

## Responsible Business

**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<sub>2</sub> emissions (tonnes CO<sub>2</sub> per million metres production) compared to 2019.
- Water savings measures reduced our water use (m<sup>3</sup> 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  |
|--------------------|---|---|
| <b>CLIMATE</b>     |     | We continue to optimise our sites for energy efficiency and lower emissions and implement low-carbon solutions where possible.  |
| <b>WATER</b>       |      | We focus on reducing our freshwater use and operate our own waste water treatment plants at our operations.   |
| <b>WASTE</b>       |    | 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.  |
| <b>PEOPLE</b>      |     | 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 |
| <b>COMMUNITIES</b> |    | 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.   |

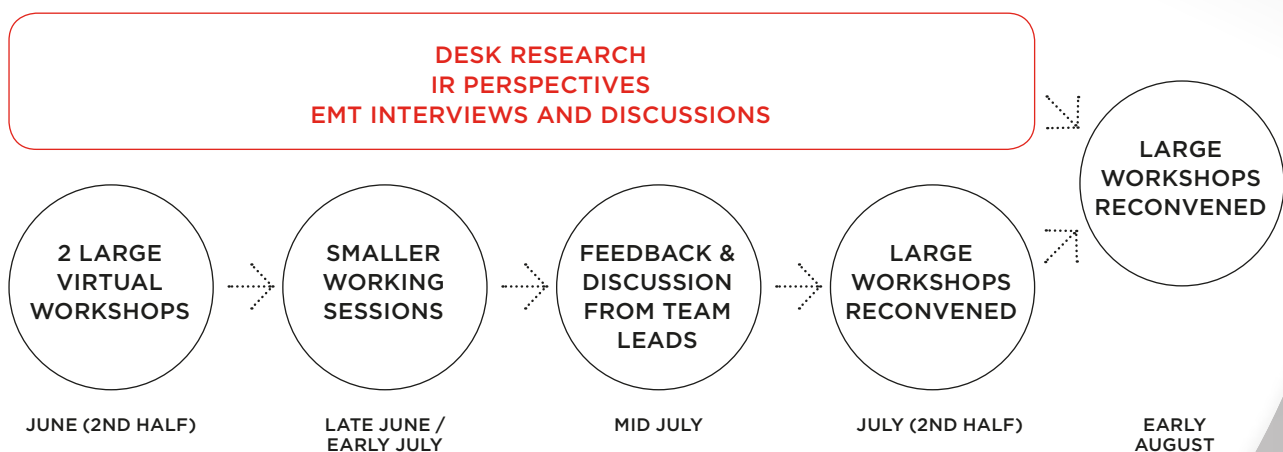
In 2021, we will also develop our formal reporting by making our inaugural CDP submission and prepare a review of how we are mitigating climate change risks, aligned with the Taskforce on Climate related Financial Disclosures ('TCFD').

## Responsible Business (continued)

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





# 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

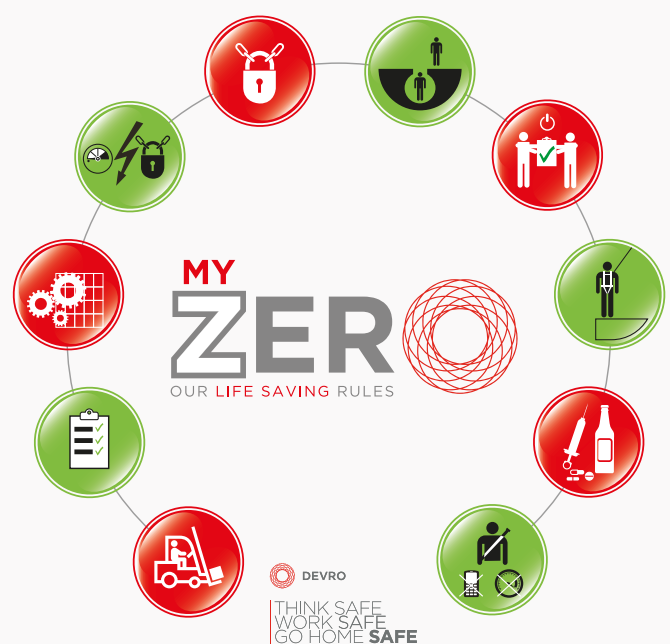
2020 will go down in history as an unforgettable year. As the COVID-19 pandemic spread across the globe, we were able to respond swiftly and leverage our early learnings in dealing with the situation at our Nantong factory, in China, across the wider Group.

