

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.

