ELEMENTIS

Unique Chemistry, Sustainable Solutions

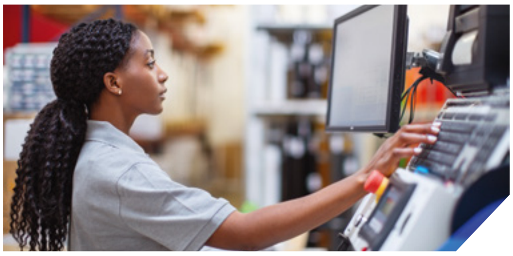
Annual Report and Accounts 2022

Making a difference through Innovation, Growth and Efficiency.

Elementis is a global specialty chemicals company. We deliver unique chemistry, sustainable solutions; our products make our customers' formulations look, feel and perform at their best.

Our purpose

At Elementis, we bring a distinctive combination of expertise, innovation and teamwork to every formulation challenge. We create high-value specialty additives that enhance the performance of our customers' products and make a positive change in the world.



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How is Elementis delivering on your commitments, nurturing your people and living your purpose?

A

At Elementis, we collaborate with our customers to develop innovative and sustainable solutions, while caring for our people and protecting the environment.

Combining our leading positions in rheology, surface modification and formulation, access to unique natural materials and global footprint, we create high-value specialty additives that enhance the performance of our customers' products and make a positive change in the world.

We manufacture safely, responsibly and effectively; we provide opportunities for everyone at Elementis to connect to others; to grow their experience and to make a real impact.

Working with our customers across the world to solve their product performance and sustainability challenges

Who we are

Elementis is a specialty chemicals company with over 1,300 employees, operating at 17 manufacturing sites across the globe.†

Founded in 1844, we are listed on the London Stock Exchange and are a constituent of the FTSE 250 index.

What we do

We create specialty chemicals that deliver crucial end product attributes across a range of industries including cosmetics, coatings and long life plastics. Innovation is at the heart of we do; our focus is on creating solutions that deliver performance improvements and enhanced sustainability credentials.

How we do it

Combining our leading positions in rheology◊, surface modification and formulation, access to unique natural materials and global footprint, we deliver Enhanced Performance Through Applied Innovation to our customers around the world.

† Figures are post Chromium sale, which took place on 31 January 2023.
◊ Learn more about rheology and our technical expertise on pages 22-23.
* Effective 1 January 2023, the results of the Coatings and Talc segments will be reported under a new segment called Performance Specialties, which reflects a change in the internal organisation structure used for management, internal reporting purposes and the allocation of strategic resources.

PERSONAL CARE

OVERVIEW
We are a leading global supplier of rheology◊ modifiers and anti-perspirant actives to personal care product manufacturers. Our products help make skin creams smooth, nail polish glow and anti-perspirants work.

Sales	Adjusted operating profit
$212m	$53m

Read more on page 82

COATINGS*

OVERVIEW
We supply rheology◊ modifiers and other complementary specialty additives to manufacturers of industrial coatings and decorative paints. Our products help make industrial coatings last longer, decorative paints more stain resistant and sealants apply evenly.

Sales	Adjusted operating profit
$389m	$73m

Read more on page 83

TALC*

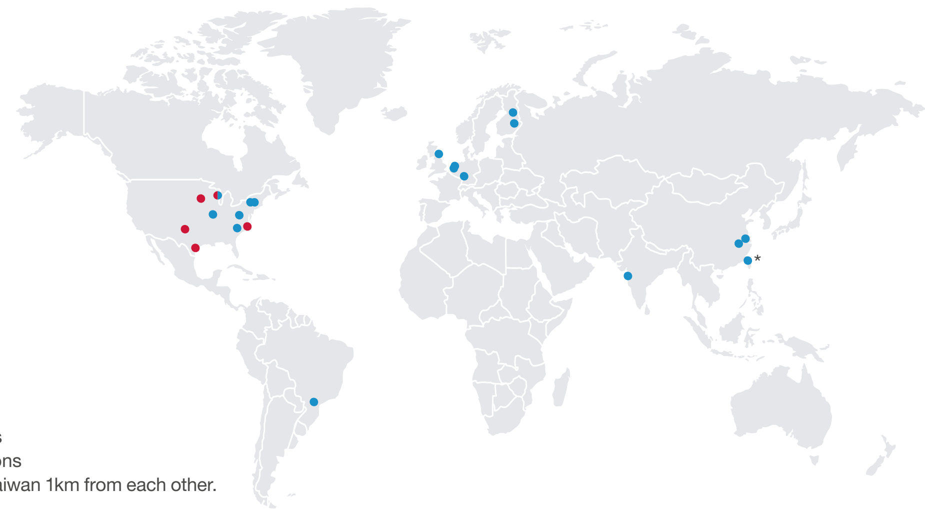
OVERVIEW
We are the second largest global supplier of talc based additives to industrial end markets including long life plastics, technical ceramics and packaging manufacturers. Talc helps to make long life plastics stronger and lighter, gasoline particulate filters work and food packaging recyclable.

Sales	Adjusted operating profit
$136m	$nil

Read more on page 84

Where we operate

Global Segments	Locations worldwide	Continents
2	23	3



KEY
- Continuing Operations
- Discontinued Operations

* We have two sites in Taiwan 1km from each other.

2022 highlights

FINANCIAL

Revenue

$736.4m*

2020	$604.4m
2021	$709.4m
2022	$736.4m

Adjusted operating profit

$100.5m*

2020	$71.2m
2021	$88.0m
2022	$100.5m

Adjusted operating margin

13.6%*

2020	11.8%
2021	12.4%
2022	13.6%

Operating profit/(loss)

$(41.8)m*

2020	$(35.3)m
2021	$11.9m
2022	$(41.8)m

Profit/(loss) before tax

$(54.8)m*

2020	$(74.1)m
2021	$(7.5)m
2022	$(54.8)m

Net debt[2]

$(366.8)m

2020	$(408.1)m
2021	$(401.0)m
2022	$(366.8)m

Diluted (loss)/earnings per share

(10.7)c*

2020	(12.2)c
2021	(1.4)c
2022	(10.7)c

Adjusted diluted earnings per share[1]

10.9c*

2020	5.4c
2021	8.3c
2022	10.9c

Ordinary dividend per share

0.0c

2020	0.0c
2021	0.0c
2022	0.0c

OPERATIONAL HIGHLIGHTS

Total recordable incident rate (TRIR)

0.67

2020	0.68
2021	0.90
2022	0.67

Lost time accidents (LTA)

3

2020	3
2021	4
2022	3

Environmental incidents

0

* Amounts are presented for continuing operations only and exclude discontinued Chromium operations.
1 After adjusting items – see Note 5.
2 Please see the Alternative Performance Measures section on page 222.

Our Values, purpose and strategy

Our purpose

Unique Chemistry,
Sustainable Solutions

At Elementis, we bring a distinctive combination of expertise, innovation and teamwork to every formulation challenge. We create high-value specialty additives that enhance the performance of our customers' products and make a positive change in the world.

Our strategy

The right strategy is important to deliver business growth, and a supportive culture is the catalyst to successful delivery.

Read more p24

- Innovation
- Growth
- Efficiency

Our Values

Our Values are core to our high-performance culture and reflected in everything that we do.

- SAFETY
- SOLUTIONS
- AMBITION
- RESPECT
- TEAM

How we are delivering on our purpose

MONTH OF INCLUSION

In 2022, we celebrated our multicultural organisation through special events during the month of October. Each week, senior leaders recorded personal videos of what inclusion meant to them, and sites from every region participated with their own stories, videos and activities. A few highlights included roundtable discussions, a speaker from the LGBTQ+ community, a glimpse into the experiences of a new employee in China and learning about the indigenous communities in Taiwan.

See pages 61-67 for more information.

LOWER CLIMATE IMPACTS

Many of our products help our customers to use less energy and their operations emit less greenhouse gas. For example, our talc helps to use more lightweight plastic components to improve vehicle energy and fuel efficiency, while our naturally-derived rheology modifiers can be incorporated into final formulations at low temperatures. We back up the impacts our products have by improving our own energy efficiency and emissions, lowering our global Scope 1 and Scope 2 (market-based) emissions in continuing operations by 91,359 tonnes CO_2 eq (58%) between 2019 and 2022.

See pages 42-56 for more information.

Chair's statement

Strong performance and strategic progress

I am very pleased to report on a successful year for Elementis in 2022. The business delivered a strong financial performance, with significant growth in revenue and adjusted operating profit, and the sale of the Chromium business announced in November completed the transition of Elementis into a pure specialty chemicals company with a much enhanced environmental footprint. This progress reflects the talent, commitment and hard work of all our people, and gives your Board of Directors confidence in the future prospects of our company.

BUSINESS PERFORMANCE

Elementis delivered a strong financial performance in 2022, as the business continued to deliver successfully on our strategy of Innovation, Growth and Efficiency. Sales grew by 4% to $736m, driven by higher demand in many end markets, delivery of major new business opportunities, and proactive pricing actions to offset inflationary cost pressures.

The performance highlights were in Personal Care, where we saw strong growth in revenue and margins as demand recovered in both the cosmetics and anti-perspirant actives markets, and in Coatings, where we won substantial new business with key customers and increased our operating margins. The performance of our Talc business was held back by the continuing weakness, particularly in the European automotive sector during the second half. In that context, a weaker profitability outlook was a contributing factor to the impairment charge in 2022. We are confident that the recovery plan for Talc will result in near-term progress. At the end of the year the Talc business was combined with the Coatings business to create a new Performance Specialties division, that will enable us to deliver further operational efficiencies and focus better on our end markets. The simplification of Elementis into two Segments (Personal Care and Performance Specialties) will better leverage management resources, improving both the efficiency and effectiveness of Elementis.

Global macroeconomic conditions deteriorated during the second half of 2022, leading to weaker demand in a number of our markets. We expect this slowdown to continue into early 2023, holding back our sales and margin growth in some markets. However, we are confident that a combination of distinctive products, expertise and compelling competitive positions can drive further growth, enabling Elementis to continue to make good progress towards the medium term financial goals we have set for the Group.

STRATEGIC PRIORITIES

The Group has a clear and consistent strategy, built around the three pillars of Innovation, Growth and Efficiency. Effective execution of this strategy delivered the strong performance we saw in 2022 and the Group remains on course to be able to achieve the medium term financial targets of 17% adjusted operating profit margin, 90% cash conversion and net debt/ EBITDA of under 1.5x.

In line with this strategy, in 2022 our Personal Care, Coatings and Talc businesses continued to develop and launch new, distinctive, high-value products, and to identify and convert attractive new business opportunities. Our focus on continuous operational improvement delivered sustainable cost savings during the year, helping to offset the cost inflation that all our businesses faced.

Chromium is an attractive business with a strong market position, but it no longer fitted strategically within the Group. The Board therefore concluded that the Chromium business should be divested, and we announced in November that agreement had been reached to sell this business to the Yildirim Group for an enterprise value of $170m. The transaction completed in January 2023, resulting in total cash proceeds of $119m after the transfer to the buyer of all material liabilities and after transaction costs. I would like to thank the executive team and the Chromium division leadership for their professionalism which led to this successful sale process.

The proceeds of the Chromium business divestiture will significantly reduce the Group's net debt and will, in the future, enable Elementis to deliver higher margins with lower cyclicality.

BALANCE SHEET AND SHAREHOLDER RETURNS

The Board remains very conscious of the need for the Group to be soundly financed, and is pleased to report solid progress in 2022 in respect of our financing objectives.

Net debt at the end of 2022 was $367m, down from $401m at the start of the year. This reduction in our net debt, along with the growth of our earnings, resulted in the reduction of our financial leverage to 2.2x* net debt to EBITDA. Shortly after the year end, our net debt was further reduced on receipt of the Chromium disposal proceeds. Our term loans were refinanced successfully with effect from 1 July and the Group has ample liquidity and headroom against its banking covenants.

The Elementis dividend was suspended in 2020 during the COVID crisis in order to preserve cash and provide additional financial headroom for the business. However, our improved business performance, and the receipt of the Chromium sale proceeds, has resulted in the Group's financial leverage moving significantly closer to our medium term target of 1.5x net debt to EBITDA.

The Board will look to reinstate the payment of ordinary dividends to shareholders later in 2023, assuming business performance is in line with expectations.

GOVERNANCE AND BOARD

There were a number of Board changes in 2022, which will ensure that the Board retains the right skills and capabilities to support our strategic delivery.

Dr Geertrui (Trudy) Schoolenberg was appointed to the Board in March and joined the Audit, Nomination and Remuneration Committees, also assuming the role of Senior Independent Director from April, which had been carried out by Steve Good from September 2021. Trudy has over 30 years' experience of working in the chemicals, engineering and high performance products sectors, including over 20 years with Royal Dutch Shell.