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.

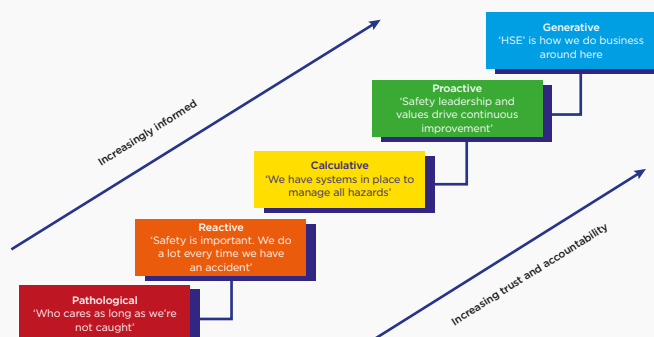
We continued to follow our three pillars to drive our safety efforts:



**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.

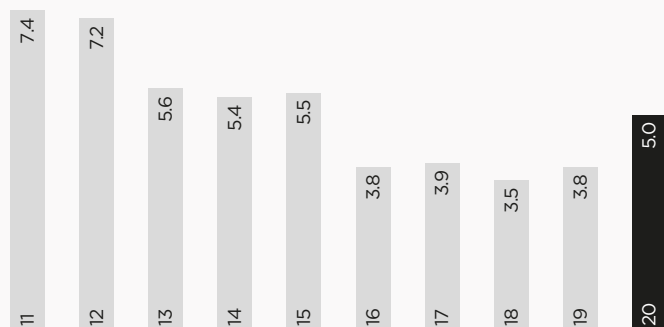
All sites have monthly safety training in place covering annual mandatory training and topics relevant to our drive to create ZERO ACCIDENT COMMUNITIES.

## 2020 SAFETY PERFORMANCE

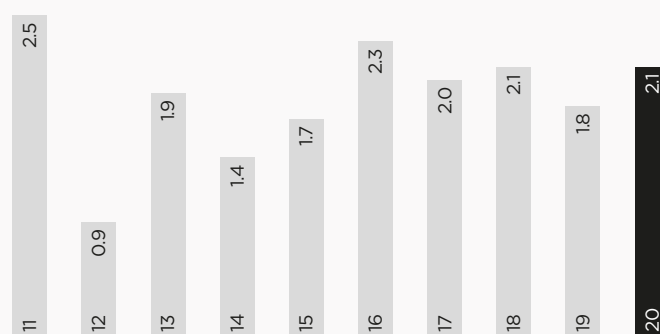
In 2020, we had 19 recordable incidents and eight Lost Working Day Incidents, resulting in a total of 222 Lost Days across Devro. There have been zero fatalities for both contractors and our employees for the last four years.

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.

