent statutory measures is included in the Alternative Performance Measures on pages 32 to 35.

LINK TO STRATEGY:

1 WIN WITH THE WINNING **CUSTOMERS**

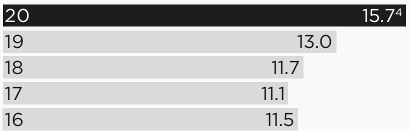
2 FOCUS ON **CORE** PROFITABILITY DRIVERS

3 STRENGTHEN **COMPETENCIES**

RETURN ON CAPITAL EMPLOYED

1 2 3

UNDERLYING OPERATING PROFIT/AVERAGE CAPITAL EMPLOYED (%)

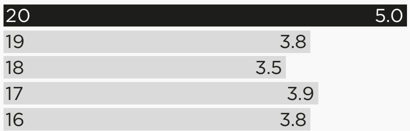


Return on capital employed (ROCE) represents underlying operating profit as a percentage of average capital employed. Capital employed is defined as fixed assets plus current assets less current liabilities, excluding all balances related to interest-bearing assets and liabilities, any derivative financial instruments, any deferred tax balances, and any pension assets or liabilities. It is a key indicator of how Devro is making use of its available capital, and is a good reflection of the performance of the Group in terms of both earnings and cash flow.

HEALTH AND SAFETY

3

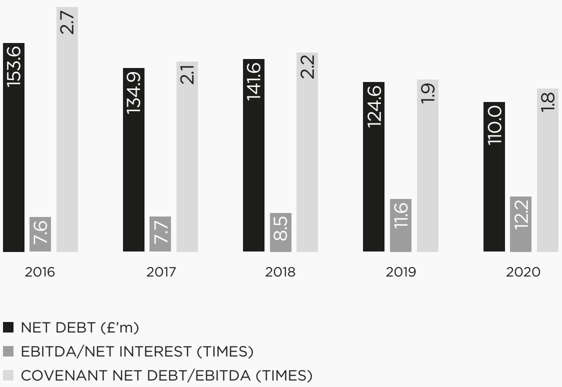
TOTAL RECORDABLE INJURY RATE (LWDI AND RECORDABLE) PER MILLION HOURS WORKED



Health and safety matters are discussed further on pages 48 to 51. Safety performance is measured in various ways at a local level. At Group level, it is measured by the total rate of recordable injuries which is calculated as the number of injuries per million hours worked, comprising both lost working day injuries and recordable injuries.

DEBT

1 2 3



Covenant net debt[5]/EBITDA[6] measures the liquidity of the Group. Covenant EBITDA/net interest payable measures our ability to service our net debt.

Covenant EBITDA is defined, explained and reconciled to equivalent statutory measures in the Alternative Performance Measures on pages 32 to 35.

Covenant net debt, EBITDA and covenant EBITDA/net interest are the two key covenants for the short and long-term funding for the Group, and are therefore monitored on an ongoing basis.

Prior to 2018, covenant net debt included derivative financial liabilities and is defined, explained and reconciled to equivalent statutory measures in the Alternative Performance Measures on pages 32 to 35.

1 Underlying measures are stated before exceptional items and net finance cost on pensions and they are defined, explained and reconciled to the equivalent statutory measures in the Alternative Performance Measures on pages 32 to 35. Underlying figures for 2017 and earlier years have been restated to exclude net finance cost on pensions, where applicable.
2 Constant currency growth rates are calculated by translating both the current year and prior year local currency amounts using the prior period average exchange rates.
3 Non-recurring items relate to Board change costs of £0.8 million in 2018.
4 Adjusted for the impact of impairments, revised ROCE is 12.6%.
5 Covenant net debt is shown before the impact of IFRS 16 of £0.5 million (2019: £0.8 million).
6 EBITDA for covenant purposes is shown on underlying basis (before exceptional items) and before the impact of IFRS 16 of £0.4 million (2019: £0.6 million).

Financial Review

THE GROUP DEMONSTRATED ROBUST TRADING AND FINANCIAL RESILIENCE IN 2020 POSITIONING IT WELL FOR FUTURE PROFITABLE AND CASH GENERATIVE GROWTH.

ROHAN CUMMINGS
CHIEF FINANCIAL OFFICER

The Group was able to demonstrate its trading and financial robustness in 2020. The key highlights included revenue being only marginally lower, despite the impact of COVID-19, underlying operating margins improving to 16.5%, up 90 bps year-on-year, strong cash generation, leading to a substantial reduction in net debt compared to the prior year, and the maintenance of our long-term dividend track record. Our strong financial platform positions the Group well for future profitable and cash generative growth.

Edible Collagen ('EC') volumes grew by 1% in the year, despite the challenges brought by COVID-19, which we estimate had an adverse net 2% impact on group volume.

Group revenue was marginally down (-1%) at £247.6 million driven by pricing investments in long term contracts, adverse product mix in EC and lower sales of other products, primarily non-edibles.

The divergent performance between our emerging and mature markets continued in H2 2020 with emerging market volumes growing 13% for the full year, above our expected range, while mature markets declined 5%. Whilst overall volumes in North America increased year on year by 9%, this was not sufficient to offset weaker trading in the UK and Europe, with COVID-19 impacting the food services sector along with distributor destocking, as previously outlined, in certain European markets.

Underlying operating profit was up 4% year on year at £40.8 million driven by improving margins supported by ongoing supply chain efficiency savings despite certain COVID-19 related costs. Consequently, the underlying operating profit margin was up by 90 bps to 16.5% (2019: 15.6%).

Underlying basic earnings per share ('EPS') increased by 9% to 16.5 pence (2019: 15.2 pence) further supported by lower finance costs.

A combination of higher operating profits, together with working capital efficiencies helped deliver robust cash generation with free cash flows of £22.5 million (2019: £30.8 million) and the covenant net debt/EBITDA ratio reducing to 1.8 times at 31 December 2020 (1.9 times at 31 December 2019). We expect further improvement in 2021.

Income statement exceptional items for the year were £4.6 million (2019: £53.1 million) of which £4.0 million related to the closure of the Bellshill site and £0.6 million to the final stage of implementation of the new global operating model.

REVENUE

	2020 £'m	2019 £'m	Change	Change at constant currency
Revenue	247.6	250.0	-1.0%	-1.6%

REVENUE BRIDGE

	2020 vs 2019	2019 vs 2018
Volume (EC*)	1.1%	0.0%
Price/country/product mix (EC*)	-1.8%	-1.5%
Other products	-0.8%	-1.1%
Foreign exchange	0.5%	1.3%
Total	**-1.0%**	**-1.3%**

*EC – Edible Collagen

Revenue for the year was marginally lower than 2019, reported revenue fell by 1.0% while constant currency fell by 1.6%. This drop was mainly driven by price investment on long term contracts and adverse product mix. The decrease in other products revenue reflected ongoing general weakness in the non-edible collagen market in Europe and the negative impact of COVID-19 on biomedical. Foreign exchange rates positively impacted revenue due to the strengthening of the Japanese Yen and Euro against Sterling during the year.

EDIBLE COLLAGEN VOLUMES

Overall Group volumes grew by 1.1% in the year with 13% growth recorded in emerging markets offset by a 5% decline in mature markets.

Analysis of emerging and mature markets edible collagen revenue is set out below:

	Volume	Price/mix	Foreign exchange
Emerging	13%	-1%	1%
Mature	-5%	-1%	1%

Emerging markets volume growth of 13% was driven by new business wins along with market share gains with existing customers in several target geographies. Our strongest growth in volumes was seen in Latin America, up 76%, Russia & East, up 16%, and South East Asia, up 14%. China's moderate 3% full year growth reflected the impact of the pandemic but also reflects a strong comparator in the second half of 2019. Emerging markets contributed 30% of Group edible collagen revenues, a 300 bps increase year on year.

We saw growth in all of our **mature markets** except the UK and Ireland and Continental Europe. These markets declined due to decreased demand from food service end customers resulting from COVID-19 lockdowns coupled with distributor partner de-stocking in Continental Europe. Positively, volumes in North America grew 9% continuing the strong snacking growth seen in prior years. Australia & New Zealand and Japan saw volume uplifts of 2% and 1% respectively. Overall the declines in the UK and Continental Europe more than offset the growth in other mature markets, and overall sales volumes declined by 5%.

OPERATING PROFIT

Operating profit/(loss) for the year can be analysed as follows:

	2020 £'m	2019 £'m	Change
Underlying EBITDA	62.4	65.5	-4.7%
Depreciation & amortisation	(21.6)	(26.4)	18.2%
Underlying operating profit	**40.8**	**39.1**	**4.3%**
Exceptional items	(4.6)	(53.1)	
Operating profit/(loss)	**36.2**	**(14.0)**	

Underlying operating profit of £40.8 million (2019: £39.1 million) was up by 4.3%. An increase in volumes and strong supply chain cost savings offset the impact of adverse revenue mix, ongoing inflationary pressures and one-off COVID-19 costs, led to the delivery of a solid operating profit performance. 2020 operating profits was also supported by lower depreciation following impairment of assets in 2019, as outlined in the prior year.

Operating profit at £36.2 million (2019: (£14.0) million loss) included £4.6 million of exceptional costs related to the closure of the Bellshill site and final stages of the implementation of the global operating model.

An analysis of the overall movement in underlying operating profit is set out below:

	£'m
Underlying profit for 2019	**39.1**
Price/country/product mix (EC*)	(3.6)
Volumes (EC*)	0.8
Contribution from other products	(0.9)
Manufacturing cost savings	6.0
Inflation	(2.4)
COVID-19 cost	(2.2)
Fixed cost	3.7
Foreign exchange and other	0.3
Underlying operating profit for 2020	**40.8**

*EC – Edible Collagen

Manufacturing cost savings include investments into manufacturing efficiency initiatives and operating cost reduction programmes including the final implementation of the new global operating model, closure of Bellshill site, a focus on sourcing of raw materials, and optimisation of operational structures. Wage cost inflation and COVID-19 related costs, as well as a premium paid on raw materials, were mostly offset by reduction in fixed cost, which were mainly depreciation savings on impairments booked in 2019 in the US and China. The cost savings achieved were modestly ahead of management expectations at H1 2020 and included in both the manufacturing cost savings and fixed cost lines.

Devro consolidates results from operations around the world in multiple currencies. Movements in exchange rates had a positive impact on underlying operating profit. Foreign exchange rates benefitted from the strengthening of the Japanese Yen and Euro during the year.

The Group's underlying operating margin increased by 90 bps to 16.5%.

Financial Review (continued)

EXCEPTIONAL ITEMS

	2020 £'m	2019 £'m
Restructuring costs	3.9	7.2
Impairment of property, plant and equipment	0.7	44.9
Impairment of intangible assets	–	1.0
	4.6	**53.1**

Restructuring costs include charges associated with the closure of the Bellshill site of £3.3 million (2019: £5.6 million) and £0.6 million (2019: £1.6 million) relating to the implementation of the new global operating model. An additional £0.7 million of asset impairments were also identified as a part of the Bellshill site closure (2019: £4.9 million). 2021 will reflect the sale of the Bellshill site which completed in January 2021.

The 2019 impairment charges also included £41.0 million related to impairment of assets in the US and China CGUs following changes in sourcing strategy announced at the end of 2019.

CAPITAL INVESTMENT

	2020 £'m	2019 £'m
Capital investment	16.2	13.9

Capital investments in 2020 increased to £16.2 million compared to £13.9 million in 2019. The key investments in the year related to reconfiguration and upgrade of our Czech facility following the closure of Bellshill and transfer of manufacturing lines from the UK. Due to COVID-19 certain projects were modestly delayed, and the capital will be spent in 2021. Capital investments for 2021 will be lower than the depreciation and amortisation cost, with the amount depending on future growth prospects.

WORKING CAPITAL

	2020 £'m	2019 £'m
Inventories	37.8	39.1
Trade and other receivables	29.7	27.9
Trade and other payables	(32.0)	(29.4)
Provisions	(1.0)	(5.6)
	34.5	**32.0**

Working capital increased by £2.5 million during the year and reflects: £1.3 million lower inventories, £1.8 million higher receivables following better sales in the latter part of the year in comparison to the prior year, offset by £2.6 million increase in payables, mainly capital creditors. The decline in current provisions by £4.6 million mainly reflects the payment of redundancies associated with closure of Bellshill site.

CASH FLOW AND NET DEBT

Devro continues to deliver positive cash flows with the covenant net debt/EBITDA ratio reducing to 1.8 times as at 31 December 2020, compared with 1.9 times as at 31 December 2019. The covenant EBITDA/net interest payable ratio was 12.2 times as at 31 December 2020 (2019: 11.6 times), and together with the covenant net debt/EBITDA ratio was well within the covenant.
Key financial measures are as follows:

	2020	2019
Net debt	£110.0m	£124.6m
Covenant net debt/EBITDA ratio	1.8 times	1.9 times
Underlying operating cash flow before pension funding deficit and exceptional items	£67.8m	£71.3m
Operating cash flow	£51.6m	£59.7m
Return on capital employed (ROCE)	15.7%	13.0%

Return on capital employed (ROCE) of 15.7% improved due to both positive working capital movements in 2020 and the reduction in asset values following the impairment write downs in 2019. Excluding prior year impairments from the calculation results in an adjusted ROCE of 12.6% (2019: 12.1%).

FINANCE COSTS

	2020 £'m	2019 £'m
Net finance cost	5.4	6.0
Net finance cost on pensions	1.4	1.8
Total net finance cost	**6.8**	**7.8**

Net finance costs for the year (excluding pensions) were £5.4 million. This represents a decrease from 2019 of £0.6 million and reflects lower interest rates and levels of debt throughout the year.

Net finance costs on pensions for the year reduced by £0.4 million, due to lower interest rates compared with the start of 2019.

PENSION SCHEMES

Devro operates a number of defined benefit schemes around the Group, although all of these are now closed to new entrants. The net pension obligations of these schemes can be analysed as follows:

	2020 £'m	2019 £'m
Fair value of scheme assets	256.5	245.2
Present value of scheme liabilities	(311.7)	(309.3)
Net pension obligations	**(55.2)**	**(64.1)**

The Group's net pension obligation decreased by £8.9 million and this primarily related to increased deficit funding, the return on assets and an experience gain on liabilities, offset by a decrease in discount rates.

The net pension obligation has improved significantly from the balance reported at half year (£82.2 million). This improvement is mainly related to the experience gain on liabilities being recognised in the second half of the year and majority of contributions also being made after half year. The return on plan assets also contributed to the improvement in the second half of the year and has accrued broadly equally in both halves of the year.

Devro plays an active role in managing its pension schemes and related liabilities, ensuring that the assets are appropriately invested and that additional contributions are made where necessary to ensure all obligations are met as they fall due. In 2020 the Group made pension deficit funding contributions of £7.4 million (2019: £5.3 million). The increase over 2020 relates to the phasing out of the legislative taper relief on the US plan discount rates resulting in higher funding liabilities and consequently higher deficit funding payments for the US scheme. For 2021, pension deficit funding is anticipated to remain the same for the US scheme in dollar values. The triennial UK valuation and negotiations are underway but no material increases are expected. Further analysis of the movement in net pension liabilities is set out in Note 26 to the attached Financial Statements.

TAX

	2020 £'m	2019 £'m
Tax charge on underlying profit before tax	7.9	7.7
Tax (credit)/charge on exceptional items & exceptional tax charge	(1.6)	11.9
Tax charge in income statement	**6.3**	**19.6**

The Group operates around the world and earns profits which are subject to tax at differing rates in different jurisdictions. The average tax rate charged to underlying profit before tax was 22.3% in 2020 (2019: 23.3%) and reported profit before tax, 21.4% (2019: -89.9%).

The underlying tax charge for the year stood at £7.9 million. This is broadly in line with last year, given the similar level of underlying profit before tax.

In 2020 deferred tax assets of £27.2 million have not been recognised on losses in the US, China and other territories, due to uncertainty over the timing of future recoverability of accumulated losses.

EARNINGS PER SHARE

	2020	2019
Underlying basic earnings per share	16.5p	15.2p
Basic earnings per share	13.8p	(24.8)p

We have presented an adjusted underlying earnings per share (EPS) measure, which excludes exceptional items and net finance cost on pensions, to provide a better indication of the underlying performance of the Group (see the Alternative Performance Measures section below for definitions, explanation and reconciliation to the equivalent statutory measures).

Underlying basic EPS increased by 1.3 pence, as a result of an increase in underlying operating profit (+1.0 pence), decrease in finance charges (+0.4 pence) and increase in tax charges (-0.1 pence).

The increase in basic EPS mainly reflects the lower exceptional charges in 2020 compared to 2019, as well as the improved trading performance.

DIVIDEND

	2020	2019
Interim per share	2.7p	2.7p
Recommended final per share	6.3p	6.3p
Total	**9.0p**	**9.0p**

There was a change to the timing of dividend payments in 2020 versus previous years. What was recommended as our 2019 final dividend of 6.3p per share was ultimately declared as an interim dividend in July 2020 and paid on 2 October 2020. Our usual interim dividend of 2.7 pence per share was also declared in July 2020 and it was paid to shareholders in January 2021.

The Board has recommended a final dividend for 2020 of 6.3 pence per share, which is unchanged from the value of the final 2019 dividend recommended in March 2020.

BREXIT

The Group comprehensively assessed the potential impacts of Brexit prior to 1 January 2021. The key risks and potential impact identified included the potential increase in import duties, import regulations and impact on UK customers and need for increased inventory requirements to ensure adequate supply.

UK represents c.10% of group revenue. Our UK site sells c.13% of its output to affiliates within Europe and sources c.10% of its raw material requirements from outside the UK. Our products have a long shelf life (c. 24 months) and we operate a global supply chain, which has the advantage of maintaining supply continuity. Nevertheless, we continued through 2020 working on a robust plan with appropriate measures to ensure minimal disruption to our customers and supply chain, in case circumstances required it.

Post the period end, in the early part of 2021, we have not experienced any material disruption related to Brexit.

POST BALANCE SHEET EVENT

As a result of the Bellshill site closure, at the end of June 2020, a site sale process was commenced during the second half on 2020. There were several interested parties and the sale was completed on 29 January 2021 for a net £3.6 million. The proceeds will be used to reduce the Group's net debt.

ROHAN CUMMINGS
CHIEF FINANCIAL OFFICER

Alternative Performance Measures

In addition to statutory financial measures, management uses certain alternative performance measures (which are not defined by Adopted IFRS) to assess the operating performance and financial position of the Group. The alternative performance measures that Devro uses are 'constant exchange rates', 'underlying', 'earnings before interest, tax, depreciation and amortisation (EBITDA)', 'covenant EBITDA', 'net debt', 'covenant net debt', 'free cash flow' and 'return on capital employed (ROCE)'.

CONSTANT EXCHANGE RATES

The Group has operations across the world in multiple currencies and is exposed to risk on fluctuations in foreign exchange rates. As a result, the Group's reported revenue will be impacted by movements in actual exchange rates. The Group presents revenue growth on a constant currency basis in order to eliminate the effect of foreign exchange rate movements, enabling investors to better understand the operational performance of the Group.

Revenue growth at constant currency is calculated by presenting both the current and prior year local currency amounts using the prior period average exchange rates. Constant exchange rates are used in the Financial Review in the revenue section on page 29.

UNDERLYING

Underlying figures are stated before exceptional items (Note 4) and net finance cost on pensions. Exceptional items are those significant items which are incremental to normal operations and are separately disclosed by virtue of their nature or size to enable a better understanding of the Group's underlying financial performance. Devro has undergone a major transformation including implementation of a new global structure initiated in 2018 and the closure of the Bellshill site which was completed in 2020. The closure of the Bellshill site coincided with a transfer of its trade and assets to other manufacturing sites in the Group notably to the Group's sites in Czech Republic. This restructuring transfer incurred a number of costs which have been recognised as exceptional costs.

In 2020, £(3.9) million of exceptional costs were included in cost of sales (2019: £(49.5) million), £(0.6) million in administrative expenses (2019: £(3.6) million), and £(0.1) million in other expenses (2019: nil).

Net finance cost on pensions are excluded from underlying results as these costs are volatile, given that they are dependent upon the pension position at 31 December each year which is subject to market fluctuations.

A reconciliation from the underlying figures to the equivalent reported figures is presented below:

£'m unless otherwise stated	**2020** Underlying	**2020** Exceptional items	**2020** Net finance cost on pensions	**2020** Reported	2019 Underlying	2019 Exceptional items	2019 Net finance cost on pensions	2019 Reported
Operating profit/(loss)	40.8	(4.6)	–	36.2	39.1	(53.1)	–	(14.0)
Operating margin %	*16.5%*	*(1.9)%*	–	*14.6%*	*15.6%*	*(21.2)%*	–	*(5.6)%*
Profit/(loss) before tax	35.4	(4.6)	(1.4)	29.4	33.1	(53.1)	(1.8)	(21.8)
Income tax	(7.9)	1.3	0.3	(6.3)	(7.7)	(12.3)	0.4	(19.6)
Profit/(loss) attributable to owners of the company	27.5	(3.3)	(1.1)	23.1	25.4	(65.4)	(1.4)	(41.4)
Basic earnings per share (p)	16.5p	(2.0)p	(0.7)p	13.8p	15.2p	(39.1)p	(0.9)p	(24.8)p

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

EBITDA is defined as operating profit excluding depreciation and amortisation. This measure is used by management to assess operational efficiency and, given that it excludes non-cash depreciation and amortisation, it is a useful approximation for cash generation from operations. This measure is in common use elsewhere and a reconciliation from reported figures is shown below.

£'m unless otherwise stated	**2020** **Underlying**	 **Exceptional items**	 **Reported**	2019 Underlying	 Exceptional items	 Reported
Operating profit/(loss)	40.8	(4.6)	36.2	39.1	(53.1)	(14.0)
Depreciation and amortisation	21.6	–	21.6	26.4	–	26.4
EBITDA	62.4	(4.6)	57.8	65.5	(53.1)	12.4
EBITDA margin %	*25.2%*		*23.3%*	*26.2%*		*5.0%*
Less: Impact of IFRS 16	(0.4)			(0.6)		
Covenant EBITDA	62.0			64.9		

EARNINGS PER SHARE

Underlying earnings per share (EPS) measure, which excludes exceptional items, is used to provide a better indication of the underlying performance of the Group. Underlying basic earnings per share is calculated by dividing the underlying profit attributable to ordinary shareholders by shares, being the weighted average number of shares in issue throughout the year (2020: 166,949,022; 2019: 166,949,022). Underlying diluted earnings per share is calculated by dividing the underlying profit for the year attributable to ordinary shareholders by the average number of shares, including the effect of all dilutive potential shares (2020: 168,909,074; 2019: 166,949,022). Shares arising from the Performance Share Plan are only treated as dilutive where the effect is to reduce earnings per share (2020: 1,960,052; 2019: nil).

	2020 **Underlying**	 **Reported**	2019 Underlying	 Reported
Profit/(loss) attributable to owners of the company (£'m)	27.5	23.1	25.4	(41.4)
Earnings per share				
- Basic (p)	16.5	13.8	15.2	(24.8)
- Diluted (p)	16.3	13.7	15.2	(24.8)

NET DEBT

Net debt is defined as the excess of total borrowings over cash and cash equivalents. It is a measure that provides additional information on the Group's financial position and is a measure in common use elsewhere. Whilst net debt is calculated using balances reported under IFRS, the Group's covenants are based on net debt as accounted prior to the implementation of IFRS 16 and its impact on leases. A reconciliation from reported figures to 'covenant net debt' is presented below:

	2020 **£'m**	2019 £'m
Current borrowings	(20.8)	(1.2)
Non-current borrowings	(112.9)	(148.1)
Total borrowings	**(133.7)**	**(149.3)**
Cash and cash equivalents	23.7	24.7
Net debt	**(110.0)**	**(124.6)**
Impact of IFRS 16	0.5	0.8
Covenant net debt	**(109.5)**	**(123.8)**

Alternative Performance Measures (continued)

RETURN ON CAPITAL EMPLOYED

Return on capital employed (ROCE) is used as a measure of how well the Group is utilising its available capital and is a measure in common use elsewhere. ROCE is calculated by presenting underlying operating profit as a proportion of average capital employed.

Capital employed for this purpose is defined as net assets excluding interest-bearing assets and liabilities, derivative financial instruments, current and deferred tax balances, pension obligations and provisions for liabilities and other charges.

A reconciliation from reported figures is presented below:

	2020 £'m	2019 £'m	2018 £'m
Intangible assets	10.2	10.5	10.5
Property, plant and equipment	209.2	213.8	278.8
Assets held for sale	2.5	–	–
Inventories	37.8	39.1	38.2
Trade and other receivables	31.4	31.8	41.4
Trade and other payables	(35.3)	(31.9)	(32.3)
Total capital employed	**255.8**	**263.3**	**336.6**
Average capital employed*	259.6	300.0	335.5
Underlying operating profit	40.8	39.1	39.2
Return on capital employed	**15.7%**	**13.0%**	**11.7%**

* Average capital employed is calculated as the average between the balances as at the start of the year and as at the end of the year.

CASH FLOW

Underlying operating cash flow and free cash flow provide management with important information, in respect with how the underlying business is performing (underlying operating cash flow) and what cash is available for dividend payments (free cash flow). The table below provides a reconciliation from underlying operating cash flow to free cash flow adjusting for items which management view are outside of their discretion.

	2020 £'m	2019 £'m
Underlying EBITDA	62.4	65.5
Working capital/other	5.4	5.8
Underlying operating cash flow	**67.8**	**71.3**
Capital expenditure	(14.2)	(13.7)
Cash exceptional items	(8.8)	(6.3)
Pension deficit funding	(7.4)	(5.3)
Interest paid	(5.1)	(5.6)
Tax paid	(8.3)	(9.2)
Other	(1.5)	(0.4)
Free cash flow	**22.5**	**30.8**
Dividends paid	(10.5)	(15.0)
FX movements	2.6	2.0
Impact of IFRS 16 (leases)	–	(0.8)
Movement in net debt	**14.6**	**17.0**

TAX BEFORE EXCEPTIONAL ITEMS

The reconcilation below identifies the Group's tax on underlying profits or losses.

	2020			2019		
	Underlying £'m	**Non-underlying £'m**	**Reported £'m**	Underlying £'m	Non-underlying £'m	Reported £'m
Current tax						
UK corporation tax at 19.0% (2019: 19.0%)	(0.4)	–	(0.4)	0.1	–	0.1
Foreign tax	9.6	–	9.6	10.3	–	10.3
	9.2	**–**	**9.2**	**10.4**	**–**	**10.4**
Adjustments in respect of prior years	0.2	–	0.2	0.1	–	0.1
Total current tax charge/(credit)	**9.4**	**–**	**9.4**	**10.5**	**–**	**10.5**
Deferred tax *Origination and reversal of temporary differences representing:*						
UK corporation tax	3.1	(1.2)	1.9	4.2	(5.0)	(0.8)
Foreign tax	(4.1)	–	(4.1)	(6.3)	16.9	10.6
	(1.0)	**(1.2)**	**(2.2)**	**(2.1)**	**11.9**	**9.8**
Adjustments in respect of prior years	0.1	(0.4)	(0.3)	(0.7)	–	(0.7)
Change in tax rates	(0.6)	–	(0.6)	–	–	–
Total deferred tax (credit)/charge (Note 25)	**(1.5)**	**(1.6)**	**(3.1)**	**(2.8)**	**11.9**	**9.1**
Tax charge/(credit) in the Consolidated Statement of Profit and Loss	**7.9**	**(1.6)**	**6.3**	**7.7**	**11.9**	**19.6**
Effective tax rate for the year	**22.3%**	**26.7%**	**21.4%**	**23.3%**	**-21.7%**	**-89.9%**

A reconciliation of the Group's tax charge from multiplying the Group's profit before tax by the headline UK corporation tax rate, for underlying and reported profits or losses, is detailed below:

	2020			2019		
	Underlying £'m	**Non-underlying £'m**	**Reported £'m**	Underlying £'m	Non-underlying £'m	Reported £'m
Profit/(loss) before tax	35.4	(6.0)	29.4	33.1	(54.9)	(21.8)
Profit/(loss) before tax multiplied by the UK 19.0% (2019: 19.0%) corporation tax rate	6.7	(1.1)	5.6	6.3	(10.4)	(4.1)
Effects of:						
• Adjustments in respect of prior years	0.4	(0.5)	(0.1)	(0.6)	–	(0.6)
• Expenses not deductible	(0.2)	–	(0.2)	1.5	5.0	6.5
• Income not taxable	(0.3)	–	(0.3)	(0.1)	–	(0.1)
• Adjustments in respect of foreign tax rates	1.2	–	1.2	0.6	0.5	1.1
• Impact to tax rate change	(0.6)	–	(0.6)	0.1	–	0.1
• Temporary differences on which deferred tax not recognised/(previously unrecognised)	0.7	–	0.7	(0.1)	16.8	16.7
Tax charge for the year	**7.9**	**(1.6)**	**6.3**	**7.7**	**11.9**	**19.6**

Principal Risks & Uncertainties

LIKE ANY OTHER BUSINESS, DEVRO'S OPERATIONS ARE EXPOSED TO RISKS WHICH COULD POTENTIALLY HAVE AN ADVERSE IMPACT ON THE GROUP.

The Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The main risks identified are set out in the following pages and we also highlight their bearing on our response to the impact of COVID-19 on our business. Additional risks which are not presently known to management could also have an adverse effect on the Company.

In addressing and overseeing risk, the Board is supported by the Risk Committee and by the Executive Management Team through additional integrated business planning structures. 2020 was the first year in which risk has been managed through a refreshed risk management framework which has generated greater visibility about how individual risks might impact the Company's delivery of individual elements of its 3Cs strategy and associated key areas of focus; revised the process for identifying and bringing key risks to the Board's attention including the standardisation of processes and risk assessments by each functional management team. The emergence of new risks is considered at every meeting of the Risk Committee, supported by regular reviews by each functional management team and long-term planning through IBP.

The Board has taken into consideration the principal risks when considering the adoption of the going concern basis of accounting and when assessing the prospects of the Company for the purpose of the viability statement.

The viability and going concern statements can be found on pages 41 and 72, respectively.

COVID-19 PANDEMIC – ASPECTS OF PRINCIPAL RISKS AND UNCERTAINTIES

There was considerable focus in 2020 within our business to address risks and uncertainties in connection with the COVID-19 pandemic. The immediate impact of those risks on our business has been and continues to be managed through our Incident Management Plan, led by our Executive Management Team. The experiences we gained from dealing with the impact of COVID-19 on our Chinese business prior to the wider emergence of the pandemic have benefited and informed our global approach.

The risks we have faced in connection with the pandemic since that time have primarily been those which we had already identified and were monitoring prior to the pandemic but which, in some cases, have assumed a higher priority. They can be categorised as risks which we are addressing in our immediate and current response to the pandemic and those which we have considered may have an impact on our business in the longer-term.

RISKS ADDRESSED IN OUR IMMEDIATE AND CURRENT RESPONSE TO THE PANDEMIC

- **Operational disruption:** The safety of our employees and of our manufacturing base has been our highest priority and we have closely monitored the risk of disruption to our operations and consequent ability to meet customer demand, caused by higher levels of employee absences.

  Mitigation
  Through our Incident Management Plan we have taken account of staffing levels in order to optimise our global production plans. The early implementation of comprehensive COVID-19 specific health & safety measures, in many cases at standards which exceeded those mandated in the countries where we operate, including strict limits on access to our sites, has mitigated the risk to individuals and sites alike. This has been reinforced by pandemic-specific employee engagement and support to promote a shared responsibility for acting safely and cautiously in the face of the pandemic. Since the start of the pandemic, we have been able to maintain sufficient production levels to meet all customer demands.

- **Sales downturn due to customers' business disruption:** The pandemic has continued to generate greater volatility in demand from individual customers as a result of their own staffing difficulties, sourcing obstacles and restrictions imposed on parts of their customer base, most notably food service channels.

  Mitigation
  There is little indication that overall consumer demand for our customers' products has materially changed and this is reflected by the cumulative sales we have achieved in 2020 across our wide customer base. We have managed the volatility in demand from individual customers through effective demand planning and IBP processes (overseen by our Incident Management Team).

- **Disruption to supply or increase in price of key raw materials:** Some of our suppliers' businesses have experienced disruption, most notably hide split suppliers and glycerol producers. This, in turn, has impacted their capacity to supply us. Though there has been a plentiful supply of cattle hide splits, one of our most important raw materials, from which collagen is extracted, our suppliers have experienced disruption due to the adverse impact particularly at the outset of the pandemic on the automotive sector, which under normal circumstances, forms a significant part of hide suppliers' customer base.

  Mitigation
  Our global Procurement team continues to assess and monitor our supply chain vulnerabilities. We address these by seeking and maintaining multiple sources for key raw materials and cultivating equitable long-term commercial relationships with suppliers. We have long-standing contractual relationships with multiple hide suppliers across the world and, in response to the pandemic, a dedicated team has overseen the management of those relationships to ensure continuity of supply. While it was necessary to accept a higher level of cost during the initial stage of the pandemic in order to achieve this, we have sought to mitigate this through engagement with our entire supplier base (including hide suppliers) to settle on competitive and sustainable commercial terms.

RISK TREND

INCREASED   DECREASED   = BROADLY UNCHANGED

ASPECTS OF PRINCIPAL RISKS WHICH MAY IMPACT OUR BUSINESS IN THE LONGER-TERM

If a sustained global economic downturn follows the pandemic, or our customers continue to experience inflationary cost pressures in dealing with COVID-19 on their businesses, they will likely seek greater efficiencies in their own businesses and from their suppliers. This may result in Devro facing increased competition and a corresponding higher risk of the loss of profit margins or sales volumes.

Mitigation

Devro is well positioned to support customers in their drive for further efficiencies. We are able to deliver for them (particularly those switching from gut to collagen casing applications), manufacturing efficiencies, based on over 85 years of experience, our global presence, a wide collagen casings product range, customer intimacy and superior technical service.

If COVID-19 restrictions persist, temporary changes in consumer demand may become more established. There is evidence of a significant increase in 'at-home' consumption of sausages during COVID-19 lockdowns while foodservice demand (dine-in or on the go) has reduced, (with the rise in takeaway/delivery and the uplift in retail offsetting this to a degree).

Mitigation

Overall consumer demand for protein continues to grow, this trend being particularly pronounced in emerging markets, where there is corresponding growth in sausage consumption. Our product range, global presence and intimacy with a wide customer base equips us to detect, respond to and benefit from changing customer and market demands. We have casings and gel manufacturing facilities across six locations (the UK, Netherlands, Czech Republic, the US, Australia and China) and are able to leverage our collagen expertise across regional markets as well as partner with sausage manufacturers with global reach.

For more information about the short, medium and longer term impact on Devro's marketplace, see Understanding our Markets on pages 14 to 19.

KEY RISK	IMPACT	MITIGATION	MOVEMENT
LOSS OF PROFIT MARGINS / VOLUME DUE TO INCREASED COMPETITIVE PRESSURES The Group operates in competitive markets throughout the world.	Any increase in effective competition risks sales loss via volume and/or price decline.	To Win with the Winning Customers is a key pillar of our 3Cs strategy and in 2020 we have continued to develop our global commercial organisation to gain greater insights into customer requirements and into responding with value propositions to drive customer satisfaction. The transition to a global commercial organisation in 2019 has facilitated a more rapid transfer of successful customer offerings and more agile trouble shooting. In 2020, net cost savings of £6.0 million have been delivered in order to keep our cost base competitive. We also aim to continue expanding the total collagen casings market by developing products which convert gut applications to collagen casing.	=

Principal Risks & Uncertainties (continued)

RISK TREND

^ INCREASED v DECREASED = BROADLY UNCHANGED

KEY RISK	IMPACT	MITIGATION	MOVEMENT
DEVELOPMENT OF NON-CASING TECHNOLOGIES More than 80% of the Group's revenue is derived from the manufacture and sale of edible collagen casing, primarily for sausages. For many years, several manufacturers of machinery used in the food industry have been promoting "co-extrusion" systems for sausages which do not require casing. Both collagen and non-collagen co-extrusion gels can be used on such systems. In 2020 we have detected a greater readiness for fresh sausage producers to consider non-collagen co-extrusion solutions.	If there were to be a significant conversion to co-extrusion, there could be an adverse effect on sales of casing, revenues and profits.	The Group makes substantial investments in product development and manufacturing processes to sustain competitive advantage. It invested £6.3 million in research and development activities in 2020, to extend and differentiate the product range. Where there have been conversions to co-extrusion for fresh sausages in the past, the Group has often been successful in obtaining the business to supply the collagen gel required for such applications, and, following the 2015 acquisition of Devro B.V., continues to be a world leader in this specialist category. We continue to invest in the development of innovative gel (non-casing) solutions.	^
IT SYSTEMS/CYBER RISK IT systems are central to our business operations. Vulnerability to an external attack, a risk faced by companies and institutions globally, has grown in 2020, particularly as reliance on online connectivity has increased in order to accommodate different ways of working during the pandemic.	An outage for a period of time could have an impact on our operations. Loss of commercial or personal data could damage the business or our reputation and result in financial penalties.	We commissioned an external audit in 2020 of our IT systems to identify how we can continue to ensure they are appropriately secured. We are acting on the recommendations of the audit by investing to remediate known vulnerabilities and to implement an Information Security corporate governance structure that will counter future cyber security risk and vulnerability. Employees are regularly trained to detect, avoid and mitigate cyber risks and information security risks.	^
DISRUPTION TO SUPPLY OR INCREASE IN PRICE OF KEY RAW MATERIALS Inflationary cost pressures that cannot be mitigated by cost reduction or passing on price risks reduced margins and profitability.	The Group's most important raw material is collagen, a naturally occurring animal protein obtained from cattle and sow hides. It represents up to 20% of the Group's total cost of goods. There is a risk that changes may occur in the supply or demand for food grade collagen, resulting in significant cost increases for the Group's business.	The Group manages the collagen sourcing risk by, where possible, entering into long-term arrangements with specialised suppliers in various parts of the world. There continues to be an ongoing focus on cost reduction and manufacturing efficiencies, led by our global Procurement function, to address inflationary pressures across the entire business.	=
FOOD REGULATORY RISK Food safety concerns risks additional regulation and restrictions.	Changes to food safety regulations could result in restrictions on the movement of the Group's products, or its raw materials, between territories, or necessitate changes to the production processes at one or more of the Group's manufacturing operations.	We actively monitor planned and actual changes to regulations in all key jurisdictions in order to minimise disruption to our business. The Group is a member of various industry bodies, including the Collagen Casings Trade Association, which monitor global regulations. Supplier approval and traceability are under constant review.	=

RISK TREND

INCREASED   DECREASED   = BROADLY UNCHANGED

KEY RISK	IMPACT	MITIGATION	MOVEMENT
CHANGES IN CONSUMER DEMAND Consumer preferences evolve over time and are influenced by a number of issues outside our control, including economic factors and health considerations. Preferences may be affected both as a result of long-term trends such as calls advocating consumers to reduce their meat consumption and shorter-term trends such as those triggered by restrictions on food service channels or social gatherings in response to the COVID-19 pandemic.	A decline in consumer demand for sausage could lead to increased competition in the marketplace and reduced sales revenue/profitability. It may be more difficult to respond to volatility in demand for sausage caused by the implementation at short-notice of regulatory restrictions on particular sales channels which could lead to reduced sales.	Devro's wide range of products and geographical presence allows flexibility to respond to customer and market demands. Our demand planning and IBP procedures assist us to react to changes in consumer demand at speed. We continue to invest in our products and processes with the aim of producing differentiated products while reducing our cost base to remain competitive.	=
FOREIGN EXCHANGE RISK c.90% of the Group's revenues are invoiced in currencies other than sterling.	Adverse foreign exchange rate movements, could reduce revenues and the sterling value of reported profits. Sterling exchange rate volatility may be impacted in 2021 by ongoing trading tensions between leading industrial nations.	The financial impact of exchange rate fluctuations within our operating units is mitigated by a policy of hedging a substantial portion of transactional foreign exchange risk for periods of up to 15 months using forward contracts.	=
OPERATIONAL DISRUPTION The Group is at risk of disruption to its manufacturing capability from poor operational performance, or major disruptive events, such as fire or flooding.	Prolonged operational disruption could result in sustained loss of capacity or capability and could affect our ability to deliver to customers. This, in turn, could adversely affect the Group's financial performance.	The Group maintains industry-leading operational processes and procedures to ensure effective operational management at each of our plants. With six manufacturing operations in various locations, the Group has manufacturing flexibility and this enables effective contingency planning. Our business continuity and disaster recovery plans are regularly tested and continually updated. Appropriate insurance policies are in place.	=

Principal Risks & Uncertainties (continued)

RISK TREND

^ INCREASED v DECREASED = BROADLY UNCHANGED

RISK	IMPACT	MITIGATION	MOVEMENT
PEOPLE Shortage of people with relevant expertise and any failure by management to engage with all employees risks obstacles to the delivery of the Company's strategy.	There is competition for highly trained staff in certain areas. Devro's strategy of significant investment in the Company's manufacturing base requires the recruitment and retention of highly skilled technical managers and employees. The Company had undergone considerable organisational change since 2016, aimed at embedding a global integrated platform, the success of which is dependent on continued engagement with employees.	We offer a competitive pay package to our employees and we continue to pursue an Employee Value Proposition to promote the benefits of employment with the Group. The important role of the Company in the food supply chain during the COVID-19 pandemic has brought additional focus on the benefits of employment within the Group. We engage regularly with employees and undertake annually an employee engagement survey, from which actions to enhance engagement are formulated and implemented. See page 52 for our employee engagement initiatives.	=
INCREASED FUNDING REQUIREMENTS OF PENSION SCHEMES Estimates of the amount and timing of future funding obligations for the Group's defined benefit pension schemes are based on various assumptions, including the projected investment performance of the pension scheme assets, future bond yields, changes to assumptions about the longevity of the schemes' members and statutory requirements.	Any significant deterioration in the schemes' asset values or unforeseen increases in scheme liabilities might increase the Group's funding obligations and could deflect investment in the business.	The position and performance of each of the pension schemes are continually monitored by the Group, in conjunction with pension trustees and professional advisers. All defined benefit schemes are closed to new entrants, and the Group is actively working to match assets to expected future cash flow.	=
PRODUCT CONTAMINATION Raw materials and ingredients may contain impurities, contamination or disease.	Contamination could lead to a product recall, loss of reputation, or significant costs of compensation.	All of our manufacturing sites have achieved FS22000 approval. This requires a Hazard Analysis and Critical Control Point programme to be implemented with the aim of preventing contamination.	=
BREXIT Regulatory changes to arrangements governing trading between the UK and the EU, following the conclusion of the trade and co-operation agreement reached between the UK and the EU in December 2020, risks disruption to some Company sales.	This risk primarily impacts sales from product made in Scotland exported to the EU and Northern Ireland, which represents max. 6% of Group output. (The majority of Devro Group production and trade is unaffected by this risk.) Since the December 2020 trade and co-operation agreement between the UK and EU came into effect, the scope for operational disruption remains, due to the introduction of new regulations. However, the potential adverse impact of this risk is lower than the risks previously associated with a 'no-deal' scenario.	Comprehensive plans developed to mitigate the effects of the UK's departure from the EU were successfully implemented prior to the December 2020 expiry of the Brexit transition period. The Company's framework for managing the risk of an abrupt departure of the UK from the EU without a trading deal, has been adapted to address and resolve quickly individual queries and obstacles which have arisen on the implementation of regulatory changes introduced on the expiry of the transition period following the UK's departure from the EU. We have substantial manufacturing operations in the Czech Republic from where we continue to be able to supply most EU customers.	v

VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks.