After 9 years on the Board, Anne Hyland stepped down as Chair of the Audit Committee and retired from the Board at the Company's Annual General Meeting in April. Anne was replaced as Chair of the Audit Committee by Christine Soden. I would like to thank Anne for her wise and insightful guidance during her time on the Board.

In December, Clement Woon was appointed to the Board and joined the Audit, Nomination and Remuneration Committees. Clement is a non-independent non executive director of PFI Food Industries Pte Ltd and a non-executive director of Morgan Advanced Materials. He had previously been CEO of a textile machinery and components business listed on the Shanghai Stock Exchange, and served in senior executive positions in public listed companies based in Singapore and Switzerland.

We will continue to monitor the effectiveness and diversity of the Board and ensure that we have the right mix of competent, diverse and engaged members, able to focus effectively on both the short term performance of the Group and our longer term strategy.

SUSTAINABILITY

The Board maintains full ownership and oversight of the Group's sustainability strategy, the risks and opportunities faced, and the progress made towards achieving the targets that we have set. The strategy shapes and drives the sustainability programme developed and delivered by the Executive Leadership team, with the Sustainability Director and Environmental Sustainability Council responsible for embedding sustainability across all the Group's operations.

Our products demonstrate our commitment to sustainability in society, enabling more efficient use of resources, reducing energy requirements and minimising pollution. The sale of the Chromium business substantially reduces our greenhouse gas emissions and enhances the Group's sustainability profile. At the end of 2022, the Board approved the Group's commitment to science based targets and to a long term ambition to achieve Net Zero by 2050.

OUR PEOPLE

People are at the core of our success as a business and our Values – Safety, Solutions, Ambition, Respect, Team – drive everything that we do. The policies that put these Values into practice underpin the Board's commitment to provide equal opportunities in a work environment where everyone is treated with dignity and respect.

We are committed to a high level of employee engagement, and the Board's oversight of the Group's policies and progress in this area is led by Christine Soden, the Designated Non-Executive Director for workforce engagement. In 2022, an Employee Value Proposition, 'Connect. Grow. Make an Impact' was launched aiming to ensure that Elementis remains a satisfying and engaging place to work, for all our employees.

Membership of the Board is 37.5% female and the Board seeks to foster Diversity, Equity and Inclusion (DE&I) at Elementis, receiving regular updates on the implementation of DE&I policies and delivery of our objectives in this area.

STAKEHOLDER ENGAGEMENT

As Chair, I maintain an active dialogue with our shareholders and other stakeholders. During the year, I had meetings with a number of our largest institutional shareholders, seeking their views on a range of issues affecting the future prospects of the company, and addressing any specific issues they raised.

LOOKING TO THE FUTURE

Following the sale of the Chromium business Elementis is now a pure specialty chemicals company, able to generate higher quality earnings and margins, and subject to lower end-market cyclicality. The business remains well financed and strongly cash generative, with a substantially enhanced sustainability profile.

Our strategy is clear and compelling, focusing on Innovation, Growth and Efficiency, and we have a portfolio of differentiated, high-value products and attractive new business development opportunities. Some of our end markets are currently subdued due to adverse macroeconomic conditions, but our businesses are strong and resilient, and we have been proactive in managing those areas of the business most affected. I am therefore confident that Elementis can make further progress in 2023 towards our medium term goals.

On behalf of the entire Board, I would like to thank all of our people for their hard work and dedication.

John O'Higgins
Chair

* This is on a pre-IFRS 16 basis.

Chief Executive Officer's review

Focused strategy driving growth and margin expansion

In 2022 we made significant progress towards our strategic and financial goals. In an inflationary and increasingly uncertain macroeconomic environment, Elementis delivered robust revenue growth and higher adjusted operating margins. This was driven by our portfolio of advantaged, high-value specialty products, augmented by new product launches and new business wins, and our continually improving operational efficiency. The sale of the Chromium business will reduce the volatility of our earnings and margins, and improve the sustainability profile of our business. Trading conditions remain subdued in many of our markets, but I am confident that continued application of our Innovation, Growth and Efficiency strategy will enable us to make further progress in 2023.

PERFORMANCE

Elementis delivered a strong financial performance in 2022, with revenue from continuing operations growing by 4% to $736m and the adjusted operating margin increasing to 13.6% from 12.4% in the prior year. Continuing operations comprises the Coatings, Personal Care and Talc businesses*, all focused on our clear strategy of Innovation, Growth and Efficiency. Implementing this strategy, these businesses together launched 18 new products and generated almost $60m from new business opportunities**, and made progress towards $10m of sustainable operating cost savings for delivery by 2023.

Including discontinued operations, Group revenue grew to $921.4m from $880.1m in 2021, and adjusted operating profit was $123.7m compared with $107m in the prior year.

Coatings, our largest business, performed well, delivering both higher sales and margins despite weaker trading conditions in some markets, especially during the latter part of the year. Sales grew strongly in the Americas region, with healthy decorative demand as well as higher sales of industrial coatings, especially in the first half. In EMEA, sales of industrial coatings were solid during the first half of the year. Sales were weaker in the decorative sector, as the post-COVID surge in demand receded, and European coatings markets overall weakened during the second half, as the macroeconomic environment deteriorated. Our sales in Asia are mainly industrial coatings, with China typically accounting for around 70% of our total regional sales, and this market was weak during the year due to the economic impact of COVID lockdowns. Coatings continued to successfully leverage its new product pipeline and global key account management programme to deliver significant sales and profit growth. In addition, continuing to focus on higher value products enabled us to increase the value of our product mix and to capture this in our pricing, delivering higher operating margins.

Personal Care performed strongly during the year, with good sales growth and higher operating margins in both Cosmetics and AP Actives. Demand for colour cosmetics grew across all our regional markets, as COVID related social and travel restrictions were lifted. New product launches and conversion of targeted new business opportunities also delivered with sales. Sales growth in AP Actives was also driven by strong demand across all regions. Volume growth, along with product mix improvements and price rises that more than offset raw material and other cost increases, delivered substantially higher operating margins in Personal Care. Our new AP Actives plant in India was completed and commissioned on schedule, with customer qualification achieved and full commercial operation initiated shortly after the end of the year.

The Talc business struggled due to a combination of significant demand weakness in its principal end markets and substantially higher European energy costs. The weak financial performance of the business, combined with an increasing discount rate, contributed to a non-cash goodwill impairment of $103m. More than 80% of Talc's sales are to customers in Europe, with the automotive sector being its largest end market sector. Significantly weaker demand in the plastics, coatings and technical ceramics market segments could be only partially offset by a higher value product mix and pricing actions. Sales were also negatively impacted by the loss of business in Russia and neighbouring countries due to the Russian invasion of Ukraine, as well as by a strike at Talc's major paper sector customer in the first half of 2022. In recent years, Talc had been successfully growing sales in China, but this area was affected by the COVID lockdowns there during 2022. Talc also faced substantial and fast rising energy costs as the year progressed with second half impact being particularly pronounced. As a result of these factors, Talc sales and margins were materially lower than in the prior year. At the end of the year, we merged the Talc and Coatings businesses to create the Performance Specialties division. This will enable acceleration of the significant revenue synergies that we have achieved and facilitate the delivery of additional operating cost savings in 2023 and beyond.

PORTFOLIO

The divestment of the Chromium business was announced in November and completed in January 2023. Chromium had been part of Elementis since 2002 and enjoyed a strong competitive position in North America. However, the business increasingly sat outside our 'Innovation, Growth and Efficiency' strategic framework and our strategic review concluded that the interests of all stakeholders would be best served by a sale of the business. The enterprise value achieved was $170m and the total cash proceeds of $119m, after transfer of all US material environmental and other liabilities and transaction costs.

Our continuing portfolio of businesses have a compelling purpose and strategic rationale. Elementis is now a pure specialty chemicals company, focused on adding value by making our customers' formulations look, feel and perform better. This focus on advantaged, high value products will enable us to deliver higher quality earnings and margins, with lower volatility, and generate significant shareholder value. In addition, the Chromium operations accounted for a large portion of our environmental impact (e.g. 69% of the Group's greenhouse gas (GHG) Scope 1 and Scope 2 (location-based) emissions in 2022 were from our Chromium sites), and the divestment significantly enhances our corporate sustainability profile.

* Effective 1 January 2023, the results of the Coatings and Talc segments will be reported under a new segment called Performance Specialties, which reflects a change in the internal organisation structure used for management, internal reporting purposes and the allocation of strategic resources.

** Clearly defined share of wallet gains linked to product portfolio additions, marketing or sales efforts.

° For continuing operations only. It is 55% when including the divested Chromium business revenue.

How we are embedding sustainability into our business

SUSTAINABILITY

Our aim is to develop high performance additives that deliver positive, sustainable outcomes for the environment and for society. To this end we seek to design products that use fewer resources and create less pollution. Our areas of focus include reducing GHG emissions with an ambition to reach Net Zero by 2050; water, waste and energy management; and product design for better lifecycle impacts.

Specific sustainability related applications benefits delivered by Elementis products include additives working at lower temperatures, which reduce customers' energy consumption; additives supporting formulation of low VOC paints, which create less air pollution; and the use of talc in lightweight plastics in vehicles, which improves their energy efficiency.

We continue to understand our carbon footprint better and the value-creating opportunities reducing it can unlock. We completed our first assessment of value chain (Scope 3) GHG emissions in 2022, and committing to adopt a science-based target via the Science Based Targets initiative, aligning our strategy to reduce GHG emissions across our operations and value chains with the 2015 Paris Agreement.

In 2022, for our continuing operations, 69%° of our revenue came from natural or naturally-derived (as defined by ISO16128) chemistries, while we increased our purchased energy from renewable or low carbon sources to 77%, contributing to our 58% reduction in Scope 1 and 2 (market based) GHG emissions since 2019. Since 2019, we have reduced water withdrawal per tonne of product made by 18%, and waste sent to third parties per tonne of product made by 13% across our continuing operations.

We believe clear disclosure of our ESG data is important, and in 2022, we improved our climate rating at the Climate Disclosure Project (CDP) to B in 2022, and increased our EcoVadis Gold rating score compared with the prior year.

Scope 1 and 2 (market based) GHG reduction across our continuing operations

58% since 2019

Read more p36-38

STRATEGIC REPORT
CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
SHAREHOLDER INFORMATION

Chief Executive Officer's review continued

SAFETY

Safety is fundamental to the success of Elementis and a core part of our culture. Our goal is to eliminate injuries completely and we continue to drive our TogetherSAFE campaign across the Group to achieve this. In 2022, we made progress on this Journey to Zero, reporting an improvement in our safety performance compared with the previous year, with 75% of our facilities reporting no injuries. The number of recorded employee injuries fell by 25% to 9, with the number of hand injuries falling to 3, from 6 in the prior year. We saw a positive trend in the use of 'Stop Work' authority. Our new Taloja anti-perspirant actives plant in India was completed and brought into production having recorded more than 1.56 million safe working hours.

PEOPLE

In 2022, we took material action to strengthen our culture, and made good progress in living our Values, launching a new Code of Conduct and revitalising our approach to compliance and ethics, to maintain and improve employee engagement and commitment.

During the year we launched our Employee Value Proposition, 'Connect. Grow. Make a Difference', based on employee input, and supported the rollout with a series of workshops. We continued to drive Diversity, Equity and Inclusion across the Group, through a DE&I Leadership Council, training programmes and specialist external trainers, and employee resource groups, such as the global Women in Leadership group. We also held a series of events in October focusing on inclusion, followed up by the launch of an inclusion newsletter.

People are the bedrock on which our success depends, and the past three years have been challenging for everyone, firstly managing the impact of the COVID pandemic, then navigating our way out of this and learning to live with a 'new normal'. I would like to thank the whole Elementis team for their fortitude, adaptability and commitment during this period and look forward to together creating a successful future for the Company.

"Trading conditions remain subdued in many of our markets, but energy prices are moderating from the peaks of last year. We have a strong pipeline of sales opportunities and are applying our Innovation, Growth and Efficiency strategy to drive further improvement. Despite the continued uncertainty in global demand, we remain confident that Elementis is well placed for future growth."

CODE OF CONDUCT LAUNCH
Relaunch of our Code of Conduct and Ethics, entitled 'Integrity is our Specialty'.

OUTLOOK

The global macroeconomic environment weakened during the second half of 2022, particularly in Europe. This created tougher trading conditions in almost all of our markets. In China, while the year has started slowly, there remains a reasonable expectation for some demand improvement as the year progresses.