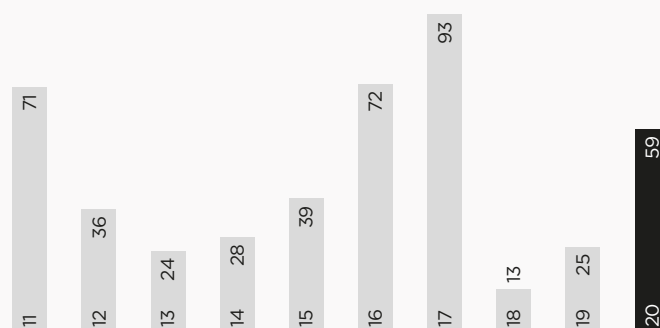
### TOTAL RECORDABLE (LWDI AND RECORDABLE) PER 1,000,000 HOURS WORKED



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

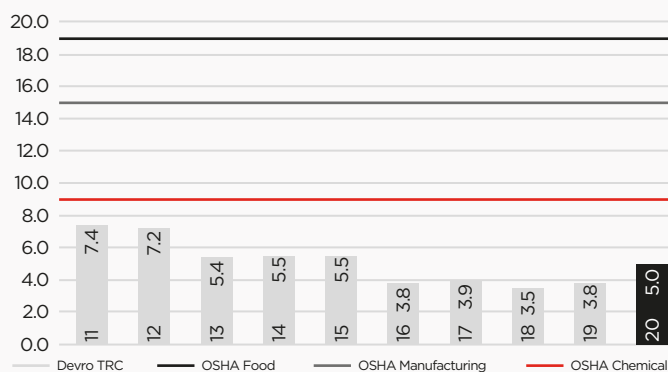


### TOTAL NUMBER OF DAYS LOST PER 1,000,000 HOURS WORKED

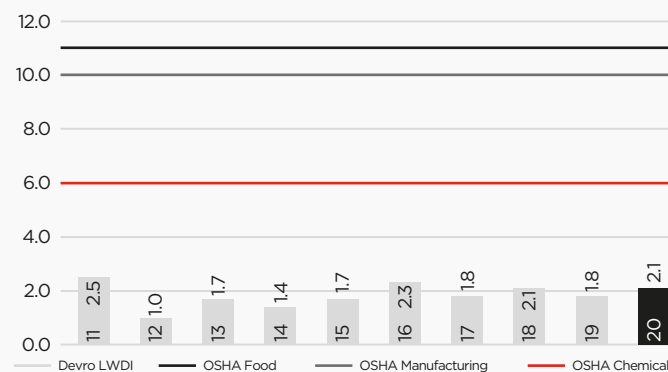


In light of our aim of a Zero Accident Community, we are not satisfied with the performance of 2020 and our goal is Zero. However, despite having more Recordable Incidents, one more Lost Working Day Incident and more Lost Days in 2020 than in the previous year, our performance continues to compare favourably 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<br>83%               | 1<br>17%           | 6            | 4<br>67%               | 2<br>33%           | 6            |
| EMT and Company Secretary<br>(excluding Directors)                                | 5<br>83%               | 1<br>17%           | 6            | 4<br>67%               | 2<br>33%           | 6            |
| Senior Managers (EMT direct reports)<br>(excluding Company Secretary and support) | 32<br>73%              | 12<br>27%          | 44           | 39<br>74%              | 14<br>26%          | 53           |
| Other employees   | 1,160<br>62%           | 706<br>38%         | 1,866        | 1,325<br>64%           | 735<br>36%         | 2,060        |
| <b>Total</b>  | <b>1,202<br/>63%</b>   | <b>720<br/>37%</b> | <b>1,922</b> | <b>1,372<br/>65%</b>   | <b>753<br/>35%</b> | <b>2,125</b> |

## 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 &amp; 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<br>£     | 2019<br>£ | 2018<br>£ |
|----------------|---------------|-----------|-----------|
| 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     |
| <b>Total</b>   | <b>33,466</b> | 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 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<sub>2</sub> 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<sub>2</sub> 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 data 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

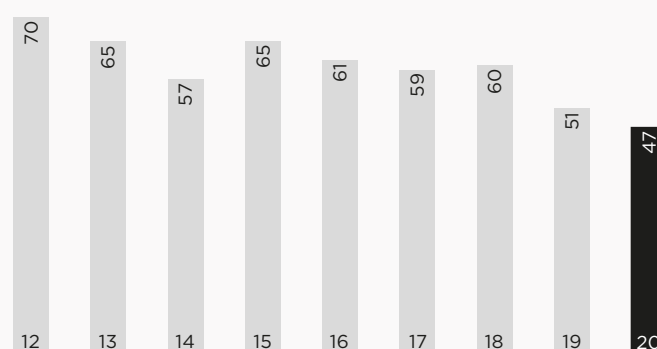
We aim to minimise our impact on climate change by continuing to work towards reducing our energy intensity and carbon emissions. We monitor and maintain our equipment and processes to reduce the impact of fuel consumption and electricity-related CO<sub>2</sub> emissions. Any major capital projects have incorporated the best available technologies at the design stage to minimise emissions and energy usage per kilometre of product.