The Group's business plan is focused on long-term growth through our 3Cs strategy described in the Business Review on pages 8 to 11. Whilst the Directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainties involved and the higher level nature of longer-term forecasting, the Directors have determined that a three-year period to 31 December 2023 constitutes an appropriate period over which to provide its viability statement. This three-year period aligns with the period focused on by the Board during the strategic planning process.

In making this Statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. The Group's principal risks, and how these are managed, are set out above and the Group's capital and financial risk management policies and exposures are set out in Note 23 to the Financial Statements.

The three-year strategic plan is constructed on a 'bottom up' basis and is reviewed by the Board. This process involves input from individual Group operating companies and includes assumptions regarding expected sales volumes and average selling prices by region, production levels by manufacturing site and the level of targeted cost savings achieved. The plan is updated as circumstances evolve.

The output from this planning is used to perform debt and headroom analysis, which includes a review of sensitivity to 'business as usual' risks and also stress testing using 'severe but plausible' events. The analysis takes account of the availability and likely effectiveness of the further mitigation actions that could be taken to avoid or reduce the impact or occurrence of the identified risks or events. The current revolving credit facility was renewed in 2018 and is now in place until 2023.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023.

Non-financial information statement

Non-financial information reporting required under the UK Companies Act is included in the Strategic Report as referenced below. Our reporting includes information about the policies and principles that govern our approach, correspondence diligence processes, outcomes and non-financial performance indicators.

Reporting requirement	Section	Pages
Environmental matters	Reducing our environmental impact	56-59
Employees	Health & Safety Our people	48-51 52-53
Social matters	Corporate citizenship Tax transparency	54-55 54
Respect for human rights	Human & employee rights	53
Anti-bribery and anti-corruption matters	Conduct	53
Description of the business model	Business model	20-21
Description of principal risks	Principal risks & uncertainties	36-41

Section 172 Statement

Each Director of the Company continues to be mindful of their statutory duty to promote the success of the Company for the benefit of the members as a whole, and in doing so having regard (amongst other matters) to those factors set out in section 172(1)(a)-(f) of the Companies Act 2006 (as set out in the table below). Collectively, the Board recognises how having regard to these and other relevant factors and stakeholder groups in its decision-making contributes to the success of the Company. Depending on the matter in question, the relevance of different stakeholder interest and other factors will inevitably vary and the Board may have to make difficult decisions based on competing priorities which means that it may not always be possible to provide a favourable outcome for all stakeholders.

On appointment to the Board, Directors are provided with a detailed induction programme. This includes a briefing on Directors' statutory duties and Directors are also provided with various opportunities to meet key stakeholders. In 2020 the Company formalised its procedures aimed at Directors being supplied ahead of Board meetings with detailed papers which highlight stakeholder considerations and other factors considered relevant to the matter under consideration.

Members of the Executive Management Team and other key employees attend and make presentations, as appropriate, at meetings of the Board including in relation to the outcome of stakeholder engagement. A programme of strategic and other reviews ensures that the Directors continually update their skills and knowledge and in 2020 additional training was delivered to refresh understanding within the business of the Board's section 172 responsibilities.

In particular, the Company's response in 2020 to the impact of the COVID-19 pandemic on its business illustrates how regard has been had to sometimes competing section 172 factors, more information about which is set out below.

The Company's key stakeholders are our shareholders, employees, customers (including our distributors), and suppliers. Collectively the regard had to each of the Company's stakeholders and to those other matters set out in section 172(1) enables the Company to maintain its 'licence to operate'. For more information about this, see the Responsible Business section of this report on pages 44 - 62. The Company has in place the following framework to ensure Directors have regard to our key stakeholders and those other matters referenced in section 172(1) in their decision-making:

The likely consequences of any decision in the long-term
The Board regularly reviews its long-term strategy, encompassing not only the current phase of development, but also future areas of growth. Input is regularly taken from specialists within the business and external advisers about what might frame the commercial environment in which the Company will operate in future and the Board regularly considers how it can best respond to that framework. The resulting assessment of future development helps inform the Board's decision-making and the balance between short-term and long-term measures and actions.

The implementation of Integrated Business Planning processes in 2020 has facilitated a clearer understanding of decisions required in the short-term in order to meet longer-term objectives; while the launch in 2020 of two major initiatives – to refresh the Company's approach to sustainability and to develop how the Company's purpose is articulated – will bring additional focus, as the output from both is implemented this year, on the long-term consequences the Board is seeking to achieve through its decision-making.

See our Corporate Governance Report on pages 66 to 73 for more information about the Work of the Board during 2020 and see pages 24 and 25 for more information about Integrated Business Planning at the Company.

The interests of the Company's employees
The interests of the Company's global workforce was at the forefront of the Board's considerations in 2020 of the impact on the business of the COVID-19 pandemic. The Board has been informed about and has regularly reviewed (at informal Board calls no less frequent than every fortnight during much of the pandemic) activities to keep employees and the Company's sites safe, while engagement with employees about the pandemic has been channelled through a Navigating COVID-19 portal, COVID-19 employee pulse surveys and other regular communications (including a fortnightly managers call, to coincide and replicate the Board's own COVID-19 update meetings).

While the Board has also continued to promote engagement with the global workforce more broadly in 2020, it has been necessary to adapt mechanisms for this, in order to navigate COVID-19 obstacles. These are described more fully on page 68. The Board's approach to engagement is underpinned by the Company's global People Statement about which the Board seeks regular feedback as part of its annual review of this and of its other global statements.

In 2020 the Board had particular regard to employee interests in initiatives to refresh the Company's sustainability programme and to develop how the Company articulates its purpose, on both of which consultation with the global workforce has been extensive and has informed the output of both initiatives. The framework for employee participation to shape both initiatives is being maintained, in order to support the launch of the initiatives in 2021 and to ensure subsequent phases, including the reassessment of values and culture in the context of the refreshed Company purpose, also reflect the 'employee voice'.

The need to foster the Company's business relationships with suppliers, customers and others
Winning with the Winning Customers remains a key element of the Company's 3Cs strategy – see page 11, and the Company's commercial structure has continued to evolve in 2020 to facilitate greater scope for customer intimacy. In particular, a mechanism to formalise the collation and analysis of regular feedback from customers has been implemented and additional resources have been assigned to the development of customer relationships. The Global Commercial Director has presented to the Board regularly in 2020 and while face-to-face contact with customers has necessarily been restricted in 2020, Directors together with members of the Executive Management Team have continued to engage with customers (including distributors) and to share with the rest of the Board insights gained from such engagement. In Autumn 2020, the Global Commercial Director presented the findings of a one-to-one survey with senior management of key customers on the impact of COVID-19. The findings have informed our continued engagement with customers, in particular how we can adapt to provide our expertise to them, notwithstanding COVID-19 access restrictions, in order to facilitate manufacturing efficiencies.

The Company continues to cultivate its relationships with its supplier base and the Company's global procurement function ensures that the 'supplier voice' is regularly heard. The output in 2020 of an ongoing review of supplier policies continues to bring greater clarity to the commitments of both the Company and its suppliers. Particular regard was had in 2020 to the interests of suppliers of the Company's key raw material, cattle hide splits, through the establishment of a dedicated Company team to engage more closely with such suppliers in order to navigate COVID-19 obstacles faced by the Company and suppliers alike. Sourcing (and the impact of the pandemic on key suppliers' businesses) was reviewed in 2020 by the Board at each of its regular COVID-19 updates.

The impact of the Company's operations on the community and the environment
The Company continues to pursue a programme to reduce the impact of its operations on the environment, measuring and reporting its performance against the global targets that it has set for itself. This is more fully described on pages 56 to 59. The Board reviews on an annual basis the Company's environmental commitments recorded in its global environmental management statement.

In 2020, the Company embarked on a major initiative (overseen by the Board) to refresh its sustainability framework encompassing both social and environmental commitments and taking into consideration the views and priorities of all stakeholders.

The desirability of the Company maintaining a reputation for high standards of business conduct
The Board reviews on an annual basis the Company's global statement on business conduct and it oversees each year a compliance survey, in order to verify how business conduct standards are being maintained. It ratified in 2020 an updated global policy on business conduct, having regard to both external developments and the updating of internal structures since the policy was last renewed. The reporting of concerns raised through the Company's third party hosted EthicsPoint service provides the Board with a further insight into business conduct issues affecting the business.

The need to act fairly as between members of the Company
The Company's approach to engagement with shareholders is described on pages 67 and 68.

In 2020 the Board had particular regard to shareholder interests when, in April 2020, as a precautionary measure, it decided to delay payment of its 2019 final dividend, mindful at the time of the uncertainty as to the potential for future disruption to the business as a result of COVID-19. The Board's subsequent decision in July 2020 to declare the postponed 2019 final dividend (by way of an interim dividend) was also informed by the Board's regard to shareholder interests taking into account the Group's financial position and robust trading performance at that time.

The Board will continue to keep engagement methods under review to ensure they remain effective.

WE RECOGNISE THE IMPORTANCE AND IMPACT OF OUR BUSINESS ON BOTH OUR PEOPLE AND OUR CUSTOMERS AND HAVE STRIVED TO MAKE ADVANCEMENTS.

EARNING OUR LICENCE TO OPERATE

Devro has always sought to act with honesty and integrity in everything we do, striving to protect our reputation for conducting our business fairly and ethically throughout the world.

We manufacture goods across a global platform and in all regions we operate with care and commitment to our workforce's wellbeing and with that of our local communities. We are dedicated to the health and safety of our employees, which is fundamental to how we operate. We are continually reducing our environmental impact to benefit our business, communities and future generations.

As one of the world's leading suppliers of edible collagen casings for food, we develop trusted and innovative products for our customers. Our primary product enhances production efficiency and provides waste reduction and cost saving benefits to our customers.

PROGRESS IN 2020

- Robust COVID-19 protocols kept the workplace safe and kept our sites running throughout 2020.
- More efficient use of our sites led to an 8% reduction in both our energy use (KWhr per million metres production) and in our CO_2 emissions (tonnes CO_2 per million metres production) compared to 2019.
- Water savings measures reduced our water use (m^3 per million metres production) by 10%, compared to 2019.
- We commenced development of our new sustainability framework, including stakeholder engagement and materiality assessment. Our framework will be aligned to UN Sustainable Development Goals.

Additionally, we embarked on an employee-led, global collaboration to define our Purpose. This will complete in early 2021 and set the scene for our business and people priorities over a number of years.

THE PROCESS TOWARDS A SUSTAINABILITY FRAMEWORK

Our previous set of environmental targets ran from 2015 to 2020 and we report on our performance below. New targets will be developed in 2021 alongside incorporating a more comprehensive sustainability framework in order to ensure we follow best practice in our environmental, social and governance (ESG) considerations.

As we are adopting a more thorough, integrated sustainability framework, we are taking our time in developing this to get it right. We want to set meaningful and ambitious targets and objectives for the Group. To align our practices even more closely to our strategic business goals we will develop Board and management structures that provide oversight of the sustainability framework and embed sustainable objectives within our corporate strategy and capital allocation management process.

We are seeking input from all functions and geographies to develop the sustainability focus for our business. In H2 2020 we held two virtual global workshops and 15 working groups and agreed Climate, Water, Waste, People and Communities as our main focus areas. Our focus on People will include all training and development, diversity and inclusion and employee engagement. We have set up key functional groups to develop targets and identify projects which prioritise these areas, for which we expect to disclose more in 2021.

Our sustainability framework will be aligned with recognised standards and reference our performance to UN Sustainable Development Goals, which we have also used as the basis to improve understanding of the scope of sustainability across the Group. The Goals where we can have the most impact and which are aligned to our main focus areas are as follows and examples of how we contribute can be found throughout the report:

Focus Area	UN SDGs	Focus area
CLIMATE	7 Affordable and Clean Energy; 13 Climate Action	We continue to optimise our sites for energy efficiency and lower emissions and implement low-carbon solutions where possible.
WATER	6 Clean Water and Sanitation; 14 Life Below Water; 13 Climate Action	We focus on reducing our freshwater use and operate our own waste water treatment plants at our operations.
WASTE	12 Responsible Consumption and Production	We take great steps to reduce our waste to landfill and operate responsible waste practices. The majority of our organic waste is used in third-party energy generation.
PEOPLE	3 Good Health and Well-Being; 4 Quality Education; 8 Decent Work and Economic Growth; 10 Reduced Inequalities	We look after the interests of the people who work for us. We engage our employees with respect and capitalise on our cultural differences. We support employee training and professional development, promote diversity, operate with respect for human rights and ensure equal opportunities throughout our business. We strive to make Devro a safe and fulfilling place to work. Our goal remains to become a Zero Accident Community
COMMUNITIES	4 Quality Education	Our operations are part of the community in which they are located and we aim to be a well-respected organisation within our communities. We support and encourage the employment and apprenticeship of local people into our businesses.

In 2021, we will also develop our formal reporting by making our inaugural CDP submission and prepare a review of how we are mitigating climate change risks, aligned with the Taskforce on Climate related Financial Disclosures ('TCFD').

With increasing pressures on our planet and the people who live on it we have made the decision to build on the Company's sustainability agenda.

FROM COMMITMENT

CREATION OF DEVRO SUSTAINABILITY STRATEGY 2020

DESK RESEARCH
IR PERSPECTIVES
EMT INTERVIEWS AND DISCUSSIONS

2 LARGE VIRTUAL WORKSHOPS	SMALLER WORKING SESSIONS	FEEDBACK & DISCUSSION FROM TEAM LEADS	LARGE WORKSHOPS RECONVENED	LARGE WORKSHOPS RECONVENED
JUNE (2ND HALF)	LATE JUNE / EARLY JULY	MID JULY	JULY (2ND HALF)	EARLY AUGUST

TO ACTION

A wide selection of employees across the business from a variety of levels and functions were invited to attend a series of virtual sustainability workshops.

CASE STUDY

WORKFORCE ENGAGEMENT

These workshops used the UN Sustainable Development Goals to inform our colleagues about the scope of sustainability and encourage them to identify what they thought was important to them and the business to help us shape the future direction of Devro's sustainability journey. Working groups have since been created to identify projects and targets going forward.

HEALTH & SAFETY

DEVRO OPERATES AS A RESPONSIBLE BUSINESS, LOOKING AFTER THE INTERESTS OF THE PEOPLE WHO WORK FOR US.

We engage our employees with respect in a manner that values and capitalises upon our cultural differences and do our best to make Devro a safe and fulfilling place to work. We support the professional development of our people, which helps our employees progress whilst ensuring the continuous development of our Company. We promote diversity and ensure equal opportunities for all our employees. We operate with respect for human rights throughout our business and respect their freedom of association. All relevant policies can be found on our corporate website.

COVID-19

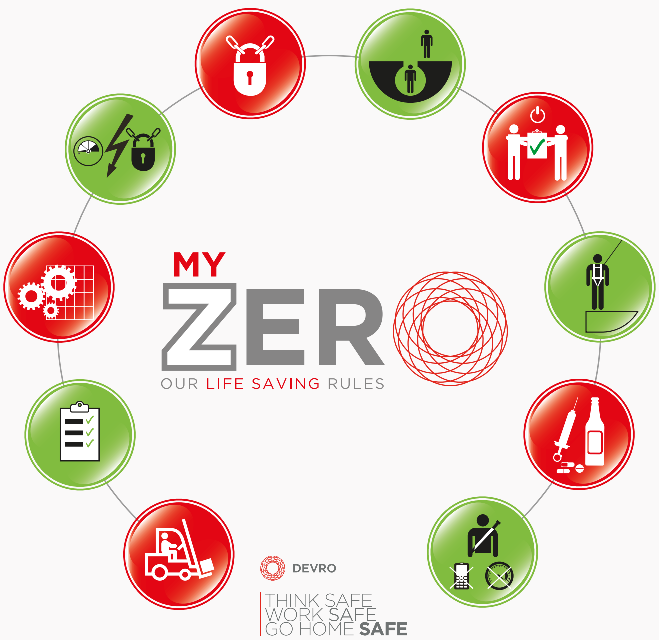
2020 will go down in history as an unforgettable year. As the COVID-19 pandemic spread across the globe, we were able to respond swiftly and leverage our early learnings in dealing with the situation at our Nantong factory, in China, across the wider Group.

We quickly introduced disease prevention procedures at all of our sites to reduce the risk of exposure to the SARS-cov2 virus. This included entry checks, social distancing measures, education, protective equipment, travel bans and identification of all who could work from home amongst other measures that have been continually reviewed through daily and weekly incident meetings that were held locally and at Group level to keep our workforce safe.

Throughout the pandemic we have been able to maintain production at all of our sites which is a credit to the commitment and engagement of our people.

HEALTH & SAFETY

Our goal remains to become a Zero Accident Community across Devro, at each site and within each functional group.



OUR AIM IS TO CREATE A ZERO ACCIDENT WORKPLACE COMMUNITY AND ENSURE EVERYONE GOES HOME SAFELY EVERY DAY.

MALCOLM SWIFT
HEALTH AND SAFETY COMMITTEE CHAIR

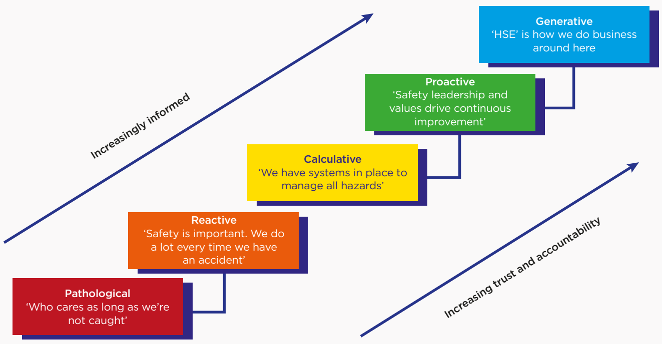
In 2020, our safety beliefs and practices continued to build on our Safety Community Pledge; THINK SAFE, WORK SAFE, GO HOME SAFE. We continued to reinforce the concept of MY ZERO, where we challenge all employees to protect their own Zero and watch out for their colleagues. We further strengthened Our Lifesaving Rules introduced in late 2019, ensuring policies, procedures and processes supporting these rules were in place at all our sites.

We continued to follow our three pillars to drive our safety efforts:

Firm Foundation focuses on the standards we need to have in place to stay safe, such as confined space entry and Lock Out/ Tag Out of energy sources. We have completed all Priority 1 standards.

Discipline Discipline ensures that we have the necessary policies, procedures, processes, and practices included in Standard Operating Procedures (SOP's) to keep people safe. In 2020, we reviewed c.3,000 SOP's across the Group and completed Risk Assessments on each procedure. Our goal was to ensure that all facets of an SOP (e.g. start up, shutdown, normal operations, abnormal operations, and cleaning) were covered and we ensured our Safety Standards were woven into the procedures.

In the **Internalised Safe Behaviours** pillar, we continued to focus on creating the transformation in our people via the "Hearts and Minds" program, which helps our people internalise safe behaviours. We rated ourselves as "Calculative" in our first survey and have a first goal to achieve the "Proactive" rating as part of our safety journey. We will measure our progress again during Q4 2021.



HEALTH & SAFETY
(CONTINUED)

In Q4 2020, we held our third annual Safety Month, which was a success in spite of the limitations imposed by COVID-19. The focus topics of each week were:

- Looking after your mental health
- Dealing with COVID-19 when working from home and in the factory
- Mindfulness and Occupational Health Support
- MY ZERO and Learning From Incidents

HEALTH & SAFETY MANAGEMENT

Health and safety remains our top priority and therefore is one of the first agenda items in meetings of senior management including the Executive Management Team and Board.

The Board's Health and Safety Committee reviews and monitors safety performance overall and in each of the regions. The Board reviewed our current program and process approach for safety in 2020 and has signed off on plans for 2021. The Committee met four times in 2020 to review progress.

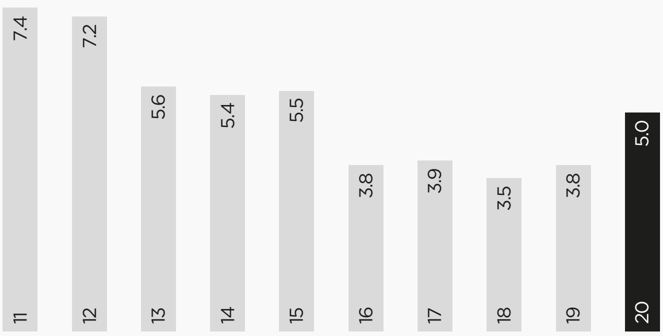
All sites have monthly safety training in place covering annual mandatory training and topics relevant to our drive to create ZERO ACCIDENT COMMUNITIES.

2020 SAFETY PERFORMANCE

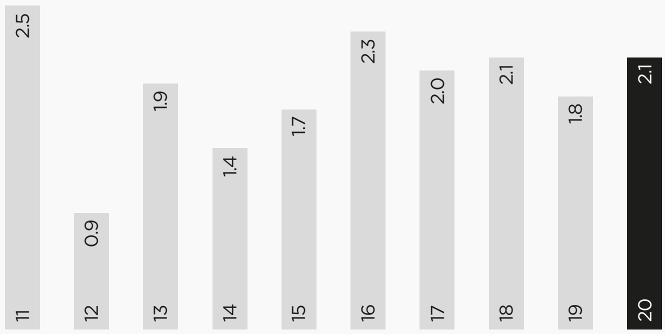
In 2020, we had 19 recordable incidents and eight Lost Working Day Incidents, resulting in a total of 222 Lost Days across Devro. There have been zero fatalities for both contractors and our employees for the last four years.

We use the International Labour Organization (ILO) standard of incidents per 1,000,000 hours worked. For Total Recordable Incidents, Lost Work Day Incidents and Lost Work Days, we multiply the number of cases, or days lost, by 1,000,000 and then divide by the man hours worked in Devro. All our safety statistics are inclusive of both contractors and our employees.

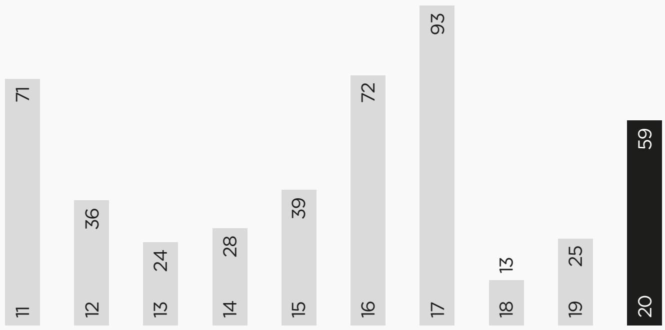
TOTAL RECORDABLE (LWDI AND RECORDABLE) PER 1,000,000 HOURS WORKED



TOTAL NUMBER OF LOST WORKING DAY INCIDENTS PER 1,000,000 HOURS WORKED

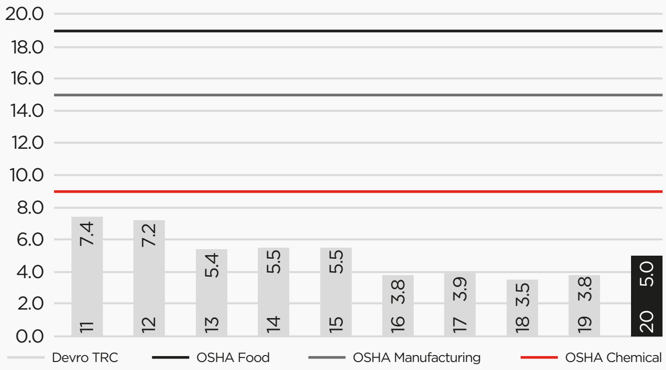


TOTAL NUMBER OF DAYS LOST PER 1,000,000 HOURS WORKED

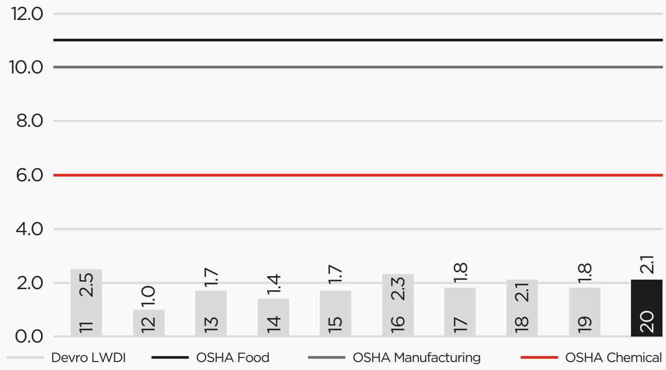


In light of our aim of a Zero Accident Community, we are not satisfied with the performance of 2020 and our goal is Zero. However, despite having more Recordable Incidents, one more Lost Working Day Incident and more Lost Days in 2020 than in the previous year, our performance continues to compare favourably with 'Food Manufacturing' 'Manufacturing' and 'Chemical' benchmarks according to the most recently published annual OSHA statistics. The following graphs show our accident rates in both Total Recordable Cases and Lost Working Day Incidents much lower than the three benchmarks from OSHA, depicted by 2019 levels of performance.

TRC – DEVRO VS. OSHA 2019 STATISTICS



LWDI – DEVRO VS. OSHA 2019 STATISTICS



Safety Performance	2016	2017	2018	2019	**2020**
Fatalities	1	–	–	–	**–**
Lost Working Day Incidents	10	9	9	7	**8**
Recordable Incidents	17	17	15	15	**19**
Days Lost (Actual)	345	403	57	141	**222**
Days Lost (Consecutive)	381	516	99	216	**403**
First Aid Incidents	83	75	96	100	**78**
Minor Injures	85	69	88	87	**77**
Near Misses	256	236	287	415	**273**
Occupational Illness Cases	4	2	7	9	**4**

Within our key tracked statistics, we have seen a decline in First Aid Incidents, Minor Injuries and Near Misses. Over the last few years, we have focused on improving our reporting and visibility across the Group. Key to our efforts today and in the future is "Learning From Incidents" and creating "Reflection" moments for our people on every incident. We share Recordable and Lost Work Day Incidents across the Group and our aim is to also share First Aid Incidents, Minor Injuries and Near Misses from site to site.

We continue to work on reducing Occupational Illnesses. Most of our Occupational Illnesses occur due to repetitive work in our shirring processes. We have worked extensively on ergonomics and in shirring have invested in automation to eliminate the potential of repetitive stress traumas.

SAFETY PLANS FOR 2021

During 2021, we will continue to develop our three pillars. Key to this effort is completing the globalisation of our standards, sharing the learnings from our Standard Operating Procedure review, and completing all the remaining modules in the "Hearts and Minds" effort.

Safety is our number one value; we ask all employees to have the shared view that we will all THINK SAFE, WORK SAFE and GO HOME SAFE. We want all employees to go home in the same condition in which they arrived and always work to protect their Zero and watch out for the Zeros of their colleagues. Teams are proving that Zero is possible: in 2020, our sites at Gendt, Slavkov and Moodiesburn had no Recordable Incidents; the sites at Sandy Run and Nantong recorded no Lost Work Day Injuries; and 2020 marked five years without a Lost Work Day Injury at our site in Gendt.

OUR PEOPLE

Devro is an international business, with five main production sites across four continents. During 2020, we employed 1,947 people, on average, around the world (2019: 2,019). As at 31 December 2020 the Group employed 1,922 people (2019: 1,970). There were no large-scale redundancies or significant job cuts affecting more than 1,000 employees or more than 5% of the total workforce during 2020 or in either of the previous two fiscal years.

EMPLOYEE ENGAGEMENT

The Group places considerable value on the active involvement of its employees on matters affecting them locally and on matters that affect the Group. This is achieved through visible and regular communications, both formal and informal, from their own local management and that of visiting executives and senior managers. It is common practice to bring together multi-cultural teams to work on strategically important projects. This has many benefits, not least of which is creating a more unified and consistent business culture. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

This year saw the continuation of our annual global Employee Engagement and Experience survey, 'TellDev!', with every employee across the Group having the opportunity to feedback on a number of areas including purpose, enablement, autonomy, reward and leadership. This provides valuable feedback which our leaders across the business can work with their teams to build upon, ensuring Devro remains an enjoyable and progressive place to work.

In 2020, our primary responsibility was to ensure the health and wellbeing of our employees and local communities by implementing stringent COVID-19 safety measures. This was facilitated by a strengthening of our internal communication capabilities across the Group, an area in which we continue to develop.

Additionally, we embarked on an employee-led, global collaboration to define our Purpose. This will complete in early 2021 and set the scene for our business and people priorities over a number of years – a key element of which will be to continue to engage with, involve and nurture our talented workforce.

TALENT AND PROFESSIONAL DEVELOPMENT

We encourage the development of employees through training by investing both time and money. This provides benefits for both the Group, through a more highly skilled workforce, and the individual employee, who gains both qualifications and experience that they can use to further their careers whilst with the Group and in any future roles elsewhere. In addition to the provision of local learning and development budgets, we offer support for employees with further education courses, based on the criteria of relevance to the job role.

2020 saw the roll out of 'My Contribution', a quarterly performance process, backed by an online platform, for our managers and professionals to implement and review their performance goals, development plans and career aspirations. Our engagement survey had showed some of our people would benefit from the motivation from setting and making progress towards specific goals. Via 'My Contribution', each quarter, people look back at what has been achieved and focus forward to the next quarter. This cycle of feedback enables learning and progress and makes sure goals stay relevant as business needs evolve. We delivered significant progress on this aspect of the employee experience this year and resulted in a noticeable improvement in engagement survey results in 2020 we believe.

As at 31 December 2020 we were training seven apprentices around the world. During the course of the year, two apprenticeships were completed, and as at 31 December 2020, 13 people who had successfully completed apprenticeships with us were still employed by the Group.

DIVERSITY & INCLUSION

Devro is an equal opportunities employer. All of our employees and applicants are treated fairly and equally, regardless of their age, colour, creed, disability, full or part-time status, gender, marital status, nationality or ethnic origin, race, religion or sexual orientation. Any claim of discrimination is investigated promptly. Applications from disabled people are always fully considered. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The gender analysis of the workforce as at the end of the year is shown in the table below. One additional female Board member, Chantal Cayuela, joined Devro as a Non-Executive on 1 January 2021. As a result of our Gender Equal Pay Reporting, we continue to address any imbalance including the roll out of unconscious bias training to key managers across the business.

Gender diversity statistics

	As at 31 December 2020			As at 31 December 2019		
	Male	**Female**	**Total**	Male	Female	Total
Board of Directors	**5** **83%**	**1** **17%**	**6**	4 67%	2 33%	6
EMT and Company Secretary (excluding Directors)	**5** **83%**	**1** **17%**	**6**	4 67%	2 33%	6
Senior Managers (EMT direct reports) (excluding Company Secretary and support)	**32** **73%**	**12** **27%**	**44**	39 74%	14 26%	53
Other employees	**1,160** **62%**	**706** **38%**	**1,866**	1,325 64%	735 36%	2,060
Total	**1,202** **63%**	**720** **37%**	**1,922**	1,372 65%	753 35%	2,125

CONDUCT

All business partners are expected to comply with all parts of our Business Conduct Policy. The Board reviews and approves an annual Global Business Conduct Statement, which is then disseminated to all employees in the Group at the beginning of the year. At the end of the year, each of our senior people must sign a certificate confirming full compliance with the Business Conduct Policy throughout the year.

We have a zero tolerance approach to bribery and corruption. All our senior managers are required to complete online training on bribery and corruption, reinforced by face-to-face training where appropriate. Employees or contractors may also be required to complete the training in circumstances where we have identified a potential risk. The main Board reviews the risks associated with bribery and corruption every year to ensure that our procedures remain appropriate and effective.

HUMAN & EMPLOYEE RIGHTS

Devro does not have a specific Company human rights policy since we consider that we are served in this area by the developed culture of ethical business practice and strong labour regulation present in most of the countries in which the Group operates. All the Group's sites, wherever located, adhere to our own high-standard labour practices, even where local regulatory requirements are not as advanced. We run our business responsibly and ensure that all our employees, customers, suppliers and other stakeholders are treated fairly and with respect. There have been no violations reported against the Company on human rights in 2020 or the previous three fiscal years. Any violations on human rights would be reported and action taken.

Devro maintains an open environment in which colleagues and other stakeholders can raise any issue about any aspect of our business. We support anyone who voices genuine concerns, even if they turn out to be mistaken. Nevertheless, Devro has a multi-language, externally-hosted whistleblowing system primarily designed to offer employees and third-party stakeholders a confidential and anonymous way of raising issues. This covers all individuals working at all levels of the global organisation, including contractors, casual and agency staff. A Board-approved procedure for handling any issue raised through the hotline is in place. A total of nine cases were handled in 2020.

In accordance with the Modern Slavery Act 2015, the Group has published a statement on its website setting out the steps taken to prevent modern slavery and human trafficking in its business and supply chains.

All our employees are entitled to a fair salary and other terms and conditions of employment, as appropriate. We benchmark salary and benefits against similar roles in the same local area annually to ensure that we are competitive. Our policy is to comply, at the very least, with minimum wage legislation for any job role for all employees, although in many instances, wage rates and salaries are higher and we seek to be competitive where our facilities are based.

The terms and conditions on working hours are detailed in our contractual terms and, where applicable, within agreements with our Trade Union groups. Overtime is voluntary and the Company will always abide by the legal requirements relating to overtime and payment for it. We pay benefits as appropriate to local markets, and in 2021 there is a review planned to ensure competitiveness. Legally required benefits such as annual leave, sick leave, maternity leave and normal working patterns and hours are of course applicable to all.

We have recognised Trade Union groups in our facilities in the Czech Republic, Scotland and Australia and value their partnership and involvement. We encourage collective bargaining with Trade Union groups and negotiate with them on the terms and conditions for their members and consult with them on changes within the organisation. Employees can become affiliated with a Trade Union and their involvement in that organisation will not affect them in terms of recruitment, promotion, transfers, development opportunities or any other employment arrangements.

In Europe, we have a long-established European Forum, consisting of management and employee representatives, who meet annually to discuss, communicate and consult on trans-national issues relating to the business.

Where there is no representative group, we establish and encourage an open two-way communication process with employees and have various communication mechanism and methods to keep this active.

CORPORATE CITIZENSHIP

SUPPORTING COMMUNITIES

Our Group operations are seen as part of the community in which they are located. We encourage the employment of local people into our businesses and vacancies are advertised within the local media and agencies. Devro is well-respected as an organisation within the communities it operates and this encourages loyalty from its employees. Our internal sustainability initiative workshops identified Communities as a key focus area for the Group and we have numerous examples of different generations of local families working for our business.

This link with the community extends to charitable causes. We consider requests from local charitable organisations, as well as national and international causes. The following table sets out our charitable giving.

Within the locality of our manufacturing sites we have various links with educational institutions providing work experience to school pupils, college and university students. The Company also provides support through charitable donations and resource.

Charitable contributions

	2020 £	2019 £	2018 £
America	**1,486**	5,813	8,224
Australia	**3,339**	9,189	6,690
Czech Republic	**24,841**	25,232	58,045
Scotland	**3,800**	4,395	9,863
Total	**33,466**	44,629	82,822

TAX TRANSPARENCY

Devro complies with both the spirit and the letter of all relevant tax laws and regulations in the countries where it operates, and it is committed to a transparent and open approach to reporting on tax. Our policy is to file all tax returns on time, and to pay tax as it falls due. The Group has a low risk tolerance for uncertain tax positions in the jurisdictions in which it operates. We do not undertake any aggressive or unreasonable tax planning schemes for the purpose of tax avoidance, and broadly aim to align tax payments to revenue generation. We do not knowingly help others avoid their tax obligations.

Devro does not operate in countries considered as partially compliant or non-compliant according to the OECD tax transparency report, or in any countries blacklisted or grey listed by the EU for tax avoidance and harmful tax practices, (per the latest lists released as at 31 December 2020), except for Australia, where our site is based to serve local markets and not located for tax purposes.

Our commitments on taxation are enshrined in both our Global Business Conduct Statement and Business Conduct Policy to which managers across the business must verify their compliance on an annual basis. Tax is a regular agenda item for the Audit Committee, which meets four times a year, and reports to the main Board. Tax compliance risks are managed through the Group's risk management framework, overseen by its Risk Committee, and supported by its global Finance function.

COOPERATION WITH EXTERNAL PARTIES

Devro were founding members of the Collagen Casing Trade Association, an organisation representing the interests of collagen casing manufacturers globally, especially around global regulatory controls. Devro is also part of national associations such as the UK-based Food and Drink Federation focused on European issues and the Food and Drink Federation of Scotland, where our representatives inform sector thinking on standards, legislation, environmental and animal welfare issues across the food industry.

We actively participate within our regions with any legislative consultation process relating to labour rates and engage with trade associations for our industry to develop the standards for our employees and others in the industry.

CASE STUDY

SUPPORTING OUR LOCAL COMMUNITIES

We have all recognised the importance of working in harmony with and supporting the communities that we live and work in and particularly so during this time of global crisis.

At our Czech plant in Jilemnice, a selection of our specially trained Chemical Risks team offered 24/7 support to local health teams, on top of their day jobs, by disinfecting ambulances post treatment of COVID-19 patients. Providing this local support saved ambulance crews from undertaking a 100km+ round trip to the existing disinfection facilities in Liberec county. As part of our commitment, we provided an area near the factory for the disinfection to take place. Thanks to our fantastic team for their selfless efforts.

CASE STUDY

SHINING A SPOTLIGHT ON PERFORMANCE

In 2020, we established 'My Contribution', a quarterly rhythm of performance conversations across our global managers and professionals to provide them the opportunity to set and make progress towards specific goals; known to a be an important contributor to motivation and engagement.

RENEWING A REGULAR DIALOGUE ON GOALS AND PERFORMANCE

'My Contribution' emphasises the role we all play in achieving Devro's strategy whilst building our own skills and careers. Our survey results in 2020 show a 15% increase in the number of people having regular discussions about their goals and objectives, a continued high score on understanding how their work helps Devro achieve its strategic goals, a marked improvement in people feeling their manager takes time to coach and develop their skills, and that they have opportunities to advance.

REDUCING OUR ENVIRONMENTAL IMPACT

We are continually reducing our environmental impact to benefit our business, communities and future generations with a focus on energy efficiency, carbon, waste reduction and water. Our specific environmental concerns differ by region and similarly, our business is subject to a variety of regulatory regimes and cultures. We manage environmental issues through a network of field and regional specialists operating within the business units. However, active global cooperation between our sites ensures that many country-specific solutions we have implemented across our manufacturing sites become adopted across business units where a common solution is practical.

Our individual business units measure relevant environmental impacts aligned to the specific country or regional legislation, but we collectively monitor our Group-level performance via four main measures, as outlined in the below targets.

GLOBAL TARGETS

Our original five year environmental targets set in 2011 were a 10% reduction per km of product in CO_2 emissions, water use and solid waste to landfill. We effectively achieved double the target set. New targets were adopted in 2015 having evaluated the legislative requirements in the countries where we operate, and investigated the opportunities presented by technology. We targeted that by 2020 we would:

- reduce emissions from the use of fuels and electricity in our sites (tonnes CO_2 per million metres production) by 30%;
- reduce energy consumption (GJ per million metres production) by 15%;
- reduce water consumption (cubic metres per million metres production) by 10%; and
- reduce landfill (tonnes of solids sent to landfill from process per million metres production) to zero.

We are pleased to report our cumulative performance from 2015 to the end of 2020 against these targets:

- emissions reduced by 27%;
- energy consumption reduced by over 15%;
- water consumption reduced by 37%; and
- waste to landfill cut from 86t/Mm in 2015 to 7.5t/Mm in 2020 (-91%).

In 2021, we will set new, ambitious environmental targets alongside the implementation of an updated sustainability framework. These targets will be broader and more challenging and may require capital expenditure to meet. In 2021 we will submit our environmental performance date to the CDP (formerly Carbon Disclosure Project) for the first time.

MANAGING ENVIRONMENTAL PERFORMANCE

Our main vehicle for compliance and improvement continues to be our environmental management systems, employed at all of our manufacturing sites. As at year end 2020, five of our seven collagen production sites are certified with the ISO 14001 Standard and the sites aim for continued conformity with the requirements of ISO 14001:2015. Further details can be found in our global environmental management statement on the website.

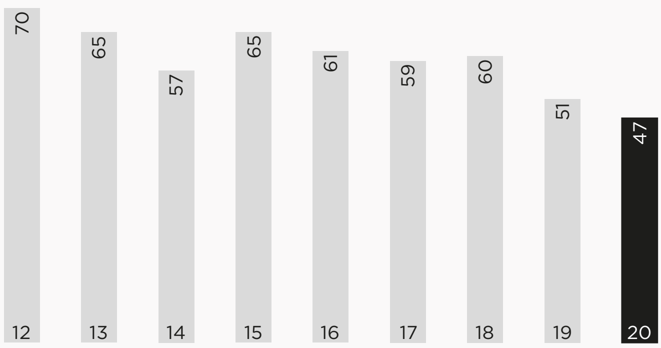
ENERGY AND GREENHOUSE GAS EMISSIONS

We aim to minimise our impact on climate change by continuing to work towards reducing our energy intensity and carbon emissions. We monitor and maintain our equipment and processes to reduce the impact of fuel consumption and electricity-related CO_2 emissions. Any major capital projects have incorporated the best available technologies at the design stage to minimise emissions and energy usage per kilometre of product.

In 2020, our CO_2 emissions per million metres of casing produced reduced by 8% from that reported in 2019. Despite significant emissions reductions in the last two years, we slightly missed our five-year target to reduce CO_2 per million metres of casing produced by 30% (actual 27%). The main contributor to CO_2 emissions reduction in 2020 was the closure of Bellshill site, with the production relocated to more efficient sites in the Group without a material loss in total output.