Elementis is well positioned to weather this global market uncertainty and to benefit as trading conditions improve. We have a portfolio of high quality businesses, implementing a strategy based on Innovation, Growth and Efficiency in order to develop and deliver distinctive, advantaged products and technologies. We have a strong pipeline of new products and new business opportunities.

Moreover, the sale of the Chromium business has enhanced our portfolio quality – reducing the volatility of our earnings, improving margins and transforming the sustainability profile of our business. Our streamlined operating structure with two segments, Personal Care and Performance Specialties, allows us to focus on attractive end markets and deliver further efficiencies as we integrate the Talc and Coatings businesses.

The balance sheet continues to strengthen, with net debt to EBITDA ratio approaching our medium-term leverage target, whilst our operations remain highly cash generative.

Elementis is now well placed for both improved returns and growth.

Paul Waterman
CEO

Answering key stakeholder questions

STAKEHOLDERS KEY Customers Suppliers Employees Investors Regulatory authorities Communities and the environment

Q What impact will the sale of the Chromium business have on the future prospects of Elementis?

A The sale of Chromium will affect the Group in three ways.

First, it transforms Elementis into a pure specialty chemicals business, that uses our unique chemistry to develop and supply distinctive, advantaged additives to our customers. This focus on high value products will enable us to deliver higher quality earnings and margins, and with less volatility due to exposure to commodity cycles.

Second, the proceeds of the sale significantly reduce our net debt and strengthen our balance sheet. That gives us a solid platform on which to drive further growth, and also enables us to look to resume the payment of dividends to our shareholders.

Third, the sale of Chromium enhances the environmental profile of the Elementis. Chromium accounted for almost three quarters of the Group's greenhouse gas emissions and the transaction therefore represents a major step forward towards our long term sustainability targets.

Q Can Elementis achieve its medium term target of a 17% adjusted profit margin?

A We are confident that consistent and effective execution of our strategy of Innovation, Growth and Efficiency can enable us to achieve this target margin.

By continuing to invest in innovation, we create new higher-value products that deliver higher margins. The strong relationships that develop out of our close collaboration with customers enables us to grow our share of their business, and also opens up significant new opportunities. This innovation-led growth – selling more, higher-value products, in all of our businesses – drives us towards our medium-term target.

At the same time, we continue to focus on the efficiency of our own operations, ensuring that we optimise our procurement, manufacturing and logistics functions. Our AP Actives plant in India is an example where we have invested to substantially lower the cost base of the business, with both manufacturing and logistics benefits that underpin our margins. Across the business we have a rolling programme of continuous improvement that is delivering sustainable cost savings in all areas of our operations.

We are seeing evidence of progression. Our adjusted operating margins have improved from 12.1% in 2021 to 13.6% in 2022. Our Personal Care and Coatings businesses represent more than 80% of our revenues and these already deliver margins above our 17% target. We are confident that the recovery plan being implemented in our Talc business, which is now part of our new Performance Specialties business unit, can drive improvement in Talc margins. With this context, we believe the Group as a whole can achieve and sustain our medium-term target of 17% adjusted operating margins.

Q How do you plan to turn around the fortunes of the Talc business and how long do you think this will take?

A Talc had a tough year in 2022 due to a range of external factors, which led to lower sales volumes, higher operating costs and a significant profit decline.

The European automotive sector is our biggest market sector and demand was weak, due to subdued levels of vehicle production and customers destocking. Talc sales were also impacted by a prolonged strike at a major customer in the paper sector, weakness in our markets in China due to COVID lockdowns, and the loss of customers in Russia and adjoining countries because of the Russian invasion of Ukraine. Talc is a big user of electricity and the major war related increase in European energy prices had a big impact on our financial performance.

We have responded to these challenges in several ways. We have taken a number of pricing actions that have offset the cost increases. The new Performance Specialties management structure will allow us to deploy capability better and to have a single, integrated global sales force as well as a simplified route to market. We continue to pursue a value focused strategy, and are looking to reduce complexity and rationalise SKUs. Talc has had an encouraging start to the year in 2023 and we are confident of a turn around in performance.

Q How can you ensure that sustainability becomes embedded into all aspects of your business, and that you really do deliver 'sustainable solutions' for your customers and for society?

A We are making continuous progress on this journey. For us, embedding means making balanced business and strategy decisions that incorporate sustainability risks and opportunities alongside more established financial considerations. To help this, we are continually improving sustainability-related data and how we assess potential future risks and opportunities. For example, in 2022 we developed our first quantified understanding of greenhouse gas emissions in the value chain (Scope 3) which helped us prioritise development activities to replace specific raw materials with alternatives with a lower carbon footprint. We also adopt standardised frameworks when they are of relevance to our business activities. They help us better assess sustainability topics and to credibly communicate outcomes to customers and other stakeholders.

Our investment case

Reasons to invest

Elementis is a global specialty chemicals business providing innovative solutions for some of the biggest challenges facing industries and companies today. Our business model is built on differentiated premium assets, an innovation focus, clear growth opportunities and strong cash generation.

1

Differentiated premium assets

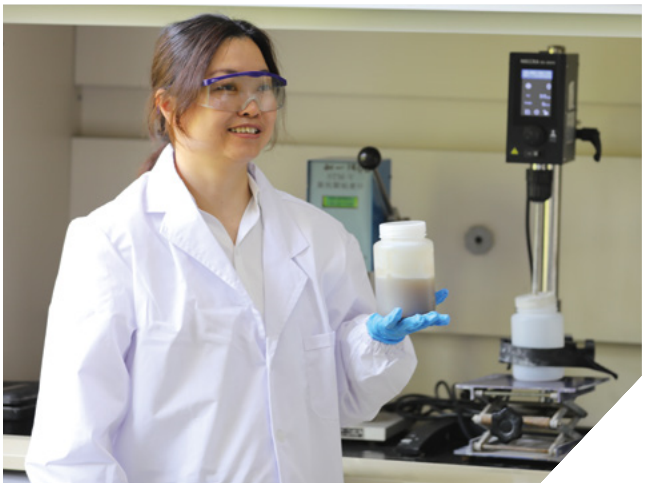
The fundamentals of our business are strong, focused on high quality, high margin activities in Personal Care and Performance Specialties. These premium performance additives businesses are centred on long duration and differentiated resources, including the only high quality hectorite clay mine in the world in California, and high quality talc deposits in Finland. Together with our unique technology and market leading formulation capabilities, these create compelling competitive advantages.

Read more about our business model on pages 18-19

Number of assets

12

2



Innovation focus

Innovation is at the heart of what we do. Leveraging our capabilities in rheology, surface chemistry and formulation, we help our customers respond to their biggest challenges through deep partnerships, ongoing technical support and consistent quality, service and delivery. We are customer driven, solutions focused and fast moving. This focus drives our growth and returns.

Read more about our innovation focus on pages 22-23

Spent on R&D

$8m

3

Growth opportunities supported by structural growth trends

Across our premium performance additive businesses, we see over $100m of revenue growth opportunities supported by structural megatrends. In Personal Care, we are well positioned to serve the growth of premium cosmetics in Asia and demand for natural skin care ingredients. In Performance Specialties, our technologies enable the creation of more environmentally friendly industrial coatings and higher performance decorative paints. In addition, the need to reduce vehicle emissions and single use plastic consumption will drive demand for our talc based additives.

Read more about our growth opportunities on pages 28-29

Products launched in 2022

18

4

Strong cash generation

Strong cash generation is a hallmark of Elementis. Looking forward, we target operating cash conversion of at least 90% and, supported by our Innovation, Growth and Efficiency priorities, this will facilitate sustained reinvestment for organic growth, financial deleveraging and, in due course, the reinstatement of dividend payments to shareholders. Our medium term financial leverage target is under 1.5x net debt/EBITDA, compared with 2.2x* today, and delivery of this target is anticipated to drive significant shareholder returns.

Read more about our Finance report on pages 76-81

average three year operating cash conversion

87%

* This is on a pre-IFRS 16 basis.

Our market drivers

Demographics

TREND

The UN expects the world's population to increase by 2 billion in the next 30 years, to 9.7 billion people.

Most of this increase will be in the developing world, driving further urbanisation and investment in infrastructure.

Economic development, an expanding middle class and growing levels of western style consumerism will generate demand for products that improve living standards in these markets.

WHAT THIS MEANS FOR OUR INDUSTRY

- Increasing demand for construction and infrastructure related solutions
- Rising demand for personal care products such as colour cosmetics and skin creams
- Increased demand for longer lasting and more technologically advanced products

OUR OPPORTUNITIES

- New geographic markets for consumer and industrial products that require premium performance additives
- Opportunities to innovate and serve local market needs

OUR RESPONSE

- Capital investment in manufacturing assets in India to enhance our efficiency and bring our products closer to our customers in high growth geographies
- Launch of ingredients to combat signs of damaged skin (through e.g. air pollution)
- Addressing regional needs such as Japanese Standards of Quasi-drug Ingredients (JSQI) or halal certification
- Expand resources/investment to generate more insights on local market needs and deepen innovation dialogue
- Upgrade offering for waterbased, high solid and solvent free formulations, with higher durability formulation for cities' sustainable growth.

Premiumisation

TREND

Premiumisation is bridging the gap between luxury and mass market – offering all consumers access to unique or innovative products that promise more.

Consumers are willing to pay premium prices on value added products with real benefits.

Premium is not just about price. It is the promise of exceptional quality and experience, fuelling the growth of unique, value added products.

As a result, the premium segment is experiencing strong growth, outpacing total category sales in many markets.

WHAT THIS MEANS FOR OUR INDUSTRY

- Demand for products that make consumers' lives easier
- Demand for products with feel good and premium characteristics
- Demand for natural or naturally-derived products

OUR OPPORTUNITIES

- Higher demand for additives that deliver premium product performance characteristics
- Opportunities for natural or naturally-derived ingredients (e.g. hectorite, talc or castor wax based additives) which represent 69%* of our total sales

OUR RESPONSE

- Focused innovation targeting technologies that deliver improved product performance, lower operational costs and enhanced sustainability claims
- The launch of 18 new products in areas such as premium decorative paints, natural skin care ingredients and high efficacy anti-perspirant actives
- Product launches that are suitable for the 'masstige' market and reduce time to market
- Product solution for better durability, workability and aesthetics for the Deco and Construction markets

* For continuing operations only. It is 55% when including the divested Chromium business revenue.

Sustainability

TREND

The recognition that resources are finite, and there are wide, complex planetary and societal impacts related to how resources are used, is driving change across the socio-economic system.

Consumers want products that have low negative impact on the environment, nature, communities and workers in the value-chain. It is increasingly important that claimed product benefits are based on credible, science-based evidence and standards.

Businesses that embed future sustainability-related outcomes into strategic decisions will find new opportunities and have greater resilience in a changing world.

WHAT THIS MEANS FOR OUR INDUSTRY

- Increased desire for solutions that contribute positively to the health and wellbeing of society
- Demand for solutions that increase production yields and contribute towards the circular economy
- Pressure to minimise social and environmental impact of production throughout supply chains

OUR OPPORTUNITIES

- Increased use of our naturally-derived products for better resource efficiency
- Products that lower energy demands and minimise pollution in downstream applications
- Innovative product designs, manufacturing processes and supply chain management to result in better outcomes for all stakeholders

OUR RESPONSE

- The launch of products that reduce transportation emissions, that lower customers' energy requirements and enable food packaging recycling
- Aim to reach Net Zero by 2050 and committed to set a science-based GHG emission reduction target
- Progress towards our 2030 environmental targets
- Carbon neutral Bentone Gel® production at Livingston

Transparency

TREND

In an ever more connected world, customers and employees want more transparency from the organisations that serve and employ them.

Consumers and stakeholders want to know how goods and services are delivered to their door, how items are manufactured and what happens to their personal data.

Organisations of all kinds must establish and maintain trust, as the basis for successful collaboration and innovation.

WHAT THIS MEANS FOR OUR INDUSTRY

- Consistent and transparent communication of activities throughout the value chain
- Clear evidence of ethical and social considerations in decision making
- Open and frequent consultation with all stakeholders

OUR OPPORTUNITIES

- Help customers make informed purchasing decisions through clear scientific evidence and supply chain transparency
- Improved reporting and disclosure of corporate activities

OUR RESPONSE

- Further investment in digital capabilities including online customer ordering, tracking and fulfilment, along with access to product safety data
- Verification against demanding labelling standards such as ISO, COSMOS and Ecolabel to highlight the credentials of our products
- Launch of our new Code of Conduct
- Increased our EcoVadis Gold rating and CDP Climate score compared to the prior year

Supply chain in action

Responding to global supply chain challenges

Global supply chains remained challenged in the first half of 2022, starting with accumulated backlogs and staffing shortages, then facing intensified delays due to the impact of the Russian invasion of Ukraine and China widening the COVID-19 curbs. While the supply constraints eased in the second half, manufacturing was being hit by rising prices, weakening demand, and a shift of sentiment. These tested the resilience and agility of our global supply chain and manufacturing.