In 2020, our CO<sub>2</sub> 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<sub>2</sub> per million metres of casing produced by 30% (actual 27%). The main contributor to CO<sub>2</sub> 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<sub>2</sub> EMISSIONS

(TONNES CO<sub>2</sub>/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<sub>2</sub>e (Scope 1) and 66,605 tonnes of CO<sub>2</sub>e (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<sub>2</sub>e 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        |
| <b>EMISSIONS</b>  |                    |                    |                    |                    |                    |                    |
| Scope 1 (tCO <sub>2</sub> e)                              | 19,060             | 34,589             | 53,649             | 23,911             | 38,077             | 61,988             |
| Scope 2 – location based (tCO <sub>2</sub> e)             | 3,059              | 57,530             | 60,589             | 5,367              | 60,608             | 65,975             |
| <b>Total scope 1 &amp; 2 (location)</b>                   | <b>22,119</b>      | <b>92,119</b>      | <b>114,238</b>     | <b>29,278</b>      | <b>98,685</b>      | <b>127,963</b>     |
| Intensity measure (£'m Group revenue)                     | -                  | -                  | 248                | -                  | -                  | 250                |
| Intensity ratio (per £'m Group turnover)                  | -                  | -                  | 459                | -                  | -                  | 512                |
| <b>ENERGY (kWh)</b>                                       |                    |                    |                    |                    |                    |                    |
| <b>Total renewable fuels consumption (kWh)</b>            |                    |                    |                    |                    |                    |                    |
| 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        |
| <b>Total non-renewable fuels consumption (kWh)</b>        | <b>104,191,275</b> | <b>190,625,435</b> | <b>294,816,710</b> | <b>125,992,642</b> | <b>206,818,328</b> | <b>332,810,970</b> |
| <b>Total renewable electricity consumption (kWh)</b>      | <b>7,112,763</b>   | <b>0</b>           | <b>7,112,763</b>   | <b>11,445,480</b>  | <b>0</b>           | <b>11,445,480</b>  |
| <b>Total non-renewable electricity consumption (kWh)</b>  | <b>15,553,560</b>  | <b>81,639,259</b>  | <b>97,192,819</b>  | <b>15,294,497</b>  | <b>87,841,789</b>  | <b>103,136,286</b> |
| <b>Total renewable other energy consumption (kWh)</b>     | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           | <b>0</b>           |
| Steam   | 0                  | 35,005,782         | 35,005,782         | 0                  | 35,913,914         | 35,913,914         |
| <b>Total non-renewable other energy consumption (kWh)</b> | <b>0</b>           | <b>35,005,782</b>  | <b>35,005,782</b>  | <b>0</b>           | <b>35,913,914</b>  | <b>35,913,914</b>  |
| <b>Total renewable energy consumption (kWh)</b>           | <b>7,112,763</b>   | <b>0</b>           | <b>7,112,763</b>   | <b>11,445,480</b>  | <b>0</b>           | <b>11,445,480</b>  |
| <b>Total non-renewable energy consumption (kWh)</b>       | <b>119,744,835</b> | <b>307,270,477</b> | <b>427,015,312</b> | <b>141,287,139</b> | <b>330,574,030</b> | <b>471,861,169</b> |
| <b>Total operational energy consumption (kWh)</b>         | <b>126,857,598</b> | <b>307,270,477</b> | <b>434,128,075</b> | <b>152,732,619</b> | <b>330,574,030</b> | <b>483,306,649</b> |
| <b>WATER</b>  |                    |                    |                    |                    |                    |                    |
| Freshwater usage (m <sup>3</sup> )                        | 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.