Our energy consumption data follows the trend in our emissions data as our greenhouse gas emissions are mainly due to the use of energy in our sites and centre on heat and electricity for our manufacturing processes. In 2020, our energy consumption per million metres of production was down 8%, meaning we have exceeded our five year cumulative energy reduction target of 15% to 2020. A project to install 100kW of solar panels at our site in Bathurst, Australia was approved in November 2020 and will be commissioned in 2021, which will help reduce this further. We use HFCs and HCFCs in refrigeration equipment, own a number of vehicles and rent offices. The figures in the table below cover all types of energy and all emissions (except Scope 3 data) for the Group, barring where we rent an office where the energy use is not measured separately. The impact of this on our numbers is not material.

CO_2 EMISSIONS
(TONNES CO_2/MILLION METRES EQUIVALENT CASING SOLD)
2005 = 100; 2020 TARGET = 45.5



We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, and taking account of the GHG Protocol Scope 2 Guidance (2015). Our base year for Scope 1 and 2 emissions data is 2012. Our 2012 base year emissions were 76,958 tonnes of CO_2e (Scope 1) and 66,605 tonnes of CO_2e (Scope 2).

Despite the slight reduction in revenue compared to 2019, our normalised emissions showed a 10% reduction year-on-year and are now at 459 tonnes of CO_2e per £'m revenue.

REDUCING OUR ENVIRONMENTAL IMPACT (CONTINUED)

ENVIRONMENTAL PERFORMANCE DATA

This table discloses the energy consumption, emissions and water usage of the entire Group.

Energy consumption and emissions data

	FY20			FY19		
	UK	Global (excl UK)	Group total	UK	Global (excl UK)	Group total
EMISSIONS						
Scope 1 (tCO_2e)	**19,060**	**34,589**	**53,649**	23,911	38,077	61,988
Scope 2 – location based (tCO_2e)	**3,059**	**57,530**	**60,589**	5,367	60,608	65,975
Total scope 1 & 2 (location)	**22,119**	**92,119**	**114,238**	29,278	98,685	127,963
Intensity measure (£'m Group revenue)	**–**	**–**	**248**	–	–	250
Intensity ratio (per £'m Group turnover)	**–**	**–**	**459**	–	–	512
ENERGY (kWh)						
Total renewable fuels consumption (kWh)						
Diesel	**0**	**1,570,736**	**1,570,736**	0	2,480,651	2,480,651
Gas	**104,191,275**	**189,054,699**	**293,245,974**	125,992,642	204,337,677	330,330,319
Total non-renewable fuels consumption (kWh)	**104,191,275**	**190,625,435**	**294,816,710**	125,992,642	206,818,328	332,810,970
Total renewable electricity consumption (kWh)	**7,112,763**	**0**	**7,112,763**	11,445,480	0	11,445,480
Total non-renewable electricity consumption (kWh)	**15,553,560**	**81,639,259**	**97,192,819**	15,294,497	87,841,789	103,136,286
Total renewable other energy consumption (kWh)	**0**	**0**	**0**	0	0	0
Steam	**0**	**35,005,782**	**35,005,782**	0	35,913,914	35,913,914
Total non-renewable other energy consumption (kWh)	**0**	**35,005,782**	**35,005,782**	0	35,913,914	35,913,914
Total renewable energy consumption (kWh)	**7,112,763**	**0**	**7,112,763**	11,445,480	0	11,445,480
Total non-renewable energy consumption (kWh)	**119,744,835**	**307,270,477**	**427,015,312**	141,287,139	330,574,030	471,861,169
Total operational energy consumption (kWh)	**126,857,598**	**307,270,477**	**434,128,075**	152,732,619	330,574,030	483,306,649
WATER						
Freshwater usage (m^3)	**492,434**	**1,237,292**	**1,729,726**	606,586	1,381,377	1,987,963
Intensity ratio (per £'m Group turnover)	**–**	**–**	**6,986**	–	–	7,952

WATER

Our water consumption is a mixture of well extracted and mains supply, this being driven both commercially and by the conditions in the regions. Similar to our energy and emissions profile, we made significant reductions per million metres of casing produced. In 2020, our water consumption in cubic metres per million metres production decreased by 10% compared to 2019. We implemented a capital project targeted at cost savings in water in Scotland which contributed to this saving in 2020. We have reduced our total water consumption in cubic metres per million metres production by 37% since 2015, significantly exceeding our 2020 target.

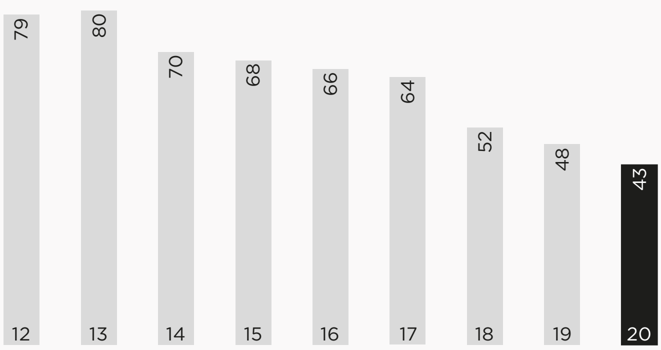
There were no incidents of non-compliance with water quality permits, standards, and regulations for 2020.

WASTE MANAGEMENT

In the various regions in which we operate, local legislation governs landfill use and is quite diverse. However, there is a common goal to reduce the impact wherever and whenever possible.

Within four of our major locations, and as a result of local regulatory requirements, we operate our own waste water treatment plants. In the fifth, Scotland, we partially treat our effluent to ensure we meet the outflow parameters before discharging directly into the public sewerage system, where our waste is combined with domestic effluent and treated by Scottish Water.

WATER USE
(M^3 WATER/MILLION METRES EQUIVALENT CASING SOLD)
2005 = 100; 2020 TARGET = 61.2

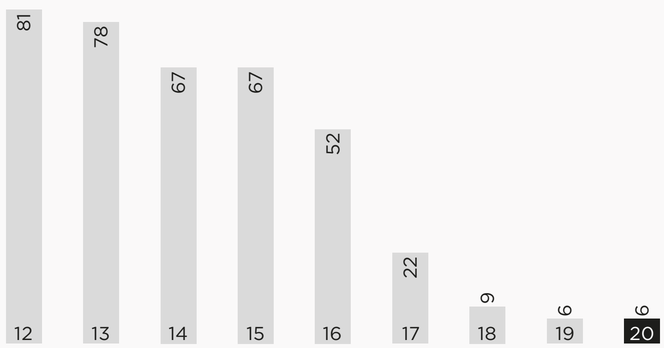


Our 2020 target was zero waste to landfill. We have made significant progress over the last five years and although we fell short of our zero waste target for 2020, our actions have reduced our waste to landfill per million metres production by 91% since 2015. This has been achieved through minimal investment. By separating out non-compostable items and using biodegradable bags for our organic waste, we are able to generate circular economy benefits by sending the vast majority of our collagen waste to composting and hence, third-party energy generation. We remain focused on finding new avenues for our process waste and continue to evaluate new technologies with our business partners. In 2020, our tonnes of solid waste to landfill increased by 11% compared to 2019 as a result of one-off issues in our US site. On an intensity ratio basis, these were offset by higher output.

2020 WASTE MANAGEMENT

	2020	2019
Waste to landfill (tonnes)	**2,293**	2,073
Other waste, incinerated or recycled (tonnes)	**8,382**	9,328
Total waste (tonnes)	**10,675**	11,401
Intensity ratio (per £'m Group revenue)	**43.1**	45.6

TONNES WASTE
(CONVERTED TO A SOLIDS BASIS) (SENT TO LANDFILL/ MILLION METRES EQUIVALENT CASING SOLD)
2005 = 100; 2020 TARGET = 0



CUSTOMERS & CONSUMERS

INNOVATION

We work in close collaboration with our customers to develop products which meet their needs and we support our customers with any offsite training and development.

Our collagen casings deliver significant production savings to our customers, so by working with our customers, we can decrease the environmental impact in our value chain. The consistency of our product significantly enhances throughput, providing material yield and energy efficiency benefits compared to gut casings. Consistently longer lengths also reduces customer waste and time in changeovers.

PRODUCT INTEGRITY

The quality of raw materials we use contributes significantly to the achievement of consistent finished product quality. We work closely with our suppliers to set clear specifications for the products they supply. We assure the safety, traceability, quality and provenance of our raw materials through our supplier audit and assessment process. More details on supplier assessments can be found in the Responsible Sourcing section below.

Our modern processing sites use state of the art production equipment, including a high degree of automation which minimises handling. This combined with our high standards of hygiene and control ensure we meet our customers' expectations for quality. All of our production sites are certified to ISO 9001 (quality management system) and all sites are certified to FSSC 22000 (food safety).

Our processes and raw materials are several steps removed from the animal, but where possible, we aim to ensure animal welfare standards within our value-chain. We offer customers full bovine collagen traceability back to the individual animal within our range which provides customers knowledge that they are getting a high quality, secure product.

We are continuously improving the efficiency of our operations, ensuring we extract the most from our resources, thereby reducing waste as well as water and energy usage. Where possible we use recycled board and/or renewable materials in our packaging, but we are restricted by regulation in the extent to which recycled materials can be used in our food contact packaging.

CASE STUDY

GROWING THROUGH FOCUSED AND CROSS-FUNCTIONAL CUSTOMER COLLABORATION

Brazil is one of Devro's key growth markets and over recent years, we have invested in developing strong relationships with customers and partners in the region.

For example, at one of our strategic customers in Brazil, our Commercial and Technical teams, working collaboratively with our distribution partner, have been busy strengthening relationships with stakeholders from all functions. By engaging with senior managers, operational and technical customer representatives, our teams have been able to better understand our customer's overall business, their requirements and the challenges they face. By leveraging Devro's value proposition, particularly in the areas of problem solving, optimisation and staff training, our teams were able to deliver a range of productivity gains for the customer.

As well as spending time at our customer's facilities, we hosted a visit to our Nantong production site for a cross functional group from Brazil. Our objective was to share our ways of working, our processes and innovation approaches to build joint understanding and trust with our customer. A quality and food safety audit was also undertaken, with a successful outcome.

Devro's Research and Development team collaborated with our Commercial team, the customer and our partners in the region to regularly review product requirements, assess and challenge progress and ensure product performance. This approach ultimately resulted in realising opportunities based on both Devro's existing portfolio, and new products to meet future needs.

By working collaboratively with our distribution partner and customer, Devro has achieved preferred casing supplier status, paving the way for business growth in 2020 and continued mutual value growth in the years to come.

RESPONSIBLE SOURCING

It is important that our suppliers apply the same principles of value, transparency and respect as we do, to ensure our products are sourced and manufactured in a fair, ethical and environmentally responsible manner.

Our suppliers are assessed primarily through a questionnaire and confirmation at audit. Where our raw material use is too low a risk to justify an audit, we rely on certificates of analysis, sample retention and in-house confirmatory analysis as well as our supplier questionnaire.

ASSESSING SUPPLIERS

The quality of our raw materials is critical to the quality of our product and thereby the reputation of the Devro brand. We conduct physical site audits for all our major ingredient suppliers and for new suppliers. We take into consideration any third party certification held by the supplier, and in particular where that is to Global Food Safety Initiative recognised standards. Subsequent Devro audits are conducted depending on the quantity of raw material used, its use across our product range, its inherent risk and the rating the supplier received following a previous audit. This approach is established at all our production sites (Scotland, Czech Republic, Australia, US and China) and is under the control of the Group Supply Chain Director. All non-conformances are required to be corrected. We report our audit progress annually. Further details of our supply chain policy can be found on our website.

For all our raw materials we complete a quality and food safety vulnerability risk assessment based on the inherent risk posed by the raw material, the quality controls of the manufacturer and our usage of the raw material across our product range.

SUPPLIER STANDARDS

We request all our raw materials suppliers provide information on their environmental policies, including whether they have a formal recognised Environmental Management System, such as ISO 14000, whether they are audited to that standard by a third party and, if so, they provide a copy of the said certificate.

We also request specific information on environmental impacts in our questionnaires (GHG, CO_2, water use, resource utilisation, waste and pollution targets and performance) and follow up in our physical audits of suppliers, where we discuss any non-conformance and agreed actions.

We request information from all our suppliers on social issues, including child or forced labour, equal opportunities, non-discrimination, freedom of association, labour practices (such as avoidance of excessive hours, minimum wage) and health & safety standards. We assess for the potential for poor labour conditions during the physical audits of all our major raw material suppliers, although the risk of this is low given our suppliers are large production processes or large reputable organisations.

SUPPLIER COMPLIANCE

During 2020, a total of 95 audits were carried out across our supply chain. The number of physical audits was reduced due to COVID-19 restrictions, but were still conducted remotely.

	Number of supplier audits (percentage)		
Year	Quality	Environmental	Social
2018	42	41 (98%)	36 (86%)
2019	54	52 (96%)	52 (96%)
2020	**95**	**95 (100%)**	**95 (100%)**

The Strategic Report comprising pages 1 to 62 inclusive, was approved by the Board of Directors of the Company on 1 March 2021.

ANDREW MONEY
COMPANY SECRETARY
1 March 2021

Board of Directors

STEVE GOOD
CHAIRMAN
Steve joined Devro on 1 June 2019.

EXPERIENCE:
Steve has international experience in speciality chemicals businesses, manufacturing and diverse industrial markets. Steve was Chief Executive Officer at Low & Bonar plc from 2009 to 2014. Prior to joining Low & Bonar, Steve spent 10 years with BTP plc (now part of Clariant) in a variety of leadership positions managing international speciality chemicals businesses. He is the Non-Executive Chairman of Zotefoams plc and he is also a Non-Executive Director of Elementis plc, where he chairs the Remuneration Committee. Previously Steve was a Non-Executive Director at Cape plc, Anglian Water Services Ltd and Dialight plc.

SKILLS:
Steve brings with him from both his executive and non-executive career considerable experience of international and industrial businesses. He is a Chartered Accountant.

Steve is Chairman of the Nomination Committee.

RUTGER HELBING
CHIEF EXECUTIVE OFFICER
Rutger joined Devro as Group Finance Director in April 2016 and became Chief Executive Officer on 28 February 2018.

EXPERIENCE:
Prior to joining the Company, Ruger was Group Chief Financial Officer of Element Six, the global leader in manufacturing synthetic diamond supermaterials. Previously, Rutger held senior positions in finance and general management with ICI/Akzo Nobel and Unilever. He holds a postgraduate finance degree from the Free University of Amsterdam and a degree in economics from the Erasmus University.

SKILLS:
Rutger brings broad experience from having worked in a wide range of international businesses with exposure to food manufacturing, consumer-facing businesses and in business-to-business environments. Having both worked in broad finance roles and in general management he has also wide functional experience.

Rutger is Chairman of the Non-Executive Directors' Remuneration Committee.

ROHAN CUMMINGS
CHIEF FINANCIAL OFFICER
Rohan joined Devro as Chief Financial Officer on 1 December 2020.

EXPERIENCE:
Prior to joining the Company, Rohan was Chief Financial Officer of Asahi International, part of Asahi Group Holdings, the Japanese global beer, spirits, soft drinks and food business group. Between 2002 and 2016 Rohan held a range of finance roles with SABMiller, living and working in Italy, Slovakia, Switzerland, Russia, the UK and South Africa. He played an important role in the carve-out of the businesses acquired by Asahi Group in 2016 as part of the ABInbev acquisition of SABMiller and is a commercially focused finance leader with a track record of making significant contributions to successful growth initiatives across a number of businesses in both mature and emerging markets.

SKILLS:
Rohan is a Chartered Accountant, has an MBA and brings to the Board a broad finance and international background.

Executive Management Team

MICHAEL LAUESGAARD
GROUP BUSINESS DEVELOPMENT DIRECTOR
Michael joined the Company in February 2016 as Group Business Development Director, assuming overall responsibility for end-to-end product management including R&D, product portfolio and partnership. Prior to joining Devro, Michael has spent his career building expertise through marketing, business development and sales functions, latterly in Chr. Hansen and Novozymes.

BEVERLEY MUNRO
GROUP BUSINESS EXCELLENCE DIRECTOR
Beverley, a qualified Chartered Accountant, has worked with Devro for over 20 years and has a wealth of experience through various roles including commercial, general management, finance and supply chain. Until 2016, she ran the Devro Pty business in Bathurst, Australia, overseeing major restructuring and expansion and up to 2018 she led the development of customer relationships in the Asia Pacific region, leading to significant sales growth. In her current role she will continue to drive the implementation of new global processes and enhanced use of existing tools to support the management of the integrated global business and delivery of the 3Cs strategy.

LESLEY JACKSON
NON-EXECUTIVE DIRECTOR/ SENIOR INDEPENDENT DIRECTOR
Lesley joined Devro on 1 May 2020.

EXPERIENCE:
Lesley was the Group Chief Financial Officer for Stock Spirits PLC from 2011 to 2017, prior to which she held similar positions at William Grant & Sons, and at United Breweries (an Indian listed public company). She is a non-executive director of Aberforth Split Level Income Trust plc and has served as non-executive director of Trackwise Designs PLC (where she also chaired both the Audit and Remuneration Committees). Lesley is a Chartered Accountant, having qualified with KPMG.

SKILLS:
Lesley's extensive finance and business experience from her roles in international manufacturing businesses is a valuable addition to support the development and execution of the Company's growth strategy.

Lesley is the Senior Independent Director and Chairman of the Audit Committee.

JEREMY BURKS
NON-EXECUTIVE DIRECTOR
Jeremy joined Devro on 1 May 2020.

EXPERIENCE:
Jeremy is Executive Vice President at Roquette Group, a privately owned global leader in plant-based ingredients and a pioneer of new vegetal proteins. He has headed their global commercial function and overseen their four business units for the last five years. During that time, he has driven a global strategic, operational and organisational change programme across the company. Prior to this, he spent more than 20 years with Dow Corning in a variety of global business and commercial leadership roles, which included 10 years establishing and growing speciality businesses in Asia.

SKILLS:
Jeremy's extensive business leadership experience in international nutrition, health and speciality chemicals adds skills and insights that are invaluable to support the development and execution of the Company's growth strategy.

CHANTAL CAYUELA
NON-EXECUTIVE DIRECTOR
Chantal joined Devro on 1 January 2021.

EXPERIENCE:
Chantal joined Kellogg's European business in 2018 as Vice President leading the R&D and Innovation team. During her international career working with global food manufacturers she helped shape commercial strategies through product innovation. Working in a variety of roles over 16 years at Danone, she developed considerable expertise in the successful delivery of customer-focused innovation. She subsequently spent seven years leading Group Bel's research, innovation and development where her leadership and approach to product innovation played a pivotal role in reinvigorating the brand, enabling the business to grow beyond its traditional core cheese markets.

SKILLS:
Chantal holds a doctorate in Biotechnology Chemical Engineering Sciences bringing to the Board extensive experience of successful product innovation in international food manufacturing businesses.

MALCOLM SWIFT
NON-EXECUTIVE DIRECTOR
Malcolm was appointed to the Board at the AGM on 26 April 2017.

EXPERIENCE:
Malcolm is President, Global Flavour Solutions, International-EMEA and Chief Administrative Officer of McCormick & Company Inc., a global leader in flavour listed on the New York Stock Exchange. He leads McCormick's Flavour Solutions business globally as well as the Europe, Middle East, and Africa ('EMEA') Region. He also oversees Corporate Strategy, Corporate Development, McCormick's Business Transformation Programme, IT, Corporate Communications, Global quality and McCormick's Sustainability Strategy. He was previously responsible for all of McCormick's operations outside the Americas.

SKILLS:
Malcolm brings his expertise in the food industry to the Devro Board in both the consumer and industrial sectors, along with significant experience of international business.

Malcolm is Chairman of the Health and Safety Committee and of the Executive Directors' Remuneration Committee.

KEVIN SHOEMAKER
GROUP SUPPLY CHAIN DIRECTOR
Kevin joined Devro in September 2016 as we transitioned to a global supply chain. He brings 40 years of international supply chain and manufacturing experience to Devro and is responsible for sourcing, making and delivering products to our customers. Prior to this he was the Senior Vice President of Operations for Purac/Corbion, where he was responsible for 10 manufacturing sites and global supply chain activities. His 15 years in the lactic acid and derivatives industry with Corbion were preceded by 20 years in corn wet milling, the majority of which were spent with Cargill. Kevin is a graduate from Iowa State University with a BS degree in Chemical Engineering.

PETER WHITMORE
GLOBAL COMMERCIAL DIRECTOR
Peter joined Devro in November 2018 in the new role of Global Commercial Director. He has a wealth of experience in global commercial roles in business-to-business environments, and has worked for companies including Dow, Trinseo and Amcor.

He has overall responsibility for leading our global commercial team to enable the achievement of our growth ambition as part of our 3Cs strategy.

ANTON ZAWADA
GROUP HUMAN RESOURCES DIRECTOR
Anton joined Devro in April 2020, bringing over 25 years of experience in human resources from within the FMCG and food industry. Previously, Anton was with Tate & Lyle from 2016 where he was HR Director Global Corporate Functions and also provided oversight of Global Security and Facilities.

Prior to this Anton spent four years with AB Mauri as Regional HR Director for their International Region, 17 years with British American Tobacco in a variety of local, regional and global roles, and three years with Sheffield Consulting, an HR Consultancy in New Zealand. Anton has a Bachelor of Arts with Honours in Psychology from Victoria University, Wellington, New Zealand.

CHAIRMAN'S INTRODUCTION

"WE ARE COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE AS AN ESSENTIAL ELEMENT OF DEVELOPING AND IMPLEMENTING STRATEGY EFFECTIVELY.

STEVE GOOD
CHAIRMAN

The leadership and effectiveness of the Board are primarily the Chairman's responsibility.

My fellow Directors and I fully appreciate the importance of sound governance in the efficient running of the Company, and in particular the effectiveness and independence of the Board and the management of risks faced by the Group. We also recognise the importance of, and are committed to, high standards of corporate governance as an essential element of developing and implementing strategy effectively, the long-term sustainability of which is dependent on its delivery in keeping with the Company's values.

The following report sets out how we do this. It covers how the Board and its committees operated in 2020, when it was subject to the FRC's 2018 UK Corporate Governance Code (the 'Code').

STEVE GOOD
CHAIRMAN

BOARD LEADERSHIP AND COMPANY PURPOSE

LEADERSHIP

I lead a Board, whose composition was extensively refreshed in 2020 and which is able to draw on entrepreneurial skills and experiences from a wide variety of businesses to focus on delivering value for the benefit of all of the Company's stakeholders. This is encompassed by the Company's purpose, values and strategy. In 2020 the Board oversaw a project to refresh how we articulate the Company's purpose. Our entire global workforce has had an opportunity to contribute through the annual 'TellDev!' employee survey and direct detailed input has been sought from almost a third of the workforce through a series of 42 workshops spanning all of the Company's functions and geographies. The initial phase of the project is nearing its conclusion and it is progressing to a second phase in which the Company's values and culture will also be reassessed in the context of the refreshed purpose.

We expect to communicate the renewal of our purpose to stakeholders, both internal and external, in the course of 2021 and to engage particularly with our workforce to embed the corresponding updated values and culture.

Until that time (and throughout 2020) our values continue to be framed by the six global statements on business conduct, environmental management, food safety, health and safety, people and quality which we display prominently at every one of our locations and which we communicate widely. Collectively they underpin the culture which we aim to maintain within the Company. In 2020, as in previous years, the Board has, on the renewal of its commitment to these values, sought input from the business about how to frame them in a way which remains relevant to how we seek to operate.

Our commitment to high standards of business conduct is underpinned by our Business Conduct Policy. It promotes professional, equitable behaviour in all our business dealings and relationships wherever we operate. The policy has been updated in 2020, to reflect our transition to a global organisation in the last four years and best practice developments. And as part of its activities to verify that behaviours across the Company continue to be aligned with the standards we have set, the Board oversees an annual survey of business conduct compliance. To the extent that this reveals any misalignments, executive management is tasked with addressing these, overseen by the Board.

The Company seeks to foster an environment in which its workforce can raise queries and concerns about business conduct at any time. The Company has a number of mechanisms to facilitate this and, while we promote open and direct communications (underpinned by our Whistleblowing Policy), conduct concerns can also be reported through our third-party hosted whistleblowing service, EthicsPoint, anonymously and in the reporter's own language. We have also published contact details for our EthicsPoint service on our website and we encourage external stakeholders in our updated Business Conduct Policy (also published on our website) to use it. The EthicsPoint service (and its predecessor) was used on nine occasions in 2020. In each case, the concerns raised were reported promptly to the Board which monitored any subsequent investigation and actions to address the concerns.

The skills and experiences of my fellow Directors are described on pages 64 and 65 and our statement on pages 42 and 43 sets out in more detail how we have had regard to the interests of our stakeholders and regard to the other factors in section 172 of the Companies Act 2006 in our decision-making.

The Board's approach to workforce engagement further assists it to monitor the alignment of Company purpose, values and strategy. Rarely has the importance of employee engagement been more apparent than in response to the impact of the COVID-19 pandemic obstacles and, while restrictions have necessarily curtailed many conventional mechanisms for engagement, in person, effective alternatives have been established. Our approach to workforce engagement in 2020 is summarised below.

New workforce policies and practices have also continued to be embedded in the business in 2020, including policies on remuneration. These have been reviewed by the Board through its Remuneration Committee to validate their alignment with the Company's purpose, values and strategy while the Nomination Committee reviewed talent management and succession planning to ensure that it had the appropriate resources in place to meet its objectives.

ENGAGEMENT WITH SHAREHOLDERS

The Company communicates with institutional investors primarily though analysts' briefings and meetings with major shareholders, as well as timely Stock Exchange announcements. The Board, and in particular the Non-Executive Directors, are kept informed of investors' views in the main through distribution of analysts' and brokers' briefings. The Chairman is willing to meet, and has spoken in the course of 2020, with shareholders to discuss matters such as strategy and governance and the Senior Independent Director is available in the event of shareholder concerns which cannot be addressed through the usual channels. In the early part of 2020, the Senior Independent Director, in his other capacity as Chair of the Executive Directors' Remuneration Committee continued to consult with major shareholders on the Company's new Remuneration Policy prior to its approval at last year's AGM.

BOARD LEADERSHIP AND COMPANY PURPOSE (CONTINUED)

Broader shareholder communication takes place through the Company's website, which contains significant Company announcements and other relevant information, and also through the Annual Report and AGM. In normal circumstances, all Directors attend the AGM, and shareholders have the opportunity to hear presentations on the Group's financial and business performance, as well as to question any member of the Board on any relevant topic. While attendance at our 2020 AGM was limited to a statutory quorum due to mandatory 'stay-at-home' measures in response to the COVID-19 pandemic, engagement with all shareholders on the business of the meeting (including the opportunity for their views to be raised with the Company-appointed meeting proxies) was facilitated through arrangements for shareholders to ask questions in advance of the meeting. At the date of this report, we anticipate that restrictions may continue to apply at this year's scheduled AGM too. We are making plans to ensure we are nonetheless able to continue engaging effectively with shareholders throughout the year.

ENGAGEMENT WITH THE WORKFORCE

In 2019, the Board codified many of its existing practices for engagement with the workforce. These consist of:

- The annual rollout of a global workforce engagement survey, 'TellDev!', insights from which are presented to the Board which also monitors the action plans formulated by management on a Company-wide basis to address the survey's findings. We identified from the 2018 and 2019 surveys particular areas of focus, including Leadership, Communication and Performance Management (including career and development), all of which have shown in the latest survey an improved score.
- A standing agenda item at Board meetings for the CEO to update the Board on employee engagement initiatives. In 2020 these included global activities to obtain employee input on both the renewal of how we articulate our purpose and on our sustainability initiative. At fortnightly Board calls to consider COVID-19 developments scheduled for most of 2020, the Board also received the same presentation delivered to employees on the same day.
- The inclusion in the Board's meeting programme of visits each year to at least two of the Company's sites with a corresponding agenda for those visits focused on discussing with management and employees their perspectives on the business. In 2020, the COVID-19 pandemic prevented our planned programme taking place but I and a number of my fellow Non-Executive Directors were able to participate at the start of 2020 in a global employee conference aimed at shaping plans in support of the growth strategy.
- The inclusion in any visit to a Company site by individual Directors of open forum meetings at which employees have the opportunity to raise questions and concerns with the visiting Director. Due to pandemic restrictions, the CEO's annual visit to all sites to discuss with employees both progress and future plans was substituted by virtual meetings, while a series of interviews with the Company's new Non-Executive Directors have been published on the Company's intranet in order to introduce them to the workforce pending visits in person which we hope to resume in 2021.
- The incorporation of personal objectives on workforce engagement for Executive Directors (and other members of the Executive Management Team), aimed at promoting and monitoring effective engagement with the workforce.
- The continued maintenance of an externally hosted mechanism for employees to raise concerns, including anonymously, if they wish. Any notification to the Company's EthicsPoint service is reported to the Company Secretary who informs the Chairman and the Board (unless the concern relates to a particular Director). The Board has oversight of any subsequent investigation and follow-up action.
- Consulting employee representatives on a wide range of matters affecting employees' current and future interests, most notably in 2020 on our response to the COVID-19 pandemic (in support of which a dedicated employee portal was set up), and on the renewal of how we articulate our Company purpose and on our sustainability initiative.

The Board considers these to be effective alternative arrangements to those prescribed in the Code, particularly taking account of the global nature of the business and of the restrictions on direct physical engagement in 2020 due to the COVID-19 pandemic. The effectiveness is validated by the strong overall engagement score measured through the 2020 'TellDev!' employee survey, which also marked an improvement on the engagement score from the previous year's survey.

The Board continued to develop new workforce policies and practices aimed at building a compensation framework which supports Devro's long-term sustainable success by encouraging the involvement of employees in the Company's performance. The principles underlying the framework are global consistency and transparency; paying a fair market rate for the contribution of each employee; and driving equity across the entire global workforce.

ENGAGEMENT WITH OTHER KEY STAKEHOLDERS

How the Board has taken account of the interests of other key stakeholders and the matters set out in section 172 of the Companies Act 2006 in its discussions and decision-making is set out on pages 42 and 43.

DIVISION OF RESPONSIBILITIES

BOARD COMPOSITION

During the year, the Board comprised Mr S Good, Chairman, Mr R Helbing, Chief Executive Officer, Ms J Callaway, Chief Financial Officer, until she stepped down from the Board on 30 November 2020, Mr R Cummings, Chief Financial Officer from his appointment on 1 December 2020, Mr M Swift, Non-Executive Director, Dr P Withers, Non-Executive Director, Ms J Lodge, Non-Executive Director, until she stepped down from the Board on 30 April 2020, Mr J Burks and Mrs L Jackson, both of whom joined the Board on 1 May 2020.

Non–Executive Directors (excluding the Chairman) who collectively form 57% of the Board, are considered to be 'independent' Directors, (as was the Chairman on his appointment). This opinion is based primarily on careful consideration of their character and judgement and their contribution to the work of the Board and its committees.

No Director holds any external position which would impinge upon his or her independence or objectivity, nor are there any relationships or circumstances such as are envisaged by Provision 10 of the Code. On her appointment as a Non-Executive Director, the Board considered Mrs L Jackson's position as a director of an affiliate of a shareholder of the Company, and determined that, notwithstanding this, it was satisfied this would not impair her independence. The Board has also put in place certain measures to avoid any potential conflict of interest which may arise.

Dr P Withers was Senior Independent Director until his retirement from the Board on 31 December 2020, since when Mrs L Jackson has become the Company's Senior Independent Director.

The Board considers the Senior Independent Director's role to provide an important channel through which shareholders can engage with the Company on occasions when alternatives to the normal channels through the Chairman and Chief Executive Officer are necessary. The Company's major shareholders are reminded that the Senior Independent Director is willing to meet with them if they wish. The Board also recognises the role played by the Senior Independent Director in providing counsel and feedback to the Chairman.

There is a clear division of authority and responsibility through the separation of the roles of the Chairman and the Chief Executive Officer.

Following a review undertaken by the Board in 2018 of its responsibilities, together with those of its Committees, its Chairman, the Chief Executive Officer and Senior Independent Director, revised statements of responsibilities, which have been effective as of 1 January 2019, are available on the Company's website.

Directors of the Company and its subsidiaries have the benefit of a Directors' and officers' liability insurance policy.

BOARD AND COMMITTEE PROCEEDINGS

The Board acknowledges that it is collectively responsible for the success of the Company by providing entrepreneurial leadership, setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place, and reviewing management performance.

A number of committees carry out detailed independent oversight on behalf of the Board in relation to the audit of the Company, health and safety issues, the remuneration of Directors, appointments to the Board and the risks facing the Group. In 2016, the Board created a Disclosure Committee, to assist with Market Abuse Regulations compliance.

In order to discharge these responsibilities, the Board and its committees meet on a regular basis throughout the year. In order to review and manage the impact of COVID-19 pandemic on the business, there was a considerable increase in the number of meetings which took place, compared to the previous year and formal meetings were also supplemented by regular informal COVID-19 Board update calls on at least a fortnightly basis from April 2020 onwards.

DIVISION OF RESPONSIBILITIES (CONTINUED)

In 2020, the Board held 17 formal meetings. Full details of the Board and Committee attendance are shown in the table below:

	S Good		R Helbing		J Callaway[3]		R Cummings[4]		J Burks[2]		L Jackson[2]		J Lodge[1]		M Swift[5]		P Withers[5]	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Board – 17 meetings	17	100	17	100	15	100	2	100	10	100	10	100	6	100	16	94	16	94
Audit Committee – 4 meetings	–		–		–		–		3	100	3	100	1	100	4	100	4	100
Executive Directors' Remuneration Committee – 8 meetings	8	100	–		–		–		5	100	5	100	3	100	8	100	8	100
Non-Executive Directors' Remuneration Committee – 2 meetings	–		2	100	1	100	1	100	–		–		–		–		–	
Nomination Committee – 8 meetings	8	100	–		–		–		6	100	6	100	2	100	8	100	7	88
Health and Safety Committee – 4 meetings	–		4	100	–		–		–		–		–		4	100	4	100
Risk Committee – 6 meetings	–		6	100	5	100	1	100	–		–		–		–		–	

1. Ms J Lodge stepped down from the Board on 30 April 2020.
2. Mr J Burks and Mrs L Jackson joined the Board on 1 May 2020.
3. Ms J Callaway stepped down from the Board on 30 November 2020.
4. Mr R Cummings joined the Board on 1 December 2020.
5. Mr M Swift was unable to join one Board meeting during the year and Dr P Withers was unable to attend one Board meeting and one Nomination Committee meeting during the year. The meetings in question were arranged at short notice in response to the pandemic and both Directors ensured that their views on the business of the meetings were communicated notwithstanding their absences.

Board papers are generally circulated one week before the meetings. A comprehensive monthly Board Report including management accounts, in an agreed format, is also sent to Directors in a timely manner.

The Audit, Remuneration, Nomination, Health and Safety and Risk Committees, all appropriately resourced, met a total of 32 times during the year.

The Chairman and the other Non-Executive Directors met informally during the year via video calls, in the absence of the majority of face-to-face meetings due to the global pandemic, providing an opportunity to review the business without the Executive Directors being present and to scrutinise the performance of management against agreed objectives.

The Board has adopted a formal schedule of matters specifically reserved to it including:

- the setting of corporate strategy;
- approval of the annual budget;
- major decisions on capital expenditure; and other high-value contracts.

COMPOSITION, SUCCESSION & EVALUATION

The report from the Nomination Committee describing its work in 2020 is set out below.

In line with the Code, each Director wishing to remain a Director is subject to election or re-election by shareholders at each AGM. All current Directors will stand for election at the 2021 AGM, including Mr J Burks, Mr R Cummings, Mrs L Jackson and Mrs C Cayuela who will stand for election for the first time as Directors of the Company. As previously mentioned, the Directors biographies set out on pages 64 and 65 describe the particular skills and experience that each brings to the Board and explains why the contribution of those standing for election is, and continues to be, important to the Company's long-term sustainable success. We have sought in particular to appoint Non-Executive Directors with food industry expertise and, as at the date of this Report, three Non-Executive Directors hold senior executive positions in global food and ingredients companies. All the Directors, with the exception of Mr R Cummings and Mrs C Cayuela who joined the Company respectively on 1 December 2020 and 1 January 2021, have had their performance reviewed in 2020, as described below, and the Chairman is satisfied that each continues to be effective and to demonstrate commitment to the role.

REPORT FROM THE NOMINATION COMMITTEE

The members of the Committee during the year were Mr S Good (Chairman), Ms J Lodge, until she retired from the Board on 30 April 2020, Mr J Burks and Mrs L Jackson, both of whom were appointed as Committee members when they joined the Board on 1 May 2020, Mr M Swift and Dr P Withers. The Company Secretary acts as Secretary to the Committee. In 2020, the Committee met formally on eight occasions.

The Committee oversaw activities to complete the renewal of the composition of the Board in the course of 2020, in anticipation of the retirement from the Board of two of its Non-Executive Directors. The Company's commitment to promote diversity in its broadest sense was one of the factors which informed the recruitment process and, specifically, candidates with relevant skills and experiences to support the Company's growth strategy were prioritised over those with traditional listed company experience. For all appointments, the Committee considers and reports to the Board for its review the other demands on candidates' time. Korn Ferry was retained to advise on and coordinate a search for external candidates with the best skills and experience to promote the Company's long-term sustainable success. Korn Ferry also provides other human capital related services and it acts as an independent adviser to the Company's Executive Directors' Remuneration Committee.

The Committee also oversaw the recruitment of a new Chief Financial Officer, following the incumbent's decision to resign her position in order to take up a role at another company. External search consultancy, Russell Reynolds was retained to coordinate the search and an orderly transition was achieved on the appointment of the new Chief Financial Officer with effect from 1 December 2020 (which also made it possible to release his predecessor to take up her new role at the same time, prior to the expiry of her contractual notice period).

In 2020 the Company's approach to talent management and succession planning was reviewed by the Board (including all of the members of the Nomination Committee). Principles underlying the approach including its alignment with business strategy, and the promotion of greater diversity to support team and business performance improvements were reasserted, while the development of a talent management framework to support the approach was endorsed.

DIVERSITY IN PRACTICE

The Nomination Committee continues its commitment to promote diversity in its broadest sense, particularly regarding new appointments and succession planning. Devro recognises the value of diversity across its management teams and employee base in general, and we see progress at various levels. In our business teams around the globe, we now see an encouraging mix.

While recognising that treating people in a fair and inclusive manner is embedded in our 'People' and 'Business Conduct' statements, (which are displayed prominently at all sites and available on the Company's website) the Nomination Committee resolved to oversee the development of a more detailed policy on diversity and inclusion in the course of 2020, aimed at codifying objectives to ensure that the Company maximises its opportunity to recruit and retain employees from the widest talent pool. The Committee endorsed a new Equality, Diversity and Inclusion policy towards the end of 2020, which prioritises a global mindset, diverse talent base, social mobility, inclusive leadership and equal opportunities, regardless of social identity and the Group HR Director undertook to oversee the development of processes and practical measures to support the commitments recorded in the policy.

The gender balance of those in senior management and their direct reports as at 31 December 2020 is included in the Responsible Business Report at page 53. Included in its actions to promote greater balance at senior management levels, the Company has renewed its commitment to ensure shortlists for future vacancies include a diverse pool of candidates.

BOARD EVALUATION

The Board evaluation was conducted in the Autumn and the first stage took the form of an online survey which each Director was invited to complete. In contrast to previous year's evaluations, the survey was designed to elicit narrative responses to a shorter list of questions, the content of which encompassed the Principles and Provisions articulated in the Code. Responses were summarised (and anonymised) by the Company Secretary prior to circulation to the Board to inform discussions between the Chairman and Directors individually and then between the Non-Executive Directors collectively, prior to a review by the entire Board at its meeting in December.

COMPOSITION, SUCCESSION & EVALUATION (CONTINUED)

The Board reiterated as its main priority, actions to support the Company's ambitions for sustainable growth both in the short-term (through greater and more visible focus by the Board and Executive Management on delivery), and in the longer-term (through the development of strategy aligned with the renewal of the articulation of the Company's purpose).

AUDIT, RISK AND INTERNAL CONTROL

How the Company applied the principles and corresponding provisions of the Code on audit, risk and internal control is set out in the Report of the Audit Committee on pages 74 to 76, the Report of the Risk Committee on page 73 and the Principal Risks and Uncertainties set out on pages 36 to 41.

INTERNAL CONTROL

The Board of Directors, being ultimately responsible for the Group's system of internal control, has established an internal financial control structure which is designed to provide the Board with reasonable, but not absolute, assurance that it can rely on the accuracy and reliability of the financial records. The structure, which is based on an assessment of material financial risks, can be described under the following headings:

FINANCIAL REPORTING

The Board approves each year an annual financial plan. This is underpinned by a 36-month rolling plan maintained through Integrated Business Planning processes, from which regular forecasts and monthly reports are generated and reviewed by the Board. The Company reports formally to shareholders twice a year, with at least two additional trading updates.

OPERATING CONTROLS

Financial and operational policies and procedures are set out in formal procedures manuals. Business directors and senior financial staff are responsible for ensuring that all relevant staff are familiar with their content and application.

TREASURY

Formal written treasury procedures are in operation, covering banking arrangements, hedging instruments, investment of cash balances and borrowing procedures. Individual staff responsibilities and levels of delegated authority in relation to treasury matters are defined.

INTERNAL AUDIT

The Company has an internal audit function, which has a reporting line to the Chair of the Audit Committee and also direct access to the Chairman of the Board. The Audit Committee receives reports from this function at each Committee meeting.

CAPITAL INVESTMENT APPRAISAL

The Company has clearly defined guidelines for the approval and review of capital expenditure projects, which include annual budgets and designated levels of authority.

INTEGRITY OF PERSONNEL

The Company has a policy on business conduct which sets out specific requirements for all staff to meet the Company's standards of conduct and integrity in their business dealings. The Board has reviewed the effectiveness of the system of internal control and considers that the Group has an established system of internal control which the Directors believe to be appropriate to the business.

FINANCIAL REPORTING

The Board acknowledges its responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects. The Annual Report contains a Strategic Report on pages 1 to 62, including a Chairman's Statement, Business Review and Financial Review. The Board believes that this additional narrative sets the accounts in context and promotes a better understanding of the current status of the business and its outlook.

To ensure consistency of reporting, the Group has an established consolidation process as well as formal financial and operational procedures manuals. Management monitors the publication of new reporting standards and works closely with the statutory auditors in evaluating the impact of these standards.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 62, along with the financial position of the Group, its debt levels and borrowing facilities.