1

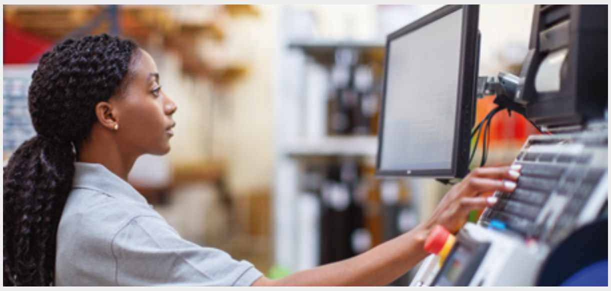
Demand

A high level of backlog orders was carried over at the beginning of 2022 due to significant disruptions to our supply chain in the prior year. We effectively prioritise orders, increase production capacity, and communicate with customers. We also optimise the supply chain and streamline the process, including automating the order entry and inventory management process to reduce errors and speed up order processing. Those efficiency improvements help us process orders more quickly. As a result, we decreased 85% of backlogs and minimised the order pushed out due to no inventory availability.

2

Raw materials

Demand for raw materials remained high at the beginning of the year and inflation continued to be a significant factor. We continued to develop alternative supply chains and implement price increases, as necessary. In addition, during 2022 we configured the supplier bases for our new plant in India which was commissioned in Q4. In the last quarter of the year the sourcing environment began to shift with demand in global supply chains softening and availability improving.



OUR RESPONSE

Customer fulfilment excellence from the supply chain agility

A US customer needed an urgent delivery of a specialty rheology additive from the manufacturing facility at Livingston, UK, to respond quickly to the end market demand changes. But the Livingston plant capacity was sold out due to a critical raw material supply under force majeure. In the meantime, the trial production of the same rheology additive at the New Martinsville, US manufacturing facility was planned to be completed after a scheduled maintenance outage in the next three weeks. The commercial, supply chain and manufacturing teams collaborated immediately to bring forward the trial at the New Martinsville plant and to re-prioritise other customers' orders. The production trial generated the on-spec materials at the first pass thanks to the productivity and flexibility enabled at the New Martinsville plant. The supply chain operations team secured the carriers and delivered the products immediately after the successful production run, thanks to the automated process to speed up order-to-delivery. By building an agile supply chain with quick response time and high level flexibility, collaboration and visibility, we can improve our ability to respond to changing market conditions and customer needs while reducing costs and improving efficiency. This is becoming increasingly important as we face greater levels of uncertainty and volatility in the global marketplace.

3

Logistics

The logistics challenges in 2022 shifted from tackling transportation bottlenecks and extended transit time, especially in ocean freight, to battling over-the-road transportation costs and warehousing space availability, which impact customer satisfaction and our financial performance. We established the logistics management function and installed the logistics management programme to oversee the logistics related service, efficiency, and network optimisation improvements globally. We also partner with leading third party logistics providers to deploy new technologies for better visibility and to optimise routing and scheduling.

4

Energy

Supply constraints resulted in record high, volatile energy prices around the globe. In Europe, 2022 natural gas prices reached a record peak of €340/MWh (Dutch TTF) on 26 August, 3,531% above the average price in 2020, as northern Europe prepared for winter with significantly reduced access to Russian gas. Effective hedging policies limited business impact, and our global process improvement teams continued to deliver energy efficiency projects.

OUR RESPONSE

Logistics cost visibility

One of the logistics management initiatives we implemented in 2022 was logistics cost visibility. We teamed up with a leading logistics service provider and conducted the process mapping and design for a logistics visibility platform. We built a centralised data repository of shipments with all modes and the transportation, warehousing and customer fulfilment costs associated with those shipments. We developed analytics and visualisation in Tableau to help businesses monitor transportation costs by factors such as fuel costs, carrier rates, transit times and customer fulfilment costs, including warehousing and service expenses. The logistics visibility platform enables businesses to make informed decisions, reduce costs, and improve supply chain efficiency. Utilising the logistics visibility platform, we identified cost-saving opportunities by optimising the carrier networks and negotiating better rates. We also identified inefficiencies in their fulfilment operations and took steps to optimise processes and reduce costs.

Creating long term value

WE HAVE THE RESOURCES AND RELATIONSHIPS...

PEOPLE

Our engaged and skilled workforce is focused on innovation, customer service and delivering our strategy.

~1,300
skilled employees located around the world

2,265
employee LinkedIn learning hours in 2022

RELATIONSHIPS

We have close long term relationships with customers, suppliers and other stakeholders, centred on trust and collaboration.

60+
joint product development projects with customers in 2022

25
online technical support seminars delivered each month to customers

EXPERTISE

Our technical experts deliver unique and superior additives to a wide range of end markets.

100
scientists working across 7 innovation and technical support centres

$16m
spend on R&D and technical support in 2022

ASSETS

We combine advantaged positions in hectorite and talc, with our distinctive technologies, to create value added customer solutions.

50
years of estimated resource life at our hectorite mine in California; the world's largest known source of high quality rheology grade hectorite clay

4
active open cast mines for high purity talc minerals

SUPPLY CHAIN

Our global manufacturing footprint allows us to be flexible and resilient, and deliver high value innovation solutions to customers in all geographies.

17
manufacturing sites around the world

456
employees working in manufacturing roles across the globe

CAPITAL

A highly cash generative business model and disciplined capital allocation framework that enables us to invest in growth, deliver our strategy, and repay debt.

87%
average three year operating cash conversion

$47m
capital expenditure in 2022, of which 30% was directed to growth and productivity investments

...TO CREATE MARKET LEADING INNOVATIVE SOLUTIONS...

We **collaborate** with our customers

We **develop** innovative solutions

We **manufacture** safely, responsibly and effectively

We **deliver** to our customers globally

UNDERPINNED BY OUR CULTURE AND VALUES

Safety – our way of life
We are committed to providing a safe environment for all

Solutions – creating value for our customers
We make a difference through our expertise, responsiveness and focus on quality

...WHICH, COMBINED WITH OUR STRATEGY...

...BENEFIT ALL OF OUR STAKEHOLDERS

SHAREHOLDERS

See pages 76-81

Elementis seeks to generate appreciable returns for shareholders over time through sustained earnings growth and, subject to capital constraints, progressive dividend payments.

$131m
debt reduction since 2018

2023
Board will look to reinstate ordinary dividend payments

EMPLOYEES

See pages 61-67

Elementis promotes equality and diversity throughout the organisation and has policies and procedures that allow our employees to meet their training and development needs and maximise their potential.

$133m
employee wages and salaries in 2022

61%
employee engagement score

CUSTOMERS

See pages 26-29

Providing value enhancing products and building relationships with our customers ensure we are better placed to solve their biggest challenges.

18
new products launched in 2022

$59m
new business opportunities captured in 2022

SUPPLIERS

See pages 16-17 and 70

We value our supplier relationships and take a long term strategic approach to ensure a mutually beneficial and supportive relationship.

ENVIRONMENT

See pages 36-56 and 57-60

Through product innovation and operational improvements, we are reducing the environmental impact of both our activities and our customers' products.

11%
reduction in our Scope 1 and 2 (market based) GHG emissions in 2022 (for continuing operations)

3
of our four 2030 environmental targets met in 2022 (for continuing operations)

Ambition – passion for excellence
We are innovative, courageous and driven in everything we do

Respect – we do the right things
We care for our colleagues, customers, communities and environment

Team – the power of collaboration
We work, grow and succeed together

Q

How does your strategy align with your purpose?

A

Paul Waterman
CEO

The execution of our Innovation, Growth and Efficiency strategy will address our customers' most challenging problems whilst driving sustained value creation.

We are a leading global supplier of rheology modifiers and anti-perspirant actives to personal care product manufacturers. Our products help make skin creams smooth, nail polish glow and anti-perspirants work. We supply rheology modifiers and other complementary specialty additives to manufacturers of industrial coatings and decorative paints. Our products help make industrial coatings last longer, decorative paints more stain resistant and sealants apply evenly. We are the second largest global supplier of talc based additives to industrial end markets including long life plastics, technical ceramics and packaging manufacturers. Talc helps to make long life plastics stronger and lighter, gasoline particulate filters work and food packaging recyclable.

We constantly seek to be a fit for purpose and more efficient business, with our impact on the environment and the communities in which we operate at the forefront of our minds – so that we can enhance the performance of our customers' products and make a positive change in the world.

UNIQUE CHEMISTRY, SUSTAINABLE SOLUTIONS: BENTONE LUXE XO

- Launched in April 2021, Ringier Technology Innovation Award in 2022
- Multifunctional product based on unique hectorite clay
- Solution for customers:
  - Improves performance (stabilizing high oil systems, ideal to reach highest SPF performance)
  - Variety of pleasant and non-greasy textures, rich yet velvety skin feel
  - Cold processable (saving energy and emissions), 99% natural, RSPO, vegan, clean beauty (for example, microplastics-free)
  - Ideal solution for our customers' natural and clean beauty sun care products
- Immediate high interest: First sales within 6 months from launch, NBO pipeline $4M

Read more p27

Innovation at Elementis

Customer driven solutions

We create products that meet the needs of our customers through an ongoing cycle of engagement and innovation.

Read more p26

We collaborate with our customers

WHY WE VALUE THEM

Our customers rely on us to deliver high quality products with superior performance, efficiency and sustainability features. We deliver a range of products to customers around the world, and by providing expertise and innovation, we keep our customers at the forefront of their industries.

- We have continued to work in partnership with our customers to develop innovative products that align with market trends
- We provide technical support services to our customers and have an established global key account programme which enables us to focus on deepening our customer relationships

We develop innovative solutions

COMPLEMENTARY CAPABILITIES

Our laboratories have the ability to formulate finished goods similar to our customers products. We can test these materials to mimic real life conditions for demonstration.

We design tailored additives to meet market unmet needs and have the capability to test the performance of these materials in fully formulated finished goods.

- Working together with our customers we create novel technologies that deliver sustainable solutions to consumers and differentiated performance
- Together with our customers we monitor market trends and emerging needs and create projects which target delivering solutions to the market

STRATEGIC PILLARS UNDERPIN EVERYTHING

Innovation

* Percentage of revenue from products launched within the last 7 years plus products that are IP protected or customer specific/otherwise proprietary.

Product launches in 2022
18

Technology centres
7

Innovation sales*
13.3%

Investment
$15m

Scientists
>100

We manufacture safely, responsibly and effectively

GLOBAL TECHNOLOGY SITES

Regional Innovation and customer service laboratories supporting global technology platforms and local customer needs.

Technology sites:

- US
- Brazil
- Germany
- Netherlands
- Taiwan
- China
- India

Global platforms:

- Decorative Coatings
- Industrial Coatings
- Construction
- Personal Care
- Anti-perspirant
- Energy
- Talc

We deliver to our customers globally

INNOVATION IN ACTION

Elementis is dedicated to offering our customers unique technologies that deliver superior performance in end uses. Our global manufacturing footprint allows security of supply of our technologies.

- Innovation with global key accounts ensures that we are delivering technologies with market leading companies
- Leveraging our expertise in rheology we launch products that deliver elegant skin feel as well as paints that deliver superior performance
- Our world class formulators create protoypes that demonstrate how our additives can impact differentiated claims

Growth

Efficiency

Delivering on our strategy of Innovation, Growth, and Efficiency

OUR STRATEGY

With strong positions in attractive markets, we see clear growth and margin improvement opportunities and expect to deliver strong, sustainable returns. The execution of our Innovation, Growth and Efficiency strategy will address our customers' most challenging problems whilst driving sustained value creation.

OUR PURPOSE

At Elementis, we bring a distinctive combination of expertise, innovation and teamwork to every formulation challenge. We create high-value specialty additives that enhance the performance of our customers' products and make a positive change in the world.

PROGRESS KEY Achieved On Target Not Achieved

INNOVATION

We are a global leader in performance driven additives that help create innovative solutions for our customers. Leveraging our capabilities in rheology, surface chemistry and formulation, we help our customers create better products.

Read more on pages 26 and 27

OUR SUSTAINABLE APPROACH

All new product launches and pipeline projects must have clear sustainability credentials, whether it is a natural skin care ingredient, bio based coating additive or talc for recyclable food packaging. We also bring our innovative approach to our own operations, for example recycling key raw materials and finding value adding outlets for waste products.

