



DEVRO ESG SEMINAR

29 SEPTEMBER 2021



DEVRO

AGENDA

Arrival

Welcome

Rutger Helbing

Key ESG messages

Company at a glance

Think circular – Life cycle analysis

Purpose, values, mission & culture

Our sustainability progress to date

Our sustainable priorities – through a materiality assessment

Our goals, targets & commitments

Priorities

Dr Gary Stephenson / Anton Zawada

Our chosen frameworks & standards

Governance

Conclusion

Question and Answer session

Panel

KEY ESG MESSAGES



Sustainability integral to what we do and not new to us – **part of our DNA**



Six clear priorities identified through a materiality assessment, targets set



Purpose and Values are our guiding star



Significant focus on **accelerating ESG performance and enhancing disclosure**



ESG provides growth opportunities – accelerator for scale, innovative, leading businesses



Our investment case **aligns with sustainability**

COMPANY AT A GLANCE

We are the market leader in edible films and coatings

c.2100
employees currently

70+
countries sold into directly

400+
direct customers and
100 distributor partners

60:40%
revenue –
direct vs distribution

16.9%
operating
margin (H1 2021)



The Devro
difference

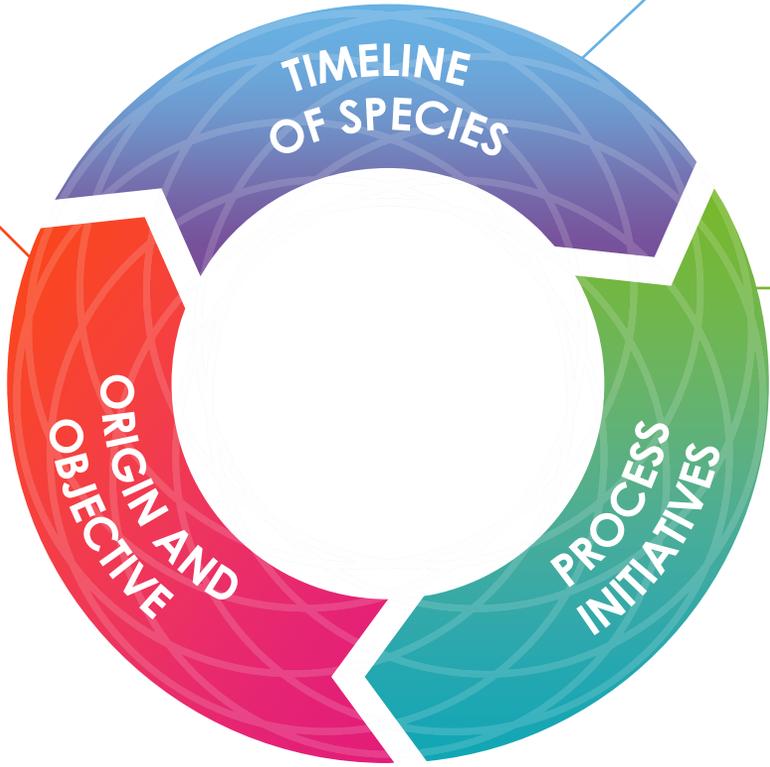
Broadest
edible portfolio

Higher yields
with superior
technical service

Improved brand
loyalty with better
quality and bite

THINK CIRCULAR – IT IS OUR HERITAGE

- Original process designed to utilise certain by-products from slaughterhouses – removing need for disposal
- Those materials, hides, represent a low single digit of the animal value
- Devro has been the leader in identifying how to utilise lower carbon footprint species