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of this Statement. For this reason, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Key factors to support the going concern basis of accounting include the following:

- As at 31 December 2020 the Group was operating within the £105 million (2019: £105 million) revolving bank facility negotiated in 2018 and due to expire in 2023, and the US$100 million US private placement, completed in June 2014 and due to expire between 2021 and 2026, and related key covenants.
- Forecasts of profits and cash flow have been prepared which indicate that the Group is expected to operate within its key covenants and funding facilities for at least 12 months from the date of approval of the Financial Statements.

REMUNERATION

How the Company applied the principles in the Code on remuneration and addressed the corresponding provisions is set out in the Directors' Remuneration Report on pages 77 to 96.

REPORT FROM THE HEALTH AND SAFETY COMMITTEE

This Committee was formed in 2009, reflecting the priority ascribed by Board to health and safety matters.

The members of the Committee during the year were Mr M Swift, who chaired the Committee, Mr R Helbing, Dr P Withers, the Company's Global Health and Safety Manager, until she left the business on 31 July 2020, and Mr K Shoemaker, Group Supply Chain Director.

The Committee has written terms of reference which can be found on the Company's website.

The Committee convened four times in 2020.

The safety performance of the Group is reviewed at each meeting, as are reports on each of the main pillars of the Company's approach to safety: clear and comprehensive governance, accountability and behavioural safety. The Committee receives and reviews reports on all serious safety incidents and in 2020, it also monitored closely the Company's response to the impact of the COVID-19 pandemic on the business.

REPORT FROM THE RISK COMMITTEE

An ongoing process is in place to identify, evaluate and manage the significant risks the Group faces and to identify emerging risks, which accords with the FRC's 2018 guidance and the Code. A Risk Committee was formed in 2010, consisting of the members of the EMT together with the Company Secretary. Its responsibilities encompass the assessment and monitoring of risk across the Group and the review of the Group's processes for evaluating it.

Following a report commissioned by the Committee in 2019, it has operated in 2020 under a revised remit and a new risk management policy. In particular, this revised risk management framework links individual risks explicitly to elements of the Company's strategy; and it aligns the responsibility for managing both risk and strategy. In 2020 the Committee has overseen the mirroring of its own revised operation, in structures to manage risk by each of the Company's functional teams, which facilitates the escalation of emerging risks more easily. Key elements of the Committee's remit are:

- **Assess and monitor**
  To assess and monitor risk across the Group and to recommend mitigating strategies in respect of the key risks;
- **Risk Register review**
  To review and update the Risk Register at least twice a year;
- **Process review**
  To review the Group process for evaluating risk; ensuring that any major decisions affecting the Group risk profile are understood; any areas of concern are reported immediately; function risk registers are reviewed; that the outcomes of EMT monitoring of risks to the delivery of strategic projects are also considered; and business continuity/disaster recovery plans are reviewed at least annually.
- **'Bottom up' review**
  To coordinate an annual 'bottom up' review of risk across the Group, culminating in formal reports to the Audit Committee and the Board in the fourth quarter of each year.

The Board considered the work done by the Committee and the processes used to identify and manage risk and concluded that the approach taken remained proportionate and appropriate. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The principal risks identified as part of the Group risk assessment process, and how they are managed or mitigated, are summarised on pages 36 to 41.

SHARE CAPITAL

The disclosures regarding the Company's share capital structure (required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI 2008/410')) are included in the share capital section of the Directors' Report on page 97 of this report.

STATEMENT ON COMPLIANCE

This statement, together with the Directors' Remuneration Report set out on pages 77 to 96, and the Audit Committee Report on pages 74 to 76, describes how, in respect of the year ended 31 December 2020, the Company has applied the provisions of corporate governance as set out in the Code. The Company has complied with all the Code's provisions throughout the period in question with two exceptions:

Provision 33: The Board delegates authority to review and set the remuneration of the Chairman (and of Non-Executive Directors) to its Non-Executive Directors' Remuneration Committee, comprising the Executive Directors instead of the Executive Directors' Remuneration Committee. It does this to ensure than no Director is involved in setting his or her own remuneration, reflecting Principle Q of the Code and avoiding any potential conflict of interest.

Provision 38: The CEO receives a pension contribution of 10% of base salary which is above the 6% contribution available to the majority of the UK workforce. This arrangement pre-dates the introduction of the Code and, whilst not currently in compliance with Provision 38 of the Code, the contribution to the CEO's pension aligns with the average contribution available to the UK workforce on the introduction of the Code. We committed in our policy on Directors' remuneration, approved by shareholders in 2020, to align the Company's contribution to the pension in respect of new Executive Directors with that which is available to the majority of the workforce at the time of the appointment in their country of appointment and this approach has been applied on the appointment in December 2020 of our new CFO. Our Executive Remuneration Committee continues to keep under review both the pension provision at the Company and market practice in terms of alignment of incumbent Directors to workforce pensions.

STEVE GOOD
CHAIRMAN
1 March 2021

Audit Committee Report

AS CHAIR OF THE AUDIT COMMITTEE, I AM PLEASED TO PRESENT MY FIRST REPORT SUMMARISING THE COMMITTEE'S WORK OVER THE COURSE OF 2020. IN THIS CHALLENGING TIME THE COMMITTEE INCREASED ITS FOCUS ON RISK MANAGEMENT AND EFFECTIVENESS OF INTERNAL CONTROLS AND WORKED CLOSELY WITH MANAGEMENT AND AUDITORS TO ENSURE INTEGRITY OF INTERNAL AND EXTERNAL AUDIT PROCESSES.

LESLEY JACKSON
CHAIR, AUDIT COMMITTEE

The Audit Committee's terms of reference are available on the Company's website, and include the responsibilities set out in Provision 25 of the Code. Ms J Lodge chaired the Committee until her retirement from the Board on 30 April 2020. Mrs L Jackson was appointed as chair of the Audit Committee with effect from 1 May 2020 and held that post throughout the remaining period under review. The other members of the Committee in 2020 were Mr M Swift, Dr P Withers and Mr J Burks. Mr J Burks joined the Committee on 1 May 2020 and Dr P Withers retired from the Committee on 31 December 2020. The Company Secretary acts as Secretary to the Committee. The Board views Mrs L Jackson as the Committee member with both recent and relevant financial expertise as stipulated in Provision 24 of the Code. In the course of the year there were four meetings. These were attended as required by the Chief Financial Officer and members of senior management as invitees. Representatives of the statutory auditors also attend as appropriate. The Committee and the statutory auditors operate procedures to ensure that the auditors remain objective and independent. These procedures include the pre-approval of the scope of the audit by the Committee.

The finance community across Devro has demonstrated resilience through the pandemic, and the Audit Committee has valued the continued focus on maintaining an effective control environment, addressing the challenges presented by the globalised lockdowns and new ways of remote working. This supported delivery of the key elements of the internal audit programme in 2020. Similarly, the external audit progressed as planned and to the set timescales, with no changes required to the strategy or scope approved by the Audit Committee.

STATUTORY AUDITORS

KPMG LLP were first appointed as the Company's statutory auditors at the 2015 Annual General Meeting, and their reappointment is subject to approval at each subsequent Annual General Meeting. The external auditor is required to rotate the lead audit partner every five years. Such rotation took place in 2020 when Mr Mike Barradell replaced Mr Anthony Sykes who had held this post since 2015.

STATUTORY AUDIT

Consistent with prior year, KPMG provided audit and audit-related assurance services for the Company in 2020. No non-audit related services were conducted by KPMG as shown in Note 8 of the Financial Statements. The ratio of non-audit fees to audit fees is 0:1 (2019: 0:1). The Committee noted that there was no non-audit work when reviewing the statutory auditors' independence.

The Committee is responsible for reviewing the effectiveness of the auditors. The following processes are used for this purpose:

- The Committee received a detailed audit plan from the statutory auditors at the beginning of the annual audit process which included an outline of the proposed scope of the audit, and identification of key audit risks and areas of focus. This was discussed and agreed with the Committee.
- The Committee challenged the work done by the statutory auditors to test management's assumptions and estimates in relation to the significant issues.
- A survey was conducted of all businesses within the Group to assess the effectiveness of the Group and local statutory audit teams.
- At the completion of the statutory audit, the Committee received feedback from the Chief Financial Officer on how effectively issues were addressed at the statutory audit clearance meetings.

Based on the above processes and feedback, and its own ongoing assessment of the statutory auditors' performance (for example, through consideration of the statutory auditors' reports and interactions with the Group audit partner), the Committee was satisfied with the independence, objectivity and overall effectiveness of the statutory auditors with regard to the 2020 audit process.

INTERNAL AUDIT

The internal audit function, supported by external specialist auditors, carries out work across the Company providing independent assurance and advice to help the organisation identify and address potential control weaknesses. Both the internal audit and risk management functions have a role in identifying emerging risks that may threaten achievement of the Company's strategic priorities.

Prior to the start of the financial year, the Committee reviewed and agreed the audit plan for the year ahead. The audit plan coverage was based on strategic priorities, risks and the strength of the control environment.

The Committee reviewed the results of the internal audit reports during each meeting, looking in detail at any reports where processes and controls required improvement or any reports that were particularly pertinent to delivery of strategic objectives or priorities.

The Committee was also provided with regular updates on:

- significant internal audit findings
- agreed actions and progress against previous outstanding actions
- management's responses and recommendations
- the development of the overall control environment

In the course of the year the Committee received and reviewed reports from the Risk Committee. Where internal or external circumstances gave rise to identification of an increased level of risk, the audit plan was modified accordingly during the year. Any changes to the agreed audit plan were presented to and agreed by the Committee. The audit plan for 2020 evolved to include specialist areas such as cyber security and treasury, and more audits requiring specialist expertise are planned for 2021. The findings from the audit report on cyber security highlighted a number of areas where enhancements to our current controls would be beneficial. These are being actioned and a new security corporate governance structure has been actioned to continue to counter future cyber security risk and vulnerability. A description of work performed by the Risk Committee is available on page 73.

SIGNIFICANT ISSUES

The significant issues considered by the Committee during 2020, and how these were addressed, are as follows:

PRESENTATION OF EXCEPTIONAL ITEMS

The materiality of items classified as exceptional in 2020 is significantly lower than items disclosed as exceptional in 2019. Included in the presentation of exceptional items are costs associated with the closure of the Bellshill site and costs related to the last stage of implementation of the new global operating model. The total costs associated with these programmes have been significant and judgement has been required to determine whether these costs should be disclosed as exceptional items, taking account of their nature and size and, in particular, whether they are incremental to normal operations. The Committee has addressed these matters through reviewing and discussing reports from management outlining the nature and amount of the relevant costs, the appropriateness of provisions established in relation to these activities, and the proposed accounting treatments. The Committee also reviewed the disclosure of amounts as exceptional items, and the associated descriptions included in the Alternative Performance Measures section and Financial Statements notes. The statutory auditors have also examined this area and have reported their assessment to the Committee.

PARENT COMPANY RECOVERABILITY OF INVESTMENT IN SUBSIDIARIES AND INTRA-GROUP RECEIVABLES

The parent Company holds investments in its subsidiaries amounting to £348 million and receivables of £63 million. Due to the materiality of these balances in the context of Company Statement of financial position as a whole, the Group conducted recoverability testing. This was performed by comparing the carrying value for each investment in, and amounts due from subsidiary, to the recoverable amount. This recoverable amount has been assessed with reference to the discounted net present value of estimated future cash flows likely to be generated by the relevant entities. The assumptions on which these calculations are based include discount rates, expected changes in volumes, average selling prices and costs and long-term growth rates. Judgement is required in establishing these assumptions. The Committee reviewed and discussed the recoverability of investment in subsidiaries and intra-Group receivables. The statutory auditors have also carefully examined this area and have reported their assessment to the Committee.

Audit Committee Report (continued)

OTHER MATTERS

In addition to the significant issues referred to above, the following key areas of judgement and estimation were also considered by the Committee during 2020:

PENSION OBLIGATIONS

The cost of defined benefit pension schemes is determined using actuarial valuations, which are based on assumptions including discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. The Committee reviewed and discussed the appropriateness of the assumptions, using input provided by external actuarial advisers and the associated reports presented by management. In particular, the Committee focused on changes in assumptions compared with the prior year to understand the basis for these changes. The statutory auditors have also reviewed these assumptions, including benchmarking against those being used for comparable third-party pension schemes, and reported their assessment to the Committee. The Committee is in the process of reviewing the UK pension scheme triennial valuation which is due to be concluded in the first half of 2021. The US pension scheme is subject to an annual valuation.

ALTERNATIVE PERFORMANCE MEASURES ('APMs')

In addition to the statutory financial measures, the Group also presents certain APMs (which are not defined by IFRS) in the Annual Report, to help assess the operating performance and financial position of the Group. The Committee has reviewed the APMs presented, the degree of prominence given to such measures alongside the equivalent statutory measures and also the associated disclosure in the Financial Review and Alternative Performance Measures sections of the Annual Report, explaining the reasons for presenting such APMs and the reconciliations to equivalent statutory measures.

Specific consideration was given to application of existing accounting policies for exceptional and other items consistently with prior years. The treatment of specific transactions as exceptional items was only applied to strategic projects with any identified COVID-19 related income and expenditure being reported as underlying income or expense.

The statutory auditors have also reviewed the use of APMs in the Annual Report, and associated disclosures, and reported their assessment to the Committee.

FAIR, BALANCED AND UNDERSTANDABLE

The Committee acknowledges that, taken as a whole, the Annual Report and Accounts should be fair, balanced and understandable. The Committee advises the Board on whether it believes that the Annual Report and Accounts meet this requirement. In order for the Committee to make this assessment, it considers reports on monitoring financial performance received from management during the year. At year end it also considers reports provided in support of the Financial Statements and reports from the statutory auditors on the findings of their annual audit. Formal review processes are in place to ensure that the Annual Report and Accounts are factually accurate. The Committee also satisfies itself that the key messages in the narrative are consistent with the financial reporting, and that the Annual Report and Accounts as a whole are clear and understandable both in terms of the language used, and the layout and framework. Following its review, the Committee was satisfied that the 2020 Annual Report and Accounts present a fair, balanced and understandable overview, including the necessary information for shareholders to assess the Group's position, performance, business model and strategy. The responsibility statement of the Directors in respect of the Annual Report and Accounts is on page 99.

LESLEY JACKSON
CHAIR, AUDIT COMMITTEE
1 March 2021

Directors' Remuneration Report

FROM THE BEGINNING OF THE CRISIS AND CONTINUING AS WE MOVE FORWARD INTO 2021, OUR PRIORITY AND FOCUS HAS BEEN PROTECTING THE WELLBEING OF EMPLOYEES, THEIR FAMILIES AND THE WIDER COMMUNITY.

MALCOLM SWIFT
CHAIRMAN, EXECUTIVE DIRECTORS' REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for 2020. I have been a member of the Executive Directors' Remuneration Committee since becoming a Non-Executive Director of the Company in 2017 but this is my first report as Chairman of the Committee, following my appointment on 30 April 2020 when Dr Paul Withers stepped down from the role. I would like to thank Paul for his capable chairing of the Committee and also Jane Lodge, who retired from the Board and Committee at our 2020 AGM, for her contribution. At our AGM on 30 April 2020, we sought shareholder approval for our Directors' Remuneration Policy and Annual Report on Remuneration. We were pleased to receive 95.9% and 99.9% support respectively from our shareholders for each of the resolutions. While there has been no specific remuneration issue where we have needed to engage or on which investors have sought to engage with me since that time, I am of course available to speak to you on any remuneration matters.

Jeremy Burks and Lesley Jackson joined the Committee after our AGM and approval of our new policy. We have since then taken the time as a Committee with new members to carefully review our new policy and operation and as a result have made some refinements to operation for 2021 which I set out below.

OVERVIEW OF POLICY AND LINK TO OUR BUSINESS STRATEGY

Our remuneration strategy continues to be the setting of remuneration for the Executive Directors and other members of senior management to support our business strategy and promote and deliver long-term sustainable success, providing appropriate reward for achieving this while ensuring alignment to longer-term shareholder interests.

RESPONSE TO COVID-19

From the beginning of the crisis and continuing as we move forward into 2021, our priority and focus has been protecting the wellbeing of employees, their families and the wider community. Throughout 2020 we have been able to maintain the safety and continuity of our global operations. In response to the crisis, the Group instigated cash mitigation actions, including cutting all discretionary capital and operating expenditure. This included the postponement of the 2019 final dividend in April 2020, due to the uncertainty at the time as to the potential for future disruption as a result of COVID-19.

However, following a review of the Group's position and outlook in July, the Board was pleased to be able to reinstate the postponed 2019 final dividend payment in the form of an interim dividend which was paid in October 2020.

In terms of remuneration, all employees, including our Executive Directors maintained full pay levels and there were no furloughs or use of COVID-19 UK Government support schemes. The redundancies that were made during the year were those we had anticipated in the October 2019 announcement of our intention to close our Bellshill plant and not as a result of the pandemic. They followed a review in 2019 of our global manufacturing footprint aimed at the pursuit of further efficiency improvements, as well as the alignment of available capacity to the Group's growth plans. The implementation of the new global operating model including the shift of production from Bellshill to other Group sites was already underway at the start of 2020.

BOARD CHANGES

During the year, Ms J Callaway resigned as Chief Financial Officer and left the Group on 30 November 2020. Ms Callaway was not eligible to be considered for an annual bonus for FY20 and her unvested share awards lapsed as a result of her resignation in line with our Policy.

The Board was delighted to appoint Mr R Cummings as the new Chief Financial Officer on 1 December 2020. His salary has been set at £320,000, his pension contribution is 6% of salary in line with the pension contribution available to the majority of the UK workforce and he will receive benefits in line with our Policy. His maximum bonus opportunity and long-term incentive award level are each 100% of salary with bonus for FY20 pro-rated for the period worked.

PAY FOR PERFORMANCE IN 2020

During the year, positive financial and strategic progress has been made, notwithstanding the market, operational and workplace challenges posed by COVID-19 to which the Company has responded well.

The CEO and our former CFO's salaries were increased by 1.5%, in line with the salary increases received by the UK workforce.

Directors' Remuneration Report (continued)

The CEO's annual bonus for 2020 was based on (i) EBIT (40%) (ii) revenue (20%) (iii) net debt/cash (20%) and (iv) individual strategic objectives (20%). The CFO's bonus opportunity is based on the financial metrics only, reweighted proportionately, given his date of appointment of 1 December 2020.

Disappointingly, the revenue threshold for the annual bonus was missed, due in part to the impact of COVID-19 on the business. Revenue will be a key area of focus for the year ahead. However profit came in just below target and cash performance was strong, almost achieving the maximum target. Together this resulted in 44.0% of a maximum for the financial metrics. The CEO's performance against the individual strategic objectives was 15% out of 20%. The Committee did not adjust bonus performance targets for the impact of COVID-19. This provides a bonus of 50.2% of salary for the CEO and 44.0% of salary for the CFO (pro-rated for the period of his employment at the Company from his appointment in December 2020). The Committee has reviewed this formulaic outcome in the context of the underlying performance of the business as well as wider stakeholder matters including the Company's response to the COVID-19 crisis as set out above and is satisfied that payments of 50.2% of salary for the CEO and 44.0% of salary for the CFO are appropriate. All bonuses paid to Devro eligible employees have been paid on the same basis with no scale back for the formulaic outcome. Further details of the targets set and performance against them is set out on page 90.

The performance period for the Performance Share Plan awards granted on 9 April 2018 ended on 31 December 2020. The performance targets for these awards based on (i) underlying EPS growth (40%), (ii) TSR relative to a comparator group (20%) and (iii) ROCE (40%) were not met and the awards have therefore lapsed. Full details of the performance metrics and performance against them are shown on page 91.

The Committee is comfortable, in reviewing the remuneration for 2020 against performance, that there has been an appropriate link between reward and performance and that no exercise of discretion is required. As part of these considerations the Committee also considered whether there were any relevant environmental, social, and governance matters that it needed to take into account including any matters relating to the COVID-19 pandemic and concluded that there were no such factors that meant the Committee should exercise discretion to adjust the incentive outcomes.

The Committee further concluded that the Policy has operated as intended and that no changes are needed for 2021.

IMPLEMENTATION OF POLICY FOR 2021

The structure of remuneration arrangements for 2021 will remain largely unchanged from that applied in 2020. The CEO's base salary was increased by 1.1% with effect from 1 January 2021, which is consistent with the average 1.5% increase paid to the UK workforce from the same date, taking into account the change to the 1 April date on which Executive Directors' salaries have historically been reviewed, in order to align it with the normal UK workforce increase date. The CFO's salary will not be increased given his recent appointment.

Pension contributions for the CEO will remain at 10% of salary (which is aligned to the workforce weighted average at the time our current Policy was determined) while the CFO receives a pension contribution of 6% of salary. This is in line with the contribution available to the majority of the workforce at the date of his appointment and it reflects our approach to pension contributions for Executive Directors appointed since our current Policy was introduced. Benefits will be in line with those received in 2020 for the CEO and in line with Policy for the CFO.

The maximum annual bonus opportunity is 100% of base salary for both Executive Directors. For 2021 performance, the Committee has increased the weighting to revenue, continuing to recognise the importance of this measure in underpinning the Company's growth agenda and moved from measuring absolute free cash flow to free cash flow as a percentage of EBITDA reflecting the importance of converting profits to cash. As such the metrics for 2021 will be: (i) EBIT (35% reduced from 40% in 2020); (ii) revenue (35% increased from 20% in 2020); (iii) free cash flow as a percentage of EBITDA (15% reduced from 20% in 2020); and (iv) individual strategic objectives (15% reduced from 20% in 2020).

The Committee has the discretion to adjust the formulaic bonus outcome for both the financial and non-financial measures and in considering the exercise of discretion will review matters such as use of CAPEX and overall profitability in assessing performance under the free cash flow metric. PSP grant levels and metrics remain unchanged at 110% of salary for the CEO and 100% of salary for the CFO. The performance metrics are, again (i) EPS (40%), (ii) ROCE (40%) and (iii) relative TSR (20%). Targets for the 2021 awards are set out on page 87. The Committee has spent time carefully considering the EPS and ROCE target ranges to ensure they provide the right level of stretch and only reward management for achieving what it considers is a good level of growth and overall return for shareholders. Given the Group's three-year plan and our level of ambition, as well as the market environment and economic outlook, the Committee is comfortable that the target ranges are in all the circumstances appropriate. The Committee has discussed as part of its overall review of operation of Policy whether it is appropriate to incorporate environmental, social and governance focused objectives into the Executive Directors' incentives. Social and governance matters have been covered in previous years by elements of the strategic objectives in the annual bonus. The Committee has noted that with the Group's focus on environmental matters as an integral part of its strategy and commitment to sustainability, it is appropriate this year to focus a specific element of the CEO's annual bonus on achievements in this area. The Committee will review again in 2022 how sustainability objectives might be reflected in future remuneration arrangements.

NON-EXECUTIVE DIRECTORS' AND CHAIRMAN'S FEES

The base fee for the Non-Executive Directors, and the Chairman's fee, have been increased by 1.5% in line with the average UK increase for the workforce in 2021. Other Non-Executive Directors' fees remain unchanged.

CONCLUSION

The Committee believes it has applied our Policy robustly in determining the remuneration outcomes for 2020 and in setting remuneration for 2021 and that there continues to be a strong link between pay and performance. I look forward to receiving your support at the forthcoming AGM and am available through our Company Secretary if there is any matter that you would like to discuss with me before then.

MALCOLM SWIFT
Chairman, Executive Directors' Remuneration Committee
1 March 2021

POLICY REPORT

This part of the Directors' Remuneration Report sets out the Remuneration Policy for the Company Directors and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Companies (Miscellaneous Reporting) Regulations 2018 (the 'Regulations').

This Directors' Remuneration Policy was approved by shareholders at the Company's AGM on 30 April 2020 and applies for three years from that date, unless shareholder approval is sought for earlier changes.

THE REMUNERATION POLICY

The Directors' Remuneration Policy is designed to enable it to attract and retain leaders with the skills, experience and drive to execute the Company's business strategy, to promote the long-term sustainable success of the Company and to be aligned to the Company's long-term strategic goals, reflecting the culture and values of the business and consistent with the risk policies and controls of the business. The Policy is structured within a framework which is aligned to the interests of the Company's shareholders, for example, through annual bonus shares, through the award of long-term incentives and shareholding requirements. The Executive Directors' Remuneration Committee (the 'Committee') believes that a significant proportion of Executive Directors' remuneration should be performance-related.

DECISION-MAKING PROCESS FOR DETERMINATION, REVIEW AND IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY

The Committee reviews the Policy and operation of the Policy to ensure it continues to support and reward the Executive Directors to achieve the business strategy both operationally and over the longer term. It reviews the structure and quantum and takes into account the UK Corporate Governance Code, market practice, institutional investor and investor representative body views generally and those of its own shareholders. The Committee also has regard to the remuneration arrangements, policies and practices of the workforce as a whole which it reviews as part of its annual agenda.

The Policy is reviewed annually by the Committee to ensure that changes are not required prior to the triennial shareholder vote. When the Committee determines that changes are required it will formulate proposals to consult with its shareholders about. Shareholder feedback is then taken into consideration in finalising the Policy changes.

Operation of the Policy is considered annually for the year ahead, including metrics for incentives, weightings and targets. The Committee reviews operation for the prior year and considers whether, in light of the strategy, changes are required for the year ahead. Targets for the annual bonus and PSP awards are also reviewed and consideration is given to whether these remain appropriate or need to be recalibrated. Shareholders views will be sought depending on the changes proposed.

ENGAGING WITH SHAREHOLDERS

The Committee welcomes dialogue with shareholders and seeks the views of its major investors and investor bodies when considering significant changes to the Directors' Remuneration Policy and its operation. Any views and feedback from our shareholders is considered by the Committee as part of its annual review of Policy and operation. The Committee also considers shareholder feedback received in relation to the Directors' Remuneration Report each year following the AGM. Detail about specific engagement with shareholders is set out in the Annual Report on Remuneration.

WIDER WORKFORCE CONSIDERATIONS

Devro is committed to providing an inclusive working environment and to provide fair, transparent and appropriate reward. As part of its wider remit under the Code the Committee reviews wider workforce remuneration and related policies and the alignment of rewards and incentives to culture, and has taken these into consideration when setting the Directors' Remuneration Policy to ensure consistency of approach throughout the Group. Annual bonus and annual bonus share investment and long-term incentive awards provide alignment between senior management and our shareholders. The Committee also considers average base salary increases awarded to the overall employee population and the cascade of pay structures throughout the business. The Remuneration Policy for all employees is determined in line with best practice and aims to ensure that the Company is able to attract and retain the best people. This principle is followed in the development of our Directors' Remuneration Policy. Although employees were not directly consulted on the Directors' Remuneration Policy, the Group HR Director attends Committee meetings by invitation to provide additional perspective on Group HR policies and practices including from an employee perspective.

REMUNERATION OF EXECUTIVE DIRECTORS

The following table summarises each element of the Executive Directors' remuneration package, the Policy for how these are operated and their link to the Company's strategy.

Directors' Remuneration Report (continued)

POLICY REPORT (CONTINUED)

POLICY TABLE

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Performance metrics where relevant
Base salary	Reflects the value of the individual and their role. Takes account of experience, skills and personal contribution to Group strategy. Set at a level to facilitate recruitment and retention of suitably experienced executives.	Salaries are reviewed annually with changes effective on 1 April. Our Policy is for salaries to be around those paid by other companies comparable on the basis of size and complexity, but also taking account of other factors including any change in responsibilities or the scope of the role.	There is no prescribed annual increase. The Committee is guided by the wider workforce increases, but may also need to recognise increases in certain circumstances such as assumed additional responsibility, or an increase in the scope or size of the role.	Takes into account the performance and personal contribution of the individual and performance of the Company.
Annual Bonus Plan	Rewards performance against specific near-term goals which are consistent with the strategic direction of the business. Acquisition of shares with bonus facilitates shares ownership and aligns the interests of executives and shareholders. Clawback and acquisition of shares discourage excessive risk-taking and encourage a long-term view.	Performance assessed by the Committee over a one-year period against the audited results of the Company, where relevant. 40% of any bonus earned (after tax) is invested in the Company's shares and one-third retained for one, two and three years. The holding period, except in exceptional circumstances, continues post-cessation of employment. The Committee retains discretion to adjust the bonus that is payable if it considers the formulaic outcome (for both the financial and non-financial element) is not appropriate in the context of the underlying performance of the Company, investor experience or employee reward outcome. Clawback and malus may be applied to all of the bonus (cash and share element), in the event of: (i) material misstatement of the Company's accounts; (ii) an error in the computation of a bonus amount; (iii) termination of service for gross misconduct; (iv) reputational damage; (v) corporate failure.	A bonus of up to a maximum of 125% of salary may be awarded but the Committee will not increase above the current 100% of salary without prior consultation with the Company's major shareholders.	The majority of the annual bonus will be targeted on financial metrics. For financial metrics, no more than 20% of maximum bonus will vest for threshold and no more than 50% of maximum for target performance. In relation to non-financial individual / strategic targets, the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale. Vesting may therefore take place in full if specific criteria are met in full.

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Performance metrics where relevant
Devro plc Performance Share Plan ("PSP")	Aims to reward long-term value creation. Facilitates share ownership and provides further alignment with shareholders. Provides a retention tool.	PSP awards structured as nil-cost options are usually granted annually so that no undue emphasis is placed on performance in any one particular financial year. Awards generally vest on the third anniversary of award subject to performance over three financial years. Vested awards are subject to a holding period of two years (subject to the right to sell sufficient shares to cover tax charges arising on vesting) which, except in exceptional circumstances, continues post-cessation of employment. The Committee retains discretion to adjust the level of vesting under the PSP if it considers the formulaic outcome is not appropriate in the context of the underlying performance of the Company, investor experience or employee reward outcome. Clawback may be applied, in the event of: (i) material misstatement of the Company's accounts; (ii) an error in the computation of a bonus amount; (iii) termination of service for gross misconduct; (iv) reputational damage; (v) corporate failure; or (vi) failure of risk management. The Committee has discretion under the PSP rules to pay dividend equivalents for the vesting period in respect of any awards which vest.	Maximum opportunity is 150% of salary. The Committee will not increase above the current 110% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer without prior consultation with the Company's major shareholders.	The Committee will select the most appropriate financial metrics to support the Company's medium to long-term strategy. No more than 25% of an award will vest for threshold performance.
Benefits	To remain competitive in the market place, and provide medical care for the Executive Directors and their families.	Benefits include, but are not limited to, private medical insurance.	There is no prescribed maximum. The value of the benefit is determined by the cost to the Company.	Not performance-related.
Pension contribution / payment in lieu	To facilitate retirement planning.	Payment is made either into a pension scheme, or paid as cash to the individual in lieu.	10% of base salary for the Chief Executive Officer. 6% of base salary for the Chief Financial Officer. New Executive Directors will receive a contribution in line with that available to the majority of the workforce, at the time of appointment, in their country of appointment. In the UK this is currently 6%.	Not performance-related.

Directors' Remuneration Report (continued)

POLICY REPORT (CONTINUED)

POLICY TABLE (CONTINUED)

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity	Performance metrics where relevant
Non-Executive Chairman and Directors' fees	To attract and retain high-quality and experienced Non-Executive Chairman and Directors.	The Non-Executive Chairman and Directors are paid a basic annual fee. Supplemental fees may be paid for additional responsibilities and activities, including for a Committee Chairman and the Senior Independent Director. The Chairman's fee is inclusive of all of his responsibilities. Fee levels are determined and reviewed taking into account experience, skills, time commitment, responsibility and scope of role as well as market data for similar roles in other companies of a similar size and complexity to Devro.	There is no prescribed maximum fee or maximum increase. There may be a need to recognise increases in certain circumstances such as assumed additional responsibility (for example, taking on the Chairmanship of a Committee or a temporary role or increase in time commitment or responsibility) or an increase in the scope or size of the role. Reasonable expenses incurred by the Non-Executive Directors in carrying out their duties will be reimbursed, including any tax thereon 'grossed up', where appropriate.	No performance-related element of remuneration.

NOTES TO THE POLICY TABLE

1. **Annual Bonus Plan performance metrics**
   Performance measures, the weighting between them and stretching targets will be set at the start of each year by the Committee, based on the Company's financial KPIs and strategic priorities for the year and taking account of the business plan, budget for the year and market conditions. Together, these targets are intended to incentivise and reward shorter-term performance, consistent with the interests of the shareholders and the overall strategy of the Company.
2. **PSP metrics**
   The Committee selects performance measures and weightings for the PSP awards that are aimed at incentivising and rewarding performance over the medium to long-term, aligned with the interests of the shareholders and consistent with the Group strategy. Stretching targets are set taking into account the business plan and market conditions.

SHAREHOLDING REQUIREMENTS

To provide alignment between shareholders and Directors, the Executive Directors are required to build up a holding over time of shares in the Company of 200% of basic salary. Any shares vesting from share incentive plans and annual bonus shares must be retained (subject to sales to meet tax and incidental costs of sale) until the requirement is reached.

A post-cessation of employment shareholding requirement requires the Executive Directors to hold the lower of the shares they hold on cessation of employment and 100% of salary for one year post cessation. Shares purchased by the Executive Directors from their own funds outside of the terms of this Directors' Remuneration Policy are excluded from the requirement. Shares acquired with annual bonus under the terms of this Policy are included in the requirement. The holding periods for annual bonus shares and PSP shares, except in exceptional circumstances, continue post cessation of employment. In exceptional circumstances the Committee has the discretion to adjust this requirement.

REMUNERATION AWARDED PRIOR TO THE EFFECTIVE DATE

For the avoidance of doubt, authority is given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports including those share plan awards set out on page 94. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

ANNUAL BONUS PLAN AND PSP POLICY

The Committee will operate the Annual Bonus Plan and PSP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules of the London Stock Exchange, including flexibility in a number of aspects as detailed below but always within the shareholder approved Policy as set out above (albeit with quantum and performance targets restricted to the descriptions detailed above):

- When to make awards and payments.
- How to determine the size of an award, a payment, or when and how much of an award should vest. How to deal with a change of control or restructuring of the Group.
- Whether a Director is a 'good/bad' leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s).
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).
- What the weighting, measures and targets should be for the Annual Bonus Plan and PSP from year-to-year.

The Committee also retains the discretion within the Policy to adjust targets and/or set different measures and alter weightings for the Annual Bonus Plan and for the PSP if events happen that cause it to determine that the metrics are unable to fulfil their originally intended purpose, provided the new metrics are not materially less difficult to satisfy. Any adjustments will be fully disclosed in the following year's Annual Report on Remuneration.

The Committee also has the discretion to amend the Policy for minor or administrative matters where it would in the opinion of the Committee be disproportionate to seek shareholder approval.

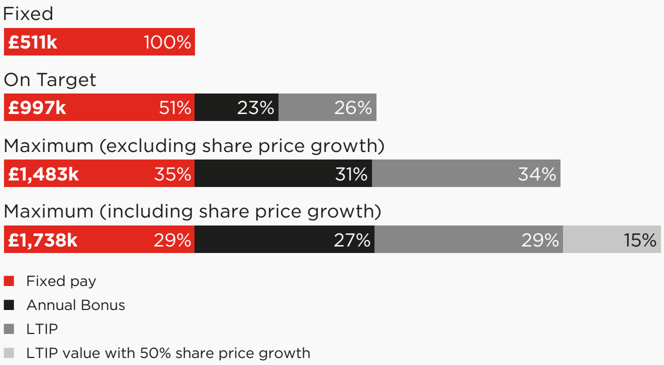
All historic awards that were granted under any current or previous share schemes operated by the Company, but remain outstanding, detailed on page 94, remain eligible to vest based on their original award terms.

PAYMENT UNDER DIFFERENT SCENARIOS

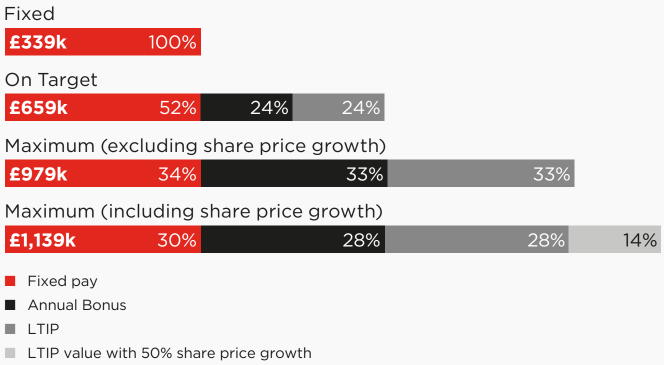
Under the Regulations, we are required to show a bar chart indicating the level of remuneration which would be received by the Executive Directors in 2021 under different scenarios. Three scenarios are shown below:

- '**Fixed pay**' is based on salary at 1 January 2021, benefits and pension contributions.
- '**Target pay**' is fixed pay, plus 50% of the maximum of variable pay.
- '**Maximum pay**' is fixed pay, plus the maximum of variable pay. The potential payout under the PSP with 50% share price growth is also illustrated.

CEO – Rutger Helbing



CFO – Rohan Cummings



Directors' Remuneration Report (continued)

POLICY REPORT (CONTINUED)

SERVICE AGREEMENTS AND PAYMENTS FOR LOSS OF OFFICE OF EXECUTIVE DIRECTORS

It is the Company's policy that Executive Directors should have contracts with an indefinite term, which are subject to one year's notice by the Company and the Director. In the event of early termination (including following a change of control in the Company), the Directors' contracts provide for compensation in line with their contractual notice period. In summary, the contractual provisions are as follows:

Provision	Detailed terms
Notice period	12 months by the Company, 12 months by the Director.
Termination payment	There is no provision for specific payment. If any existing contract is breached by the Company, it would be liable to pay, as damages, an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period, subject to mitigation and phased payments where appropriate. Any statutory amounts would be paid as necessary.
Remuneration entitlements	The Company may make a payment of salary and benefits in lieu of notice (PILON) through equal monthly instalments with such payments being discontinued or reduced to the extent that alternative employment is obtained. Pro-rata bonus may be paid for the period of active service based on performance tested at the usual time along with vesting of outstanding share awards (in certain circumstances – see below). In all cases performance targets would apply.
Change of control	On a change of control, PSP awards will vest with performance being determined at that time and awards will be pro-rated to the date of the change of control. The Committee retains discretion to reduce the proration including to zero.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, redundancy, retirement or other circumstances, at the discretion of the Committee 'good leaver' status may be applied. For good leavers, awards will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions tested at the end of the performance period and reduced pro-rata to reflect the proportion of the three-year period actually served. However, the Committee has discretion in exceptional circumstances to determine that awards vest at an earlier date and/or to disapply time pro-rating. Except in exceptional circumstances, the post-vesting holding period continues to apply post-cessation of employment.

The default treatment under the 2009 Deferred Share Bonus Plan (under which awards have been made under the prior Policy) is that any awards lapse on cessation of employment. However, good leavers are entitled to retain their awards which vest after leaving, subject to the rules of the Plan.

Annual bonus shares are owned from the day of acquisition, are not forfeit on cessation of employment, and count towards the post employment shareholding requirement. The holding period (except in exceptional circumstances) continues post-cessation and clawback applies.

Legal fees, or a contribution towards them, in connection with any settlement agreement and other reasonable relevant costs associated with termination including outplacement consultancy fees may be paid if this is considered appropriate. The Company may also make a payment to settle any claim or potential claim in relation to termination.

Details of the service contracts of the Executive Directors are shown in the table below:

Director	Date of initial contract	Date term due to expire	Notice period from company (months)	Notice period from the director (months)	Termination payment	Remuneration entitlement on termination of contract by company	Termination on change of control
R Helbing	8 December 2015	N/A	12	12	No contractual termination payments other than detailed above	12 months' notice	12 months' notice; change of control provision under share schemes as detailed above
R Cummings	1 December 2020	N/A	12	12			

RECRUITMENT AND PROMOTION POLICY FOR DIRECTORS

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as is required to attract the most appropriate candidate. It may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. The annual bonus potential would be limited to 125% of salary, and awards under the Devro plc Performance Share Plan may be made up to the Plan maximum of 150% of salary. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of award structure, vesting periods, expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that the Company will meet certain relocation and other incidental expenses as appropriate.

If appropriate, the Committee may agree on the recruitment of a new executive to a notice period in excess of 12 months but to reduce to 12 months over a specified period.

The fees for a new Chairman or Non-Executive Director will be reflective of experience, time commitment, responsibility and scope of the role and will be consistent with the approved Remuneration Policy at the time.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Non-Executive Directors are engaged for fixed terms. The Non-Executive Chairman has a notice period of three months and the Non-Executive Directors have a notice period of one month. These appointments are subject to the Company's Articles of Association. All Directors submit themselves for re-election at the Annual General Meeting in accordance with the UK Corporate Governance Code.

The dates on which the Non-Executive Directors were first appointed are as follows:

Name	Date of appointment	Date term due to expire
S Good	1 June 2019	AGM 2022
C Cayuela	1 January 2021	AGM 2024
J Burks	1 May 2020	AGM 2023
L Jackson	1 May 2020	AGM 2023
M Swift	26 April 2017	AGM 2023

Directors’ Remuneration Report (continued)

ANNUAL REPORT ON REMUNERATION

HOW THE POLICY WILL BE IMPLEMENTED IN 2021:

EXECUTIVE DIRECTORS SALARIES

Current salaries for Executive Directors at the date of this report are as follows:

Chief Executive Officer: £462,925
Chief Financial Officer: £320,000

This follows an increase of 1.1% to the CEO’s salary with effect from 1 January 2021, which is consistent with the average 1.5% increase paid to the UK workforce from the same date, taking into account the change to the 1 April date on which Executive Directors’ salaries have historically been reviewed, in order to align it with the normal UK workforce increase date. The CFO has not received, and will not receive a salary increase, given his appointment on 1 December 2020.

NON-EXECUTIVE DIRECTORS’ FEES

The fees for Non-Executive Directors are set out below. An increase of 1.5%, effective 1 January 2021, was made to the base fee paid to Non-Executive Directors (including the Chairman) which was consistent with the average salary increase paid to the UK workforce. No increases have been made in 2021 to the additional fees for chairing Committees or for the position of Senior Independent Director.

	1 January 2021	1 January 2020
Chairman fee	**£140,831**	£138,750
Non-Executive Director base Board fee	**£45,675**	£45,000
Board Committee Chair fee	**£7,000**	£7,000
SID fee	**£5,000**	£5,000

ANNUAL BONUS

The maximum annual bonus opportunity for Executive Directors in 2021 remains at 100% of salary.