2022 PROGRESS

Progress:

- Launched 18 new products
- New and proprietary products
- 69% of our revenue for continuing operations came from natural or naturally-derived products

GROWTH

Our earnings are generated from businesses with compelling competitive advantages and clear growth opportunities – supported by market megatrends, such as demand for natural ingredients in skin care or more environmentally friendly coatings.

Read more on pages 28 and 29

OUR SUSTAINABLE APPROACH

As the world looks to sustainably use materials, we help our customers to maximise yields from materials. We add to the health and wellbeing of society with natural personal care products, non-hazardous coatings additives and materials for pollution control systems. We also contribute to our customers' sustainability goals via the delivery of additives that can lower processing energy requirements, reduce transportation emissions and improve safety handling.

2022 PROGRESS

Progress:

- Captured $59m of new business opportunities
- 10% growth in Coatings technology platforms
- Personal Care: Double digit revenue growth across Cosmetics and AP Actives linked to new product launches, skin care progress and growth in Asia

EFFICIENCY

We constantly seek to be a fit for purpose and more efficient business, agile and growing, with our impact on the environment and the communities in which we operate at the forefront of our minds.

Read more on pages 30 and 31

OUR SUSTAINABLE APPROACH

Our products help to make infrastructure, buildings and consumer products more durable, thereby extending their lifetimes. We also strive to make our own operations more efficient and reduce their environmental impact by increasing our use of renewable energy, recycling water and reducing waste.

2022 PROGRESS

Progress:

- Underpinned $10m of cost savings for delivery by 2023
- Progress towards 2030 environmental targets
- Continued ramp up of our anti-perspirant actives plant in India

* Effective 1 January 2023, the results of the Coatings and Talc segments will be reported under a new segment called Performance Specialties, which reflects a change in the internal organisation structure used by management, internal reporting purposes and allocation of strategic resources.

OUR VISION

We aim to be a growing specialty chemicals business that creates sustainable value for all our stakeholders.

OUR VALUES

Safety, Solutions, Ambition, Respect and Team are core to our high performance culture and reflected in everything that we do.

STAKEHOLDERS KEY Customers · Suppliers · Employees · Investors · Regulatory authorities · Communities and the environment

PRIORITIES FOR 2023	KPIs	OUR STAKEHOLDERS	LINK TO RISK
• Launch of 15 new products • Increase new and proprietary products to 14% of sales by 2023 • Drive strategic joint customer development projects for each global key account • Continue to roll out digital pipeline management tools throughout the innovation organisation	Please refer to pages 32-33		• Portfolio innovation and technology • Global economic conditions and competitive market pressures • Regulatory compliance and product stewardship challenges • Intellectual property and know-how Please refer to pages 86-94

PRIORITIES FOR 2023	KPIs	OUR STAKEHOLDERS	LINK TO RISK
• Investment to support cosmetics growth in Asia • Drive further penetration of new hectorite based skin care products • Ramp up of anti-perspirant actives plant in India • Drive market share gains for Coatings and Talc • Further delivery of Talc revenue synergies	Please refer to pages 32-33		• Global economic conditions and competitive market pressures • Business interruption as a result of a major event or a natural catastrophe • Business interruption as a result of supply chain failure of key raw materials and/or third party service provision Please refer to pages 86-94

PRIORITIES FOR 2023	KPIs	OUR STAKEHOLDERS	LINK TO RISK
• Delivery of $10m working capital savings by end 2023 • Implement continuous improvement projects in the supply chain to lower cost to serve and to reduce environmental impact • Completion of multi-year programme to consolidate all our ERPs on to one platform • Look to eliminate majority of $7m stranded costs from Chromium transaction (balance in 2024)	Please refer to pages 32-33		• Business interruption as a result of a major event or a natural catastrophe • Business interruption as a result of supply chain failure of key raw materials and/or third party service provision • Health and safety Please refer to pages 86-94

Strategy in action

Innovation

Innovation is a key pillar for the growth of Elementis

We are recognised as a global leader in developing performance driven additives that address unmet consumer and market needs. We continue to focus on creating solutions for our customers that deliver product performance improvements and efficiency gains while continuing to keep a close eye on how sustainability can be improved by our customers. We leverage our strong customer relationships with technology leaders in the industries and strive to become the partner of choice when new developments present themselves.

In 2022, a significant amount of effort was put into optimising our production efficiency and improving our security of supply of critical raw materials. Our technology teams partnered with production and supply chain to identify opportunities to maximise our ability to deliver products in a timely fashion to our customers. Significant debottlenecking and supply chain optimisation has delivered substantial sustainable growth in 2022, resulting in improved security of supply.

Our Innovation focus is clear. We want to create solutions for the biggest challenges that our customers face and, in turn, these are reflected in our growth platform focus. In Personal Care, consumers want natural ingredients that deliver superior performance to synthetic alternatives. In response, in 2022 we launched BENTONE® LUXE XO, a hectorite based emulsifying gel that enables the formulation of a highly stable emulsion that can be cold processed. BENTONE® LUXE XO creates an elegant emulsion system that can remain stable with high oil phase. This product was designed with sunscreen formulation in mind, but is finding a home across multiple segments in personal care.

The coatings industry wants additives that deliver enhanced performance and ease of application for decorative and industrial paints. Our Supread® 2059 super wetting agent delivers exceptional flow and levelling properties, and can be used across a variety of our industrial and decorative applications in coatings.

At Elementis, our commitment to sustainability is embedded in all our activities, including Innovation. All our new product launches and pipeline projects must have clear sustainability drivers. At present, 69% of our revenue, for continuing operations, came from natural or naturally-derived chemistries (up from 53% last year), 11 of our 18 launches in 2022 were from natural or naturally-derived chemistries, and the other 7 have clear sustainability drivers, including being safer for the environment and more effective performance capabilities. In addition, we are conscious of the need for our products to contribute to the overall wellbeing of society, whether it is through dry powder additives that reduce transportation emissions or barrier coatings that enable 100% recyclable food packaging.

We continue to use Innovation sales as a key metric of our Innovation capabilities. In 2022, our Innovation sales dipped slightly from 13.5% to 13.3%, predominantly driven by a decrease in Talc sales into the automotive plastics segment. While our overall number decreased, our personal care innovation sales increased by 1.0% and our Coatings Innovation sales increased by 1.5%.

Finally, we continue to leverage open Innovation in providing differentiation and increased speed to market. During the year we launched five new products from open Innovation partnerships into Coatings, Personal Care and home Care. In 2023, we will continue to identify strategic partnerships in an effort to bring new technologies to market.

CASE STUDY – DAPRO® DF 696 FOR INDUSTRIAL COATINGS AND INKS

Reducing VOC emissions has been paid attention by more and more countries and has become an important trend for the development of industrial coatings and inks. The transition from solvent-borne to water-borne is one of the most effective methods. With the active investment and innovative research of raw material manufacturers, water-borne coatings and inks technologies are becoming more and more mature. The application fields are becoming more and more extensive, such as auto-OEM, wood coating, container coating, construction machinery coating. The implementation of relevant regulations has further promoted the transformation of solvent-borne to water-borne systems. With the water-borne industrial coatings market worth $38bn, and growing more than 6% per annum which is significantly higher than the growth rate of the whole coatings market, there is no doubt that this is an obvious market opportunity.

In response, we launched DAPRO® DF 696 in 2022, which is a water-borne silicone based defoamer. Due to the presence of more surfactants in the formulation of water-borne system, the anti-foaming and defoaming performance has always been one of the key performance requirements from paint manufacturers. But it is often difficult to balance defoaming ability and compatibility. DAPRO® DF 696 uses innovative technology to effectively improve anti-foaming and defoaming ability while maintaining good compatibility, which is very helpful for customers to design and optimise formulations. This innovative designed product also won the Ringier Technology Innovation Award in 2022.

Strategy in action

Growth

We are targeting a wide range of attractive growth opportunities in both Personal Care and our new Performance Specialties business, applying our unique chemistry to develop sustainable solutions for customers in markets where demand is growing.

New products and new business will drive continuing growth.

We see long-term sustainable growth across all of our personal care and coatings sectors, with incremental attractive revenue opportunities.

Our target over the medium term is to launch an average of 15-20 new products annually and to generate 17% of total sales from new products. In Personal Care, we will continue to target in particular the skin care market and colour cosmetics sectors in Asia, where we remain under-represented, as well as our position in AP Actives. In Performance Specialties, we will maintain our investment in our growth platforms: premium decorative paints, water-borne industrial costings, and adhesives and sealants, seeking to utilise our advantaged products and access to unique materials. We will also focus on the growth opportunity for Talc in the automotive sector, as the trend towards lighter weight vehicles sees metal components continuing to be replaced by strong, durable plastic equivalents.

Read more p22

New business opportunities delivered in 2022

$59m

Incremental skin care sales added since 2019 at our Capital Markets Day

$10m

SKIN CARE

- Skin care remains a large and fast growing sector where rheological additives ($500m) are critical components
- In 2022, we achieved the medium term target of $10m incremental sales that we set at the Capital Markets Day in 2019
- The Skin Care new business pipeline grew to >$20m. We achieved this through new product launches based on our unique chemistry, and offered sustainable solutions to our customers through improved marketing and customer kits (Formulating for Body, Soul and Nature). They are fun and easy kits which showcase the versatility and ease-of-use of our products
- Four new product launches are planned for 2023 that will allow us an even better entrance in oil-in-water natural skin care products or that will enable clinical claims for skin conditioning

Our growth plan for skin care is well on track, supported in 2022 by the launch of new customer kits called Formulating for Body, Soul and Nature, these are fun and easy kits that showcase the versatility and ease-of-use of our products.

In Coatings, our technology-led growth platforms represented approximately 40% of our total sales in 2022

~40%

Our growth will be sustainable: in 2022 natural and naturally-derived products accounted for more than 69%* of our sales and this is increasing

69%

* For continuing operations only. It is 55% when including the divested Chromium business revenue.

Strategy in action

Efficiency

Proactive response to rising costs

In 2022, Elementis was faced with exceptional conditions in terms of input costs. Not only did we see severe inflation in our raw material costs, but we also saw strong impacts in logistics and energy costs. Energy costs in Europe were notably affected by the Russian invasion of Ukraine.

Our proactive response to severe inflation has involved disciplined action on pricing, but also steps to improve our efficiency. In that way, we were able to maintain margins and make progress towards our medium term financial targets.

In response to raw material inflation and disruption, we found alternative suppliers, rapidly qualifying more than ten in the first half alone. In seeking to manage energy costs, we benefitted from hedging strategies, although these could not fully mitigate the impacts of rising market prices.

Freight rates continued to increase, and moving raw materials and products has been more complex than usual. We responded by seeking to be flexible in our use of transportation modes, booking shipping far in advance and, where appropriate, implementing surcharges.

One important area of efficiency gain in 2022 was the full year benefit from savings from the closure of our Charleston, West Virginia production plant and consolidation of capacity at our St Louis, Missouri site. This improved efficiency and utilisation levels across our North American organoclay operations.

Another key efficiency response, which will be seen over the course of 2023/24, is the continued ramp up of our anti-perspirant actives plant in India, which will be a significant enabler of an additional $10m of savings by 2023. Alongside the production ramp up, we are on track for the successful completion of customer qualification. The cost advantaged and resilient global supply position that this new plant gives us will enable us to access future savings.

A key enabler of our efficiency and simplification drive is our digital implementation programme. In 2022 we laid the foundation for the completion of a multi year programme to consolidate all our ERPs onto one platform. This is set to be complete in 2023 and will provide both efficiency and effectiveness benefits (for example, enabling better standardisation of management information reporting).

Our team of global process engineers are also driving our continuous improvement programme. In the first half, they completed 68 projects, including the debottlenecking of production in our New Martinsville plant and installation of enhanced water sensors in our Sotkamo and Vuonos plants in Finland. The team has a strong pipeline of projects over the next 12 months that will drive delivery of both our cost saving and sustainability ambitions.

The inflation environment in 2023 remains uncertain but we are confident that through a mixture of price actions, agile supply chain management and continued efficiency focus, we can maintain and improve margins over time.

CONTINUOUS IMPROVEMENT INITIATIVES

ELIMINATION OF IRRADIATED GEL RAW MATERIAL, LIVINGSTON

Problem statement: Organoclay produced at Livingston and shipped to a toller in the Netherlands for irradiation before being returned to the site for manufacture of Personal Care gels. The purpose of the irradiation step is to destroy bacteria. Customers desire natural ingredients so could we produce gels without using irradiated organoclay and still meet the bacteria specification?

Goal: Manufacture gels without using irradiated organoclay and still achieve the bacteria specification and satisfy the natural ingredient criteria for the customer.