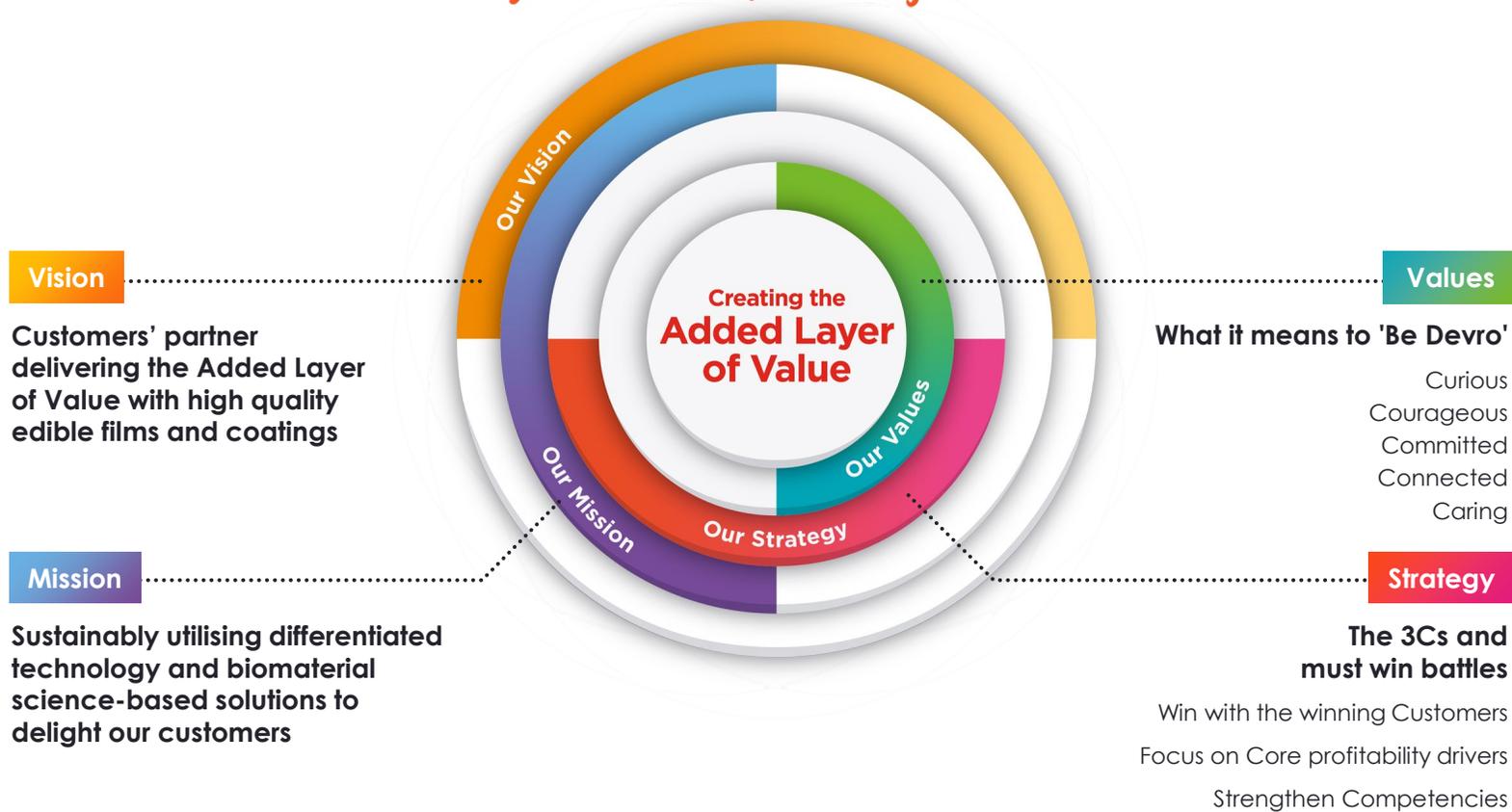
- Bovine (Beef) 1930s
- Porcine (Pig) 1990s
- Avian (Poultry) 2010s
- Exploring casings based on other renewable raw materials

Past and ongoing:

- Upgrading to more efficient manufacturing equipment, reducing energy and waste
- Enhanced product robustness and consistency leading to improved yields in manufacturing and customer processes
- Reduced product weight, whilst maintaining performance, reducing material use