The performance measures for the annual bonus for 2021 remain unchanged from 2020. However the weighting to revenue is increased from 20% to 35% to recognise the importance of revenue in underpinning the Company’s growth strategy and measurement of the cash flow target has been shifted from absolute free cash flow to free cash flow as a percentage of EBITDA reflecting the importance of converting profits to cash. The resulting measures and weightings are: 35% EBIT, 35% revenue, 15% cash and 15% individual strategic objectives.

EBIT and revenue targets and corresponding performance are determined on a constant currency basis. The 2021 strategic objectives continue to target value creation, value delivery and people initiatives, and they are weighted towards the delivery of stakeholder value through an aligned and global team.

The individual strategic objectives are:

CEO INDIVIDUAL STRATEGIC OBJECTIVES:

VALUE CREATION (15%)

BROADENING GROWTH PLATFORM (7.5%)
Specific objectives focusing on new business opportunities.

PEOPLE/CULTURE (7.5%)
Develop culture based on refreshed Company purpose to enhance engagement and delivery through our people.
Implement new framework for developing sustainability commitments.

CFO INDIVIDUAL STRATEGIC OBJECTIVES:

VALUE CREATION (10%)

BROADENING GROWTH PLATFORM (5%)
Develop financials to support realisation of new business opportunities.

INVESTOR RELATIONS STRATEGY (5%)
Evolve IR strategy to incorporate capital structure and strategy for engaging with new shareholders.

VALUE DELIVERY (5%)

Enhance Integrated Business Planning “reconciliation” stream to increase focus on delivery of commercial objectives for the long-term. Develop Finance team capability to partner and support other functional teams to assess and deliver commercial objectives.

The Committee has the discretion under the Policy to adjust the level of formulaic bonus payment (in respect of both the financial measures and the individual strategic objectives) if it is not considered appropriate in the context of the underlying performance of the Company and other wider stakeholder considerations.

The Committee considers that the targets for the 2021 bonus are commercially sensitive, but full details will be disclosed in the 2021 report.

LONG-TERM INCENTIVE PLAN

Award levels remain at 110% of base salary for the Chief Executive Officer and the new Chief Financial Officer will receive an award of 100% of base salary in line with our Policy. The performance measures for these awards will be tested over a three-year period commencing 1 January 2021 and are unchanged from 2020 being underlying EPS (40%), TSR (20%) and ROCE (40%). The targets for each measure are set out below:

Underlying EPS for the final year of the performance period	Performance shares vesting percentage (of total award)
Less than 18.2p	0%
18.2p	10%
Between 18.2p and 21.6p	On a straight-line basis between 10% and 40%
21.6p or more	40%
TSR ranking relative to comparator group[1]	**Performance shares vesting percentage (of total award)**
Below median	0%
Median	5%
Between median and upper quartile	On a straight-line basis between 5% and 20%
Upper quartile or above	20%
ROCE target for final year of performance period	**Performance shares vesting percentage (of total award)**
Below 17.4%	0%
17.4%	10%
Between 17.4% and 20.3%	On a straight-line basis between 10% and 40%
20.3% or above	40%

1. The comparator group consists of the 100 listed companies (excluding Investment Trusts) closest to the Company in terms of market capitalisation at the start of the performance period (i.e. 50 higher and 50 lower).

The underlying EPS and ROCE target ranges for the 2021 awards are considered stretching and are based on the Committee's assessment of the market conditions and growth opportunities over the next three years.

PENSION AND OTHER BENEFITS

The CEO receives a pension contribution of 10% of base salary which is aligned to our workforce weighted average at the time our current Policy was determined. The CFO receives a pension contribution of 6% of salary which is in line with the contribution available to the majority of the UK workforce. Benefits for both Executive Directors are consistent with Policy.

THE REMUNERATION COMMITTEE

During the period 1 January 2020 to the AGM on 30 April 2020 the Remuneration Committee was chaired by Dr P Withers with Mr M Swift, Ms J Lodge and Mr S Good members of the Committee. From the AGM the Committee was chaired by Mr Swift with Mr Good remaining as a member (and Dr Withers and Ms Lodge retiring from the Committee and the Board at 31 December 2020 and 30 April 2020 respectively) and Mrs L Jackson and Mr J Burks being appointed as members of the Committee from 1 May 2020.

During 2020, the Committee received advice from:
- the Company Secretary (as Secretary to the Committee).
- Korn Ferry as independent adviser to the Committee.

The CEO, the CFO and Group HR Director are invited to attend Committee meetings as appropriate. No Director is involved in any part of a meeting of the Committee when their individual remuneration or contractual terms are being decided.

The remuneration of the Non-Executive Directors is set by the Non-Executive Directors' Remuneration Committee which comprises the Chairman and the Executive Directors.

THE WORK OF THE EXECUTIVE DIRECTORS’ REMUNERATION COMMITTEE

Set out below are those areas of the Committee’s work that it is required to report under the Code and reporting regulation and which are not covered elsewhere in this Remuneration Report.

ENGAGEMENT WITH STAKEHOLDERS

The current Directors’ Remuneration Policy was approved by shareholders at the 2020 AGM and Devro’s largest investors were consulted during late 2019 and early 2020 regarding Policy changes. There have not been any remuneration matters that have necessitated consultation during the rest of 2020 although the Committee Chairman is available to investors should there be any matter they would like to discuss with him.

As set out on page 68 the Company has a number of different channels for engaging with its workforce. The Committee has reviewed with the Group HR Director, engagement carried out with the wider workforce during the year (taking account of COVID-19 related challenges) and the proposals for the year ahead to explain broader pay policies and practices and the alignment to the Executive Directors’ Remuneration Policy. Information has been again shared through the Company’s intranet and through other existing communication channels with some specific enhanced engagement opportunities planned for 2021.

POLICY AND OPERATION OF POLICY

In determining the Directors’ Remuneration Policy and operation the Committee has considered the six factors listed in the Code as follow:

- **CLARITY** – our Policy is well understood by our management team and has been clearly articulated to our shareholders through direct engagement and our remuneration reporting. A key part of our Group HR Director’s role, which is supported by our CEO, is engaging with our wider employee base on all our ‘People Matters’ (including remuneration). We monitor the effectiveness of this process through the feedback received by the Board.

- **SIMPLICITY** – the Committee is mindful of the need to avoid overly complex remuneration structures. The Committee’s focus is to ensure the Executive Directors’ remuneration policies and practices are simple and straightforward and that the objectives and deliverables are clear. We only operate two incentive plans, an annual bonus and a long-term incentive and with our new Policy have moved to the simpler approach of investment of bonus in shares instead of the more traditional deferred share awards. We set metrics based on our business KPIs and measure performance against them, tracking and rewarding progress towards achieving our strategy and longer-term sustainable growth.

- **RISK** – our Remuneration Policy is designed to ensure that reputational, behavioural and other risks are managed and will not be rewarded, via: (i) the balanced use of fixed and variable pay, of both short and long-term incentive plans which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by equity in our incentive plans (together with shareholding guidelines applicable both in service and post service); and (iii) malus/clawback provisions.

- **PREDICTABILITY** – our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The scenario charts on page 83 illustrate how the rewards potentially receivable by our Executive Directors vary based on performance delivered and share price growth. The Remuneration Committee also has the discretion to adjust any vesting outcomes if they are not considered appropriate.

- **PROPORTIONALITY** – there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/‘at-risk’ pay, together with the structure of the Executive Directors’ service contracts, ensures that poor performance is not rewarded.

- **ALIGNMENT TO CULTURE** – our incentive schemes drive behaviours consistent with Devro’s purpose, values and strategy by using metrics in both the annual bonus and PSP that underpin the delivery of our strategy. Employee personal success is directly linked to the success of our customers and business through the short and long-term incentive plans and targets we operate.

DETERMINING EXECUTIVE DIRECTOR REMUNERATION

The Committee considers the appropriateness of the Executive Directors’ remuneration not only in the context of overall business performance and environmental, governance and social matters but also in the context of wider workforce pay conditions (taking into account workforce policies and practices as well as the ratio of CEO pay to all-employee pay) and the external market to ensure that it is fair and appropriate for the role, experience of the individual, responsibilities and performance delivered.

Further the Committee is comfortable, in reviewing the remuneration for 2020 against performance, that there has been an appropriate link between reward and performance and that it was not appropriate to apply discretion to the formulaic outcome. The Committee also considered whether there were any relevant environmental, social and governance matters that it needed to take account of when reviewing the remuneration outcomes. The Committee determined, taking into account the way the business had been managed and employees’ jobs, health, safety and wellbeing protected that there were no further factors that needed to be taken into account. The Committee, as part of its review of policy and operation, noted the progress being made by management and the Board in incorporating sustainability priorities into its strategy and the Committee has reflected this, by the inclusion in this year’s annual bonus of a strategic objective for the CEO on these matters. The Committee intends to review in 2022 how reporting on these matters and incorporating them into remuneration outcomes might be developed.

The Committee is comfortable that the Policy has operated as intended and that no changes are necessary particularly given the new Policy approved by shareholders at the 2020 AGM and the further review of Policy and operation of Policy that was carried out with the new Non-Executive Directors following their appointment to the Committee.

ADVISERS TO THE COMMITTEE

Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of the Code. The Committee has satisfied itself that advice from Korn Ferry is objective. Fees incurred in respect of advice provided to the Committee by Korn Ferry during the year amounted to £54,297. Korn Ferry provided other human capital related services during the year through a separate part of the business. The Committee is comfortable that the controls in place at Korn Ferry do not result in the potential for any conflicts of interest to arise.

STATEMENT OF SHAREHOLDING VOTING AT AGM

At the AGM held on 30 April 2020, votes cast by proxy and at the meeting in respect of the Directors' Remuneration Report and Policy were as follows:

Resolution	Votes for	% For	Votes against	% Against	Total votes cast	Votes withheld (abstentions)
Approval of Remuneration Report	88,299,934	99.92	70,239	0.08	88,370,173	32,226
Approval of Remuneration Policy	84,753,944	95.91	3,615,769	4.09	88,369,713	32,685

Audited information

TOTAL REMUNERATION

	Base salaries/fees in payment at 31 December		Benefits in kind[1]		Pension contributions/ payments in lieu of pension contributions		Total fixed pay		Annual bonus[9]		Long-term incentives		Total variable pay		Total remuneration	
Director	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
R Helbing	**456**	447	**2**	2	**46**	45	**504**	494	**230**	33	**–**	–	**230**	33	**733**	527
R Cummings[2]	**27**	–	**–**	–	**2**	–	**29**	–	**12**	–	**–**	–	**12**	–	**41**	–
J Callaway[3]	**294**	315	**–**	–	**29**	32	**323**	347	**–**	24	**–**	–	**–**	24	**323**	371
J Burks[4]	**30**	–	**–**	–	**–**	–	**30**	–	**–**	–	**–**	–	**–**	–	**30**	–
S Good[5]	**139**	81	**3**	3	**–**	–	**142**	84	**–**	–	**–**	–	**–**	–	**142**	84
L Jackson[6]	**35**	–	**–**	–	**–**	–	**35**	–	**–**	–	**–**	–	**–**	–	**35**	–
J Lodge[7]	**17**	50	**–**	3	**–**	–	**17**	53	**–**	–	**–**	–	**–**	–	**17**	53
M Swift	**57**	50	**–**	1	**–**	–	**57**	51	**–**	–	**–**	–	**–**	–	**57**	51
P Withers[8]	**52**	50	**–**	–	**–**	–	**52**	50	**–**	–	**–**	–	**–**	–	**52**	50
G Hoetmer[10]	**–**	45	**–**	–	**–**	–	**–**	45	**–**	–	**–**	–	**–**	–	**–**	45
TOTAL	**1,107**	1,038	**5**	9	**77**	77	**1,189**	1,124	**242**	57	**–**	–	**242**	57	**1,431**	1,181

This table includes individual figures which have been rounded to the nearest £'000.

1. Benefits in kind for Mr R Helbing and Mr R Cummings relate to medical insurance. Taxable benefits for the Non-Executive Directors relate to travel and subsistence expenses.
2. Mr R Cummings joined the Board on 1 December 2020.
3. Ms J Callaway stepped down from the Board on 30 November 2020.
4. Mr J Burks joined the Board on 1 May 2020.
5. Mr S Good joined the Board on 1 June 2019.
6. Mrs L Jackson joined the Board on 1 May 2020.
7. Ms J Lodge retired from the Board on 30 April 2020.
8. Dr P Withers retired from the Board on 31 December 2020.
9. The bonus for 2019 was payable entirely in cash. 40% of the 2020 bonus will be invested in shares in accordance with the new shareholder approved Policy.
10. Mr G Hoetmer retired from the Board at the AGM on 25 April 2019.

Directors’ Remuneration Report (continued)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

DETAILS OF VARIABLE PAY EARNED IN THE YEAR

SUMMARY OF 2020 ANNUAL BONUS

Set out below are the targets which applied to the 2020 Annual Bonus Plan and performance against them. The new CFO, Mr Cummings, is eligible for a bonus for the period 1 December to 31 December 2020 based on the same financial performance measures and targets as the CEO but not on a personal performance element, with the financial measures reweighted to take into account that there is no personal performance element. The previous CFO, Ms Callaway, was not eligible for a bonus for 2020.

The bonus outcome for 2020 is 50.2% of maximum for the CEO and 44.0% of maximum for the CFO (pro-rated for the period 1 December to 31 December 2020). The Committee is satisfied the formulaic outcome is representative of underlying performance and taking this into account and all other relevant factors did not exercise any discretion in relation to the formulaic outcome.

Performance condition	CEO % of maximum	CFO % of maximum	Actual performance achieved	Performance target for threshold vesting	Performance target for target vesting	Performance target for maximum vesting	Resulting bonus % of maximum (of that element) R Helbing	Resulting bonus % of maximum (of that element) R Cummings
EBIT[1]	40%	50%	£41.4m	£39.2m[2]	£42.0m[2]	£45.0m[2]	15.7	19.7
Revenue[1]	20%	25%	£242.5m	£245m[3]	£247.5m[3]	£253m[3]	0.0	0.0
Net debt/cash target[4]	20%	25%	£45.5m	£37.4m[3]	£41.5m[3]	£45.7m[3]	19.5	24.3
Individual strategic objectives[5]	20%	–	See below	N/A	N/A	N/A	15.0	N/A
Total	**100%**	**100%**	**–**	**–**	**–**	**–**	**50.2**	**44.0**

1. Adjusted to exclude exceptional items and recalculated using budgeted exchange rates.
2. 0% of element vests at threshold, 50% at target and 100% at maximum.
3. 12.5% of element vests at threshold, 50% at target and 100% at maximum.
4. Net debt is defined as ‘net debt movement adjusted for capex, exceptional items, FX on net debt, dividends and significant one-off items’.
5. Payment in respect of the individual strategic objectives is subject to the Committee being satisfied the level of payment is appropriate in the context of the underlying financial performance of the Company.

The individual strategic objectives for 2020 were linked to key strategic milestones, as follows:

RUTGER HELBING

Objectives and weighting	Performance achieved	Scoring
Value Creation – Strategy (2%)		
Oversee new business development through product innovation.	Overall good technical development in readiness for customer testing.	1.5/2
Value Delivery (total 10%)		
Execution of year one of three-year value plan focusing on pricing and product mix.	Large proportion of targeted growth opportunities converted into sales and pipeline of future opportunities developed, supported by introduction of new commercial processes.	2.5/5
Successful completion of supply chain rationalisation programme (Bellshill).	Closure of Bellshill site and consequent transfer of planned production completed.	5/5
People (total 8%)		
Drive employee engagement through development of refreshed values framework.	Development of refreshed ‘company purpose’ and associated values framework, for launch in 2021, including ensuring broad employee participation in project.	4/4
Review, update and implement ‘go to market’ structure.	Modification of design of commercial structure to improve customer engagement completed and implementation commenced.	2/4
Overall rating		**15/20**

THE DEVRO PLC PERFORMANCE SHARE PLAN

2018 PERFORMANCE SHARE PLAN AWARDS

The three-year performance period for the awards granted in 2018 under the Devro plc Performance Share Plan made to Mr R Helbing ended on 31 December 2020. The performance conditions which applied, and performance achieved against them, are set out below resulting in the award lapsing in full as threshold targets were not met. Ms J Callaway's award lapsed on cessation of employment on 30 November 2020 in line with our Policy.

Metric	Weighting	Threshold target (25% of max vesting)	Maximum target (100% of maximum vesting)	Actual performance[2]	Vesting (% of element)	Vesting (% of max)
EPS (final year)	40%	15.7p	18.9p	15.4p	0	0
TSR ranking relative to comparator group[1]	20%	Median	Upper quartile	45.6% ranking	0	0
ROCE target for final year of performance period	40%	13%	15%	12.6%	0	0
Total	**100%**				**0**	**0**

1. The comparator group is the 100 listed companies (excluding investment trusts) closest to the Company in terms of market capitalisation at the beginning of the performance period (i.e. 50 above, 50 below).
2. EPS and ROCE performance restated to add back depreciation impact and impairment charge taken in 2019.

The TSR condition and performance set out above was independently prepared by Korn Ferry.

Director	Date of grant	Number of shares eligible to vest	Number of shares vesting	Value of shares vesting
R Helbing	9 April 2018	242,242	0	£nil

Audited information

PERFORMANCE SHARE PLAN AWARDS GRANTED IN 2020

	Scheme	Date of grant	Basis of award granted	Face value of award £'000[1]	Maximum vesting (% of face value)	Percentage vesting for threshold performance	Vesting and performance period
R Helbing	The Devro plc Performance Share Plan	15 April 2020	110% of salary 345,847 shares	504	100%	25% if the threshold for each of the metrics is reached	Performance period three financial years from 1 January 2020. Vesting period three years from date of grant.[2]
J Callaway[3]	The Devro plc Performance Share Plan	15 April 2020	100% of salary 221,514 shares	323	100%		

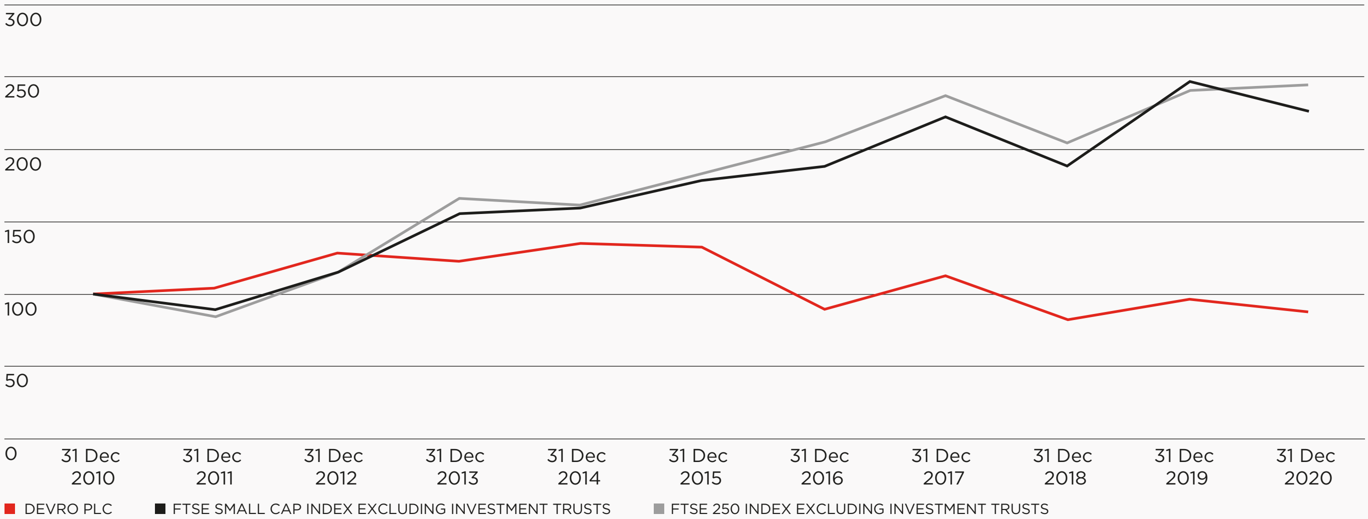
1. Based on share price of 145.6p on 14 April 2020, being the trading day before the date of grant.
2. Vested shares must be held for two years post vesting (subject to sales to pay taxes).
3. Ms J Callaway's award lapsed on cessation of employment on 30 November 2020.

Further details regarding the Performance Share Plan awards, together with the performance conditions applying to the above awards, are set out on page 95.

Directors' Remuneration Report (continued)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

PERFORMANCE GRAPH
TOTAL SHAREHOLDER RETURN



This graph shows the value, by 31 December 2020, of £100 invested in Devro plc on 31 December 2010 compared with the value of £100 invested in the FTSE 250 and FTSE SmallCap indices (excluding investment trusts) on the same date. Devro is a constituent of the FTSE SmallCap and this is therefore deemed an appropriate index with the FTSE 250 being relevant as the index Devro has previously been part of and would move to on a future increased market capitalisation.

TABLE OF HISTORIC DATA
The following table sets out the total remuneration and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) in each of the past ten years for the Chief Executive Officer in post at the time.

Year	Chief Executive single figure of total remuneration (£'000)	Annual bonus payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2020	**733**	**50.2**	**0**
2019	526	7.33[1]	0
2018	504	10[2]	0
2017	703	40	0
2016	513	0	0
2015	759	54.8	0
2014	498	0	0
2013	565	0	18.25
2012	1,154	0	100
2011	1,670	40	100

1. The formulaic outcome for 2019 was 24% maximum prior to the Committee exercising its discretion to scale back the bonus payment.
2. The formulaic outcome for 2018 was 34.45% maximum prior to the Committee exercising its discretion to scale back the bonus payment.

CHIEF EXECUTIVE OFFICER TO EMPLOYEE RATIO

Financial year	25th percentile	50th percentile	75th percentile
2020	**1: 20.9**	**1: 17.9**	**1: 13.6**
2019	1: 18.8	1: 14.2	1: 10.7

The pay for the individuals used to calculate the ratio for 2020 is set out in the table below.

	CEO	25th percentile	50th percentile	75th percentile
Salary	£456,000	£31,000	£34,000	£46,000
Total pay	**£733,000**	**£35,000**	**£41,000**	**£54,000**

We have used 'Option A' in the applicable legislation to calculate the CEO to employee ratio, as this the most accurate method of calculation. The table above sets out the CEO pay ratio.

The CEO pay is compared to the pay of our UK employees at the 25th, 50th and 75th percentiles, calculated based on full-time equivalent base pay data as at 31 December 2020. At the time the ratio was calculated, data was not available for 2020 benefits and therefore 2019 benefits have been used as a best estimate. As benefits do not account for a significant proportion of total pay, the Committee is satisfied that this adjustment to the method does not materially affect the ratios. Annual bonus based on 2020 performance is determined in early 2021 and included in the calculations.

Part-time employees and leavers and joiners have been converted to full-time equivalents on a time-apportioned basis.

The reward policies and practices for our employees are aligned to those set for the Executive Directors, including the CEO and on this basis the Committee is satisfied that the median pay ratio is consistent with the pay, reward and progression policies across all of the Devro employees.

REASONS FOR MOVEMENT FROM 2019 TO 2020

Higher bonuses have been paid across the business in 2020 compared to 2019. However, as our CEO has a higher weighting to incentive pay than other employees, reflecting his role, responsibilities and scope to drive the performance of the business, this is the primary reason for the movement in the ratio in 2020 compared to 2019.

RELATIVE IMPORTANCE OF SPEND ON PAY

	Total remuneration of all employees of the Devro group £'000	Dividends paid £'000
2020	**79,256 (-3.2%)**	**10,516 (-30.0%)**
2019	81,893 (-5.9%)	15,022 (+2.3%)

PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS

	2019 to 2020		
Directors as at 31 December 2020	Base salary % change	Benefits % change	Annual bonus % change
CEO[1]	2.0	-4.5	603.9
CFO[2]	1.9	0	-51.0
Mr S Good[3]	10.3	-11.5	N/A
Mr M Swift[4]	12.9	-100	N/A
Dr P Withers	4.2	N/A	N/A
Devro Group employee average	0	-21	300

Note: As Mr Burks and Mrs Jackson were not Directors for the full 2020 year they are not included in the analysis.

1. A higher bonus was paid in 2020 than in 2019 (as it was to other employees).
2. The 2020 figures above relating to CFO are a combination of Ms J Callaway's remuneration as Chief Financial Officer from the beginning of the year to 30 November, and Mr R Cummings' remuneration from 1 December 2020, when he took over as Chief Financial Officer. The percentage reduction is due to a (prorated) 2020 bonus amount being paid only to Mr R Cummings, following his appointment in December 2020.
3. The 2019 figures above in relation to the Chairman are a combination of Mr G Hoetmer remuneration as Chairman from the beginning of 2019 until 25 April 2019, and Mr S Good's remuneration from 1 June 2019, when he took over as Chairman.
4. The percentage change in benefits is due to a (pandemic-related) reduction in 2020 travel expenses.

Audited information

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE

There were no payments to past Directors or payments for loss of office made during the year except as detailed below.

Following her resignation, our former CFO Jackie Callaway stepped down as a Director on 30 November 2020. Ms Callaway was paid salary, pension and benefits to 30 November 2020. As a result of her resignation she was not eligible for annual bonus for 2020 and all of her unvested Performance Shares lapsed on 30 November 2020.

Fees were paid to former Non-Executive Directors of the Company, Ms Jane Lodge and Dr Paul Withers, until the dates of their respective retirements from the Board on 30 April 2020 and 31 December 2020.

Directors' Remuneration Report (continued)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

AUDITED INFORMATION

Information on pages 89 to 95 of this Annual Report on Remuneration which has been audited by KPMG LLP is labelled "Audited information".

Audited information

COMPANY PENSIONS AND LIFE ASSURANCE POLICY REGARDING EXECUTIVE DIRECTORS

Ms J Callaway elected to receive a monthly cash payment in lieu of pension.

Both Mr R Helbing and Mr R Cummings elected to receive a combination of pension and a monthly cash payment in lieu of their full pension entitlements.

The contributions for each in respect of 2020 are shown in the table on page 89.

The Company provides life assurance cover for senior executives under which the Executive Directors have cover of either three or five times base salary (capped at £1.75 million) depending on whether or not they are a member of the Company pension scheme.

THE DEVRO PLC PERFORMANCE SHARE PLAN

Awards outstanding under the Devro plc Performance Share Plan for current and former Executive Directors are as follows:

Director	Date awarded	Market value at date of award (pence per share)	Market value at date of vesting of shares (pence per share)	Number of shares at 1 January 2020	Number of shares awarded during year	Number of shares exercised during year	Number of shares lapsed during year	Number of shares at 31 December 2020	Earliest normal vesting date
R Helbing	2 August 2017	230p	N/A	142,990	–	–	142,990	–	2 August 2020
	9 April 2018	199.8p	N/A	242,242	–	–	–	242,242[3]	9 April 2021
	8 April 2019	185.8p	N/A	265,705	–	–	–	265,705	8 April 2022
	15 April 2020	145.6p	N/A	–	345,847	–	–	345,847	15 April 2023
J Callaway[2]	14 May 2018	223.5p	N/A	138,702	–	–	138,702	–	14 May 2021
	8 April 2019	185.8p	N/A	170,182	–	–	170,182	–	8 April 2022
	15 April 2020	145.6p	N/A	–	221,514	–	221,514	–	15 April 2023
P Page[1]	2 August 2017	230p	N/A	107,452	–	–	107,452	–	2 August 2020

1. Mr P Page stepped down from the Board on 28 February 2018.
2. Ms J Callaway's awards lapsed when she stepped down from the Board on 30 November 2020 following her resignation.
3. These shares lapsed following a review of the relevant performance conditions by the Committee in February 2021.

Conditional nil-priced options under the Devro plc Performance Share Plan are considered for award annually, with earliest vesting occurring normally after three years and dependent on both continued employment with the Group and, for the 2019 and 2020 awards, the extent to which the performance conditions set out below are met.

The awards made in 2019 were granted as nil-priced options subject to the performance conditions below.

Underlying EPS for the final year of the performance period	Performance shares vesting percentage (of total award)
Less than 16.2p	0%
16.2p	10%
Between 16.2p and 21.5p	On a straight-line basis between 10% and 40%
21.5p or more	40%

TSR ranking relative to comparator group[1]	Performance shares vesting percentage (of total award)
Below median	0%
Median	5%
Between median and upper quartile	On a straight-line basis between 5% and 20%
Upper quartile or above	20%

ROCE target for final year of performance period	Performance shares vesting percentage (of total award)
Below 13%	0%
13%	10%
Between 13% and 15%	On a straight-line basis between 10% and 40%
15% or above	40%

1. The comparator group is the 100 listed companies (excluding investment trusts) closest to the Company in terms of market capitalisation (i.e. 50 above, 50 below).

The awards made in 2020 were granted as nil-priced options subject to the EPS and ROCE performance conditions set out below and the same TSR performance condition as the 2019 award.

Underlying EPS for the final year of the performance period	Performance shares vesting percentage (of total award)
Less than 17.5p	0%
17.5p	10%
Between 17.5p and 21.0p	On a straight-line basis between 10% and 40%
21.0p or more	40%

ROCE target for final year of performance period	Performance shares vesting percentage (of total award)
Below 17%	0%
17%	10%
Between 17% and 19%	On a straight-line basis between 10% and 40%
19% or above	40%

Audited information

DIRECTORS' INTERESTS

The interests, all of which are beneficial, of the Directors (and their immediate families) in the share capital of the Company (Ordinary Shares of 10 pence each), and details of awards held under the Devro plc Performance Share Plan (which has performance conditions) at the beginning and end of the financial year, are as follows:

Director	Total number of Ordinary Shares beneficially held 1 January 2020	Total number of Ordinary Shares beneficially held 31 December 2020	Performance Share Plan 1 January 2020	Performance Share Plan 31 December 2020
S Good	–	50,000	–	–
R Helbing	60,000	70,000	650,937	853,794[1]
R Cummings[2]	–	–	–	–
J Callaway	35,000	45,000[3]	308,884	–
J Burks[4]	–	–	–	–
L Jackson[4]	–	–	–	–
J Lodge	37,965	37,965[5]	–	–
M Swift	16,613	27,494	–	–
P Withers	140,000	140,000	–	–

1. Includes 242,242 shares pursuant to the 2018 PSP award which lapsed following a review of performance against targets by the Committee in February 2021.
2. Mr R Cummings joined the Board on 1 December 2020 and therefore there is no holding shown on 1 January 2020.
3. Ms J Callaway stepped down from the Board on 30 November 2020 and her holding is shown as at that date. All of Ms Callaway's performance shares lapsed on cessation of her employment.
4. Mr J Burks and Mrs L Jackson joined the Board on 1 May 2020 and therefore there is no holding shown on 1 January 2020.
5. Ms J Lodge retired from the Board on 30 April 2020 and her holding is shown as at that date.

On 18 January 2021, the Company received a notification from Mr M Swift that he had received a further 466 Ordinary Shares in the Company pursuant to a dividend reinvestment programme related to the dividend issued by the Company in January 2021.

Directors' Remuneration Report (continued)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

SHAREHOLDING REQUIREMENT

To provide alignment between shareholders and Directors, the Executive Directors are required to build up a shareholding equivalent to 200% of base salary over time. Any shares vesting from share incentive plans and shares acquired under the Policy with annual bonus must be retained (subject to sales to meet tax and incidental costs of sale) until the requirement is met. The shareholding requirement has not yet been met by either Executive Director.

Director	Number of shares held including family interests as at 31 December 2020	Shares held as a % of salary[1]	Number of shares vested under share schemes, but unexercised (net of shares required to pay tax on exercise)
R Helbing	70,000	24.45	Nil
R Cummings	–	–	Nil

1. Calculated on basis of three-month average share price to 31 December 2020, using salaries at 31 December 2020.

The Company operates an employee share ownership plan ('ESOP'). All employees of the Group, including the Executive Directors, are beneficiaries of the ESOP and are deemed to be interested in the shares held by the ESOP which, at 31 December 2020, amounted to 7,394 Ordinary Shares.

On behalf of the Board

MALCOLM SWIFT
CHAIRMAN, EXECUTIVE DIRECTORS' REMUNERATION COMMITTEE
1 March 2021

Directors' Report

INTRODUCTION

The Directors of Devro plc (the 'Company') are pleased to present this Directors' Report for the year ended 31 December 2020 which sets out certain disclosures about the Devro Group of companies (including the Company) (the 'Group'), required under the Companies Act 2006 (the 'Act') and under the Financial Conduct Authority's Listing Rules ('LRs') and Disclosure Guidance and Transparency Rules ('DTRs').

The Corporate Governance Report, which can be found on pages 66 to 73 also forms part of this Directors' Report.

In accordance with the Act, we have chosen to set out information about the following items in the discrete Strategic Report section of this Annual Report on pages 1 to 62:

- principal activities of the Group during the year;
- an indication of future developments in the business of the Group;
- its activities in the field of research and development;
- greenhouse gas emissions;
- employee equality, diversity and involvement;
- engagement with employees; and
- engagement with suppliers, customers and others in a business relationship with the Company.

No information of the kind specified in chapter 9.8.4R of the Financial Conduct Authority's Listing Rules is required to be included in the Annual Report.

THE COMPANY

The Company is a public limited company and is incorporated in Scotland under number SC129785.

The Company's principal subsidiary undertakings and branches, including those located outside the UK, as at 31 December 2020 are listed in Note 33 to the Financial Statements.

AMENDMENT OF THE COMPANY'S ARTICLES OF ASSOCIATION (THE 'ARTICLES')

Any amendments to the Company's Articles must be made in accordance with the provisions of the Act by way of special resolution.

DIRECTORS

The names and biographical details of the Directors of the Company at the date of this Directors' Report are set out on pages 64 and 65.

Under the Articles, Directors shall be no less than two and no more than 11 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next Annual General Meeting of the Company ('AGM') and is then eligible for election by the shareholders.

In line with the recommendations of the Code, the Company requires every Director to stand for election or re-election by the shareholders at each AGM, if he or she wishes to continue being a Director.

The Company may, by ordinary resolution, remove any Director before the expiration of his or her term of office. The office of Director shall also be vacated if: (i) he or she resigns; (ii) where he or she has been appointed for a fixed term, the term expires; (iii) he or she ceases to be a Director by virtue of a provision of the Act, is removed from office pursuant to the Company's Articles or becomes prohibited by law from being a Director (including circumstances in which a Director is declared bankrupt or, suffering from mental ill health, the Board resolves that the Director's office should be vacated); (iv) he or she is absent, without the permission of the Board, from Board meetings for six consecutive months and the Board resolves that his or her office be vacated; or (v) he or she is removed from office by notice addressed to him or her at his or her last-known address and signed by all his or her co-Directors.

The Company maintains Directors' and officers' liability insurance for the benefit of personnel throughout the Group, including its Directors and the Directors of its subsidiary undertakings, in respect of their duties as Directors.

None of the Directors had, during the year ended 31 December 2020, or has an interest in any material contract relating to the business of the Company or of any of its subsidiary undertakings.

The interests of the Directors in the share capital of the Company as at 31 December 2020 are shown on page 95.

SHARE CAPITAL

The share capital of the Company consists entirely of Ordinary Shares of 10 pence each. The Company had 166,949,022 shares in issue at 31 December 2020 (2019: 166,949,022) as shown in Note 11 to the Financial Statements.

Directors' Report (continued)

DIVIDENDS
The Board is recommending a final dividend for 2020 of 6.3 pence per share. This is in line with the postponed final 2019 dividend which was paid in the form of an interim dividend in October 2020.

SHAREHOLDERS' RIGHTS
Subject to applicable laws and the Articles, each registered holder of Ordinary Shares is entitled to receive all communications that the Company sends to its members generally, including the Annual Report and notice of any general meeting; to attend, speak and exercise voting rights at general meetings, either in person or by proxy; and to participate in any distribution of income or capital.

The Company's Articles specify a deadline for receipt of electronic and paper proxy forms of not less than 48 hours before a general meeting.

Subject to applicable laws and regulations, there are no limitations on share ownership, no restrictions on transfer or limitations on the holding of shares and no requirements for prior approval of any transfers. The right to allot new shares is subject to annual shareholder approval which is a requirement of applicable laws and regulations (and not intended to be an anti-takeover device).

None of the shares carries any special rights with regard to control of the Company.

The Company is also not aware of any agreements between its shareholders which may restrict the transfer of their shares or the exercise of their voting rights.

Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights.

The Company operates an employee share ownership plan trust ('ESOP'). The ESOP holds a number of shares in trust and a dividend waiver applies to them.

During the year no shares were issued under any of the Company's share schemes.

POWERS OF THE DIRECTORS
The business of the Company is managed by the Board who may exercise all the powers of the Company, subject to the provisions of the Company's Articles and applicable legislation.

At the Company's AGM on 30 April 2020, shareholders renewed the authority for the Directors to exercise all powers of the Company to allot relevant securities up to an aggregate nominal amount of £5,500,000. At the same AGM, shareholders granted the Company authority to make market purchases of up to 16,600,000 of its issued Ordinary Shares, provided that: the minimum price which may be paid for any such Ordinary Share is 10 pence (exclusive of expenses), its par value; the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is an amount equal to not more than 5% above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which that Ordinary Share is purchased. Except in relation to a purchase of Ordinary Shares, the contract for which was concluded before this authority expires and which will or may be executed wholly or partly after the expiry of such authority, the authority granted shall expire at the conclusion of this year's AGM.

POLITICAL CONTRIBUTIONS
The Group made no political donations and incurred no political expenditure in 2020 (2019: Nil).

POST BALANCE SHEET EVENTS
As a result of the Bellshill site closure, at the end of June 2020, a site sale process was commenced during the second half of 2020. There were several interested parties and the sale was completed on 29 January 2021 for a net £3.6 million. The proceeds will be used to reduce the Group's net debt.

FINANCIAL INSTRUMENTS
Details of the Group's financial risk management policies and objectives in respect of its use of financial instruments are included in Note 23 to the Financial Statements together with a description of its exposure, including its exposure to market risk, credit risk, liquidity risk and capital risk of the Group, in connection with such financial instruments.

CHANGE OF CONTROL
The Company has a number of financial agreements, which it considers significant, with major banks containing certain termination rights for those banks upon a change of control of the Company.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted to Directors and employees under such plans to become exercisable on takeover.

SUBSTANTIAL SHAREHOLDINGS
As at 31 December 2020, the Company had been notified of the following material interests in the issued ordinary share capital of the Company under DTR5:

	Notified number of Ordinary Shares	Notified percentage (%) of issued share capital
NN Group N.V.	26,971,339	16.16
Marathon Asset Management	11,492,268	7.06
Blackmoor Investment Partners LLC	8,350,227	5.00
Neptune Investment Management Limited	8,346,007	4.99
Standard Life Aberdeen plc	8,038,838	4.82
Franklin Templeton Institutional, LLC	4,693,700	2.81

ANNUAL GENERAL MEETING
At the date of this Directors' Report, the AGM of the Company is scheduled to take place at noon on 29 April 2021 in our London office: MidCity Place, 71 High Holborn, London, WC1V 6EA but, due to continuing pandemic restrictions, we do not expect to be able to invite shareholders to attend in person. We would nevertheless encourage shareholders to exercise their rights at the AGM by appointing the chair of the meeting as their proxy in order to vote on all the resolutions. We also welcome engagement on the business of the meeting through the channels described in the notice of meeting. The notice of meeting and explanatory notes are available on the Company's website (www.devro.com). As arrangements for the AGM may evolve due to the changing nature of pandemic restrictions across the UK, we will also keep shareholders updated of any changes, on our website. Shareholders will be asked for their approval of the items of business which are explained in the notes.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who is a Director at the date of approval of this Annual Report is aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company Financial Statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition the Group Financial Statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ('IFRSs as adopted by the EU').

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the EU;
- for the parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company Financial Statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006.