Solution: Modify process conditions and substitute the irradiated organoclay with non-irradiated organoclay.

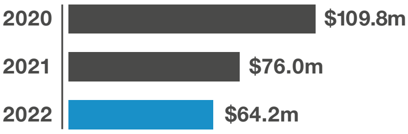
Benefit: These changes delivered savings of over $100k per year and remove the need for irradiation which is undesirable for our customers. The supply chain is simplified and Scope 3 transport emissions are reduced.

Key performance indicators

Measuring our progress

Adjusted operating cash flow ($m)

$64.2m



DEFINITION

Adjusted operating cash flow is defined as the net cash flow from adjusted EBITDA plus changes in working capital, provisions and share based payments, less net capital expenditure.

PERFORMANCE

Further information can be found on page 80.

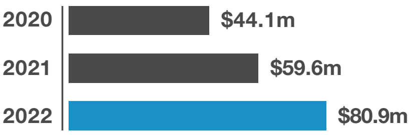
REMUNERATION LINKAGE

No direct linkage with remuneration.

LINK TO STRATEGY

Adjusted Group profit before tax ($m)

$80.9m



DEFINITION

Adjusted Group profit before tax is defined as the Group profit before tax on total operations (continuing and discontinued) after adjusting items, excluding adjusting items relating to tax.

PERFORMANCE

Further information can be found on pages 178-182.

REMUNERATION LINKAGE

Adjusted Group profit before tax is a key element of the bonus plan for the Executive Directors. Further information can be found within the Directors' Remuneration report on pages 128 and 142.

PERFORMANCE

Contribution margin (%)

47.3%

DEFINITION

Contribution margin is defined as total revenue less all variable costs, divided by total revenue and expressed as a percentage.

PERFORMANCE

Further information can be found on page 223.

REMUNERATION LINKAGE

No direct linkage with remuneration.

LINK TO STRATEGY

Adjusted operating profit/adjusted operating margin ($m)

$100.5m

DEFINITION

Adjusted operating profit is the profit derived from the continuing operations of the business after adjusting items. Adjusted operating margin is the ratio of adjusted operating profit to total revenue.

PERFORMANCE

Further information can be found on page 223.

REMUNERATION LINKAGE

No direct linkage with remuneration.

LINK TO STRATEGY

Average trade working capital to sales ratio (%)

22.5%

DEFINITION

The trade working capital to total revenue ratio is defined as the 12 month average trade working capital divided by total revenue, expressed as a percentage. Trade working capital comprises inventories, trade receivables and trade payables. It specifically excludes prepayments, capital or interest related receivables or payables, changes due to currency movements and items classified as other receivables and other payments.

PERFORMANCE

Further information can be found on page 223.

REMUNERATION LINKAGE

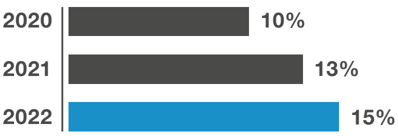
Average trade working capital is a key element of the bonus plan for the Executive Directors. Further information can be found within the Directors' Remuneration report on page 142.

LINK TO STRATEGY

KEY TO STRATEGIC PRIORITIES Innovation Growth Efficiency Non-financial KPIs Financial KPIs

Adjusted return on operating capital employed (ROCE) (%)

15%



DEFINITION

ROCE is defined as operating profit after adjusting items divided by operating capital employed, expressed as a percentage. Operating capital employed comprises fixed assets (excluding goodwill), working capital and operating provisions. Operating provisions include self-insurance and environmental provisions but exclude retirement benefit obligations.

PERFORMANCE

Further information can be found on page 223.

REMUNERATION LINKAGE

ROCE is an underpin for the long term incentive plan. ROCE including goodwill was 9.4% (2021: 7.4%).

LINK TO STRATEGY

Total recordable incident rate (TRIR)

0.67

DEFINITION

We use the US Occupational Safety and Health Administration (OSHA) definition for recordable injuries and illnesses. TRIR is the total number of recordable incidents multiplied by 200,000 divided by total hours worked by all employees during the year.

PERFORMANCE

Further information can be found on page 61-63.

REMUNERATION LINKAGE

Non-financial targets within the Executive Directors' annual bonus structure typically include a component of individual objectives relating to safety performance. Further information can be found on page 143.

LINK TO STRATEGY

Total Lost time accidents (LTA)

3

DEFINITION

An LTA is an injury or illness that requires time away from work not including the day of incident.*

* We tightened this indicator in 2021. In prior years, we reported only LTAs with three days or greater time lost.

PERFORMANCE

Further information can be found on page 61-63.

REMUNERATION LINKAGE

Non-financial targets within the Executive Directors' annual bonus structure typically include a component of individual objectives relating to safety performance. Further information can be found on page 143.

LINK TO STRATEGY

Environmental incidents[1]

0

DEFINITION

We record and categorise environmental incidents into tiers based on the severity or actions taken by regulatory authorities. Tier 3 incidents are those that have a significant impact on the environment and require reporting to an external authority and where enforcement action is likely. Tier 2 incidents have a minor impact and require notification but are likely to result in minimal action by the authorities.

PERFORMANCE

Further information can be found on page 61-63.

REMUNERATION LINKAGE

Non-financial targets within the Executive Directors' annual bonus structure include a component of individual objectives relating to safety performance. Further information can be found on page 143.

LINK TO STRATEGY

1 There were no Tier 3 or Tier 2 environmental incidents in 2022.

Key stakeholder questions

Q

How are you creating a more sustainable world?

A

Phil Blakeman
Global Sustainability Director

As greenhouse gas (GHG) emissions continue to push the world to an uncertain future, delivering increasingly sustainable products is critical to Elementis, to our customers and to our other stakeholders.

Building on our operational emission reduction progress since 2019, and newly informed by a more complete understanding of our entire carbon footprint and practical options to reduce it, in 2022 we set out an ambition to reach Net Zero by 2050 and committed to set a science-based reduction target. This ambition helps motivate our innovative people and supports our investments in projects that secure a sustainable and successful future.

The divestment of our Chromium business has substantially changed our corporate sustainability profile, with some large impacts moving out of Elementis, as detailed in this report. Our sustainability focus supports growth in our continuing operations and I am excited by the opportunities we have to contribute to a sustainable world.

REDUCING GHG EMISSIONS

This year, we set out an ambition to reach Net Zero by 2050 and made a commitment to set a science-based target for GHG emissions reduction, based on better understanding of emissions in our value chain (Scope 3) and energy efficiency and decarbonisation opportunities for our key processes. Since 2019, across our continuing operations, we have increased our share of renewable or low carbon purchased energy to 77% and reduced our Scope 1 and Scope 2 (market based) emissions by 58% (91,359 tonnes CO_2 eq), halving the emission intensity (tonne CO_2 eq per tonne produced) of our products.

Read more – page 42

Scope 1 and 2 (market based) GHG reduction for continuing operations

58% since 2019

Renewable / low carbon energy purchased in 2022

77%

Sustainability

We are a global leader in high performance additives and strive to use our expertise to shape positive outcomes in the parts of society and the environment that our business impacts.

With our differentiated chemistry and responsible management of natural resources, we create better additives that also help our customers design products with sustainability benefits.

We fully support the United Nations Sustainable Development Goals (UN SDGs) and are committed to maintaining a business which contributes to their delivery. We recognise that it is important for our business to create value for all our stakeholders, and successfully doing so improves the performance and resilience of our business. We continue to enhance our business processes to better incorporate sustainability considerations in decision-making and to track our progress effectively. We are committed to responding to the climate crisis while actively promoting a fair and inclusive culture, underpinned by our non-negotiable ethics and values, a clear focus on safety in our operations and product designs, and the efforts of our outstanding employees.

To help achieve our aim of being a leader in delivering sustainable performance additives with positive outcomes, we have organised our sustainability strategy into three pillars (below). They incorporate the most material issues that we have identified as important to achieve value for our stakeholders while delivering on our overall business strategy.

PROTECTING THE ENVIRONMENT

GUIDING PRINCIPLES

Designing better products that use less resources and create less pollution

SDG SUPPORTED

6, 9, 12, 13, 14, 15

MATERIAL ISSUES

- Customer sustainability solutions
- Product design and lifecycle management
- GHG emissions
- Water management
- Waste minimisation
- Energy management
- Ecological impacts
- Air emissions

EXAMPLE KPIS

- Revenue from naturally-derived products
- GHG emissions
- Environmental metrics
- % low carbon energy
- Customer feedback

SUPPORTIVE CULTURE

GUIDING PRINCIPLES

Working safely and respecting each other while creating opportunities for everyone to make an impact

SDG SUPPORTED

3, 5, 8, 10

MATERIAL ISSUES

- Employee health, safety & wellbeing
- Employee Diversity, Inclusion & Engagement
- Labour practices
- Community relations

EXAMPLE KPIS

- TRIR
- LTA
- % women in leadership
- Gender pay gap
- Employee engagement
- Training completed
- Employee feedback

RESPONSIBLE BUSINESS

GUIDING PRINCIPLES

Doing what is right – internally and with our business partners – and showing the outcomes of our actions

SDG SUPPORTED

12, 16

MATERIAL ISSUES

- Business ethics
- Responsible supply chain management
- Efficient & resilient supply of raw material
- Management of regulatory aspects
- Product quality & safety
- Competitive behaviour
- Data security
- Physical impact of climate change
- Critical incident risk management

EXAMPLE KPIS

- Whistleblowing incidents
- Supply Chain performance
- Third party ratings
- Data security incidents
- Stakeholder feedback

We continue to develop our sustainability strategy, informed by improved data and risk analysis. For example, in 2022, we completed our first assessment of value chain (Scope 3) GHG emissions to understand fully our carbon footprint and our opportunities to improve it. Since our 2019 baseline, we have reduced our Scope 1 and Scope 2 (market-based) GHG emissions in our continuing operations by 91,359 tonnes (58%). In 2022, we made a public commitment to reduce our greenhouse gas emissions in our operations and value chains in line with the UN Paris agreement via the Science Based Targets initiative (SBTi). We are currently developing the exact details of this science-based target and plans to achieve it. Our target will need to be ratified by SBTi by the end of 2024 at the latest. Our third-party sustainability risk assessments will continue to develop, and combined with lifecycle analysis and Scope 3 data, will bring additional understanding of opportunities to improve sustainability in our supply chain. We continue to deliver better products for our customers, and in 2022 we increased our revenue share from products with over 50% naturally-derived content (as defined by ISO16128) to 69% (for our continuing operations, up from 66% in 2021).

BENEFICIAL PRODUCTS

Our products are a visible demonstration of our commitment to bring sustainability-related benefits to society. They support various SDGs, including responsible consumption and production (through products that enabling more efficient use of resources), climate action (with products that lower energy requirements when used), and good health and wellbeing (through products that help minimise pollution and improve health). A selection of our product types and the SDGs they support is shown in the table below.

SUSTAINABILITY GOVERNANCE

Oversight of our sustainability strategy, risks and opportunities and progress is at Board level. The CEO and Executive Leadership team (ELT) approve the sustainability programme and provide senior level support to the Sustainability Director and Environmental Sustainability Council (ESC) to embed sustainability across the business.

BOARD
Oversight of Elementis' sustainability strategy and progress, with an emphasis on material issues.

ELT
Approval and delivery of the sustainability strategy, review of progress and provision of resources to ensure sustainability is embedded in various business processes.

ESC
Cross-functional group, chaired by our Sustainability Director, which meets monthly to review progress on sustainability initiatives and develop new areas of focus.

PROJECT TEAMS
Deliver on specific aspects of our sustainability agenda.