PURPOSE AND VALUES – OUR GUIDING STAR

Together Responsibly Better



Creating the Added Layer of Value
Together Responsibly Better

Our purpose unearthed during 2020 and communicated internally in 2021

Strong buy-in from employees and augments our clear strategy

SIGNIFICANT SUSTAINABILITY PROGRESS MADE TO DATE

Achieved major improvements, without formalised sustainability structure, due to inherent DNA of Group

Significant improvements delivered* – Since 2015:

28%
reduction in
CO₂

37%
reduction in
water usage

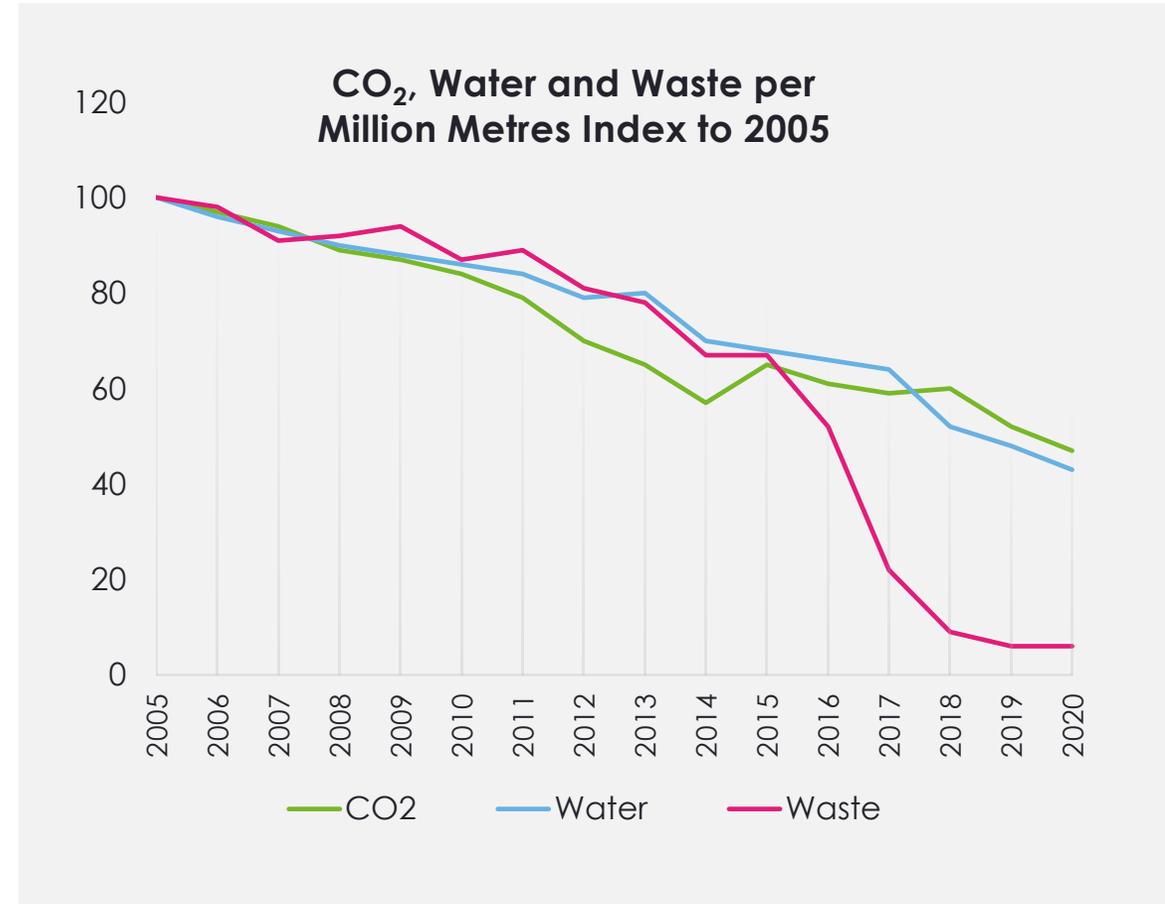
91%
reduction in
waste to landfill

Demanding 2015-20 environmental targets largely met

Capital investment made with focus on manufacturing process or water recycling, also delivered cost savings