They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

Each of the Directors, whose names and functions are listed on pages 64 and 65 confirms that to the best of his or her knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In addition, each of the Directors considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

ANDREW MONEY
COMPANY SECRETARY
1 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December

	Note	2020 £'m	2019 £'m
Revenue	2	**247.6**	250.0
Operating profit	3,4	**36.2**	(14.0)
Finance cost	7	**(5.4)**	(6.0)
Net finance cost on pensions	7	**(1.4)**	(1.8)
Profit/(loss) before tax	8	**29.4**	(21.8)
Income tax	9	**(6.3)**	(19.6)
Profit/(loss) for the year attributable to owners of the Company		**23.1**	(41.4)
Earnings per share			
Basic	10	**13.8p**	(24.8)p
Diluted	10	**13.7p**	(24.8)p

All results relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Note	**2020 £'m**	2019 £'m
Profit/(loss) for the year attributed to the owners of the Company		**23.1**	(41.4)
Other comprehensive income/(expense) for the year			
Items that will not be reclassified to profit or loss			
Pension obligations:			
– re-measurements from pension liabilities	26	**3.4**	(13.1)
– movement in deferred tax	25	**–**	2.3
Re-measurements of an insurance asset held to fund pension obligations		**–**	(0.2)
		3.4	(11.0)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges:	28		
– net fair value gains		**1.4**	2.1
– tax on fair value movements		**(0.3)**	(0.4)
Net investment hedges:	28		
– fair value gains		**2.0**	3.4
– tax on fair value movements		**(0.7)**	–
Net exchange adjustments	28	**5.3**	(9.0)
		7.7	(3.9)
Other comprehensive income/(expense) for the year, net of tax		**11.1**	(14.9)
Total comprehensive income/(expense) for the year attributable to owners of the Company		**34.2**	(56.3)

Consolidated Statement of Financial Position

As at 31 December

	Note	2020 £'m	2019 £'m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**209.2**	213.8
Intangible assets	14	**10.2**	10.5
Deferred tax assets	25	**27.3**	25.5
Trade and other receivables	17	**1.7**	3.9
		248.4	253.7
Current assets			
Inventories	16	**37.8**	39.1
Trade and other receivables	17	**29.7**	27.9
Derivative financial instruments	23	**3.2**	1.4
Cash and cash equivalents	18	**23.7**	24.7
Assets held for sale	15	**2.5**	–
		96.9	93.1
Total assets		**345.3**	346.8
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(32.0)**	(29.4)
Current tax liabilities		**(3.2)**	(1.6)
Borrowings	22	**(20.8)**	(1.2)
Derivative financial instruments	23	**(0.1)**	(0.6)
Provisions for other liabilities	21	**(1.0)**	(5.6)
		(57.1)	(38.4)
Non-current liabilities			
Borrowings	22	**(112.9)**	(148.1)
Pension obligations	26	**(55.2)**	(64.1)
Deferred tax liabilities	25	**(15.5)**	(16.0)
Other payables	20	**(3.3)**	(2.5)
Provisions for other liabilities	21	**(2.3)**	(2.8)
		(189.2)	(233.5)
Total liabilities		**(246.3)**	(271.9)
Net assets		**99.0**	74.9
EQUITY			
Ordinary shares	11	**16.7**	16.7
Share premium		**9.3**	9.3
Other reserves	28	**80.1**	72.2
Retained earnings		**(7.1)**	(23.3)
Equity attributable to the owners of the Company		**99.0**	74.9

The Financial Statements on pages 100 to 151 were approved by the Board of Directors and signed on its behalf by:

ROHAN CUMMINGS
CHIEF FINANCIAL OFFICER
1 March 2021

Company registration No.: SC129785

Consolidated Statement of Changes In Equity

For the year ended 31 December

Group	Note	Ordinary shares £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 January 2020		**16.7**	**9.3**	**72.2**	**(23.3)**	**74.9**
Comprehensive income/(expense)						
Profit for the year		**–**	**–**	**–**	**23.1**	**23.1**
Other comprehensive income		**–**	**–**	**7.7**	**3.4**	**11.1**
Total comprehensive income		**–**	**–**	**7.7**	**26.5**	**34.2**
Transactions with owners of the Company						
Performance Share Plan charge, net of tax	28	**–**	**–**	**0.4**	**–**	**0.4**
Performance Share Plan credit in respect of awards lapsed	28	**–**	**–**	**(0.2)**	**0.2**	**–**
Dividends paid	12	**–**	**–**	**–**	**(10.5)**	**(10.5)**
Total transactions with owners of the Company		**–**	**–**	**0.2**	**(10.3)**	**(10.1)**
Balance at 31 December 2020		**16.7**	**9.3**	**80.1**	**(7.1)**	**99.0**
Balance at 1 January 2019		16.7	9.3	77.1	43.4	146.5
Adjustment on initial application of IFRS 16 (net of tax)		–	–	–	0.1	0.1
Adjusted balance at 1 January 2019		16.7	9.3	77.1	43.5	146.6
Comprehensive income/(expense)						
Loss for the year		–	–	–	(41.4)	(41.4)
Other comprehensive income/(expense)		–	–	(3.9)	(11.0)	(14.9)
Total comprehensive income/(expense)		–	–	(3.9)	(52.4)	(56.3)
Transactions with owners of the Company						
Performance Share Plan charge, net of tax	28	–	–	(0.4)	–	(0.4)
Performance Share Plan credit in respect of awards lapsed	28	–	–	(0.6)	0.6	–
Dividends paid	12	–	–	–	(15.0)	(15.0)
Total transactions with owners of the Company		–	–	(1.0)	(14.4)	(15.4)
Balance at 31 December 2019		16.7	9.3	72.2	(23.3)	74.9

Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	Group 2020 £'m	Group 2019 £'m
Cash flows from operating activities			
Cash generated from operations	29	**51.6**	59.7
Interest paid		**(5.1)**	(5.6)
Tax paid		**(8.3)**	(9.2)
Net cash generated from operating activities		**38.2**	44.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12.8)**	(12.5)
Purchase of intangible assets		**(1.4)**	(1.2)
Proceeds from disposal of property, plant and equipment and software		**–**	0.2
Net cash used in investing activities		**(14.2)**	(13.5)
Cash flows from financing activities			
Proceeds from borrowings		**4.0**	7.2
Repayments of borrowings		**(18.5)**	(3.8)
Payment on settlement of derivatives		**(1.3)**	(0.1)
Payment of lease liabilities	24	**(0.5)**	(0.5)
Dividends paid	12	**(10.5)**	(15.0)
Net cash from financing activities		**(26.8)**	(12.2)
Net increase/(decrease) in cash and cash equivalents		**(2.8)**	19.2
Net cash and cash equivalents at 1 January	29	**23.9**	5.2
Net increase/(decrease) in cash and cash equivalents		**(2.8)**	19.2
Exchange loss on cash and cash equivalents		**0.4**	(0.5)
Net cash and cash equivalents at 31 December	29	**21.5**	23.9
Cash and cash equivalents	18	**23.7**	24.7
Bank overdrafts	22	**(2.2)**	(0.8)
Net cash and cash equivalents at 31 December	29	**21.5**	23.9

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

Devro plc (the Company) and its subsidiaries (the Group) is one of the world's leading manufacturers of collagen products for the food industry. The Company is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in Scotland. The address of its registered office is Moodiesburn, Chryston, Glasgow G69 0JE.

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

BASIS OF ACCOUNTING

These consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Financial Statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of derivative financial instruments.

The Group's reporting currency is sterling, and unless otherwise stated, the Financial Statements are rounded to the nearest £0.1 million.

BASIS OF CONSOLIDATION

The consolidated Financial Statements include the Financial Statements of the Company and all its subsidiary undertakings made up to 31 December 2020. Intra-group sales and profits are eliminated fully on consolidation. The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The results of subsidiary undertakings acquired or disposed of are consolidated for the period from or to the date on which control passed. Uniform accounting policies are applied across the Group.

The subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date on which control commences until the date on which control ceases. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred. Any identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Any unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

GOING CONCERN

The 2020 Annual Report outlines the business activities of the Group and Note 23 describes the Group's objectives and procedures for managing its capital, its financial risk management policies, details of financial instruments and exposure to market, credit and liquidity risk.

At 31 December 2020 the Group was operating within the banking covenants related to its revolving credit facility and US private placement facilities. The Group's detailed financial forecasts indicate that there is sufficient headroom in the facilities for at least 12 months from the date of approval of this statement and that they can be repaid in line with the expected terms. The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of approval of this statement. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In making this assessment the impact of COVID-19 has been considered in a range of possible levels of impact on revenue, profit and cash, and the offsetting effect of controllable mitigating actions over the course of at least 12 months from the date of approval of this statement. These include the length of time various levels of restrictions will be in place and the severity of the consequent impact of those restrictions on most exposed areas: raw material inflation (primarily hides), disruption to supply chain and lower food service demand.

For all of our businesses we have sensitised the revenue (circa 2% - 3% reduction in year on year revenues), profit and cash flow impact of reduced trading activity. In line with the impacts noted above, the scenarios are most sensitive to the assumptions made predominantly in food services markets. We have not assumed any uplift in our markets under any level of restrictions for the purpose of the scenario modelling.

The scenarios include an assumption of economic recession lasting until the end of 2021. This conservative view assumes slow decline in our market during this time. While COVID-19 is anticipated to impact our profits and cash generation, as the economies come out of recession, so should the profits and cash recover. As we exit both lockdown and our busiest trading periods, the forecasted COVID-19 impact should also reduce.

In our modelling, mitigating actions are all within management control, can be initiated as they relate to discretionary spend, and do not impact our ability to meet demand. These actions include reduced opex spend and stopping all non-essential and non-committed capex in the forecasted period.

We believe that the risk of enforced factory closure is low and have implemented additional health and safety measures in each of our factories to reduce the risk of a major supply disruption. Please refer to principal risks section for further details. We are assuming no significant structural changes to the business will be needed.

In all the scenarios, significant liquidity headroom under our existing debt facilities remains at each month end, including the assumption that repayment of the US dollar private placement tranche of $25.0m in April 2021 will be made out of existing facilities. At 31 December 2020, the net debt position was £110.0m and our covenant net debt to EBITDA ratio was 1.8 times with

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

A) BASIS OF PREPARATION continued

GOING CONCERN continued

a covenant EBITDA to net interest payable ratio of 12 times. Undrawn facilities were £47.3m with £23.7m of cash holdings as at 31 December 2020. Covenants are set at less than 3.0 times Net debt to EBITDA and more than 4.0 times EBITDA to Net Interest Payable in all our lending agreements.

Under all the scenarios modelled, after taking mitigating actions as required, forecasts did not indicate breach on any of those dates.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements in conformity with adopted IFRSs requires use of estimates and assumptions that affect reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best assessments of amounts, events or actions, actual results ultimately may differ from those estimates. In the process of applying the Group's accounting policies, management has made the following judgements and estimates which have the most significant effect on the amounts recognised in the Financial Statements.

JUDGEMENTS

EXCEPTIONAL ITEMS

The Group excludes certain items from underlying reported amounts that are considered to be:
- significant in nature or quantum (either individually or in aggregate) that relate to a Group wide programme; or
- treatment as an exceptional item provides stakeholders with additional useful information to better assess the underlying trading performance of the Group.

The Group exercises judgement in assessing whether restructuring items should be classified as exceptional. This assessment covers the nature of the item, cause of occurrence and scale of impact of that item on the reported performance. In some situations the umbrella programme to which costs relate is also taken into account in this assessment.

For an income or expense to meet the Group's criteria as exceptional it must be:
- directly related to an exceptional item; and
- incremental to the Group's ongoing income or expense.

Details of accounting policies applied in respect of exceptional items are set out on page 113.

ESTIMATES

Although not considered to have a significant risk of resulting in a material adjustment within the next financial year, the following are areas of estimation:

IMPAIRMENT TESTING

The Group tests property, plant and equipment for impairment if events or circumstances indicate that the carrying value of these assets may be impaired. Where potential indicators of impairment are identified, the Group conducts impairment testing by comparing the carrying value for each cash generating unit (CGU) with its recoverable amount. The recoverable amount of a CGU is determined by the higher of its value in use or fair value less costs to sell, with value in use derived from discounted cash flow calculations. The assumptions on which these calculations are based include discount rates, expected changes in volumes, average selling prices and costs, and long-term growth rates, requiring estimates to be determined.

Details of the accounting policies applied in respect of property, plant & equipment and intangible assets are set out on pages 107 to 109.

PENSIONS

The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves certain key assumptions and complex calculations. The key assumptions include discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to uncertainty. An analysis of the sensitivity of the pension obligation to changes in key assumptions is provided based on movements in key variables that could reasonably occur. Further details are provided in Note 26. Details of the accounting policies applied in respect of retirement benefit plans are set out on page 112.

GOODWILL

Goodwill arising on business combinations is allocated to the relevant CGU. Impairment reviews in respect of the relevant CGUs are performed at least annually or more regularly if events indicate that this is necessary. Impairment reviews are based on a value in use model with future cash flows discounted using the weighted average cost of capital for the relevant CGU with terminal values calculated applying a long-term growth rate. The future cash flows, which are based on operating company forecasts, the long-term growth rates and the discount rates used, are dependent upon management estimates. Future events could cause the assumptions used in impairment reviews to change with impact on the results and net position of the Group.

PROVISIONS
In some cases provisions have been set up for the estimated liability for exceptional and other costs and judgement is applied relating to the timing of recognition of provisions and the estimation of the amount of the provision. Details of provisions are included in Note 21. Details of the accounting policies applied in respect of provisions are set out on page 110.

CARRYING VALUE OF INVENTORY
Determining the carrying value of inventory involves a degree of judgement as to whether the Group will be able to sell the inventory it has on hand for more than the value recorded in the statement of financial position, which is typically the cost of production. The Group adopts a policy of providing for inventory when it reaches a certain age, and also for any inventory where there are specific concerns. These estimated provisions are based on management's best assessments of future sales volumes and the likely selling prices, and actual results may differ from these estimates. Details of the accounting policies applied in respect of inventories are set out on page 109.

TAX
The changing regulatory environment affecting all multinationals increases the estimation uncertainty associated with calculating the Group's tax position. This is as a result of amendments to local tax laws, increased global co-operation between tax authorities and greater cross-border transparency. The Group estimates and recognises liabilities of taxes due based on management's interpretation of local tax laws, external advice and the likelihood of settlement. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made.

The Group's tax charge is based on the profit for the year and tax rates effective at the statement of financial position date. In addition to corporation tax, the Group is subject to indirect taxes such as sales and employment taxes across the tax jurisdictions in the countries in which it operates. The varying nature and complexity of these tax laws require the Group to review its tax positions and make appropriate adjustments at the statement of financial position date.

The calculation and recognition of temporary differences giving rise to deferred tax assets require estimates to be made, in particular on the extent to which probable future taxable profits are available against which these temporary differences can be utilised. Given the inherent uncertainty in the long-term nature of forecasting, it is reasonably possible that developments could require an increase or decrease to the carrying amount of these recognised and unrecognised assets within the next financial year. Details of the accounting policies applied in respect of taxation are set out on page 110.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2020
In the year ended 31 December 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by IFRS that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore, no material change is necessary to Group accounting policies.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT APPLIED
At the date of approval of these Financial Statements, there were no new significant standards, amendments to standards and interpretations that were in issue but have not been applied in these Financial Statements.

B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies applied in the preparation of these Group consolidated and individual Company Financial Statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition and directly attributable costs. Provision for depreciation is made so as to write-off the costs of the assets on a straight-line basis over their expected useful economic lives as follows:

Freehold buildings	50 years
Plant and machinery	8-15 years
Computer equipment	4-5 years
Motor vehicles	4 years
Fixtures and fittings	10 years

No depreciation is provided on freehold land or on assets under construction. Leasehold land is depreciated over the period of the lease.

Assets under construction are transferred to the appropriate asset category when they come into use. Depreciation on assets transferred is provided with effect from the month following the date of transfer.

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

PROPERTY, PLANT AND EQUIPMENT continued

Asset residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date, or more frequently if there have been indications of any significant change in either.

Gains and losses on disposals are determined by comparing the proceeds with carrying amounts and are recognised within other operating income or expense in the statement of profit or loss.

Property, plant and equipment are reviewed for impairment where indicators of impairment exist. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Impairment losses recognised in prior periods are assessed at each reporting date for any indicators that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or, if no impairment loss had been recognised.

Repairs and maintenance costs are charged to the statement of profit or loss during the year in which they are incurred.

GRANTS

Grants relating to property, plant and equipment are included in current and non-current liabilities as appropriate and credited to the statement of profit or loss on a straight-line basis over the expected useful lives of the related assets.

Grants relating to costs are deferred and recognised in the statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

ASSETS HELD FOR SALE

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The asset is classified as held for sale only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated at the acquisition date as the sum of the fair values of assets transferred by the Group and liabilities incurred by the Group to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date, amounts of the identifiable assets acquired and the liabilities assumed.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with the corresponding gain or loss being recognised in profit or loss.

GOODWILL

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination.

Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

OTHER INTANGIBLE ASSETS

Other intangible assets acquired separately that meet the recognition criteria of IAS 38 Intangible Assets, are capitalised at cost and, when acquired in a business combination, are capitalised at fair value at the date of acquisition. Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset to its working condition for its intended use. Following initial recognition, finite life assets are amortised on a straight-line basis and indefinite life assets are not amortised. Finite life intangible assets have a residual value of £nil and are amortised over their estimated useful lives as follows:

Customer contracts and relationships	12 years
Computer software	4-5 years
Development costs	15 years

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

In general, research and development expenditure is charged to the statement of profit or loss in the year in which it occurred unless certain strict criteria are met for capitalisation. These criteria include:
- demonstration of its commercial and technological feasibility;
- intent of completing a new intangible asset that is separable; and
- the asset will generate probable future economic benefits.

At the point where expenditure meets the criteria, development costs are capitalised and amortised over the useful economic lives of the assets to which they relate.

Other intangibles assets are reviewed for impairment where indicators of impairment exist. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made, where appropriate, for obsolete, slow-moving and defective inventories.

TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are carried at original invoice amount and subsequently measured at amortised cost, less provision for estimated irrecoverable amounts. The provision for impairment of receivables is based on lifetime expected credit losses are calculated based on historical credit loss experience, adjusted for factors specific to the receiving company and reflect information about current condition and forecasts of future economic conditions. The movement in provision is recognised in the statement of profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and short-term deposits with maturity dates of less than three months which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For purposes of the cash flow statement, net cash and cash equivalents comprise cash and cash equivalents net of bank overdrafts.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised at amounts expected to be paid to counterparties and subsequently held at amortised cost.

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, with the present value of estimated cash flows used if the effect of the time value of money is material.

Restructuring provisions are recognised when the Group has a detailed formal plan for the restructuring and has either started implementing the plan or announced its main features to those affected by it. The measurement of the obligation comprises costs which are directly related to the restructuring.

LEASES

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and the corresponding lease liability is recognised at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease, or, if that rate cannot be readily determined as is often the case, the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in estimate of the amount expected to be payable under residual guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in the statement of profit or loss.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases of less than 12 months or leases of low value items.

TAXATION

The tax expense represents the sum of tax currently payable and deferred tax. Current tax and deferred tax are recognised within profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowable. It is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to tax authorities.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related asset is realised or the liability is settled. Deferred tax is charged or credited in the statement of profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with within equity or other comprehensive income.

Deferred tax assets are recognised only to the extent that there is convincing evidence that probable future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except for deferred tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis."

FOREIGN CURRENCIES

Items included in the Financial Statements of each of the Group's subsidiary undertakings are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in sterling, which is the Company's functional and presentation currency.

Foreign currency transactions in each entity are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Other gains and losses arising from foreign currency transactions are included in the statement of profit or loss.

The trading results of foreign currency denominated subsidiaries are translated into sterling, the presentation currency of the Group and functional currency of the Company, using average rates of exchange for the year. The statement of financial position of foreign currency denominated subsidiaries are translated into sterling at the rates of exchange ruling at the year end and exchange differences arising are taken directly to the translation reserve in equity. On disposal of a foreign denominated subsidiary, the deferred cumulative amount recognised in the translation reserve relating to that entity is recognised in the statement of profit or loss. All other translation differences are taken to the statement of profit or loss, with the exception of differences on foreign currency borrowings and forward foreign currency contracts which are used to provide a hedge against the Group's net investments in foreign enterprises. These are taken directly to equity or other comprehensive income until the disposal of the net investment, at which time they are recognised in the statement of profit or loss.

BORROWINGS

Borrowings are recognised initially at fair value, net of transactions costs incurred. Where risks associated with borrowings are hedged by derivative financial instruments, only changes in fair value attributable to hedged risk is measured at fair value.

Un-hedged borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

On completion of a refinancing, any unamortised financing charges are accelerated through the statement of profit or loss. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs are recognised as an expense in the year in which they are incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments used to hedge risks associated with interest rate and foreign currency fluctuations are initially and subsequently re-measured at fair value.

The fair values of forward exchange contracts are calculated by reference to market forward rates at the statement of financial position date. The fair values of interest rate swap contracts are calculated on a discounted cash flow basis using market forward rates.

Gains or losses arising from the movement to fair value are taken to the statement of profit or loss except where the derivative is designated as a cash flow hedge or net investment hedge.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument, and demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed at each reporting date to ensure that the hedge remains highly effective.

CASH FLOW HEDGES

The Group has designated forward foreign exchange contracts and the interest rate differential of cross-currency interest rate swaps as cash flow hedges.

For cash flow hedges, the effective part of changes in the fair value of the derivative is recognised in the statement of other comprehensive income. Gains or losses relating to any ineffective part of changes in fair value are taken immediately to the statement of profit or loss. Amounts accumulated in equity are transferred to the statement of profit or loss in the same period as the hedged transaction occurs, for example, when the forecast sale or purchase transaction takes place.

Any movements in fair value occurring after the time when hedging contracts cease to be cash flow hedges are taken directly to the statement of profit or loss.

FAIR VALUE HEDGES

The Group has designated the exchange element of cross-currency interest rate swaps as fair value hedges.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the statement of profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value adjustment to the carrying amount of the hedged risk is amortised in the statement of profit or loss from the time the hedging contracts cease to be fair value hedges.

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

NET INVESTMENT HEDGES

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in the statement of other comprehensive income. Gains or losses relating to any ineffective portion are taken immediately to the statement of profit or loss. Amounts accumulated in equity are transferred to the statement of profit or loss when the foreign operation is partially disposed of or sold.

EMPLOYEE BENEFITS

The Group operates a number of defined contribution and defined benefit pension plans. All defined benefit pension plans are now closed to new entrants.

DEFINED CONTRIBUTION PLANS

Payments to defined contribution pension plans are charged as an expense in the periods during which services are rendered by employees.

DEFINED BENEFIT PLANS

The Group's obligations in respect of defined benefit pension plans are valued by independent actuaries using the projected unit credit method. All Group plans are funded externally, with the exception of Germany, where, in line with local practice, obligations are supported by insurance policies. Plan assets are valued at fair market value and are held completely separate from the Group's assets. Full formal actuarial valuations of obligations are carried out at frequencies of not more than three years and are updated regularly for reporting purposes.

Amounts recorded in the statement of financial position represent the fair value of external plan assets less the present value of the defined benefit obligations.

Amounts recorded in the Statement represent the current service cost over the reporting year, which is included in operating profit, and net finance income or cost, i.e. interest income on assets less interest cost on liabilities calculated using the discount rate, which is included as a separate component of finance income and cost. Other statement of profit or loss credits or charges can arise for special events, such as a past service benefit improvement or settlement and curtailment of plan liabilities.

Remeasurements of the net defined benefit liabilities which comprise actuarial gains and losses, the gains or losses on plan assets excluding interest, and the effect of the asset ceiling (if any) are recognised immediately in the statement of other comprehensive income. Actuarial gains and losses on liabilities occur due to changes in actuarial assumptions at the statement of financial position date and also due to any differences between assumptions and actual outcomes. Gains and losses on plan assets represent the difference between interest income over the year, and the actual return achieved.

SHORT TERM BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

SHARE BASED PAYMENTS

The Group operates a number of equity-settled share-based incentive plans as consideration for services received from employees in both the Company and its subsidiaries. The fair value of services received in exchange for the grant of share awards is recognised as an expense with the total amount to be expensed being determined by reference to the fair value of the awards granted. The fair value of the awards include any market performance conditions, but exclude the impact of any service or non-market performance vesting conditions and are reduced by any consideration received from employees. Any non-market performance or service conditions are included in assumptions over the number of awards expected to vest, and the total expense is recognised over the full vesting period in the statement of profit or loss with a corresponding credit made to equity. At the end of each year the Group revises its estimates of the number of awards expected to vest based on non-market vesting conditions and recognises the impact of any revision in the statement of profit or loss, with a corresponding adjustment to equity.

The social security contributions payable on share awards granted is recognised in the statement of profit or loss over the vesting period and is treated as a cash-settled transaction.

REVENUE RECOGNITION

Revenue is measured based on fair value of the consideration specified in a contract with a customer, net of returns, rebates and discounts, and which excludes value added tax and other sales-related taxes.

The Group generates revenue primarily from the sale of collagen products to its customers. In general, Devro agreements with customers and the wholesale market (distributors) do not contain complex terms or separately identifiable performance obligations outside of delivering product to customers and distributors. The performance obligation continues to be the supply of product to the customer and distributors and therefore the transaction price relates to this performance obligation.

Revenue is recognised when control of the product has transferred, being when the product has either been shipped to the customer or distributor, or, on delivery, in line with terms agreed with individual customers or distributors.

Payment is normally due immediately, at the point that the performance obligation is completed.

INTEREST RECEIVABLE

Interest income is recognised on a time-proportion basis using the effective interest method.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board, which is responsible for allocating resources and assessing the performance of the operating segments.

EXCEPTIONAL ITEMS

Exceptional items are those significant items which are incremental to normal operations and are separately disclosed by virtue of their nature or size to enable a better understanding of the Group's underlying financial performance, as explained further in 'Significant accounting estimates and judgments' on page 106.

2. SEGMENT INFORMATION

The chief operating decision maker has been identified as the Board. As reported in 2019, the Board started review of the Group's financial results on a market segment basis because they require different products and marketing strategies, with two identifiable operating segments:

- Emerging markets: Latin America, Russia & East, Middle East & Africa, South East Asia and China.
- Mature markets: North America, Continental Europe, UK & Ireland, Japan and Australia & New Zealand.

The Board assesses performance of operating segments based on revenue generated from sales to external customers.

Each manufacturing site produces product for multiple sales areas and performance cannot be allocated to operating segments; the Board reviews performance by manufacturing plant regularly and manages underlying operating profit before exceptional items at the Group level. Finance income and cost and net finance cost of pensions are not included in the segment results that are reviewed by the Board. Information provided to the Board is consistent with that in these Financial Statements.

2019 segment data has been restated to align with new segment reporting basis.

		Mature		Emerging		Total Group	
	Note	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
Revenue from external customers		**177.8**	187.3	**69.8**	62.7	**247.6**	250.0
Underlying operating profit						**40.8**	39.1
Exceptional items	4					**(4.6)**	(53.1)
Operating profit/(loss)						**36.2**	(14.0)
Finance cost	7					**(5.4)**	(6.0)
Net finance cost on pensions	7, 26					**(1.4)**	(1.8)
Profit/(loss) before tax						**29.4**	(21.8)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

2. SEGMENT INFORMATION CONTINUED

Revenue by destination is presented based on location of the customer receiving the supply and can be analysed as follows:

	2020 £'m	2019 £'m
North America	**55.6**	54.1
UK & Ireland and Continental Europe	**71.1**	81.7
Other	**51.1**	51.5
Mature markets	**177.8**	187.3
Asia	**33.3**	31.4
Latin America	**14.1**	8.4
Other	**22.4**	22.9
Emerging markets	**69.8**	62.7
Total	**247.6**	250.0

Other segment information:

	Mature		Emerging		Global		Total	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Additions to property, plant and equipment	**11.0**	9.3	**4.3**	3.1	**0.1**	0.3	**15.4**	12.7
Additions to intangible assets	**0.1**	–	**–**	–	**0.7**	1.2	**0.8**	1.2
	11.1	9.3	**4.3**	3.1	**0.8**	1.5	**16.2**	13.9
Depreciation of property, plant and equipment	**(14.6)**	(18.9)	**(5.7)**	(6.3)	**(0.2)**	(0.1)	**(20.5)**	(25.3)
Impairment of property, plant and equipment	**(0.5)**	(33.6)	**(0.2)**	(11.3)	**–**	–	**(0.7)**	(44.9)
Amortisation of intangible assets	**(0.5)**	(0.7)	**(0.2)**	(0.2)	**(0.4)**	(0.2)	**(1.1)**	(1.1)
Impairment of intangible assets	**–**	(0.7)	**–**	(0.3)	**(0.2)**	–	**(0.2)**	(1.0)

Movements in plant, property and equipment are further explained in Note 13 and intangibles in Note 14.

Total of non-current assets can be analysed as follows:

	2020 £'m	2019 £'m
Mature	**154.9**	166.8
Emerging	**60.8**	55.8
Global	**3.8**	4.0
	219.5	226.6
Deferred tax assets	**27.3**	25.5
Pension assets	**1.6**	1.6
Total non-current assets	**248.4**	253.7

3. OPERATING PROFIT

	2020 £'m	2019 £'m
Revenue	**247.6**	250.0
Cost of sales	**(158.0)**	(212.2)
Gross profit	**89.6**	37.8
Selling and distribution costs	**(18.4)**	(18.2)
Administrative expenses	**(26.0)**	(25.9)
Research and development expenditure	**(6.3)**	(6.2)
Other expenses	**(3.4)**	(2.3)
Total operating expenses	**(54.1)**	(52.6)
Other operating income	**0.7**	0.8
Net operating expenses	**(53.4)**	(51.8)
Operating profit/(loss)	**36.2**	(14.0)

An additional £0.3m (2019: £1.1m) of development expenditure has been capitalised within intangible assets (Note 14).

4. EXCEPTIONAL ITEMS

Exceptional charges included in operating profit were £4.6m (2019: £53.1m).

	Note	2020 £'m	2019 £'m
Restructuring costs		**3.9**	7.2
Impairment of property, plant and equipment	13	**0.7**	44.9
Impairment of intangible assets	14	**–**	1.0
Total exceptional items		**4.6**	53.1

In the second half of 2019 the Group undertook a review of its global manufacturing footprint with the aim to access further efficiency improvements as well as to align available capacity to the Group's growth plans. As a result of this review, the Group closed its Bellshill site in Scotland in 2020 and moved remaining operating assets to other sites.

Exceptional charges associated with the Bellshill programme included the site closure costs of £3.3m (2019: £0.6m) and assets impairment charge of £0.7m (2019: £4.9m) (Note 13 and Note 14). In 2019, costs incurred in relation to the closure of Bellshill site comprised restructuring £4.2m (Note 21) and a curtailment charge associated with additional pension obligation relating to the UK pension scheme of £0.8m (Note 26).

The final costs of £0.6m (2019: £1.6m) were incurred in relation to the implementation of the new global operating model. This involved restructuring the business support activities into global functions to realign the cost base for operating expenses with strategic priorities.

Whilst the review of global manufacturing footprint improved the cash generation capacity of the Group's asset base, in 2019, it also triggered an impairment review that impacted key assumptions underpinning calculations of net present value from cash flow forecasts for US and China manufacturing operations. Consequently, the US CGU assets were impaired by £23.0m and China CGU assets by £18.0m.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

5. DIRECTORS' EMOLUMENTS

A detailed analysis of directors' emoluments, shareholdings, long-term incentive schemes and pension arrangements is provided in the Director's Remuneration Report on pages 77 to 96.

Emoluments are summarised as follows:

	2020 £'m	2019 £'m
Aggregate emoluments (including long-term incentives with performance period ending during the year)	**1.3**	1.1
Payments in lieu of pension contributions	**0.1**	0.1
	1.4	1.2

Details of the emoluments of the highest-paid Director are as follows:

	2020 £'m	2019 £'m
Aggregate emoluments (including long-term incentives with performance period ending during the year)	**0.7**	0.5
Payments in lieu of pension contributions	**–**	–
	0.7	0.5

6. EMPLOYEE INFORMATION

The average monthly number of persons (including Executive Directors) employed during the year was:

By employee category	2020	2019
Operations and engineering	**1,566**	1,647
Sales and marketing	**93**	88
Distribution	**39**	35
Administration	**157**	162
Research and development	**92**	87
	1,947	2,019

Staff costs for the group were:

	Note	2020 £'m	2019 £'m
Wages and salaries (including bonus and other benefits)		**71.4**	74.2
Social security costs		**8.1**	10.7
Pension obligation costs	26	**7.5**	8.0
Performance Share Plan charge/(credit)	28	**0.4**	(0.4)
		87.4	92.5

Key management of the Group comprises the Directors and the Executive Management Team.

In addition to the staff costs noted above the Group incurred redundancy costs of £0.3m (2019: £4.2m).

7. FINANCE COST

	Note	2020 £'m	2019 £'m
Finance cost			
Interest payable on loans and overdrafts		**(5.4)**	(6.0)
Net finance cost on pensions	26	**(1.4)**	(1.8)

8. PROFIT BEFORE TAX

	Note	2020 £'m	2019 £'m
Profit before tax is stated after charging/(crediting):			
Depreciation of property, plant and equipment	13	**20.5**	25.3
Impairment of property, plant and equipment	4, 13	**0.7**	44.9
Amortisation of intangible assets	14	**1.1**	1.1
Impairment of intangible assets	4, 14	**0.2**	1.0
Inventory recognised as an expense		**120.1**	122.0
Inventory written down or written off		**1.9**	3.8
Repairs and maintenance expense		**12.6**	13.0
Research and development expense		**6.3**	6.2
Expense relating to short-term leases		**1.0**	1.1
Net foreign exchange losses		**0.5**	1.3
Auditors' remuneration (see below)		**0.6**	0.6

The creation and release of provisions for impaired receivables is included in other expenses in our Statement of profit or loss (Note 3). Amounts provided are written off when there is no expectation of them being collected.

SERVICES PROVIDED BY THE COMPANY'S AUDITORS AND ITS ASSOCIATES

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

	2020 £'m	2019 £'m
Group		
Fees payable to the Company's auditors and its associates for the audit of the parent Company and consolidated accounts	**0.3**	0.3
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries	**0.3**	0.3
– Audit related assurance services £45,120 (2019: £23,000)	**–**	–
– Non-audit services £nil (2019: nil)	**–**	–
	0.6	0.6

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

9. INCOME TAX

	2020 £'m	2019 £'m
Current tax		
UK corporation tax at 19.0% (2019: 19.0%)	**(0.4)**	0.1
Foreign tax	**9.6**	10.3
	9.2	10.4
Adjustments in respect of prior years	**0.2**	0.1
Total current tax charge/(credit)	**9.4**	10.5
Deferred tax		
Origination and reversal of temporary differences representing:		
UK corporation tax	**1.9**	(0.8)
Foreign tax	**(4.1)**	10.6
	(2.2)	9.8
Adjustments in respect of prior years	**(0.3)**	(0.7)
Change in tax rates	**(0.6)**	–
Total deferred tax (credit)/charge	**(3.1)**	9.1
Tax charge in the Consolidated statement of profit and loss	**6.3**	19.6
Tax on items charged/(credited) to Consolidated statement of changes in equity or Consolidated statement of other comprehensive income		
Deferred tax charge/(credit) on pension obligations (excluding rate changes)	**0.6**	(2.3)
Deferred tax charge on net fair value losses on cash flow hedges	**0.3**	0.4
Deferred tax (credit) on rate changes, foreign exchange and other items	**(0.2)**	–
Deferred tax on items charged to equity or other comprehensive income	**0.7**	(1.9)
Current tax charge on other hedges	**0.7**	–
Total tax on items charged/(credited) to equity or other comprehensive income	**1.4**	(1.9)
Total current tax charge for the year	**10.1**	10.5
Total deferred tax (credit)/charge for the year	**(2.4)**	7.2

	2020 £'m	2019 £'m
Profit or (loss) before tax	**29.4**	(21.8)
Profit before tax multiplied by the UK 19.0% (2019: 19.0%) corporation tax rate	**5.6**	(4.1)
Effects of:		
– Adjustments in respect of prior years	**(0.1)**	(0.6)
– Expenses not deductible	**(0.2)**	6.5
– Income not taxable	**(0.3)**	(0.1)
– Adjustments in respect of foreign tax rates	**1.2**	1.1
– Impact to tax rate change	**(0.6)**	0.1
– Temporary differences on which deferred tax not recognised/(previously unrecognised)	**0.7**	16.7
Tax charge for the year	**6.3**	19.6

The Group's effective tax rate on profits was 21.4% (2019: -89.9%) and underlying effective tax rate on profit before exceptional items is 22.3% (2019: 23.3%)

The Group operates around the world and earns profits which are subject to tax at differing rates in different tax jurisdictions. The global nature of the Group's operations gives rise to several factors which could affect the future tax rate. These include the mix of profits, changes to statutory tax rates or tax legislation and the foreign exchange rates applicable when those profits are translated into sterling.

At 31 December 2020, £27.2m of deferred tax assets have not been recognised on losses and other timing differences in the US, China and other territories as a result of uncertainty over recoverability. A group review of strategy sourcing conducted in 2019 impacted not only impairment testing of US and China plants, but also profit forecasts of US and China statutory entities, introducing greater uncertainty over future recoverability of accumulated losses. This led to full de-recognition of deferred tax assets on carried forward US and Chinese losses, as well as a deferred tax asset on other timing differences in the US in 2019.

The quantum of tax losses unrecognised in China is £28.7m (deferred tax asset of £7.2m). These tax losses have a five year expiry, with £7.3m expiring in 2022, £7.5m in 2023, £4.4m in 2024 and £1.2m in 2025. £8.3m of losses are amortised over a 20 year period, expiring in 2036. The quantum of unrecognised tax losses in the US is £76.6m (deferred tax asset of £16.1m) and unrecognised other timing differences are £13.9m (deferred tax asset of £2.9m). Losses arising prior to 2018 have a 20-year expiry with £6.2m expiring in 2034, £10.6m in 2035, £22.4m in 2036 and £17.5m in 2037. The remaining £19.9m of tax losses and £13.9m of other timing differences have no expiry date.

Tax losses unrecognised in other territories are £3.3m (deferred tax assets of £0.7m), with an additional £0.3m unrecognised deferred tax assets related to other timing differences.

The Group has recognised potential liabilities in respect of uncertain tax positions as described in the Group accounting policies. In determining such liabilities, having regard to the specific circumstances of each tax position and external advice where appropriate, the Group assesses the range of potential outcomes and makes judgements in regards to estimates whether additional tax may be due. Tax uncertainties and associated risks are increasing for all multinational groups as a consequence of changes to local and international tax rules, for example the OECD's Base Erosion & Profit Shifting. In these circumstances tax risk can arise from unclear regulations and differences in interpretation, but most significantly where tax authorities apply diverging standards in assessing intra-group cross-border transactions. The Group does not currently anticipate any material changes to the amounts recorded in respect of these liabilities as at the balance sheet date.

10. EARNINGS PER SHARE

	2020 £'m	2019 £'m
Profit/(loss) attributable to equity holders	**23.1**	(41.4)
Earnings per share		
– Basic	**13.8p**	(24.8)
– Diluted	**13.7p**	(24.8)

	2020	2019
Shares in issue		
Weighted average number of shares in the year	**166,949,022**	166,949,022
Adjustments for:		
– Performance Share Plan	**1,960,052**	–
Weighted average number of shares adjusted for potential dilution	**168,909,074**	166,949,022

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the parent of £23.1m (2019: £41.4m loss) by 166,949,022 (2019: 166,949,022) shares, being the weighted average number of shares in issue throughout the year.

Shares arising from the Performance Share Plan are only treated as dilutive where the effect is to reduce earnings per share. For 2020, diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £23.1m by the average number of shares, including the effect of all dilutive potential shares, of 168,909,074. Given the loss for full year 2019, the Performance Share Plan does not have a dilutive effect on EPS for 2019.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

11. ORDINARY SHARES

Group and company	**2020 £'m**	2019 £'m
Issued and fully paid		
166,949,022 (2019: 166,949,022) ordinary shares of 10 pence each	**16.7**	16.7

No Ordinary shares were issued during the year.

12. DIVIDENDS

	2020 £'m	2019 £'m
Final paid of 6.3 pence per share (2019: 6.3 pence)	**10.5**	10.5
Interim paid of 2.7 pence per share (2019: 2.7 pence)	**–**	4.5
	10.5	15.0

During the year, dividends totalling £nil (2019: £nil) were waived in respect of shares owned by the Devro Employee Share Ownership Trust.

There was a slight change to the timing of dividends in 2020 versus previous years. What was recommended as the 2019 final dividend of 6.3p per share was ultimately declared as an interim dividend in July 2020 and paid on 2 October 2020. The 'usual' interim dividend, of 2.7 pence per share, was also declared in July 2020 and it was paid to shareholders in January 2021.

The Board has recommended a final dividend for 2020 of 6.3 pence per share, which is unchanged from the value of the final 2019 dividend recommended in March 2020.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £'m	Plant and machinery, and motor vehicles £'m	Fixtures and fittings, and computer equipment £'m	Assets in the course of construction £'m	Total £'m
Cost					
At 1 January 2020	**154.3**	**349.8**	**15.8**	**12.0**	**531.9**
Additions	**0.2**	**1.4**	**0.2**	**13.6**	**15.4**
Disposals	**(2.3)**	**(40.7)**	**(0.5)**	**–**	**(43.5)**
Reclassification to assets held for sale (Note 15)	**(5.5)**	**–**	**–**	**–**	**(5.5)**
Reclassification	**3.3**	**5.9**	**0.5**	**(9.7)**	**–**
Exchange differences	**2.3**	**4.3**	**0.2**	**0.4**	**7.2**
At 31 December 2020	**152.3**	**320.7**	**16.2**	**16.3**	**505.5**
Accumulated depreciation					
At 1 January 2020	**(66.0)**	**(239.1)**	**(13.0)**	**–**	**(318.1)**
Charge for year	**(4.0)**	**(15.5)**	**(1.0)**	**–**	**(20.5)**
Impairment (Note 4)	**(0.1)**	**(0.5)**	**(0.1)**	**–**	**(0.7)**
Disposals	**2.3**	**40.7**	**0.5**	**–**	**43.5**
Reclassification to assets held for sale (Note 15)	**3.0**	**–**	**–**	**–**	**3.0**
Reclassification	**1.9**	**(1.9)**	**–**	**–**	**–**
Exchange differences	**(0.9)**	**(2.4)**	**(0.2)**	**–**	**(3.5)**
At 31 December 2020	**(63.8)**	**(218.7)**	**(13.8)**	**–**	**(296.3)**
Net book value at 31 December 2020	**88.5**	**102.0**	**2.4**	**16.3**	**209.2**
Cost					
At 1 January 2019	158.1	354.2	16.0	8.8	537.1
Recognition of right of use assets on initial application of IFRS 16	0.6	0.6	–	–	1.2
Additions	0.6	4.7	0.4	7.0	12.7
Disposals	–	(2.8)	(0.4)	–	(3.2)
Reclassification	0.3	2.9	0.3	(3.5)	–
Exchange differences	(5.3)	(9.8)	(0.5)	(0.3)	(15.9)
At 1 December 2019	154.3	349.8	15.8	12.0	531.9
Accumulated depreciation					
At 1 January 2019	(45.4)	(201.0)	(11.9)	–	(258.3)
Charge for year	(3.7)	(20.3)	(1.3)	–	(25.3)
Impairment (Note 4)	(18.2)	(26.1)	(0.6)	–	(44.9)
Disposals	–	2.7	0.4	–	3.1
Exchange differences	1.3	5.6	0.4	–	7.3
At 1 December 2019	(66.0)	(239.1)	(13.0)	–	(318.1)
Net book value at 31 December 2019	88.3	110.7	2.8	12.0	213.8

In the Consolidated statement of profit or loss, depreciation of £19.5m (2019: £24.1m) has been charged in cost of sales, £0.1m (2019: £0.2m) in selling and distribution costs, £0.8m (2019: £0.8m) in administrative expenses, £0.1m (2019: £0.2m) in research and development expenditure and £nil (2019: nil) in other expenses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

IMPAIRMENT OF NON-FINANCIAL ASSETS

In the second half of 2019 the Group undertook a review of its global manufacturing footprint with the aim to access further efficiency improvements as well as to align available capacity to the Group's growth plans. As a result of this review, the Group closed its Bellshill site in Scotland in 2020 and moved remaining operating assets to other sites. An additional £0.7 million of asset impairments were identified as a part of the Bellshill site closure (2019: £4.9 million, of which £3.9m related to property, plant and equipment and £1.0m related to intangible assets).

The remaining 2019 impairment charges of £41.0 million related to impairment of assets in the US and China CGUs. No indications of impairment were identified for the US and China CGSs this year.