OUR PRODUCT BENEFITS AND THE SDG THEY SUPPORT

BUSINESS AREA	SUSTAINABILITY THEME	APPLICATION BENEFIT	SDG
PERFORMANCE SPECIALTIES	**Resource efficiency**	• Our bio-based additives minimise the need for fossil-derived chemicals.	12
		• Using our talc in the treatment of wood pulp improves yields and lowers the amount of chemicals needed.	15
	Minimising pollution	• Our additives support the formulation of low VOC paints by our customers, leading to less air pollution.	3
		• Our talc is a key ingredient of ceramic honeycombs used for pollution control to remove particulates and other toxins from gasoline and diesel engine exhausts.	3
		• Barrier coatings for improved compostability and recyclability of food packaging use our talc.	11
		• Concentrated powdered additives that replace liquid additives, lowering logistics emissions and avoiding use of biocide stabilisers.	14
	Lower energy demand	• Our talc is used as a filler in lightweight plastics for electric and hydrocarbon-fuelled vehicles, increasing vehicle efficiency in-use.	13
		• Our additives can work at low temperatures, lowering energy demands during formulation of adhesives and sealants.	13
		• Lower drying energy is needed for paper manufacturing when our talc is incorporated.	13
PERSONAL CARE	**Resource efficiency**	• Our bio-based additives minimise the need for fossil-derived chemicals.	12
	Lower energy demand	• Our additives can work at low temperatures, lowering energy demands during formulation of personal care and cosmetic products.	13
	Human health	• Active ingredients used for the treatment of indigestion and other gastroenteric ailments.	3

Sustainability

KEY 2022 IMPACTS*

Reduction in absolute Scope 1 and 2 (market based) GHG emissions

11%

Purchased energy from renewable or low carbon sources

77%

Revenue share from products that are naturally-derived

69%

Women in senior leadership positions

37%

2030 environmental targets met in 2022

3 out of 4

Refreshed Code of Conduct and Employee Value Proposition

Launched

Science Based Targets initiative

Committed

EcoVadis Gold

2nd year

* for our continuing operations

THIRD PARTY RATINGS AND MEMBERSHIPS

We aim to be transparent about our risks, actions and progress towards being a sustainable business. We participate in various third-party programmes to facilitate transparency.

As part of our support for the United Nations Global Compact (UNGC), we update our communication on progress every August. The latest UNGC communication detailing the steps we have taken relating to human rights, labour, environment and anti-bribery and corruption is available on our website. Our Board of Directors annually approves our Modern Slavery transparency statement. This is available on our corporate website and describes the steps that we have taken to prevent modern slavery and human trafficking in our business and supply chain.

We annually disclose climate and water related information to the Climate Disclosure Project (CDP), and our disclosures are available on their website. In 2022, our climate score improved to B (2021: B-), while our water score was C (2021: B-).

We support various external rating agencies in their assessment of our ESG performance. In 2022, we again achieved EcoVadis Gold, with an improved score over 2021 (2022: 72; 2021: 68). This puts us in the top 3% of companies rated by EcoVadis in our sector.

We maintained our ratings at MSCI, Sustainalytics and FTSE4Good.

We are active members in the Scientific Association of European Talc Producers (Eurotalc) and the European Bentonite Association (EUBA), which are both sections of the Industrial Minerals Association (IMA) Europe. In 2022, we were a member of the International Chromium Development Association (ICDA) and were awarded their responsible Chrome for the second year running, the only chromium chemicals company to achieve this.

OUR APPROACH TO REPORTING

We have reported with reference to the GRI Standards for the period 1 January 2022 to 31 December 2022, and also to SASB chemicals sector standards. How we identify ESG topics of material importance is described on page 39.

GRI content index: page 227 SASB index: page 229

Materiality

We aim for our strategic priorities to maximise beneficial impacts and minimise negative impacts to society and the environment. To do this, our priorities must reflect the full reality of the world in which we operate.

Early in 2022, our Sustainability Director led a materiality assessment process to help us identify the sustainability issues that matter most to our stakeholders (including customers, investors, regulators, and our employees) and incorporate the perspectives of a range of stakeholders into our sustainable business approach.

We considered issues highlighted by leading institutions such as the UN SDGs, the UNGC, and the Sustainability Accounting Standards Board (SASB). We also considered if there were additional issues arising from stakeholder feedback and emerging from our core business strategy. We weighted the issues for importance to stakeholder groups and for the resilience of our business. The outcome was used to confirm our sustainability priorities across our global business. For example, following our materiality assessment, we have committed to set a science-based target for greenhouse gas emissions reduction.

DIVESTMENT OF OUR CHROMIUM BUSINESS

The timing of our 2022 materiality assessment meant that considerations from our Chromium business were fully included. At the end of November 2022, we announced that a sale of this business had been agreed. In 2023, we will refresh our materiality assessment to ensure it reflects the material sustainability issues relevant to the updated Group profile.

MATERIALITY PROCESS

1

We first identified a long list of material issues, informed by the UN SDGs, UNGC, chemical sector peer companies and third-party sustainability rating companies such as EcoVadis. We recognised the SASB material topics as potentially relevant to us. We validated the relevance of these topics with our senior leaders and, in that process, identified that 'Customer sustainability offering' should be included, to reflect the value-add we can bring to our customers' own sustainability agenda.

2

A workshop was held with the senior leaders best positioned to represent different stakeholder groups (customers, investors, employees, regulators). This team consisted of the CEO, CFO, General Counsel & Company Secretary, CHRO, SVP Manufacturing and Supply Chain, SVP Global Technology, CIO, SVPs of our four BUs, Investor Relations, and Sustainability Director.

3

This team rated each issue as high, medium, or low importance to that stakeholder group, based on the conversations and interactions over the past twelve months. The ratings were debated and refined by all and translated into a single score for each issue. Thus, issues of high importance to multiple stakeholder groups scored more highly.

4

The issues were then rated by the same leadership group for importance to our business, (financial and reputational impact and likelihood of occurrence), using similar scoring criteria to that of our Group Risk process. Again, the ratings were debated and refined by all before finalising the score for each topic.

5

Analysing the output resulted in increased understanding of the material issues for Elementis, and their relative importance.

The outcome was reviewed by the ELT and the Board, and was used to reinforce the strategic priorities of the business. As part of the follow on work, further assessment was conducted on ethics risks for the business (see page 68).

Materiality full chart

OUR MATERIALITY MATRIX

OUR MATERIAL ISSUES

PROTECTING THE ENVIRONMENT

1 GHG emissions
2 Ecological impacts
3 Water management
4 Customer sustainability solutions
5 Energy management
6 Waste & hazardous material management
7 Air emissions
8 Product design & lifecycle management

SUPPORTIVE CULTURE

9 Labour practices
10 Community relations
11 Employee health, safety & wellbeing
12 Employee diversity, inclusion & engagement

RESPONSIBLE BUSINESS

13 Business ethics
14 Management of regulatory aspects
15 Product quality & safety
16 Responsible supply chain management
17 Competitive behaviour
18 Data security
19 Efficient & resilient supply of raw material
20 Critical incident risk management
21 Physical impact of climate change

Our material topics

PROTECTING THE ENVIRONMENT

GHG EMISSIONS
Reducing emissions from our own operations and throughout our value chain, by improving efficiencies, using renewable and low carbon energy, and designing better products. See pages 42-56.

ECOLOGICAL IMPACTS
Ensuring our own mining and factory operations and mineral & biochemical supply chains reduce the negative impacts of resource extraction (such as spill prevention and tailings management) and identifying opportunities to enhance biodiversity in the local area. See page 60.

WATER MANAGEMENT
Reducing water withdrawal & consumption and preventing pollution by improved operating efficiency, water recycling and designing better products & processes. See page 59.

CUSTOMER SUSTAINABILITY SOLUTIONS
Anticipating and responding to changing customer demands for more sustainable products (such as higher natural material content), or products which enable customers to improve sustainability (such as lowering energy use). See pages 24-31, 37.

ENERGY MANAGEMENT
Increasing energy efficiency to improve operating practices, processes and products, including upgrading and electrification of equipment. See pages 57-58.

WASTE & HAZARDOUS MATERIAL MANAGEMENT
Minimising the waste generated in our operations by improved processes and efficiency, while looking for alternatives to hazardous materials. See pages 59, 70.

AIR EMISSIONS
Minimising emissions to air in our operations by utilising appropriate control technologies. See page 60.

PRODUCT DESIGN AND LIFECYCLE MANAGEMENT
Designing products that have a lower impact on the environment across their full lifecycle than previous generation products. See page 37.

SUPPORTIVE CULTURE

LABOUR PRACTICES
Looking after our employees with supportive and flexible benefits and personal growth opportunities while ensuring we remain compliant with employment law, including non-use of forced labour. See pages 65-66.

COMMUNITY RELATIONS
Working closely with the communities where our facilities are located on local issues, through community volunteering, charitable donations and dialogue. See page 67.

EMPLOYEE HEALTH, SAFETY & WELLBEING
Enabling our employees to go home fit and healthy every day, through providing education, training, behavioural expectations and suitable equipment. See pages 61-62.

EMPLOYEE DIVERSITY, INCLUSION AND ENGAGEMENT
Providing an environment where all our employees are respected for who they are, are treated fairly and equitably, and feel they are empowered to make an impact on the business. See pages 63-65.

RESPONSIBLE BUSINESS

BUSINESS ETHICS
Conducting business consistent with our values, including upholding human rights and preventing modern slavery, bribery, corruption and discrimination of all kinds. See pages 68-69.

MANAGEMENT OF REGULATORY ASPECTS
Meeting all regulatory requirements across our business while preparing for impending regulatory changes. See page 92.

PRODUCT QUALITY & SAFETY
Ensuring our products are designed using precautionary principles, any product use risks are communicated clearly to customers, and products are registered in line with regulatory requirements. See page 70.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT
Promoting social and environmental improvement opportunities in our supply chains while minimising risks and negative impacts. See page 70.

COMPETITIVE BEHAVIOUR
Managing business relationships and intellectual property in a way which protects our innovation and supports fair competition. See page 68.

DATA SECURITY
Ensuring our business practices and IT systems protect the information of individuals and companies against inappropriate access. See page 69.

EFFICIENT AND RESILIENT SUPPLY OF RAW MATERIAL
Optimising our supply chain to ensure timely access to key raw materials is secure. See pages 16-17.

CRITICAL INCIDENT RISK MANAGEMENT
Management systems to prevent and respond to critical incidents, such as an operational emergency. See page 62.

PHYSICAL IMPACT OF CLIMATE CHANGE
Management of business exposure to a changing climate, such as extreme weather preparedness within our operations and supply chains. See page 49.

Climate strategy

Climate change is driving opportunities for new products in the markets we serve. Our response to climate change is a crucial part of our business strategy, shaping both how we design products and how we bring them to market.

This year, we have completed our first Scope 3 emissions assessment and introduced a financial assessment element to certain climate risks. These considerations have further informed our climate strategy and our first Net Zero transition plan, as well as fully aligning with the eleven recommendations of TCFD. In this way, we continue to improve our resilience to different climate change scenarios.

Our climate strategy, including our Net Zero transition plan, TCFD disclosures and GHG emissions are summarised below.

LISTING RULE 9.8.6R STATEMENT

Elementis plc has complied with the requirements of listing rule 9.8.6R by including climate related financial disclosures consistent with the TCFD framework recommendations and guidance on pages 42-56.

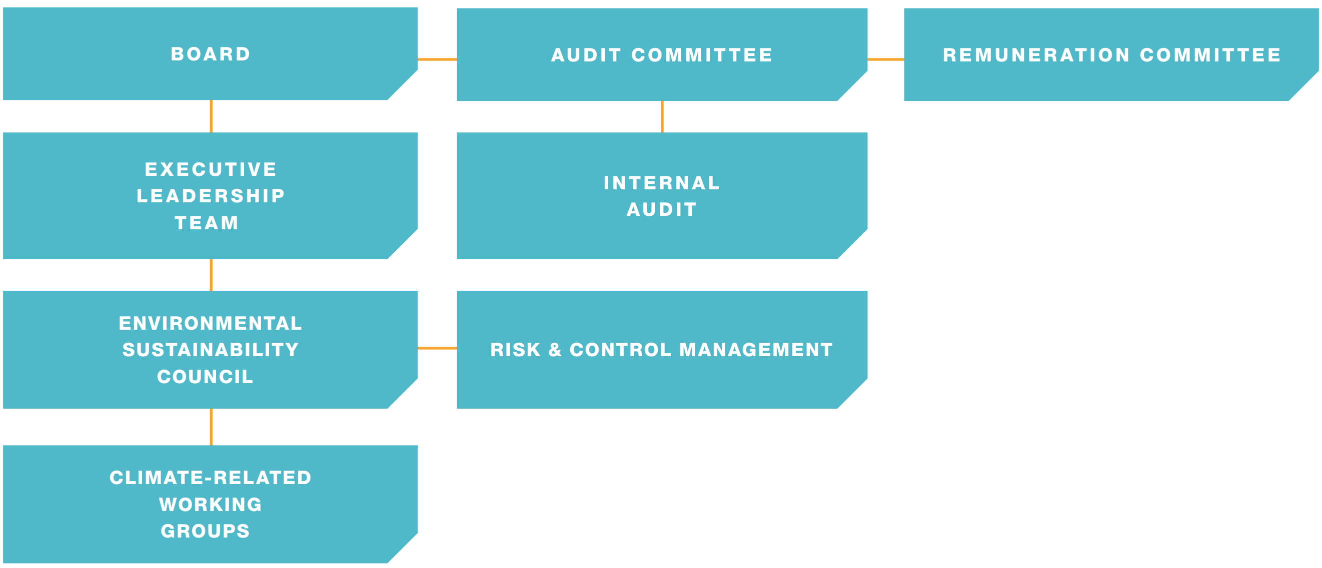
GOVERNANCE

The governance of climate related risks and opportunities is integrated into our overall risk management framework. Our Board has a diverse set of skills and experience (page 118), helping to embed climate considerations into our strategy in a balanced way. At Board level, the CEO's report highlights ESG progress including climate strategy and related risks and opportunities, with further detailed management updates provided on a bi-annual basis. This year these included our Net Zero transition plan and the impact of the sale of our Chromium business (see pages 74-75 for further information). The Audit Committee has oversight of our TCFD process and disclosure recommendations through management-prepared materials.