Waste reduction aimed at separation, reducing landfill

Workforce communication increased with improvement in engagement scores



RESPONSIBLE SUPPLY CHAIN

The Group undertakes audits and questionnaires for each supplier

We use this compliance information to make decisions overseen by the Group Supply Chain Director. All non-conformance is required to be corrected promptly

For raw materials we complete a quality and food safety vulnerability risk assessment including the quality controls of the manufacturer and traceability

All our raw materials suppliers provide their environmental policies and relevant data

The Group also considers social factors including working practices and health & safety

During 2020 we nearly doubled our number of audits despite COVID-19

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%)

BUSINESS CASE – NOT AN OBLIGATION, AN OPPORTUNITY



01

Collagen casings utilise an animal by-product, would go to waste otherwise – beef, pork and poultry

02

We help our customers provide affordable, nutritious protein worldwide

03

We enhance our customers' production efficiency – reducing their impact on the environment

04

Short term "win win" of cost savings and sustainability benefits, longer term maintains competitiveness and market leadership

05

We provide high quality work and employment opportunities

06

New technologies for changing market – our technical strength is an enabler

SUSTAINABILITY PRIORITIES

Materiality assessment undertaken:



- Strategy informed by materiality assessment which incorporated both internal and external stakeholders views on greatest risks and opportunities
- 60 employees engaged through 15 workshops
- External stakeholders included customers, suppliers and investors

Chosen priorities:

Environmental	
Climate	Emissions Energy
Water	
Waste	Reduction to landfill Less plastics & packaging
Social	
Wellbeing	Including Health & Safety
Culture	Engagement Equality, diversity & inclusion Training & development
Communities	

Direct UN SDG alignment to material topics



SUSTAINABILITY GOALS, TARGETS & COMMITMENTS

Climate, Water and Waste metrics:

Vs 2020 baseline	2025 Intermediate	2030 Stretch	2050 Aspiration
Carbon Footprint Scope 1 and 2	-25% Relative (per km)	-25% Net	Zero Carbon
Renewable Electricity	50%	75%	100%
Water usage	-20% Relative (per km)	-20% Net	-50% Net
Waste reduction Packaging removal	-30% product waste	Zero product waste	Zero waste to landfill 40%

Ongoing capital investment commitment to deliver required reductions – c.£2m per annum – for next five years

Costed projects identified

Overall level of capital investment is growth dependent

Cultural change to augment capital commitments

Social related targets continue to be developed as we gather better data

People and communities:

Wellbeing	An employer who proactively supports the overall health of our employees (including leading safety metrics)
Culture	A great place to work (with top quartile engagement scores)
Communities	Recognised in our local communities for our contribution and as an employer of choice

A NET ZERO COMPANY BY 2050

PRIORITY – CLIMATE

Long term success. Significant further progress possible

Main contributor to CO2 emissions is site energy use and heat / electricity for our manufacturing processes. Currently 2/3 generated through heat and 1/3 electricity

2015-2020 projects included solar power installations, combined heat & power and upgrading manufacturing processes e.g. drier heat exhaust recycling

Excellent understanding of scope 1 and 2. Investigating scope 3 relevance e.g. major raw material by-product product of meat industry