14. INTANGIBLE ASSETS

Group	Goodwill £'m	Customer contracts & relationships £'m	Computer software £'m	Development costs £'m	Total £'m
Cost					
At 1 January 2020	**3.7**	**2.5**	**8.5**	**8.1**	**22.8**
Additions	**–**	**–**	**0.5**	**0.3**	**0.8**
Disposals	**–**	**–**	**(3.8)**	**(1.3)**	**(5.1)**
Exchange differences	**0.2**	**–**	**0.1**	**–**	**0.3**
At 31 December 2020	**3.9**	**2.5**	**5.3**	**7.1**	**18.8**
Accumulated amortisation					
At 1 January 2020	**–**	**(0.8)**	**(8.2)**	**(3.3)**	**(12.3)**
Charge for year	**–**	**(0.2)**	**(0.6)**	**(0.3)**	**(1.1)**
Disposals	**–**	**–**	**3.8**	**1.3**	**5.1**
Impairment	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Exchange differences	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December 2020	**–**	**(1.0)**	**(5.3)**	**(2.3)**	**(8.6)**
Net book value at 31 December 2020	**3.9**	**1.5**	**–**	**4.8**	**10.2**
Cost					
At 1 January 2019	3.1	2.1	9.2	7.1	21.5
Additions	–	–	0.1	1.1	1.2
Disposals	–	–	(0.7)	–	(0.7)
Exchange differences	0.6	0.4	(0.1)	(0.1)	0.8
At 31 December 2019	3.7	2.5	8.5	8.1	22.8
Accumulated amortisation					
At 1 January 2019	–	(0.5)	(8.5)	(2.0)	(11.0)
Charge for year	–	(0.2)	(0.5)	(0.4)	(1.1)
Impairment (note 4)	–	–	–	(1.0)	(1.0)
Disposals	–	–	0.7	–	0.7
Exchange differences	–	(0.1)	0.1	0.1	0.1
At 31 December 2019	–	(0.8)	(8.2)	(3.3)	(12.3)
Net book value at 31 December 2019	3.7	1.7	0.3	4.8	10.5

Included in the net book value of intangible assets is £4.5m (2019: £4.5m) relating to internally generated development costs.

In the income statement, amortisation of £0.3m (2019: £0.5m) is included in cost of sales and £0.8m (2019: £0.6m) in administrative expenses.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group's goodwill entirely relates to the acquisition of PV Industries B.V. which was completed during 2015, and represents a single cash generating unit. The recoverable amount of this cash generating unit is determined from value in use calculations, and the key assumptions are those regarding the discount rate, profit margin and sales growth rates. The Group prepares cash flow forecasts for the next five years derived from the most recent financial budgets approved by management, based on expected market growth rates and prior experience, with an estimated long-term growth rate of 3% per annum assumed at the end of the five year forecast period. The rate used to discount the forecast cash flows is 7% (2019: 7%). Based on these calculations there is sufficient headroom over the book value of goodwill.

The results of the Group impairment tests are dependent upon estimates and judgements, particularly in relation to the key assumptions described above. Sensitivity analysis to reasonably possible change in the most sensitive assumption being the discount rate was undertaken. An increase in discount rate of 1% would decrease the headroom by £3.5m but still leave sufficient headroom over the book value of goodwill.

15. ASSETS HELD FOR SALE

In the second half of 2019 the Group undertook a review of its global manufacturing footprint which resulted in a decision to close Bellshill site in Scotland. The site was closed at the end of June 2020, advertised for sale and sold on 29 of January 2021.

The value of relevant assets held for sale as at 31 December 2020 are as follows:

	Note	**2020 £'m**	2019 £'m
Land & building	13	**2.5**	–
Assets held for sale		**2.5**	–

16. INVENTORIES

Details of inventories relating to the Group are as follows:

	2020 £'m	2019 £'m
Raw materials and consumables	**5.3**	5.1
Work in progress	**3.4**	4.7
Finished goods and goods for resale	**29.1**	29.3
	37.8	39.1

Amounts stated above are net of inventory provisions.

17. TRADE AND OTHER RECEIVABLES

The carrying amount of the following financial assets represent the maximum credit exposure.

	2020 £'m	2019 £'m
Amounts falling due after more than one year		
Other receivables	**1.7**	3.9
	1.7	3.9
Amounts falling due within one year		
Trade receivables	**23.7**	22.9
Other receivables	**2.9**	2.1
Prepayments and accrued income	**3.1**	2.9
	29.7	27.9

Other non-current receivables include German insurance asset held to fund pension obligations amounted to £1.6m (2019: £1.6m).

At 31 December 2020, an expected credit loss on trade receivables amounted to £0.1m (2019: £0.1m) and is included within trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

At 31 December 2020, trade receivables of £3.7m (2019: £2.8m) were past due but not impaired. The group believes the unimpaired amounts are collectable in full based on historical payment behaviour and an analysis of customer credit risk. The ageing of these receivables was as follows:

	2020 £'m	2019 £'m
Less than 30 days past due	**2.6**	2.6
30 to 90 days past due	**1.1**	0.2
	3.7	2.8

Formal procedures are in place to minimise, as far as possible, losses from non-collection of receivables. These procedures, which include designated levels of authority, cover the opening of new accounts, payment terms and the setting up and review of credit limits. Where considered appropriate, payment in advance or confirmed letters of credit are required before product is released to customers.

There have been no significant losses due to the impairment or non-collection of receivables in recent years.

The carrying amounts of the group's trade receivables were denominated in the following currencies:

	2020 £'m	2019 £'m
US dollar	**6.3**	4.7
Euro	**5.0**	4.9
Japanese yen	**5.1**	5.3
Sterling	**1.3**	2.3
Australian dollar	**2.8**	2.3
Czech koruna	**0.2**	0.2
Chinese renminbi	**1.5**	1.6
Other currencies	**1.5**	1.6
	23.7	22.9

18. CASH AND CASH EQUIVALENTS

	2020 £'m	2019 £'m
Cash at bank and in hand	**23.7**	24.7
	23.7	24.7

19. TRADE AND OTHER PAYABLES

	2020 £'m	2019 £'m
Trade payables	**12.3**	10.7
Tax and social security payable	**2.5**	2.3
Accruals	**17.2**	16.4
	32.0	29.4

Accruals include £0.3m (2019: £0.2m) in respect of government grants payable within one year.

20. OTHER PAYABLES – NON-CURRENT

	2020 £'m	2019 £'m
Accruals	**3.3**	2.5
	3.3	2.5

Accruals include £1.9 m (2019: £2.2m) in respect of government grants payable after more than one year.

Government grants are primarily used for the purpose of funding capital expenditure.

21. PROVISIONS FOR OTHER LIABILITIES

Group	Note	2020 £'m	2019 £'m
At 1 January 2020		**8.4**	9.0
Charge to the statement of profit and loss during the year	4	**0.3**	4.2
Released		**–**	–
Utilised during the year		**(5.3)**	(4.6)
Foreign exchange		**(0.1)**	(0.2)
At 31 December 2020		**3.3**	8.4
Non-current		**2.3**	2.8
Current		**1.0**	5.6
Total		**3.3**	8.4

The closing provision as at 31 December 2020 includes a redundancy provision of £0.2m (2019: £4.8m) and a decommission provision of £3.1m (2019: £3.6m).

The redundancy provisions relates to committed restructuring plans in place within the business. Costs are expected to be incurred within one year and there is little judgement in determining the amount.

The decommissioning costs relates to making sites safe following the cessation of the associated manufacturing activities. Costs are expected to be incurred within 1-3 years and are based on independent advise. There is little judgment in determining the amount.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

22. FINANCIAL LIABILITIES – BORROWINGS

	2020 £'m	2019 £'m
Current		
Bank overdrafts due within one year or on demand	**2.2**	0.8
US dollar private placement	**18.3**	–
Lease liabilities	**0.3**	0.4
Total current borrowings	**20.8**	1.2
Non-current		
Unsecured bank loans	**57.7**	72.0
US dollar private placement	**55.0**	75.7
Interest-bearing loans and borrowings	**112.7**	147.7
Lease liabilities	**0.2**	0.4
Total non-current borrowings	**112.9**	148.1

Bank overdrafts and bank loans are denominated in a number of currencies, and bear interest based on the London Interbank Offered Rate ("LIBOR") as set by the Intercontinental Exchange or equivalent rates appropriate to the country in which the borrowing is incurred. The Group is exposed to short-term interest rate changes on all of its bank borrowings.

The Group issued a private placement of senior unsecured notes on 17 April 2014 for a total of US$100m, of which US$50m was received in April 2014 and the remainder was received in June 2014. The private placement notes provide funding with fixed terms maturing between 2021 and 2026 years, with an average fixed interest rate of 4.48%.

Effective interest rates at the balance sheet date were as follows:

	Currency	Rate	2020	2019
Bank overdrafts:				
	Czech koruna	PRIBOR plus 90 basis points	**1.40%**	3.00%
Bank borrowings:				
Floating rate	Sterling*	LIBOR plus 110 basis points	**1.44%**	2.10%
		(2019: plus 140 basis points)		
Floating rate	Australian dollar	BBSW plus 140 basis points	**1.12%**	–
		(2019: plus 140 basis points)		
Average bank borrowings rate			**1.44%**	2.10%
Other debt payable:				
Fixed rate	US dollar		**4.48%**	4.48%
Finance leases	Various		**4.00%**	4.00%

* Includes overdrafts in certain currencies pooled with sterling for interest calculation purposes.

Borrowings were denominated in the following currencies:

	2020			2019		
Group	Bank borrowings £'m	Other debt* £'m	Total £'m	Bank borrowings £'m	Other debt £'m	Total £'m
Sterling	**53.5**	**0.3**	**53.8**	72.0	0.5	72.5
Australian dollar	**4.2**	**–**	**4.2**	–	–	–
Czech koruna	**2.2**	**–**	**2.2**	0.8	–	0.8
US dollar	**–**	**73.5**	**73.5**	–	76.0	76.0
	59.9	**73.8**	**133.7**	72.8	76.5	149.3

* Other debt includes lease liabilities on adoption of IFRS 16 and private placements.

23. CAPITAL AND FINANCIAL RISK MANAGEMENT, AND FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

The Board reviews and agrees policies for managing each of the risks associated with capital, interest rates, foreign exchange, credit, and liquidity. It is the Group's policy that no speculative trading in financial instruments shall be undertaken. These policies have remained unchanged throughout the year, are consistent with the previous year, and are summarised below:

CAPITAL

When managing capital, the Group's objectives are to safeguard the business as a going concern, provide returns to shareholders and benefits for other stakeholders, and maintain an efficient capital structure. The Group's capital structure consists of net debt and equity of the Group. Net debt is total borrowings less cash and cash equivalents. Equity comprises issued share capital, reserves and retained earnings. In order to maintain its capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The covenants related to the Group's bank loan facilities determine a minimum of underlying EBITDA to net interest payable ratio and a maximum covenant of net debt to underlying EBITDA ratio. These measures are defined, explained and reconciled to the equivalent statutory measures in the Financial Review on pages 28 to 31. The Group had adequate headroom within both covenants throughout the years ending 31 December 2020 and 31 December 2019.

Another measure used to monitor the strength of the Group's balance sheet is the gearing ratio, which expresses the group's net debt as a percentage of its equity. The covenant and gearing ratios that are not statutory measures at 31 December 2020 and 31 December 2019 were as follows:

	Note	**2020 £'m**	2019 £'m
Total borrowings	22	**133.7**	149.3
Less: cash and cash equivalents	18	**(23.7)**	(24.7)
Net debt	31	**110.0**	124.6
Less: finance leases	22	**(0.5)**	(0.8)
Covenant net debt (used in relation to banking covenant ratios)		**109.5**	123.8
Equity		**99.0**	74.9
Bank loan covenant ratios:			
Covenant net debt to EBITDA		**1.8**	1.9
Covenant EBITDA to net interest payable		**12.2**	11.6
Gearing ratio		**111.1%**	166.4%

FINANCIAL RISK MANAGEMENT

MARKET RISK

A) INTEREST RATE RISK

The Group's interest rate risk arises from borrowings and cash.

The Group borrows in the desired currencies at both floating and fixed rates of interest and may use forward rate agreements or interest rate swaps to generate the desired interest rate profile and manage the Group's exposure to interest rate fluctuations. The Group did not enter into any interest swap agreements in 2020. The fixed rate US dollar private placement means that around half of the Group's debt is currently at a fixed rate of interest.

Cash is held in interest-bearing current accounts where practicable, with any excess cash used to repay the RCF borrowings.

The sensitivity of net finance costs to a movement in interest rates is restricted by the level of fixed rate borrowing now in place. A variation of, for example, 100 basis points in interest rates, applied to the Group's borrowings, cash and short-term deposits at 31 December 2020, would result in a movement in finance costs of £0.6m (2019: £0.7m) and finance income of £nil (2019: £nil). This would result in an adverse post-tax impact on the Group Statement of profit or loss of £0.5m (2019: £0.6m) and a post-tax impact on the Group's equity of £0.6m (2019: £0.6m).

B) FOREIGN EXCHANGE RISK

The Group has several significant overseas subsidiary undertakings whose revenues and expenses are denominated in a variety of currencies. Group policy dictates that foreign currency exposures arising from future commercial transactions are reviewed by Group Treasury and hedging activities are undertaken as appropriate in order to manage the net foreign exchange risks arising. Group policy permits the hedging of up to a maximum of 75% of the net external currency transaction exposures for periods of up to twenty four months forward. It is not Group policy to routinely hedge translation exposures apart from those created by inter-company loans or where foreign currency denominated assets are planned to be returned to the UK in the form of a dividend. Specific Board approval is required for any other translation exposure hedging.

23. CAPITAL AND FINANCIAL RISK MANAGEMENT, AND FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL RISK MANAGEMENT continued

A portion of the Group's investment in its Czech subsidiary, Devro s.r.o. is hedged by a Czech koruna foreign exchange forward contract and a portion of the group's investment in its US subsidiary, Devro Inc is hedged via the Group's USPP borrowing. Both the debt instrument and the forward exchange contract mitigate the foreign currency risk arising from the subsidiary's net assets. Both the forward contract and the USPP debt are designated as net investment hedges. No ineffectiveness was recognised from the hedges in 2020. The Group's investments in other subsidiaries are not hedged.

The table below details the impact that changes in foreign exchange rates would have had on the Group's underlying operating profit and post-tax profit for the years ended 31 December 2020 and 31 December 2019. The impact is due to the translation of both subsidiary profits from their functional currency into sterling, the underlying currency transactions net of hedging arrangements and balances within Group companies which are denominated in currencies other than the reporting currency of that Group company.

In each case, it is assumed that the named currency is strengthening or weakening against all other currencies, while all the other currencies remain constant. Results are shown for all currencies where the impact on group post-tax profits would be significant.

	Impact upon operating profit from currency movement						
As at December 2020 Currency Movement	**Sterling £m**	**US dollar £m**	**Euro £m**	**Aus dollar £m**	**JPY £m**	**China £m**	**CZK £m**
Strengthening (10%)	**(4.2)**	**1.6**	**1.4**	**0.4**	**0.7**	**(0.3)**	**1.1**
Weakening (10%)	**5.2**	**(1.3)**	**(1.1)**	**(0.3)**	**(0.6)**	**0.3**	**(0.9)**

	Impact upon operating profit from currency movement						
As at December 2019 Currency Movement	Sterling £m	US dollar £m	Euro £m	Aus dollar £m	JPY £m	China £m	CZK £m
Strengthening (10%)	(3.9)	1.4	1.4	0.6	0.5	(0.3)	1.1
Weakening (10%)	4.8	(1.2)	(1.2)	(0.5)	(0.4)	0.2	(0.9)

CREDIT RISK

The Group considers its exposure to credit risk at 31 December to be as follows:

	Note	**2020 £'m**	2019 £'m
Cash and cash equivalents	18	**23.7**	24.7
Derivative financial instruments		**3.2**	1.4
Trade receivables	17	**23.7**	22.9
Other receivables	17	**2.9**	2.1
		53.5	51.1

The Group monitors its credit exposure using credit ratings, where applicable, and through its policy of requiring appropriate credit checks on potential customers before sales commence. These procedures limit the Group's exposure to any one party to approved levels. Exposure to banking counterparties is only permitted with approved banks which have one minimum short-term rating of A1/P1/F1 with rating agencies S&P, Moody's or Fitch. At the reporting date no single banking exposure was greater than £11.6m (2019: £10.4m). The Group does not hold any collateral as security.

LIQUIDITY RISK

Alongside the longer-term funding provided by the US dollar private placement completed during 2014, which was put in place to support the group's two major investment projects, the Group has medium-term loan facilities which are regularly reviewed to ensure that they provide adequate liquidity for the Group. The facilities are managed on a centralised basis with appropriate local availability. Details of the undrawn committed borrowing facilities available at 31 December 2020 and 31 December 2019 are shown below:

	2020 £'m	2019 £'m
Expiring in more than two years	**47.3**	33.0

At 31 December 2020, the Group had in place floating rate committed loan facilities totalling £105.0m with an accordion option of £5.0m, exercisable at any time (2019: £5.0m). These facilities consist of a single syndicated revolving credit facility with four banks, negotiated in June 2018 and expiring on 20 June 2023.

In addition to the committed facilities, local uncommitted working capital facilities of Czech koruna 175m (2019: Czech koruna 175m) were also in place at 31 December 2020. These facilities are renewable within one year.

FINANCIAL INSTRUMENTS

Disclosures regarding financial instruments are set out below:

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1	Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

All of the Group's derivative financial instruments that are measured at fair value were classified as Level 2 as at 31 December 2020 (2019: Level 2). They have been valued using publicly available data, such as forward foreign exchange rates. There are no financial instruments measured as Level 3.

At 31 December 2020, the net fair value gains on open forward foreign exchange contracts that hedge the foreign currency risk of anticipated future sales and purchases amounted to £3.1m (2019: £1.3m). These will be transferred to the income statement and recognised in other operating income or expense when the forecast sales and purchases occur during 2021.

At 31 December, the principal amounts of the outstanding financial instruments were:

	2020 £'m	2019 £'m
Forward foreign exchange contracts	**63.1**	71.4
Currency swaps	**30.8**	30.0

FAIR VALUES OF NON-DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

		2020			
	Note	**FVOCI* £'m**	**FVTPL* £'m**	**Amortised cost £'m**	**Total £'m**
Financial assets measured at fair value					
Forward exchange contracts used for hedging		**3.2**	**–**	**–**	**3.2**
Financial assets not measured at fair value					
Trade and other receivables	17	**–**	**–**	**26.6**	**26.6**
Cash at bank and in hand	18	**–**	**–**	**23.7**	**23.7**
Financial liabilities measured at fair value					
Forward exchange contract used for hedging		**(0.1)**	**–**	**–**	**(0.1)**
Financial liabilities not measured at fair value					
Trade and other payables	19	**–**	**–**	**(29.2)**	**(29.2)**
Borrowings	22	**–**	**–**	**(133.7)**	**(133.7)**

Included in financial assets noted above of £3.2m is an amount of £3.0m relating to cash flow hedges and £0.2m relating to net investment hedges. The amount included in financial liabilities relates to cash flow hedges.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

23. CAPITAL AND FINANCIAL RISK MANAGEMENT, AND FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL RISK MANAGEMENT continued

		2019			
	Note	FVOCI* £'m	FVTPL* £'m	Amortised cost £'m	Total £'m
Financial assets measured at fair value					
Forward exchange contracts used for hedging		1.3	0.1	–	1.4
Financial assets not measured at fair value					
Trade and other receivables	17	–	–	25.0	25.0
Short-term bank deposits	18	–	–	–	–
Cash at bank and in hand	18	–	–	24.7	24.7
Financial liabilities measured at fair value					
Forward exchange contract used for hedging		(0.6)	–	–	(0.6)
Financial liabilities not measured at fair value					
Trade and other payables	19	–	–	(26.9)	(26.9)
Borrowings	22	–	–	(149.3)	(149.3)

* FVOCI – Fair value through other comprehensive income
* FVTPL – Fair value through statement of profit and loss

The amount included in 2019 financial assets noted above relates to cash flow hedges. The amount included in financial liabilities of £0.6m is an amount of £0.1m relating to cash flow hedges and £0.5m relating to net investment hedges.

The fair values of the Group's bank borrowings are equivalent to the carrying values reported in the statement of financial position as they are floating rate borrowings where interest rates are re-set to market rates at intervals of up to six months.

The fair values of trade and other receivables, short-term deposits and trade and other payables are equivalent to the carrying values because of the short-term nature of these instruments.

The tables below analyse the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period to the contractual maturity dates at 31 December 2020 and 31 December 2019. The amounts disclosed in the tables are the relevant undiscounted cash flows including interest.

	Note	**Less than 1 year £'m**	**Between 1 and 2 years £'m**	**Between 2 and 5 years £'m**	**Over 5 years £'m**
At 31 December 2020					
Bank borrowings		**3.1**	**0.8**	**60.2**	**-**
US dollar private placement		**21.2**	**2.5**	**41.7**	**18.7**
Derivative financial instruments		**0.1**	**-**	**-**	**-**
Trade and other payables	19	**29.5**	**-**	**-**	**-**
Provisions for other liabilities and charges	21	**1.0**	**2.3**	**-**	**-**
At 31 December 2019					
Bank borrowings		2.4	15.0	75.1	–
US dollar private placement		3.4	21.9	44.9	20.3
Derivative financial instruments		0.6	–	–	–
Trade and other payables	19	27.1	–	–	–
Provisions for other liabilities and charges	21	5.6	2.8	–	–

The amounts shown as borrowings in the above tables include the capital outstanding at each statement of financial position date, together with the estimated interest thereon calculated at the effective interest rates at these dates for the periods until the contractual maturity of the relevant borrowing facilities. There is no certainty that these amounts will be outstanding for all of the period involved or that these interest rates will be applicable during these periods.

The amounts showing as trade and other payables in the above tables exclude tax and social security payable.

MATURITY OF DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the Group's derivative financial instruments, which will be settled on a gross basis. The amounts disclosed in the tables are the contractual undiscounted cash flows.

As at 31 December

	2020 Less than 1 year £'m	2019 Less than 1 year £'m
Forward foreign exchange contracts – cash flow hedges		
Outflow	**(63.1)**	(71.0)
Inflow	**68.0**	75.0
Forward foreign exchange contracts – net investment hedges		
Outflow	**(30.8)**	(23.3)
Inflow	**31.0**	22.9

24. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2020 £'m	**New leases**	**Cash flows £'m**	**Foreign exchange movement £'m**	**Movement in fair values of derivative financial instruments £'m**	**31 December 2020 £'m**
Interest-bearing loans and borrowings	**(147.7)**	**–**	**14.5**	**2.2**	**–**	**(131.0)**
Lease liabilities	**(0.8)**	**(0.2)**	**0.5**	**–**	**–**	**(0.5)**
Derivative financial instruments	**(0.6)**	**–**	**–**	**–**	**0.5**	**(0.1)**
Total liabilities from financing activities	**(149.1)**	**(0.2)**	**15.0**	**2.2**	**0.5**	**(131.6)**

	1 January 2019 £'m	Recognition of lease liabilities on initial application of IFRS 16	New leases	Cash flows £'m	Foreign exchange movement £'m	Movement in fair values of derivative financial instruments £'m	31 December 2019 £'m
Non-current interest-bearing loans and borrowings	(146.8)	–	–	(3.4)	2.5	–	(147.7)
Lease liabilities		(1.1)	(0.2)	0.5	–	–	(0.8)
Derivative financial instruments	(1.6)	–	–	–	–	1.0	(0.6)
Total liabilities from financing activities	(148.4)	(1.1)	(0.2)	(2.9)	2.5	1.0	(149.1)

The Group uses an invoice discounting facility to support management of working capital. Cash flows from this facility are included within movements in trade and other receivables.

25. DEFERRED TAX

	2020 £'m	2019 £'m
Net asset at 1 January 2020	**9.5**	16.6
Credit/(charge) for the year to profit	**2.8**	(9.8)
(Charge)/credit to equity or other comprehensive income	**(0.7)**	1.9
Adjustments in respect of prior years	**0.3**	0.7
Exchange differences	**(0.1)**	0.1
Net asset at 31 December 2020	**11.8**	9.5

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Deferred tax assets can be analysed as follows:

	Pension obligations £'m	Losses and other £'m	Accelerated capital allowances £'m	Total £'m
At 1 January 2020	**12.2**	**8.1**	**5.2**	**25.5**
(Charge)/credit for the year to profit	**(1.1)**	**(0.7)**	**3.5**	**1.7**
(Charge)/credit to equity or other comprehensive income	**–**	**(0.7)**	**–**	**(0.7)**
Adjustments in respect of prior years	**–**	**0.9**	**–**	**0.9**
Exchange differences	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December 2020	**11.1**	**7.5**	**8.7**	**27.3**
At 1 January 2019	10.6	21.2	2.4	34.2
(Charge)/credit for the year to profit	(0.7)	(12.3)	2.6	(10.4)
Credit/(charge) to equity or other comprehensive income	2.3	(0.4)	–	1.9
Adjustment in respect of prior years	–	–	0.2	0.2
Exchange differences	–	(0.4)	–	(0.4)
At 31 December 2019	12.2	8.1	5.2	25.5

Deferred tax liabilities can be analysed as follows:

	Accelerated capital allowances £'m	Other £'m	Total £'m
At 1 January 2020	**(16.8)**	**0.8**	**(16.0)**
Credit/(charge) for the year to profit	**1.3**	**(0.2)**	**1.1**
Adjustment in respect of prior year	**(0.6)**	**–**	**(0.6)**
Exchange differences	**–**	**–**	**–**
At 31 December 2020	**(16.1)**	**0.6**	**(15.5)**
At 1 January 2019	(17.9)	0.3	(17.6)
Credit/(charge) for the year to profit	1.1	(0.5)	0.6
Adjustment in respect of prior year	0.1	0.4	0.5
Exchange differences	(0.1)	0.6	0.5
At 31 December 2019	(16.8)	0.8	(16.0)

Deferred tax assets and liabilities are only offset to the extent that there is a legally enforceable right to do so, as permitted by IAS 12.

The UK corporation tax rate is 19%. During the year the UK government announced that the corporation tax rate would remain at 19%, effective from 1 April 2020, rather than being reduced to 17% as previously announced. As a consequence, deferred tax balances have been remeasured at the higher rate, being the rate at which they are now expected to unwind in the future, resulting in a reduced tax charge for the year.

Due to the impairment of the US and China plants in 2019, the profit forecasts of US and China statutory entities gave uncertainty over the timing of future recoverability of accumulated losses. This led to full de-recognition of deferred tax assets on carried forward losses for the statutory entities in these four jurisdictions. As at 31 December 2020, a total of £26.2m in deferred tax assets in respect of tax losses incurred in US and China are not being recognised. A further £1.0m of deferred tax assets in other territories are not recognised.

Deferred tax on losses will be recognised at such time when future recoverability is probable as indicated by profit forecasts.

Deferred tax assets continue to be recognised on US pension liabilities due the expectation of long-term viability of the business.

For details on unrecognised deferred tax assets please refer to Note 9.

No deferred tax has been recognised in respect of any withholding or other taxes that would be payable on the unremitted earnings of subsidiaries. There are no unremitted earnings on which UK tax is expected to become payable if repatriated (2019: nil).

26. PENSION

The amounts recognised as charges in the Statement of profit and loss are as follows:

	Note	**2020 £'m**	2019 £'m
Defined benefit schemes:			
– Current service cost		**1.2**	1.1
– Scheme administrative expenses		**1.6**	1.4
Defined benefit costs included within underlying operating profit		**2.8**	2.5
Curtailment charge	4	**–**	0.8
Defined benefit costs included within operating profit		**2.8**	3.3
Net finance cost	7	**1.4**	1.8
Total deferred benefit scheme costs		**4.2**	5.1
Defined contribution schemes		**3.3**	2.9
Total pension obligation costs		**7.5**	8.0

The European Court of Justice decision in 1990 required benefits to be equalised between males and females as pensions were determined to constitute pay under European law. In November 2020, a further ruling handed down by the UK High Court (in addition to the ruling in 2018) now requires that pension schemes equalise GMP's for members who transferred out of the scheme. A review of membership data shows that historic transfers out of the scheme were low and did not require cost adjustments.

In November 2020, the UK statistics authority announced that RPI would be reformed and aligned with CPI-H after 2030. As a result, the presumed gap between the RPI and CPI assumptions used in the IAS19 valuation have narrowed. The impact of this change is estimated to increase the liabilities by £3 -4m.

A curtailment charge was recognised in 2019 as an exceptional costs relating the closure of the Bellshill site and the pension costs related to associated redundancies. No additional costs have been recognised in 2020 relating to this.

The amounts recognised as non-current liabilities in the balance sheet are as follows:

	2020 £'m	2019 £'m
Fair value of scheme assets	**256.5**	245.2
Present value of scheme liabilities	**(311.7)**	(309.3)
Pension obligations	**(55.2)**	(64.1)

The Group operates a number of pension schemes throughout the world. The major schemes are of the defined benefit type and, with the exception of Germany where book reserves are supported by insurance policies, the assets of the schemes are held in separate trustee-administered funds. The defined benefit schemes are closed to new entrants. The total pension obligation cost for the group was £7.5m (2019: £8.0m), of which £3.5m (2019: £2.1m) related to the overseas schemes.

The most significant defined benefit scheme within the Group is the Devro Limited (UK) Pension Plan, which operates in the UK. The UK plan is managed by a Board of Trustees comprising of employee, employer and independent representatives. The Trustees act in the best interest of the plan's members and are responsible for the governance and investment strategy of the scheme. The Board delegates the day-to-day investment decisions to an investment committee comprising of trustee members, which seeks to appropriately invest the scheme's return seeking assets and adequately hedge the fund against movements in interest and inflation rates. Hedging is undertaken through the use of bonds, gilts and derivatives with derivatives undertaken to reduce the investment risk or facilitate efficient portfolio management and are managed to avoid exposure to a single counterparty or other derivative operations.

The last triennial valuation completed was performed as at the 31 March 2017. The valuation as at March 2020 was still in the process of finalisation at the point of publication of this report. The deficit calculated at the last valuation is not directly comparable to the IAS 19 result as different methodologies are utilised to perform each calculation.

26. PENSION CONTINUED

In the US, the scheme is managed by a Board of Trustees from the company acting in the best interests of the members. The scheme is defensively managed with only 30% of assets invested in growth seeking assets. Interest rate and inflation risk is managed through the bond portfolio. An annual valuation is carried out to determine the contributions that would be payable to the plan. This is based on assumptions that are fixed by the US regulatory regime.
Cash contributions of £2.5m to fund the deficit in the UK plan have been made in the current year (2019: £2.5m). As agreed with the Trustees at the 31 March 2017 funding valuation, the group will continue to make cash contributions of £2.5m per annum until 2024. This is subject to change following completion of the funding valuation as at March 2020.

Cash contributions to fund the deficit in the US plan of £4.9m have been made in the current year (2019: £2.8m). The Group will continue to make contributions in the future based on the results of the annual funding assessments and in line with the approach prescribed by the US regulatory regime.

Total cash contributions to the Group's defined benefit schemes are yet to be confirmed for the year ending 31 December 2021.

Actuarial assumptions appropriate for each country have been used.

The last formal actuarial valuations of the Group's material defined benefit schemes have been updated to 31 December 2020 by qualified independent actuaries. The major assumptions used by the actuaries in the following principal countries were:

	Australia		UK		USA	
%	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate	**1.10**	2.10	**1.30**	1.95	**2.10**	2.95
Rate of increase in salaries*	**2.50**	2.50	**1.00**	1.00	**–**	–
General inflation	**2.50**	2.50	**2.90**	3.00	**–**	–

* As part of the changes to the UK plan agreed in 2010, future pensionable salary increases are capped at 1% per annum. No rate of increase in salaries has been assumed in respect of the USA plan as the plan is now frozen. The Australia salary assumption are in line with general inflation.

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy plan experience. These assumptions are under continual review. The mortality assumptions are based on the following tables and are expressed in years of life expectancy for current pensioners aged 65.

	2020		2019	
	Male	**Female**	Male	Female
UK – SAPS 'Normal' (YOB)*	**20.6**	**23.6**	20.7	23.6
US – Pri-2012 with scale MP-2020	**19.5**	**23.2**	19.7	23.4

* Adjusted by 119% for male non-pensioners (121% for male pensioners) and 98% for female non-pensioners (103% for female pensioners) with CMI 2019 improvements using a long-term rate of 1.5% per annum.

The mortality assumptions for the US plan reflect the most recently available industry tables.

In March 2020, the World Health Organisation declared the spread of COVID-19 as a pandemic. Whilst this development could potentially have an adverse impact on life expectancies, at the balance sheet date no adjustment had been made to the demographic assumptions.

The Australian defined benefit scheme provides only for a lump sum payment on retirement and is managed by an independent trustee. The trustee selects funds from its own portfolio based upon company appetite for risk exposure. 65% of the defined benefit obligation relates to pensions already in payment.

In addition to the above schemes, the Group operates a defined benefit pension plan in Germany which, in common with typical practice in that country, is supported by insurance policies. At 31 December 2020, the value of the insurance asset was £1.6m (2019: £1.6m) and the value of the liability was £3.1m (2019: £3.2m). The value of insurance assets is reported in non-current trade and other receivables (Note 17).

In addition, the Group has benefit arrangements in respect of one former executive in the USA for which the Group has made adequate provisions on the advice of the actuaries. There is also an individual pension arrangement in Japan in respect of which appropriate contributions are made annually. The plan in Germany and these additional arrangements in the USA and Japan are included under the "other" heading in the table note.

The aggregate fair values of assets in the Group's defined benefit schemes at the end of the year were estimated to be:

	Australia		UK		USA		Other		Total	
	2020* £'m	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
Equities	**4.2**	4.2	**38.9**	37.3	**15.8**	14.4	**–**	–	**58.9**	55.9
Bonds	**2.2**	2.1	**113.0**	127.7	**36.0**	32.9	**–**	–	**151.2**	162.7
Diversified growth funds	**–**	–	**–**	21.6	**–**	–	**–**	–	**–**	21.6
Other	**2.4**	2.5	**43.5**	2.0	**0.5**	0.5	**–**	–	**46.4**	5.0
	8.8	8.8	**195.4**	188.6	**52.3**	47.8	**–**	–	**256.5**	245.2

* The total valuation of the Australian scheme's plan assets is based on a valuation on 31 December 2020 provided by the local scheme's actuary. The valuation of each asset class for the Australian scheme is based on the proportion each asset class for the scheme on 30 September 2020, then multiplied by the 31 December 2020 valuation.

All equities and bonds have quoted prices in active markets. The bonds category includes liability driven investment (LDI) and bonds supporting structured equity investments. The diversified growth funds also have quoted prices. The 'Other' category primarily includes structured equity investments along with leveraged loans, cash and derivatives.

The UK scheme holds LDIs in order to hedge against interest rate risk. In line with IFRS 13, these assets are classed as level 2 derivatives and as such as measured in reference to comparable quoted assets on open markets

Investments in each of the main schemes are well diversified. Strategy is split between defensive and return generating assets with the split determined depending on the duration of the scheme, the funding position and the relevant country's pension rules. For the UK, the scheme invests 67% of the portfolio in growth assets with the remainder in UK government bonds closely matched to scheme liabilities. For the US scheme a defensive approach is taken given the shorter maturity of the scheme liabilities with around 70% of the portfolio invested in fixed income assets and the remainder in growth assets, principally equities. For the Australian scheme the strategy was for 66% (from 2019: 58%) of the portfolio to be invested in growth assets, with the remainder invested in defensive, primarily fixed income assets. In all three schemes, the investment approach will be de-risked over time as the funding position improves and market conditions allow.

Net pension assets and liabilities at the end of the year were as follows:

	Australia		UK		USA		Other		Total	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
Total fair value of scheme assets (as above)	**8.8**	8.8	**195.4**	188.6	**52.3**	47.8	**–**	–	**256.5**	245.2
Present value of scheme	**(8.9)**	(8.8)	**(221.8)**	(219.8)	**(77.6)**	(77.2)	**(3.4)**	(3.5)	**(311.7)**	(309.3)
Liabilities										–
Deficit	**(0.1)**	–	**(26.4)**	(31.2)	**(25.3)**	(29.4)	**(3.4)**	(3.5)	**(55.2)**	(64.1)
Related deferred tax assets	**–**	–	**5.0**	5.3	**5.4**	6.3	**0.7**	0.6	**11.1**	12.2
Net pension liabilities	**(0.1)**	–	**(21.4)**	(25.9)	**(19.9)**	(23.1)	**(2.7)**	(2.9)	**(44.1)**	(51.9)

The decrease in net pension liabilities during the year largely reflects an experience gain in the UK scheme, increased contributions to the US scheme and the return on assets in for the UK and US scheme. This has been partially offset by an increase in discount rates in all schemes, but has particularly increased the value of the liabilities for the UK and US schemes. The group continues to pay contributions to pension schemes in accordance with local regulatory requirements and on the advice of qualified independent actuaries.

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26. PENSION CONTINUED

Changes in the fair value of scheme assets and in the present value of defined benefit scheme liabilities were as follows:

	2020			2019		
	Liability	Asset	Net	Liability	Asset	Net
At 1 January	**(309.3)**	**245.2**	**(64.1)**	(287.2)	232.8	(54.4)
Interest income	**–**	**5.2**	**5.2**	–	7.0	7.0
Interest cost	**(6.6)**	**–**	**(6.6)**	(8.8)	–	(8.8)
Service cost	**(1.2)**	**–**	**(1.2)**	(1.1)	–	(1.1)
Scheme administrative expenses	**–**	**(1.6)**	**(1.6)**	–	(1.4)	(1.4)
GMP equalisation exceptional charge	**–**	**–**	**–**	–	–	–
Curtailment exceptional charge	**–**	**–**	**–**	(0.8)		(0.8)
Employer contributions	**–**	**9.0**	**9.0**	–	7.2	7.2
Member contributions	**(0.1)**	**0.1**	**–**	(0.1)	0.1	–
Benefits paid	**18.2**	**(18.2)**	**–**	17.8	(17.8)	–
Re-measurements – return on plan assets (excluding interest income)	**–**	**18.0**	**18.0**	–	18.9	18.9
Re-measurements – changes in financial assumptions	**(31.7)**	**–**	**(31.7)**	(36.2)	–	(36.2)
Re-measurements – experience adjustments	**13.3**	**–**	**13.3**	(0.8)	–	(0.8)
Re-measurements – restriction of surplus	**0.8**	**–**	**0.8**	(0.7)	–	(0.7)
Re-measurements – Changes in demographic assumptions	**3.0**	**–**	**3.0**	5.7		5.7
Exchange gains/(losses)	**1.9**	**(1.2)**	**0.7**	2.9	(1.6)	1.3
At 31 December	**(311.7)**	**256.5**	**(55.2)**	(309.3)	245.2	(64.1)

* The value of insurance assets that support German pensions plan was reclassified to non-current receivables (Note 17).

Amounts charged/(credited) to the statement of profit or loss were as follows:

	Australia		UK		USA		Other		Total	
	2020 £'m	2019 £'m	2020 £'m	2019 £'m	2020 £'m	2019 £'m	2020 £'m	2019 £'m	2020 £'m	2019 £'m
Current service cost	**0.2**	0.2	**1.0**	0.9	**–**	–	**–**	–	**1.2**	1.1
Scheme administrative expenses	**0.2**	0.2	**0.7**	0.5	**0.7**	0.7	**–**	–	**1.6**	1.4
Curtailment charge	**–**	–	**–**	0.8	**–**	–	**–**	–	**–**	0.8
Net charge to operating profit	**0.4**	0.4	**1.7**	2.2	**0.7**	0.7	**–**	–	**2.8**	3.3
Interest income on pension scheme assets	**(0.2)**	(0.3)	**(3.6)**	(5.0)	**(1.4)**	(1.7)	**–**	–	**(5.2)**	(7.0)
Interest on pension scheme liabilities	**0.2**	0.3	**4.2**	5.6	**2.2**	2.8	**–**	0.1	**6.6**	8.8
Net interest cost	**–**	–	**0.6**	0.6	**0.8**	1.1	**–**	0.1	**1.4**	1.8
Net charge to profit	**0.4**	0.4	**2.3**	2.8	**1.5**	1.8	**–**	0.1	**4.2**	5.1

Amounts (charged)/credited to other comprehensive income were as follows:

	Australia		UK		USA		Other		Total	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
Return/(loss) on plan assets less interest income	**–**	1.0	**12.3**	12.1	**5.8**	6.0	**(0.1)**	(0.2)	**18.0**	18.9
Experience gains/(losses) on liabilities	**(0.3)**	–	**12.6**	(0.6)	**0.6**	(0.2)	**0.4**	–	**13.3**	(0.8)
Changes in demographic assumptions	**–**	–	**2.4**	4.3	**0.6**	1.4	**–**	–	**3.0**	5.7
Changes in financial assumptions	**(0.5)**	(0.2)	**(24.1)**	(26.4)	**(7.0)**	(9.3)	**(0.1)**	(0.3)	**(31.7)**	(36.2)
Restriction of surplus *	**0.8**	(0.7)	**–**	–	**–**	–	**–**	–	**0.8**	(0.7)
Re-measurements	**–**	0.1	**3.2**	(10.6)	**–**	(2.1)	**0.2**	(0.5)	**3.4**	(13.1)

* Restriction of surplus represents changes in effect of asset ceiling or onerous liability. The Australian plan was historically in surplus, and as such it was recoverable by group until retirement of the last member of the scheme, however given it is now in deficit, this restriction is irrelevant.

Movements in the deficit during the year were as follows:

	Australia		UK		USA		Other		Total	
	2020 £'m	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m	**2020 £'m**	2019 £'m
Deficit in scheme at beginning of year	**–**	–	**(31.2)**	(21.9)	**(29.4)**	(29.1)	**(3.5)**	(3.4)	**(64.1)**	(54.4)
Movement in year:										
Pension charge	**(0.4)**	(0.4)	**(2.3)**	(2.8)	**(1.5)**	(1.8)	**–**	(0.1)	**(4.2)**	(5.1)
Employer contributions	**0.3**	0.3	**3.9**	4.1	**4.8**	2.7	**–**	0.1	**9.0**	7.2
Re-measurements	**–**	0.1	**3.2**	(10.6)	**–**	(2.1)	**0.2**	(0.5)	**3.4**	(13.1)
Exchange (losses)/gains	**–**	–	**–**	–	**0.8**	0.9	**(0.1)**	0.4	**0.7**	1.3
Deficit in scheme at end of year	**(0.1)**	–	**(26.4)**	(31.2)	**(25.3)**	(29.4)	**(3.4)**	(3.5)	**(55.2)**	(64.1)

The actual return on plan assets in 2020 was £23.2m (2019: £25.9m).

The weighted average duration of the defined benefit obligation is 15.0 years, with benefit payments over the next ten years expected to be as follows:

	2020 £'m
In the next year	**12.7**
In years 2-5	**51.6**
In years 6-10	**69.5**
	133.8

The schemes' funds have been invested in a range of assets which are due to be realised in line with the associated liabilities. The trustees review the schemes' assets and adjust the weighting between short-term and long-term assets to combine security and growth with the liquidity required to meet the obligations as they fall due.