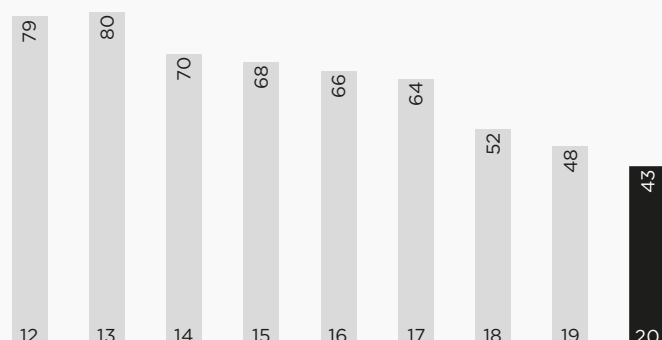
## WASTE MANAGEMENT

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<sup>3</sup> WATER/MILLION METRES EQUIVALENT CASING SOLD)  
2005 = 100; 2020 TARGET = 61.2



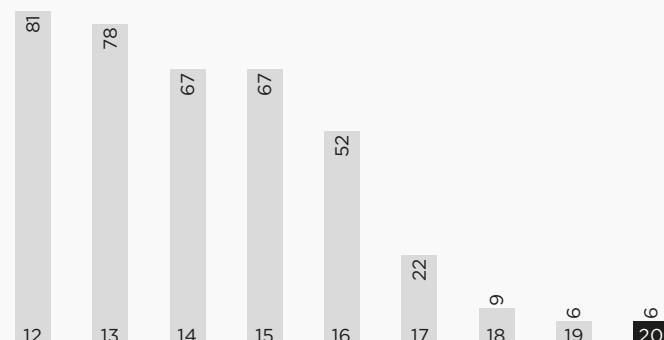
Our 2020 target was zero waste to landfill. We have made significant progress over the last five years and although we fell short of our zero waste target for 2020, our actions have reduced our waste to landfill per million metres production by 91% since 2015. This has been achieved through minimal investment. 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)                     | <b>2,293</b>  | 2,073  |
| Other waste, incinerated or recycled (tonnes)  | <b>8,382</b>  | 9,328  |
| <b>Total waste (tonnes)</b>                    | <b>10,675</b> | 11,401 |
| <b>Intensity ratio (per £'m Group revenue)</b> | <b>43.1</b>   | 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

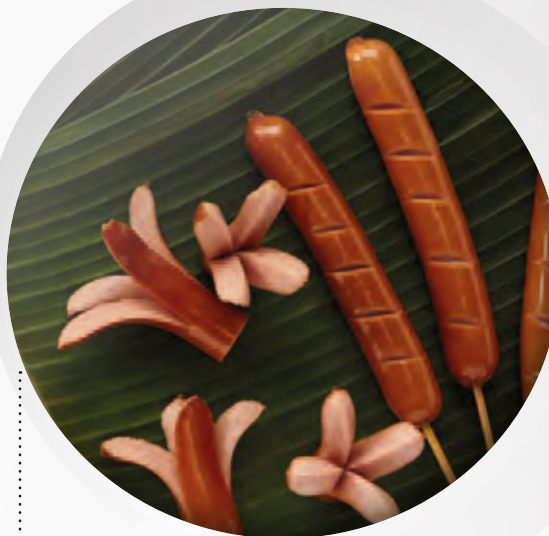
It is important that our suppliers apply the same principles of value, transparency and respect as we do, to ensure our products are sourced and manufactured in a fair, ethical and environmentally responsible manner.

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<sub>2</sub>, 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.

| Year        | Number of supplier audits (percentage) |                  |                  |
|-------------|--|------------------|------------------|
|             | Quality                                | Environmental    | Social           |
| 2018        | 42                                     | 41 (98%)         | 36 (86%)         |
| 2019        | 54                                     | 52 (96%)         | 52 (96%)         |
| <b>2020</b> | <b>95</b>                              | <b>95 (100%)</b> | <b>95 (100%)</b> |

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