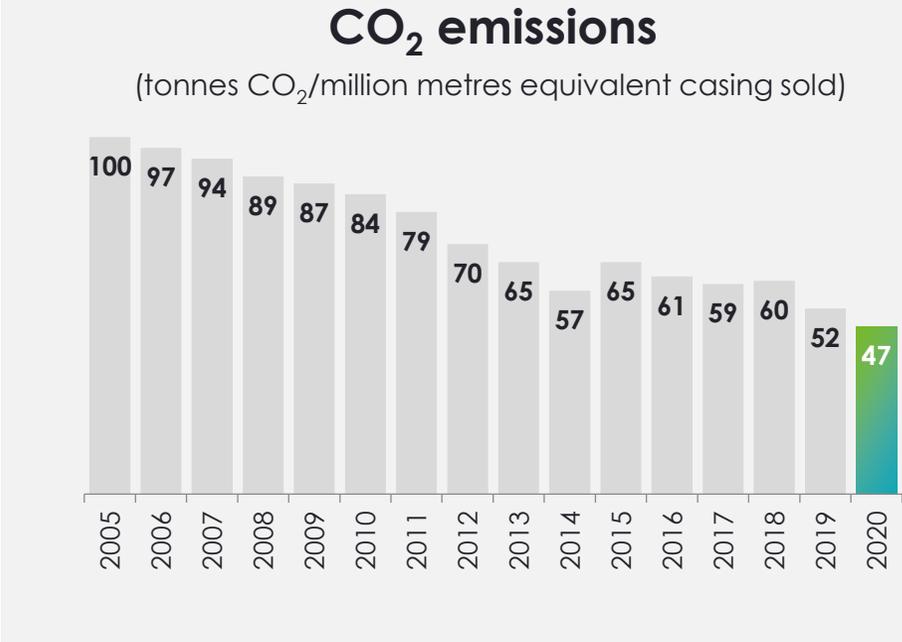
2025 focus on efficiency improvements, modular solar investments and purchase of renewably sourced electricity

2030 through improved efficiency, reduced energy demand, further renewable procurement and decarbonisation of heat

Reduction targets do not assume any significant step change in technology

Assumes purchase of renewable sourced electricity for 100% of demand in Czech and Scotland by 2025 and 100% for all sites excluding Nantong by 2030

Target:		
2025	2030	2050
-25% relative*	-25% absolute*	Net zero



PRIORITY – WATER

Our use of water includes for hide washing, gel production, casing production in wet system

Our focus is on reducing use in most water stressed environments. Food production requires potable water

We conducted a water contamination analysis at different points in process to investigate re-use or clean up

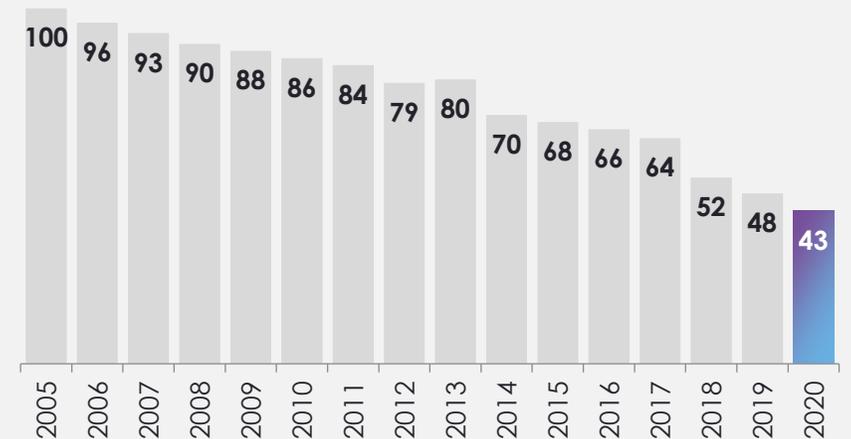
Our water recycling from 'cleaner' to 'dirtier' stages and process improvements are already delivering savings

The targets based on adoption of proven technology to re-use water in process and alternative discharge. Initial investigation into potential water clean-up technologies such as reverse osmosis was not taken forward

Target:		
2025	2030	2050
-20% relative	-20% absolute	-50%

Water Use

(m³ water/million metres equivalent casing sold)



PRIORITY – WASTE

By focusing on clean waste separation, we achieved a 94% reduction in waste to landfill since 2005 with substantial improvement in last five years