26. PENSION CONTINUED

Sensitivity analysis of the principal assumptions used to measure defined benefit obligations:

Assumption	Change in assumption	Indicative impact on defined benefit obligation (before deferred tax)
Discount rate	Increase by 0.25%	Decrease by £11.3m
	Decrease by 0.25%	Increase by £10.3m
Rate of salary increase	Increase by 0.25%	Increase by £0.1m
	Decrease by 0.25%	Decrease by £0.2m
General inflation	Increase by 0.25%	Increase by £3.7m
	Decrease by 0.25%	Decrease by £3.7m
Life expectancy	Increase by 1 year	Increase by £14.6m

The above sensitivity analysis is based on the same change in assumption in each of the Group's schemes (except where changes are limited through the individual scheme rules), while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the projected unit credit method is applied in the same way as for the calculation of the pension liability recognised in the financial statements. The inflation assumption sensitivity factors in the impact of inflation on the pension increases assumption.

The Trustees' investment strategy includes holding in Liability Driven Investments which increase in value when interest rates fall or inflation rises and therefore protect against the impact of changes in market conditions. The sensitivity analysis shown above makes no allowance for changes in the value of the assets that would arise as a result of changes in market condition.

RISKS

Through its defined benefit pension obligations, the group is exposed to a number of risks which could result in a requirement to provide additional cash funding to the schemes. The most significant of which are detailed below:

Risk	Description	Mitigation
Interest rate risk	A decrease in corporate bond yields increases the present value of the IAS 19 defined benefit obligations.	The Trustees' investment strategy includes investing in liability-driven investments and bonds whose values increase with decreases in interest rates. Approximately 64%* of the schemes' funded liabilities are currently hedged against interest rates using liability-driven investments and derivatives, and the trustees have a step funding position in place.
Inflation risk	An increase in inflation results in higher benefit increases for members which in turn increases the schemes' liabilities.	The Trustees' investment strategy includes investing in liability-driven investments and derivatives which will move with inflation expectations and hedge portion of total inflation linked liabilities. The growth assets held are expected to provide protection over inflation in the long term. The US scheme is frozen so that it is not sensitive to inflation.
Market risk	The schemes are invested in a range of assets, which are subject to fluctuations in value.	Investments are well diversified both through geography and asset class, such that the failure of any single investment would not have a material impact on the overall level of assets.
Longevity risk	Pensions paid from the UK, US and German plans are guaranteed for life, and therefore if members are expected to live longer, the liabilities will increase.	The cash funding target for the UK incorporates a margin for prudence to reflect uncertainty in future life expectancy. The Australian scheme allows for a lump sum payment on retirement so is not exposed to longevity risk.
Choice of accounting assumptions	The value of the defined benefit obligation is determined by actuarial valuations over long-term cash flows. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future inflation. Due to the long-term nature of these schemes these estimates are subject to significant uncertainty, and the final outcome could be significantly different to the assumptions used. However, the risk is limited in certain respects for some schemes. The Australian scheme allows for a lump sum payment on retirement, so is not sensitive to changes in mortality assumptions, whilst the US scheme is frozen so that it is not sensitive to inflation or salary rises. Similarly the rate of increase in UK salaries is limited to 1% per annum.	

* 90% of inflation-linked liabilities of the UK scheme are hedged. No hedge ratios are set for the US and Australia plans as bonds in portfolios are matched to provide interest rate protection. As noted above, the Australian scheme provides a lump sum benefit and so is not sensitive to changes in mortality assumptions.

27. SHARE BASED PAYMENTS

Under the Devro plc Performance Share Plan (PSP), the Executive Directors' Remuneration Committee made provisional allocations of Ordinary Shares in the company to employees of the Group, including Executive Directors. No payment for an allocation is made by a participant. Allocations normally vest over a three-year period, are conditional on the continued employment of the participant and are subject to certain performance conditions. These performance conditions relate to growth in the company's earnings per share and the company's Total Shareholder Return in comparison to its peer group.

For awards where vesting is subject to the growth in earnings per share, the fair value of an allocation represents the market value of the Ordinary Shares in the company on the date of the provisional allocation, less the discounted value of estimated dividends expected to be paid during the vesting period. A participant is not entitled to receive dividends during this period. The fair value of awards subject to the company's Total Shareholder Return performance is estimated based on a Monte Carlo option valuation methodology. The weighted average fair value of options granted during the year using this method was £1.10 (2019: £1.50) with the significant inputs to the model being the share price at the grant date, an expected volatility in the share price of 33.7% (based on historic trends), the term of three years, risk free interest rate of 0.05%.

Amounts provided in the accounts are based on an estimate of the probability of the targets in respect of allocations being achieved.

During the year 12,562 shares vested under the PSP or its predecessor (2019: nil).

At 31 December 2020, the maximum number of shares which may vest under the PSP is as follows:

			Number of shares					
Grant date	Fair value per share	Normal vesting date	As at 1 January 2020	Awarded	Vested and exercised	Forfeited	Lapsed	As at 31 December 2020
2 August 2017	£1.827	02-Aug-20	**1,029,717**	**–**	**–**	**–**	**(1,029,717)**	**–**
9 April 2018	£1.548	09-Apr-21	**1,038,588**	**–**	**–**	**(55,916)**	**–**	**982,672**
14 May 2018	£1.773	14-May-21	**157,387**	**–**	**–**	**(138,702)**	**–**	**18,685**
8 April 2019	£1.500	08-Apr-22	**1,344,325**	**–**	**–**	**(276,085)**	**–**	**1,068,240**
10 September 2019	£1.516	10-Sep-22	**45,000**	**–**	**–**	**–**	**–**	**45,000**
15 April 2020	£1.104	15-Apr-23	**–**	**1,782,277**	**–**	**(294,257)**	**–**	**1,488,020**
11 June 2020	£1.368	Various	**–**	**27,507**	**(12,562)**	**–**	**–**	**14,945**
			3,615,017	**1,809,784**	**(12,562)**	**(764,960)**	**(1,029,717)**	**3,617,562**

A more detailed summary of the performance conditions of the PSP is included in the Director's Remuneration Report on pages 77 and 96.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

28. OTHER RESERVES

Group	Capital redemption reserve £'m	Special reserve £'m	Performance Share Plan £'m	Hedging reserve £'m	Cumulative translation adjustment £'m	Total £'m
At 1 January 2020	**35.6**	**8.9**	**0.6**	**1.0**	**26.1**	**72.2**
Exchange adjustments	**–**	**–**	**–**	**–**	**5.3**	**5.3**
Cash flow hedges, net of tax	**–**	**–**	**–**	**1.1**	**–**	**1.1**
Net investment hedges, net of tax	**–**	**–**	**–**	**(1.2)**	**2.5**	**1.3**
Performance Share Plan credit, net of tax	**–**	**–**	**0.4**	**–**	**–**	**0.4**
Performance Share Plan credit in respect of awards lapsed	**–**	**–**	**(0.2)**	**–**		**(0.2)**
At 31 December 2020	**35.6**	**8.9**	**0.8**	**0.9**	**33.9**	**80.1**
At 1 January 2019	35.6	8.9	1.6	(1.6)	32.6	77.1
Exchange adjustments	–	–	–	–	(9.0)	(9.0)
Cash flow hedges, net of tax	–	–	–	1.7	–	1.7
Net investment hedges, net of tax	–	–	–	0.9	2.5	3.4
Performance Share Plan charge, net of tax	–	–	(0.4)	–	–	(0.4)
Performance Share Plan credit in respect of awards lapsed	–	–	(0.6)	–	–	(0.6)
At 31 December 2019	35.6	8.9	0.6	1.0	26.1	72.2

The balance on the capital redemption reserve represents the amount which arose at the time of the redemption of the preference share capital in 2002.

The balance on the special reserve account represents the remaining undistributable proportion of the amount which arose on the acquisition of Teepak International Inc in 1996 under the merger relief provisions of the Companies Act 1985.

The balance on Performance Share Plan reserve represents the cumulative net expense recognised through the statement of profit and loss in respect of share awards under the plan which have yet to be vested by employees.

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective. The cumulative deferred gain or loss on the hedging instrument is recognised in the statement of profit and loss only when the hedged transaction impacts profit or loss.

The cumulative translation reserve comprises all foreign currency differences arising from the retranslation of the balance sheets of foreign currency denominated subsidiaries.

29. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Note	2020 £'m	2019 £'m
Profit/(loss) before tax		**29.4**	(21.8)
Adjustments for:			
Finance cost	2, 7	**5.4**	6.0
Profit on disposal		**–**	0.1
Net finance cost on pensions	7, 26	**1.4**	1.8
Pension cost adjustment for normal contributions		**1.2**	1.4
Depreciation of property, plant and equipment	13	**20.5**	25.3
Impairment of property, plant and equipment	4, 13	**0.7**	44.9
Amortisation of intangible assets	14	**1.1**	1.1
Impairment of intangible assets	4, 14	**0.2**	1.0
Release from capital grants balance		**(0.1)**	(0.2)
Pension deficit funding		**(7.4)**	(5.3)
Performance Share Plan		**0.4**	(0.4)
Changes in working capital:			
Decrease/(Increase) in inventories		**1.5**	(2.0)
Decrease/(increase) in trade and other receivables		**0.8**	8.4
(Decrease)/increase in trade and other payables		**1.4**	(0.2)
(Decrease)/increase in provisions	21	**(4.9)**	(0.4)
Cash generated from operations		**51.6**	59.7
Of which:			
Underlying operating cash flows (before pension deficit funding)		**67.8**	71.3
Pension deficit funding		**(7.4)**	(5.3)
Exceptional items		**(8.8)**	(6.3)
Cash generated from operations		**51.6**	59.7

30. ANALYSIS OF NET DEBT

		Group	
	Note	2020 £'m	2019 £'m
Cash and cash equivalents	18	**23.7**	24.7
Bank overdrafts	22	**(2.2)**	(0.8)
Net cash and cash equivalents		**21.5**	23.9
Other bank borrowings	22	**(57.7)**	(72.0)
US dollar private placement	22	**(73.3)**	(75.7)
Lease obligations	22	**(0.5)**	(0.8)
Net Debt		**(110.0)**	(124.6)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2020

31. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the Group's financial statements related to property, plant and equipment and amounted to £2.3m as at 31 December 2020 (2019: £1.3m).

32. CONTINGENT LIABILITIES

In the opinion of the Directors, the Group has no material contingent liabilities as at 31 December 2020 (2019: nil).

33. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Devro plc and the subsidiaries listed in the table below:

Name of undertaking	Country of incorporation or registration	Nature of business	Class of shares held	Proportion of nominal value of issued shares & voting rights held by: Group	Company	Registered office address
Devro (Scotland) Limited	Scotland	Casings	Ordinary		100%	Moodiesburn, Chryston, G69 0JE, Scotland
Devro New Holdings Limited	Scotland	Holding	Ordinary		100%	Moodiesburn, Chryston, G69 0JE, Scotland
Devro Acquisition Corp	USA	Holding	Common	100%		2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle, United States
Devro US Finance LLP	USA	Finance	Common	100%		2711 Centerville Road, Suite 400, City of Wilmington 19808, County of New Castle, United States
Devro Asia Limited	Hong Kong	Casings	Ordinary	100%		Room 1102, 11/F OfficePlus WanChai No. 303 Hennessy Road Hong Kong
Devro Pty Limited	Australia	Casings	Ordinary	100%		139 Sydney Road, Kelso NSW 2795 Australia
Devro KK	Japan	Casings	Ordinary	100%		Yasuda Shibaura Bldg., No.2, 3-2-12 Kaigan, Minato-Ku, Tokyo, Japan
Devro Inc	USA	Casings	Common	100%		2711 Centerville road, Suite 400, City of Wilmington 19808, County of New Castle, United States
Devro s.r.o	Czech Republic	Casings	Ordinary	100%		Vochovska 830, Hrabacov, 51401, Jilemnice, Czech Republic
Devro (Nantong) Technology Co. Limited	China	Casings	Ordinary	100%		No. 329 Xinxing East Road, NETDA, Nantong, Jiangsu, China
Devro B.V	The Netherlands	Casings	Ordinary	100%		Willem Alexanderstraat, 6691 EE, Gendt, Netherlands
Plastic Casings Czech, s.r.o.	Czech Republic	Casings	Ordinary	100%		Okruzni 1438, 684 11 Slavkov u Brna, Czech Republic

Devro Pty Limited has a branch located in New Zealand. Devro also has a representative office in Russia (Moscow).

Key management are deemed to be the Executive and Non-Executive Directors and the Executive Management Team (EMT) of the Group as together they have the authority and responsibility for controlling group activities. The compensation paid or payable to key management for employee services is shown below:

	2020 £'m	2019 £'m
Emoluments payable to executive and non-executive directors		
Short-term employee benefits	**1.3**	1.1
PSP charge/(credit)	**0.1**	(0.2)
Post-employment benefits	**0.1**	0.1
	1.5	1.0
Emoluments payable to remainder of the Executive Management Team		
Short-term employee benefits	**2.3**	1.5
PSP charge/(credit)	**0.1**	(0.1)
Post-employment benefits	**0.1**	0.1
Compensation for loss of office	**0.2**	0.1
	2.7	1.6
Total emoluments payable to key management	**4.2**	2.6

There were no other related party transactions requiring disclosure in these financial statements.

Company Statement of Financial Position

As at 31 December

	Note	2020 £'m	2019 £'m
ASSETS			
Non-current assets			
Property, plant and equipment	4	**0.4**	0.7
Intangible assets	5	**3.4**	3.3
Investments	6	**347.7**	347.6
Deferred tax assets	13	**1.5**	1.3
Other receivables	7	**63.3**	63.7
		416.3	416.6
Current assets			
Other receivables	7	**9.7**	7.1
Derivative financial instruments	12	**3.3**	1.9
Current tax assets		**11.2**	9.9
Cash and cash equivalents	8	**1.7**	1.4
		25.9	20.3
Total assets		**442.2**	436.9
LIABILITIES			
Current liabilities			
Trade and other payables	9	**(5.4)**	(3.3)
Current tax liabilities		**-**	-
Borrowings	10	**(18.4)**	(0.1)
Derivative financial instruments	12	**(3.1)**	(2.3)
Provisions for other liabilities	11	**-**	(0.5)
		(26.9)	(6.2)
Non-current liabilities			
Borrowings	10	**(108.6)**	(148.0)
Other payables		**(54.5)**	(54.7)
		(163.1)	(202.7)
Total liabilities		**(190.0)**	(208.9)
Net assets		**252.2**	228.0
EQUITY			
Ordinary shares	14	**16.7**	16.7
Share premium		**9.3**	9.3
Other reserves		**45.0**	44.9
Retained earnings		**181.2**	157.1
Equity attributable to the owners of the Company		**252.2**	228.0

ROHAN CUMMINGS
CHIEF FINANCIAL OFFICER
1 March 2021

Company registration No.: SC129785

Company Statement of Changes in Equity

for the year ended 31 December

	Ordinary shares £'m	Share premium £'m	Capital redemption reserve £'m	Special reserve £'m	Performance share plan £'m	Retained earnings £'m	Total equity £'m
Balance at 1 January 2020	**16.7**	**9.3**	**35.6**	**8.9**	**0.4**	**157.1**	**228.0**
Comprehensive income/(expense)							
Profit for the year	–	–	–	–	–	**34.5**	**34.5**
Total comprehensive expense	–	–			–	**34.5**	**34.5**
Transactions with owners of the Company							
Performance Share Plan credit, net of tax	–	–	–	–	**0.2**	–	**0.2**
Performance Share Plan credit in respect of awards lapsed	–	–	–	–	**(0.1)**	**0.1**	–
Dividends paid	–	–	–	–	–	**(10.5)**	**(10.5)**
Total transactions with owners of the Company	–	–	–	–	**0.1**	**(10.4)**	**(10.3)**
Balance at 31 December 2020	**16.7**	**9.3**	**35.6**	**8.9**	**0.5**	**181.2**	**252.2**
Balance at 1 January 2019	16.7	9.3	35.6	8.9	1.0	151.9	223.4
Comprehensive income/(expense)							
Profit for the year	–	–	–	–	–	19.8	19.8
Total comprehensive income/(expense)	–	–			–	19.8	19.8
Transactions with owners of the Company							
Performance Share Plan charge, net of tax	–	–	–	–	(0.2)	–	(0.2)
Performance Share Plan credit in respect of awards lapsed	–	–	–	–	(0.4)	0.4	–
Dividends paid	–	–	–	–	–	(15.0)	(15.0)
Total transactions with owners of the Company	–	–	–	–	(0.6)	(14.6)	(15.2)
Balance at 31 December 2019	16.7	9.3	35.6	8.9	0.4	157.1	228.0

Notes to the Company Financial Statements

For the year ended 31 December 2020

1. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

BASIS OF ACCOUNTING

The Company's Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS'). The Company has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- disclosures in respect of transactions with wholly-owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of key management personnel.

The Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:
- IFRS 2 'Share Based Payments' in respect of Group-settled share-based payments;
- IAS 24 'Related Party Disclosures' in respect of compensation of key management; and
- certain disclosures required by IFRS 13 'Fair Value Measurement' and the disclosures required by IFRS 7 'Financial Instrument Disclosures'.

The Company's Financial Statements (pages 144 to 151) have been prepared on the historical cost basis, except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out below.

As permitted by s408 of the Companies Act 2006, the Company has elected not to present its own statement of profit or loss account or statement of comprehensive income for the year. The profit attributable to the Company is disclosed in the Company's statement of changes in equity.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are described in more detail in the Strategic Report on pages 1 to 62, along with the financial position of the Company, its debt levels and borrowing facilities.

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company have adequate resources to continue in operation for at least the next 12 months from the date of approval of this Statement. This is supported by the Company's balance sheet showing £252.2m of net assets at 31 December 2020 and the Directors' view that the principal risks to the Company as set out in the Strategic report are manageable. For this reason they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. There are no significant judgements and estimates relevant to these financial statements.

B) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of Company Financial Statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

The following areas are subject to the same accounting policies as set out in the consolidated statements:
- Property, plant and equipment;
- Intangible assets;
- Trade and other receivables;
- Cash and cash equivalents;
- Provisions for liabilities;
- Impairment for financial assets and liabilities;
- Trade and other payables;
- Leases;
- Financial instruments, including:
  - Cash flow hedges;
  - Fair value hedges; and
  - Net investment hedges;
- Taxation; and
- Dividends receivable and payable.

FIXED ASSET INVESTMENTS
The Company's investments in subsidiary undertakings are shown at historical cost less provision for any impairment in value. The Company tests its investments for impairment if events or circumstances indicate that the carrying value of these assets may be impaired. This impairment testing corresponds with the impairment testing of Cash Generating Units (CGUs") performed by the Group.

FOREIGN CURRENCIES
The Financial Statements are presented in sterling, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the sterling using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Other gains and losses arising from foreign currency transactions are included in the statement of profit or loss.

DIVIDENDS RECEIVABLE AND PAYABLE
Dividends receivable and payable are subject to the same accounting policies as for the Group, as set out in the consolidated financial statements.

The dividends paid during the year, and dividends proposed, by the Company are the same as that for the Group. Therefore, for details of the dividends paid and dividends proposed by the Company, please refer to Note 12 of the consolidated financial statements.

An interim dividend of £4.5m was paid to the Company's shareholders in January 2021.

EMPLOYEE BENEFITS - SHARE BASED PAYMENTS
The Company operates a number of equity-settled share-based incentive plans as consideration for services received from employees. The fair value of services received in exchange for the grant of share awards is recognised as an expense with the total amount to be expensed being determined by reference to the fair value of the awards granted. The fair value of the awards include any market performance conditions, but exclude the impact of any service or non-market performance vesting conditions and are reduced by any consideration received from employees. Any non-market performance or service conditions are included in assumptions over the number of awards expected to vest, and the total expense is recognised over the full vesting period in the statement of profit or loss with a corresponding credit made to equity. At the end of each year the Group revises its estimates of the number of awards expected to vest based on non-market vesting conditions and recognises the impact of any revision in the statement of profit or loss, with a corresponding adjustment to equity.

The social security contributions payable on share awards granted is recognised in the profit or loss for the year, as shown in the Statement of Changes in Equity over the vesting period and is treated as a cash-settled transaction.

2. AUDITORS' REMUNERATION
The details regarding the remuneration of the Company's auditor are included in Note 8 to the Group Consolidated Financial Statements under 'Fees payable to the Company's auditors and its associates for the audit of the parent Company and consolidated accounts'.

3. COMPANY PROFIT FOR THE YEAR
As permitted by Section 408 of the Companies Act 2006, the parent Company's Statement of profit and loss and Statement of comprehensive income have not been presented in these financial statements.

The parent Company profit for the year is £34.5m (2019: £19.8m).

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2020

4. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment total £'m
Cost	
At 1 January 2020	**1.4**
Additions	**0.1**
Disposals	**(0.1)**
Reclassification to intangible assets	**(0.2)**
At 31 December 2020	**1.2**
Accumulated depreciation	
At 1 January 2020	**(0.7)**
Charge for the year	**(0.2)**
Disposals	**0.1**
At 31 December 2020	**(0.8)**
Net book value at 31 December 2020	**0.4**

Included in property, plant and equipment are right-of-use assets worth £0.2m (2019: £0.4m), which primarily relate to property leases in the UK. Contained in financial liabilities, as detailed in Note 10, are the corresponding lease liabilities.

5. INTANGIBLE ASSETS

	Computer software £'m	Development costs £'m	Total £'m
Cost			
At 1 January 2020	**4.0**	**2.8**	**6.8**
Additions	**0.5**	**0.1**	**0.6**
Reclassifications from Property, Plant and Equipment	**–**	**0.2**	**0.2**
Disposals	**(2.7)**	**–**	**(2.7)**
At 31 December 2020	**1.8**	**3.1**	**4.9**
Accumulated amortisation			
At 1 January 2020	**(3.5)**	**–**	**(3.5)**
Charge for year	**(0.4)**	**–**	**(0.4)**
Impairment	**(0.2)**	**–**	**(0.2)**
Disposals	**2.7**	**–**	**2.7**
At 31 December 2020	**(1.5)**	**–**	**(1.5)**
Net book value at 31 December 2020	**0.3**	**3.1**	**3.4**

6. INVESTMENTS

	2020 £'m	2019 £'m
Interest in Group undertakings		
Cost and net book value at 1 January 2020	**347.6**	253.0
Additions	**-**	94.4
Movements relating to share options granted to subsidiary employees	**0.1**	0.2
Cost and net book value at 31 December 2020	**347.7**	347.6

Additions during the year relate to Performance Share Plan charges for employees within subsidiaries which will be settled with the company's shares.

Additions during 2019 relate to the Company's investment in Devro Inc in its US subsidiary following a capitalisation of an inter-company loan and, a movement in the Performance Share Plan charges for employees within subsidiaries which will be settled with the Company's shares.

The full list of Devro plc's subsidiaries are found on Note 33 in the consolidated accounts.

As noted in Note 1, the Company tests its investments for impairment if events or circumstances indicate that the carrying value of these assets may be impaired. This impairment testing corresponds with the impairment testing of Cash Generating Units (CGUs") performed by the Group. The recoverable amount of the CGUs is determined from value in use calculations, and the key assumptions are those regarding the discount rate, and growth rates. Based on these calculations there is sufficient headroom over the book value of investment.

7. OTHER RECEIVABLES

The carrying amount of the following financial assets represent the maximum credit exposure.

	2020 £'m	2019 £'m
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	**63.3**	63.7
	63.3	63.7
Amounts falling due within one year		
Amounts owed by subsidiary undertakings*	**8.0**	5.5
Other receivables	**0.2**	0.1
Prepayments and accrued income	**1.5**	1.5
	9.7	7.1

*Amounts receivable from subsidiary undertaking include tax losses surrendered and these amounted to £nil (2019 £nil).

At 31 December 2020, receivables due from subsidiary undertakings of £71.3m (2019: £69.2m) were neither past due nor impaired.

8. CASH AND CASH EQUIVALENTS

	2020 £'m	2019 £'m
Cash at bank and in hand	**1.7**	1.4
	1.7	1.4

9. TRADE AND OTHER PAYABLES

	2020 £'m	2019 £'m
Trade payables	**0.8**	0.7
Accruals	**4.6**	2.6
	5.4	3.3

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2020

10. FINANCIAL LIABILITIES - BORROWINGS

	2020 £'m	2019 £'m
Current		
US dollar private placement	**18.3**	–
Lease liabilities	**0.1**	0.1
Total current borrowings	**18.4**	0.1
Non-current		
Unsecured bank loans	**53.5**	72.0
US dollar private placement	**55.0**	75.7
Non-current interest-bearing loans and borrowings	**108.5**	147.7
Lease liabilities	**0.1**	0.3
Total non-current borrowings	**108.6**	148.0

Bank overdrafts and bank loans are denominated in a number of currencies, and bear interest based on the London Interbank Offered Rate ("LIBOR") as set by the Intercontinental Exchange or equivalent rates appropriate to the country in which the borrowing is incurred. The Group is exposed to short-term interest rate changes on all of its bank borrowings.

The Company issued a private placement of senior unsecured notes on 17 April 2014 for a total of US$100m, of which US$50m was received in April 2014 and the remainder was received in June 2014. The private placement notes provide funding with fixed terms maturing between 2021 and 2026 years, with an average fixed interest rate of 4.48%.

Effective interest rates at the balance sheet date mirror that as for the Group. Refer to Note 22 (Financial Liabilities - Borrowings) in the consolidated financial statements for the full details of the effective interest rates.

The amounts shown as borrowings in the above tables include the capital outstanding at each statement of financial position date, together with the estimated interest thereon calculated at the effective interest rates at these dates for the periods until the contractual maturity of the relevant borrowing facilities. There is no certainty that these amounts will be outstanding for all of the period involved or that these interest rates will be applicable during these periods.

11. PROVISIONS

The Company closing provision as at 31 December 2020 of £nil (2019: £0.5m) relates to a redundancy provision.

12. FINANCIAL INSTRUMENTS

The table below shows the Company's derivative financial instruments, which will be settled on a gross basis. The amounts disclosed in the tables are the contractual undiscounted cash flows.

As at 31 December	2020 Less than 1 year £'m	2019 Less than 1 year £'m
Forward foreign exchange contracts – cash flow hedges		
Outflow	**(193.0)**	(146.0)
Inflow	**193.0**	146.0
Forward foreign exchange contracts – other		
Outflow	**(30.8)**	(23.3)
Inflow	**31.0**	22.9

13. DEFERRED TAX

	Losses £'m	Non-current assets temporary differences £'m	Other temporary differences £'m	Total £'m
Net asset at 1 January 2020	**1.1**	**0.1**	**0.1**	**1.3**
Credit/(charge) for the year to profit	**0.1**	**0.1**	**–**	**0.2**
Net asset at 31 December 2020	**1.2**	**0.2**	**0.1**	**1.5**

All deferred tax assets are due after more than one year (2019: £1.3m).

No deferred tax has been recognised in respect of any withholding or other taxes that would be payable on the unremitted earnings of subsidiaries. There are no unremitted earnings on which UK tax is expected to become payable if repatriated (2019: nil).

14. ORDINARY SHARES

	2020 £'m	2019 £'m
Issued and fully paid		
166,949,022 (2019: 166,949,022) ordinary shares of 10 pence each	**16.7**	16.7

No Ordinary shares were issued during the year.

15. CONTINGENT LIABILITIES

In the opinion of the Directors, the Company has no contingent liabilities as at 31 December 2020 (2019: nil).

16. RELATED UNDERTAKINGS

In accordance with Section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the percentage of share capital owned as at 31 December 2020 is disclosed in Note 33 in the consolidated financial statements.

Subsidiary undertakings are controlled by the Group and their results are fully consolidated in the Group's financial statements.

Independent Auditors' Report to the Members of Devro plc

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Devro plc ("the Company") for the year ended 31 December 2020 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity, and the related notes, including the accounting policies in Note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced *Disclosure Framework;* and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 29 April 2015. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group Financial Statements as a whole	£1.5m (2019: £1.5m) 4.4% (2019: 4.5%) of Group profit before tax and exceptional items	
Coverage	97% (2019: 96%) of the total profits and losses that made up Group profit before tax	
Key audit matters		**vs 2019**
Recurring risks	Presentation of exceptional items	↔
	Valuation of pension liabilities – UK & US schemes	↔
	Parent Company – Recoverability of investment in subsidiaries and intra-Group receivables	↔

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
PRESENTATION OF EXCEPTIONAL ITEMS (Exceptional restructuring costs of £4.6 million pre-tax; 2019: £7.2 million pre-tax charges) *Refer to page 75 (Audit Committee Report), page 113 (accounting policy) and page 115 (financial disclosures).*	PRESENTATION APPROPRIATENESS: Classification of costs as exceptional, which is not a term defined under accounting standards, is an area of judgement. The determination of whether certain items should be separately disclosed as an exceptional item requires judgement on its nature and incidence, and its use requires judgement as to whether it provides a better understanding of the Group's underlying trading performance Further, there is a risk that amounts are inconsistently classified as exceptional year on year.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • Assessing principles: We assessed the Group's accounting policies and principles for recognising elements of income and expenditure as exceptional items. We have assessed against the applicable guidelines including the FRC publications on the presentation of alternative performance measures; • Assessing application: We challenged the Directors over the inclusion of costs and expenses within the exceptional categorisation against the Group's policy, with reference to our expectations based on our knowledge of the business and the activities to which the charges relate; • Assessing consistency: We assessed the consistency of the items classified as 'exceptional' year on year; and • Assessing transparency: We assessed the appropriateness of the Group's presentation of exceptional items in light of the ESMA guidance on the reporting of Alternative Performance Measures. OUR RESULTS We found the presentation of exceptional items to be acceptable (2019 result: acceptable).

Independent Auditors' Report to the Members of Devro plc (continued)

	The risk	Our response
GROUP PENSION OBLIGATION – UK & US SCHEMES *(£299.4 million; 2019: £297.0 million)* *Refer to page 76(Audit Committee Report), page 112 (accounting policy) and pages 133 to 138 (financial disclosures).*	SUBJECTIVE VALUATION Small changes in the assumptions and estimates used to value the Group's pension obligations in the UK and US (before deducting scheme assets) would have a significant effect on the Group's net pension deficit. The effect of these matters is that, as part of our risk assessment, we determined that the pension liability has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (Note 26) disclose the sensitivity estimated by the Group. This is included as a key audit matter for 2020 reflecting the increase in the relative allocation of audit resources in this area.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • Benchmarking assumptions: Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; and • Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions. OUR RESULTS: • We found the valuation of the pension obligation to be acceptable (2019 result: acceptable).
PARENT COMPANY – RECOVERABILITY OF INVESTMENT IN SUBSIDIARIES AND INTRA-GROUP RECEIVABLES (Investments in subsidiaries £347.7 million; 2019: £347.6 million Intra-Group receivables £71.3 million; 2019: £69.2 million) *Refer to page 75 (Audit Committee Report), page 147 (accounting policy) and page 149 (financial disclosures).*	LOW RISK, HIGH VALUE: The carrying amount of the parent company's investments in subsidiaries represents 95% (2019: 95%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • Tests of detail: We compared the carrying amount of 100% of investments in subsidiaries and intra-Group receivables balances with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making; • Assessing subsidiary audits: We assessed the work performed by the subsidiary audit teams on those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets; and • Comparing valuations: For the investments where the carrying amount exceeded the net asset value, we compared the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' EBITDA. OUR RESULTS: We found the company's conclusion that there is no impairment of its investments in subsidiaries and intra-Group receivables to be acceptable (2019: acceptable).

We continue to perform procedures over impairment of property, plant and equipment and deferred tax assets. However, following no further impairment triggers for the US and China facilities and the de-recognition of deferred tax assets in the US and China in 2019, we have not assessed these as one of the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £1.5m (2019: £1.5m), determined with reference to a benchmark Group profit before tax, normalised to exclude this year's exceptional items as disclosed in Note 4, of which it represents 4.4% (2019: 4.5%).

Materiality for the parent company financial statements as a whole was set at £0.5m (2019: £0.5m), determined with reference to component materiality. This is lower than materiality we would otherwise have determined by reference to company total assets, of which it represents 0.1% (2019: 0.1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the Group was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £1.125m (2019: £1.125m) for the Group and £0.375m (2019: £0.375m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.075m (2019: £0.075m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

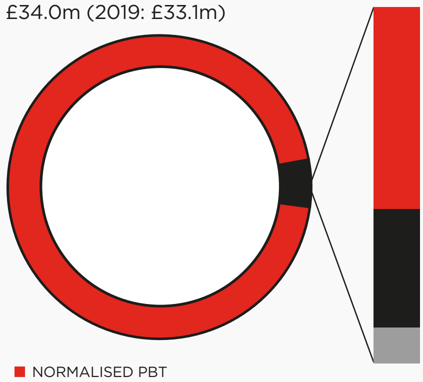
Of the Group's nine (2019: nine) reporting components, we subjected six (2019: six) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 20% (2019: 19%) of total Group revenue, 3% (2019: 4%) of total profits and losses that made up Group profit before tax and 6% (2019: 3%) of total Group assets is represented by 3 (2019: 3) of reporting components, none of which individually represented more than 10% (2019: 10%) of any of total Group revenue, Group total profits and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

NORMALISED GROUP PROFIT BEFORE TAX
£34.0m (2019: £33.1m)

Group materiality
£1.5m (2019: £1.5m)



£1.5m
Whole financial statements materiality (2019: £1.5m)

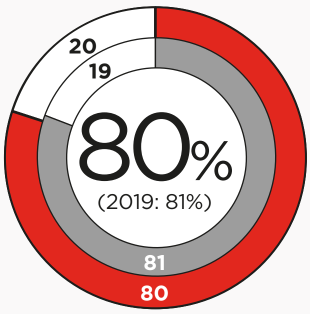
£1.125m
Whole financial statements performance materiality (2019: £1.125m)

£1.2m
Range of materiality at 6 components (£0.4m-£1.2m) (2019: £0.4m to £1.2m)

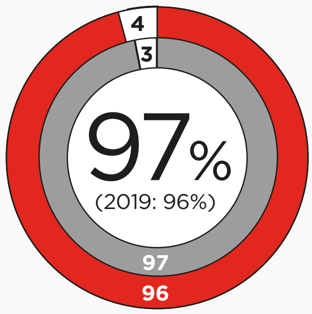
£0.075m
Misstatements reported to the audit committee (2019: £0.075m)

■ NORMALISED PBT
■ GROUP MATERIALITY

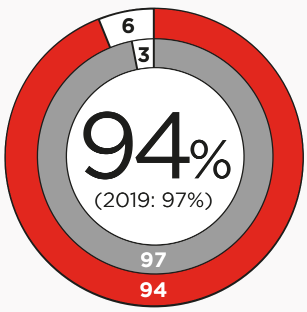
Group revenue



Total profits and losses that made up Group profit before tax



Group total assets



■ FULL SCOPE FOR GROUP AUDIT PURPOSES 2020
■ FULL SCOPE FOR GROUP AUDIT PURPOSES 2019
□ RESIDUAL COMPONENTS

Independent Auditors' Report to the Members of Devro plc (continued)

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT – CONTINUED

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.4m to £1.2m (2019: £0.4m to £1.2m), having regard to the mix of size and risk profile of the Group across the components. The work on four of the six components (2019: four of the six components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team, with the assistance of the component auditors where appropriate, performed procedures on the items excluded from Group profit before tax and exceptional items.

Telephone conference meetings and virtual site visits were held with component auditors throughout the audit in the United Kingdom, Czech Republic, Australia and China. At these virtual meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

The Group team also routinely reviews the audit documentation of all component audits. This year for the one component in China, where the coronavirus prevented entry to the country and remote access to audit documentation is prohibited, we instead extended our oversight of those component teams through extended telephone discussion and expanded reporting.

4. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group/Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were a decline in volumes and average selling price due to adverse economic conditions.

We considered whether the risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

We considered whether the going concern disclosure in Note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern including the identified risks and sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in Note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 72 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS - ABILITY TO DETECT

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board/audit committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors including the long-term incentive plan for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit . This included communication from the Group to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we performed procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives or opportunities to fraudulently adjust revenue recognition. We also identified a fraud risk related to the presentation of exceptional items in response to possible pressures to meet profit targets.

Further detail in respect of the presentation of exceptional items is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user, and those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit . This included communication from the Group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of some of the Group's subsidiaries' licenses to operate. We identified the following areas as those most likely to have such an effect: health and safety, food safety and employment law reflecting the nature of the Group's operations. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the 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 as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

STRATEGIC REPORT AND DIRECTORS' REPORT

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

DIRECTORS' REMUNERATION REPORT

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

DISCLOSURES OF EMERGING AND PRINCIPAL RISKS AND LONGER-TERM VIABILITY

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Independent Auditors' Report to the Members of Devro plc (continued)

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT – CONTINUED

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement (page 41) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 41, under the Listing Rules. Based on the preceding procedures, we have concluded that the disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

CORPORATE GOVERNANCE DISCLOSURES

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Report relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 99, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

MIKE BARRADELL
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

1 March 2021

Financial Summary

	2020 £'m	2019 £'m	2018 £'m	2017 £'m	2016 £'m
Revenue	**247.6**	250.0	253.4	256.9	241.1
Underlying operating profit before non-recurring items*	**40.8**	39.1	40.0	38.1	38.1
Underlying operating profit*	**40.8**	39.1	39.2	38.1	38.1
Non-underlying items	**(4.6)**	(53.1)	(12.3)	(5.1)	(22.7)
Operating profit	**36.2**	(14.0)	26.9	33.0	15.4
Profit before tax	**29.4**	(21.8)	17.5	21.6	6.2
Profit after tax	**23.1**	(41.4)	12.5	15.6	2.2
Net assets	**99.0**	74.9	146.5	127.2	109.0
Earnings per share:					
– Underlying basic**	**16.5p**	15.2p	14.6p	14.2p	14.7p
– Non-underlying items**	**(2.7)p**	(40.0)p	(7.1)p	(4.9)p	(13.4)p
– Basic	**13.8p**	(24.8)p	7.5p	9.3p	1.3p
– Diluted	**13.7p**	(24.8)p	7.4p	9.3p	1.3p
Dividends per share	**9.0p**	9.0p	9.0p	8.8p	8.8p
Net assets per share	**59.3p**	44.9p	87.8p	76.2p	65.3p

* Underlying figures are stated before exceptional items. See Alternative Performance Measures section on pages 32 to 35 for definition and explanation.

** Underlying basic EPS are stated before exceptional items and net finance cost on pensions. 2017 and earlier underlying basic EPS were restated to exclude net finance cost on pensions and include this cost in non-underlying items.

Shareholder Information

If you have sold or transferred all of your holding of Ordinary Shares, you should pass this document to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

FINANCIAL CALENDAR

29 April 2021	Annual General Meeting
29 July 2021	Half year results and interim dividend announced
1 October 2021	Final dividend paid
31 December 2021	Financial year end
January 2022	Interim dividend paid
March 2022	2021 results and proposed final dividend announced

DIVIDENDS

The final dividend will be paid on 1 October 2021 to shareholders on the register at close of business on 20 August 2021.

DIVIDEND MANDATES

Shareholders wishing dividends to be paid directly into a bank or building society account should apply online at www.investorcentre.co.uk or, alternatively, contact the registrar for a dividend mandate form at the address below. Dividends paid in this way will be paid through the Bankers Automated Clearing System ('BACS').

DIVIDEND REINVESTMENT PLAN

Dividends are normally paid twice a year. We offer shareholders the opportunity to join the Computershare regulated Dividend Reinvestment Plan (the 'Plan'), which allows you to reinvest your cash dividend in Devro plc Ordinary Shares. If you wish to participate in the Plan, please apply online at www.investorcentre.co.uk or, alternatively, you can complete a mandate form and return it to the registrar. If you do not have a mandate form, please contact our registrar at the address below.

PAYMENT OF DIVIDENDS IN FOREIGN CURRENCY

The Company's registrar offers a Global Payment Service which is available in certain countries. This may make it possible for shareholders living abroad to receive dividends direct into their bank account in their local currency. Please note that a service fee, plus a foreign exchange spread, is charged per payment. The fees will be automatically deducted from the proceeds before it is paid to you. This service can be set up at www.investorcentre.co.uk or by contacting the registrar.

HALF YEAR RESULTS

Any shareholder wishing to receive a paper copy of the Interim Report and Results for the six months to 30 June 2021 should contact the Company Secretary.

SHAREHOLDER ENQUIRIES

For all share registration and dividend mandate enquiries contact:

The Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone – 0370 889 4050
Website – www.investorcentre.co.uk

For other shareholder enquiries contact:

Company Secretary
Devro plc
Moodiesburn
Chryston
G69 0JE

Telephone – 01236 872261

MANAGING YOUR SHAREHOLDING ONLINE WITH INVESTOR CENTRE

Investor Centre is a free, secure online service run by Computershare, giving you convenient access to information on your shareholdings. Manage your shareholding online and take advantage of all these features and more:

- View share balances and market values for all of your Computershare-managed holdings.
- Update dividend mandate bank instructions and view dividend payment history.
- Register to receive Company communications online.
- Cast your proxy vote online for forthcoming general meetings.
- Update personal details, such as your address.

Registration is quick and easy. Just visit www.investorcentre.co.uk with your Shareholder Reference Number ('SRN') to hand.

After registering you may be sent an activation code in the post, used to validate and gain full access to your account.

WEBSITE

The Company has a website (www.devro.com) which provides up-to-date information on the Company and its products.

Directors and Advisers
(AS AT 1 MARCH 2021)

EXECUTIVE DIRECTORS
R Helbing
R Cummings

NON-EXECUTIVE DIRECTORS
S Good
J Burks
C Cayuela
L Jackson
M Swift

COMPANY SECRETARY AND REGISTERED OFFICE
A Money
Moodiesburn
CHRYSTON
G69 0JE
Registered number: SC129785

STATUTORY AUDITORS
KPMG LLP
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SOLICITORS
Clifford Chance LLP
10 Upper Bank Street
Canary Wharf
LONDON
E14 5JJ

FINANCIAL ADVISERS
Lazard & Co., Limited
50 Stratton Street
LONDON
W1J 8LL

PRINCIPAL BANKERS
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Corp. Banking Centre
5th Floor
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111 Old Broad Street
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EC2N 1BR

Citizens Bank
Mail Code PW2665
525 William Penn Place
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PA 15219
US

Rabobank International
Thames Court
1 Queenhithe
LONDON
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STOCKBROKERS
Numis Securities Limited
The London Stock Exchange Building
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Services PLC
The Pavilions
Bridgwater Road
BRISTOL
BS99 6ZZ

Notes

Notes

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