Packaging waste is separated and sent for recycling

Reduction in packaging – we will be assessing our packaging exposure including scope 3 to determine where to focus our efforts

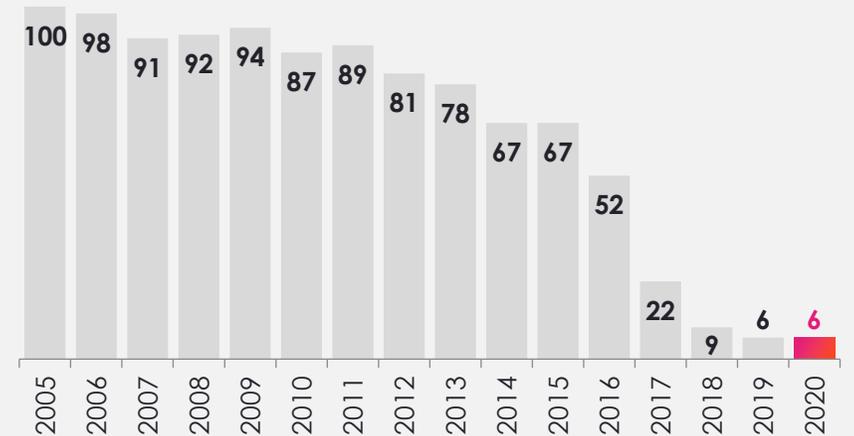
Most production waste is organic and by avoiding non-organic contamination we have an opportunity to send for anaerobic digestion for 3rd party energy generation

Aim to get to zero to landfill by 2050

Target:		
2025	2030	2050
-30% product waste	Zero	Zero total waste to landfill

Tonnes waste (converted to a solids basis)

(sent to landfill /million metres equivalent casing sold)



PRIORITY – HEALTH & SAFETY (& WELLBEING)

Our Values are core to our safety and wellbeing culture

Devro aspires to be a Zero Accident Community

To achieve this, we need to relentlessly pursue, with specific targets:

Excellence – Safe People, Places and Processes

TRIF 1.36 (2021) to 0.94 (2025)

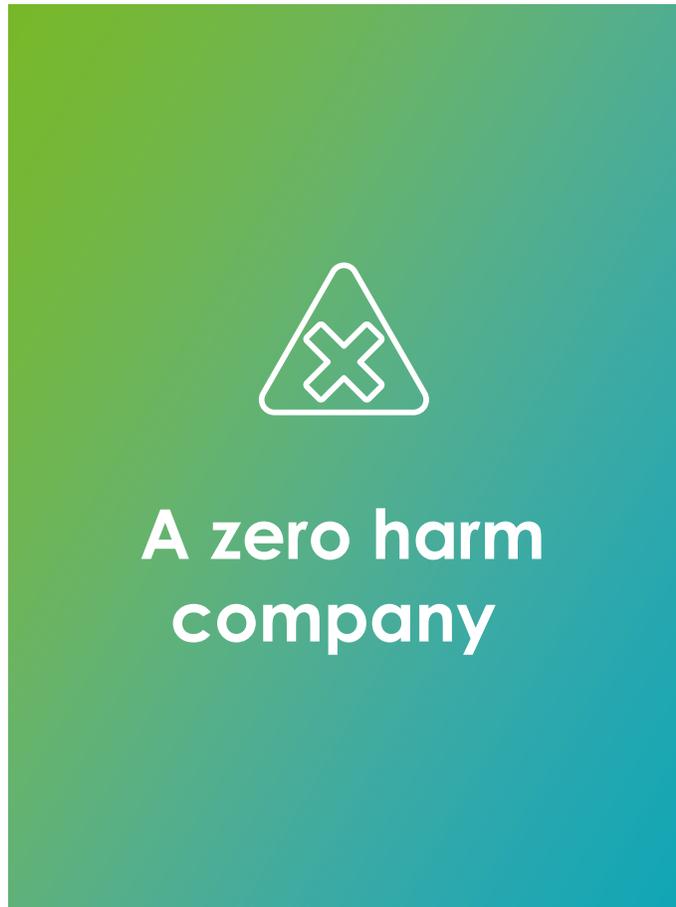
From 0.2 near miss/employee rate (2021) to 1 (2025)
- aiming to rise from Bronze to Gold rating

A cultural programme

Utilising Hearts and Minds – responsible behaviours and attitudes

Devro adopted a proactive stance in protecting our workforce with PPE provision, regular temperature checks, social distancing and continued pay and support for those isolating during COVID-19

The Group continues to offer an Employee Assistance Programme (or equivalent) at each site as well as offering relevant content on our intranet



PRIORITY – CULTURE

ENGAGEMENT

Firm believer that highly engaged businesses perform better

As such, in 2018 engagement was made a key focus with good progress since

Our annual Employee Engagement survey continues to be a key tool to connect with all employees and give them a voice and help us shape our future

For 2020 our employee priorities were Internal Communication and Leadership Visibility, both of which improved significantly albeit with the constraints of COVID-19

Our engagement score in 2020 was 72%: 5 points above 2019 Tell Dev and 9 points below World Top Quartile benchmark (which is our target)

Currently conducting 2021 process



**Highly engaged
businesses
perform better**



PRIORITY – CULTURE

EQUALITY, DIVERSITY & INCLUSION

Equality, Diversity and Inclusion (EDI) are integral to our company strategy and how we do business

Devro already have a diverse workforce reflecting our local communities

Overall workforce - 40% female / 60% male, 30% of direct reports to EMT female

We want to reflect the diversity of the national, regional and international communities that we work in

We aim to be a place where people can be free to be themselves no matter what their identity or background

To further support our priorities in 2022 we will deliver a centrally led programme on “Dignity at Work” to strengthen our inclusive and respectful culture



PRIORITY – CULTURE

TRAINING & DEVELOPMENT

Retaining a highly skilled workforce is key to our future success

Employee turnover is expensive and impacts operational effectiveness
We maintain low employee turnover

We support lifelong learning with the possibility to grow and develop for wellbeing or advancement

COVID-19 made in person learning a challenge, but the Group built upon its e-learning platform with c.110 courses available covering topics from collagen manufacturing to health & safety and effective selling skills

In 2022 the Group intends to deliver a management development programme for both current and future leaders

Mandatory compliance training as required including information security and data protection



**Supporting
lifelong learning**

PRIORITY – COMMUNITIES



Recognised in our communities for our contribution and as an employer of choice

Now globally coordinated effort



Locally we are already involved through:

Links to local schools and universities (e.g. school visits, work experience for high school students, career days at local schools)

Apprenticeships / Graduate interns

Charity Donations / Sponsorship / Match funding



COVID-19 has slowed physical participation in community activities, will return to normal high levels as conditions permit

Employees keen to do so



Each site will have specific community plans for greatest benefit to those that need support

This includes more employees doing voluntary work in the community

ESG FRAMEWORKS & REPORTING STANDARDS



Enhancing our ESG disclosure in a structured manner



CDP – first submission in July



TCFD reporting in line with recommendations and TCFD recommended disclosure on track for FY 21 year-end



MSCI 'A' rating and member of FTSE4Good, expecting other rating agencies to follow Devro in due course



Considering SBTi, aligned with our new climate targets



Considering reporting against SASB in 2022



STRONG GOVERNANCE

CEO responsible for ESG, oversight by Board

Annual Board approval of six core global governance commitments - business conduct, environmental management, food safety, health & safety, people and quality

We use an externally-hosted global whistleblowing service (EthicsPoint) and encourage stakeholders to "speak up" as necessary

Board refresh in last two years

Sustainability discussed regularly at Board (e.g. recent sign off of latest targets & TCFD), supported by internal governance framework, led by Sustainability Committee

Group pays all due tax and maintains tax transparency

Our sustainability structure



SUSTAINABILITY ALIGNED INVESTMENT CASE

01

Market-leading positions

- No.1 in many countries, gaining share elsewhere
- Helping customers to increase yield with superior technical support
- Driving industry standards on sustainability and ESG disclosure

02

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

03

Global capacity

- Fully invested asset base with the latest technologies, capable of phased expansion
- Leadership in higher growth, complex to manufacture products
- c.3% of revenue invested into R&D each year

04

Highly cash generative

- High and improving return on sales and capital
- Cost per unit reduction opportunity as volumes grow, with operational gearing

05

Attractive dividend

- Dividend covered by cash generation
- Potential to increase while continuing to invest in growing business

06

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



CONCLUSIONS

Sustainability is at the heart of our heritage and purpose

Clear sustainability priorities aligned with greatest risks and opportunities and aligned with key external stakeholders wants

Broad spread of ambitious targets, set over multiple time periods, including net zero by 2050

Management and workforce resource as well as capital deployed to meet our commitments

We see sustainability (and outcomes) as business opportunity not just an obligation

Focused on improving our upper quartile ESG disclosure and reporting

Sustainability is not new to Devro, **now accelerating next stage of plans**





QUESTIONS & ANSWERS



APPENDIX

BIOS OF THOSE PRESENTING TODAY



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 4 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 3 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.



Dr Gary Stephenson

Global Regulatory, External and Sustainability Affairs Director

Following a Ph.D. in disease transmission at the Liverpool School of Tropical Medicine, Gary started his working career at Procter & Gamble as a product safety manager for a range of consumer products, quickly moving to foods, as a safety and nutrition manager for a novel food. He moved to the External Relations team where he was exposed to Sustainability. After a short period as a consultant for some multinational brands Gary joined Devro as the Global Quality and Regulatory Affairs manager just over 10 years ago. He has been leading our efforts in preparing for and dealing with Brexit as part of his global regulatory remit and more recently, Gary's understanding of disease transmission helped implement our COVID-19 management programme effectively.

GLOSSARY

Net Zero

Achieving a scale of value chain emissions reductions consistent with the depth of abatement in pathways that limit warming to 1.5°C with no or low overshoot and; neutralising the impact of any source of residual emissions that is unfeasible to eliminate by permanently removing an equivalent volume of atmospheric CO₂.

TRIF or Total Recordable Injury Frequency

Health and Safety measurement for a company commonly calculated by the number of injuries per hours worked.

Near miss/employee rate

Health and Safety measurement. The number of incidents with the potential to cause, but does not actually cause injury, illness or damage. Commonly calculated per number of hours worked.

TCFD - Task Force for Climate-Related Financial Disclosure

An organisation established in December 2015 by the Financial Stability Board (FSB) to provide companies with a framework to disclose their climate-related risks and opportunities, as well as improve and increase reporting of climate-related financial information.

SASB - Sustainability Accounting Standards Board

An organisation established in 2011 as a not-for-profit to develop industry specific sustainability accounting standards for financially material ESG factors.

SBTi - Science Based Targets Initiative

An organisation established to provide companies with a clearly-defined path to reduce emissions in line with the Paris Agreement through the use of science based targets.

CDP – formerly the Carbon Disclosure Project

A not-for-profit charity established to help companies, cities, states and regions disclose their environmental impact with questionnaires covering climate change, forests and water security.

Hearts & Minds

It was created in the energy sector and is designed to facilitate cultural change within organisations, leveraging your workforce to improve safety and operational performance, and reach the top of the 'culture ladder'.

UN SDGs - United Nations Sustainable Development Goals

A collection of 17 interlinked global goals designed to achieve a better and more sustainable future. Established in 2015 by the United Nations with the intention of achieving them by 2030 and seek to mobilize global efforts around a common set of goals and targets.



C O N T A C T

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