Our CEO has ultimate accountability for our strategic response to climate related risks and opportunities. Progress towards our 2030 environmental targets (which include climate-related targets of greenhouse gas emission and energy intensities, see page 57) are part of the performance objectives of both the CEO and CFO (see page 127). The Executive Leadership Team (ELT) members are responsible for delivering aspects of our climate strategy and managing related risks and opportunities (as part of our wider risk management process). Our Sustainability Director is responsible for driving our overall sustainability strategy, providing the Board and ELT with formal updates bi-annually, and chairs our Environmental Sustainability Council (ESC). The Sustainability Director works closely with the Risk Management function to integrate climate-related risks into the broader risk picture. The ESC meets monthly and oversees project progress and outputs and identifies necessary actions on climate related topics.

TCFD GOVERNANCE DISCLOSURES	
✓	Describe the Board's oversight of climate related risks and opportunities
✓	Describe management's role in assessing and managing climate related risks and opportunities

CLIMATE & TCFD GOVERNANCE STRUCTURE



STRATEGY

As a speciality additives business, the market segments in which we operate are highly diverse, with our products necessary for a wide range of economic activities. Our strategy of Innovation, Growth, and Efficiency incorporates climate and sustainability related opportunities:

INNOVATION

CLIMATE DRIVER
Climate concerns drive our customers to look for products with lower entrained carbon impacts.

OPPORTUNITY
Products that use carbon-based ingredients from renewable or recycled sources instead of fossil fuels.

OUR RESPONSE
Increasing the amount of bio-derived materials in our products (see our naturally-derived revenue metric on page 37).

GROWTH

CLIMATE DRIVER
End-users want to consume less resources (for example, energy, materials, water).

OPPORTUNITY
Providing ingredients with features that our direct customers can use to benefit their customers and wider society.

OUR RESPONSE
Designing products that enable lower resource use, such as barrier coatings for paper-based food packaging, and additives for VOC-free paints (see page 37).

EFFICIENCY

CLIMATE DRIVER
Customers want resilient supply of additives with low environmental impact.

OPPORTUNITY
Ensure we continually improve the sustainability of our product manufacturing and supply.

OUR RESPONSE
Our environmental targets (see page 57) and risk management (see pages 47-51) help us to deliver increased sustainability, reliability and efficiency while lowering the climate risks within the value chain.

OUR CLIMATE COMMITMENTS

To deliver on these opportunities, we also recognise the importance of setting a clear ambition for our climate strategy that aligns with our values and business environment. Therefore, in 2022, we extended our ambition from becoming carbon neutral to reaching Net Zero by 2050, supporting the intention of the 2015 Paris Agreement and the national plans of most jurisdictions in which we operate, as well as meeting the expectations of many other stakeholders (including customers, investors, and employees).

We also committed to set a science based GHG emissions reduction target via the Science Based Targets initiative (SBTi). This target will include reductions for our full value chain emissions (i.e. Scope 1, Scope 2, and Scope 3).

To make these commitments in an informed manner, and to support the development of our Net Zero transition plan (page 44), we conducted various analyses:

Scope 1: Detailed assessment of energy efficiency & decarbonisation options at six of our key strategic sites, covering 88% of our Scope 1 emissions.

Scope 2: Review of renewable electricity markets in the jurisdictions we operate.

Scope 3: Quantification of our value chain emissions and identification of initial areas of focus.

The emission reduction activities and investments identified were then overlaid on a business-as-usual projection of our emissions. Two phasings for the activities were considered – rapid and balanced – and the potential sale of the Chromium business was also considered.

This work concluded that even with a balanced approach, we had identified options that could reduce emissions in line with the SBTi pathway to reach a science-based target, particularly when our Chromium business was removed from our emissions footprint (see box). The Board reviewed and endorsed the plan and the recommendation to set an SBT with the ambition to reach Net Zero by 2050 in December 2022.

Under the SBTi framework, we have two years to validate an emissions reduction target that aligns with climate science. This gives us until 2024 to finalise our actual target. During 2023 and into 2024, we will continue to develop our target while:

1. conducting further analysis of Scope 1 emission reduction potential
2. continuing our energy efficiency and low carbon electricity procurement programmes
3. implementing specific product design and raw material changes
4. considering the impact of SBTi's Food, Land & Agriculture guidance (FLAG) and the expected Chemicals sector decarbonisation guidance on the exact form of our SBT

ACHIEVING NET ZERO BY 2050

We have a clear ambition to reach Net Zero by 2050, but we are still developing a better understanding of the options available for deep decarbonisation of our high temperature processes, assessing the implications of our Scope 3 emissions. This then defines the extent that carbon sequestration and offsets are important for our Net Zero ambition, and if we should include Scope 3 in that ambition. For example, in Livingston, UK, we are working with our equipment supplier to understand the compatibility of a key gas burner with hydrogen, but we require more understanding of the future availability, infrastructure and costs for hydrogen and similar solutions across our global locations. The complexity of our supplier base also means we need further analysis to define our full potential to reduce our Scope 3 emissions. SBTi does provide an approach to set a science-based Net Zero target (requiring a 95% reduction of Scope 1 and 2 emissions and a 90% reduction of Scope 3 emissions). We have not committed to that specific SBTi Net Zero target at this time pending our ongoing analyses. However, committing to an SBT helps to ensure we do the right thing in the next decade.

Climate strategy continued

Use of offsets

Our priority is to reduce our absolute GHG emissions. However, high quality carbon offsets can have a role in our management of hard-to-abate emissions. In 2022, we purchased our first carbon offsets for our Livingston, UK plant, allowing to us to learn about the offset market and the risks and benefits. We offset 6,128 tonnes CO_2eq emissions at a cost of $55,764. The offset project was a Gold Standard and Clean Development Mechanism verified wind farm in Nicaragua, with a capacity to avoid over 500,000 tonnes of CO_2e emissions. Combined with renewable electricity used at the site, these offsets mean Livingston manufacturing processes for Personal Care products can be considered carbon neutral for approximately three years. Our reported GHG emissions data (pages 53-56) does not include these offsets. Offsets are increasingly expected to involve carbon sequestration, and our main learning is to strengthen our project selection criteria for offset purchases.

NET ZERO TRANSITION PLAN

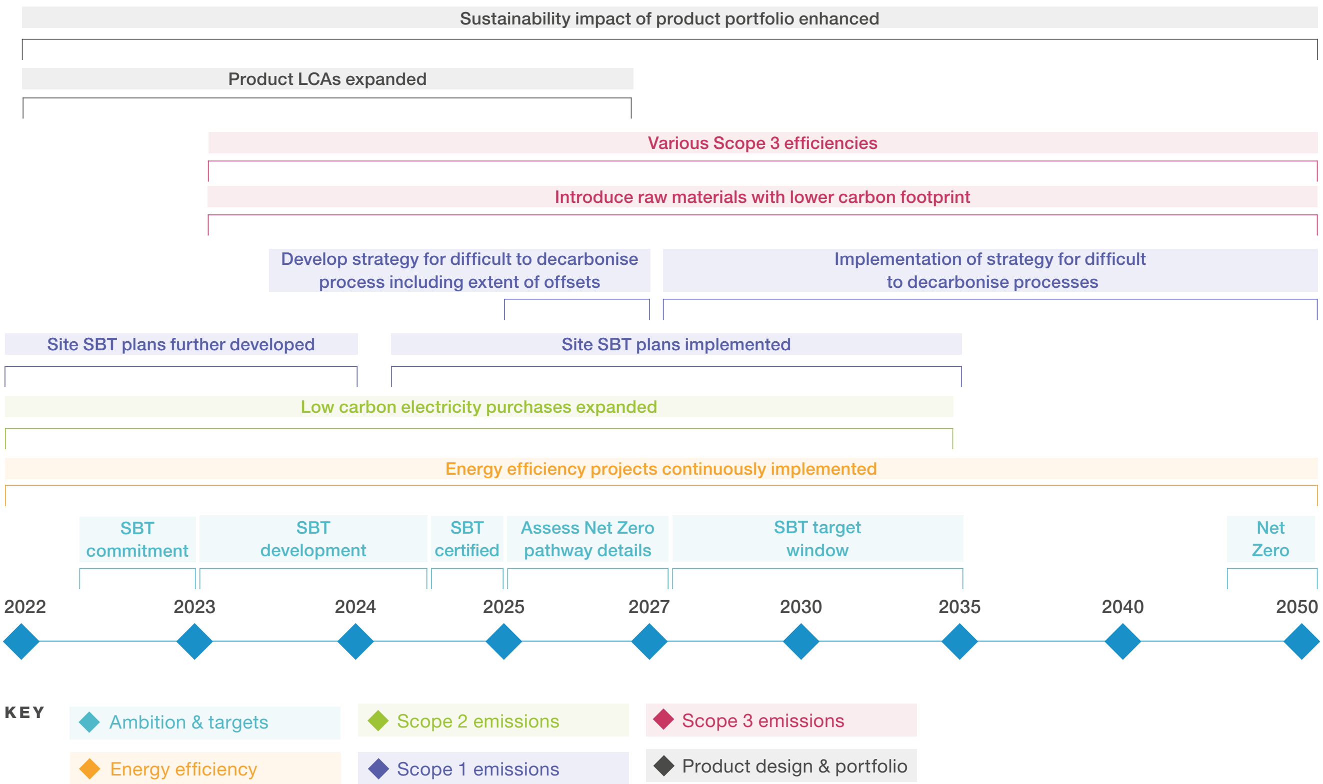
Our transition plan to reach Net Zero is depicted below. Under current SBT rules, our commitment to set an SBT means a minimum annual reduction of 4.2% of baseline year emissions for Scope 1 and 2, and a minimum annual reduction of 2.5% of baseline year emissions for Scope 3. Defining our target and baseline years is part of the SBT definition work we are conducting. Between 2019 and 2022, our Scope 1 and 2 (market-based) emissions have reduced by 58% for our ongoing operations, ahead of the reduction rate required by a SBT.

Energy efficiency underpins our Net Zero plan. The projects involve operational gains, equipment upgrades and some fuel switching. Low carbon electricity purchases involve purchasing renewable or nuclear energy certificates or using PPA and other contractual agreements, subject to local market conditions. Building on our initial assessment work and energy efficiency projects already identified, each site will develop a detailed emission reduction roadmap that contributes to our SBT, followed by a strategy to tackle difficult to decarbonise processes, which we estimate will start in earnest from around 2030.

Our Scope 3 emissions will benefit from ongoing energy efficiency work and other operational efficiencies such as our waste reduction efforts. The largest opportunity to leverage reductions is in our raw materials, where we can implement changes to product designs and the specific raw materials used, while engaging with our suppliers on their decarbonisation journey. We continually drive logistics efficiencies, but we expect the decarbonisation of transportation sector to have the biggest impact on reducing our logistics emissions.

While our downstream Scope 3 emissions are relatively small, as the markets we operate in respond to the climate crisis, we see opportunities to shift our portfolio to products with improved sustainability credentials (such as naturally-derived products) and lower entrained carbon, supported by lifecycle assessments.

NET ZERO TRANSITION PLAN



IMPACT OF CHROMIUM DIVESTMENT ON OUR CLIMATE STRATEGY

In November 2022, we announced that we had agreed the sale of our Chromium business as part of a strategic review of our business portfolio.

The Chromium business was highly energy intensive, and had a disproportionate contribution to our emissions footprint, contributing 77% of our 2022 Scope 1, 47% of our location-based Scope 2, and 33% of our Scope 3 emissions against a revenue contribution of 20%. Greater detail on our changed emissions footprint is provided on pages 52-56.

The divestment lowers our emissions footprint and changes our emission profile and climate-related risks:

- Hard-to-abate Scope 1 emissions are substantially lower.
- Scope 2 emissions increase relative to Scope 1, meaning a greater proportion of our operational emissions can be removed by use of renewable / low-carbon electricity.
- Scope 3 emissions become smaller and simpler with the loss of the entire value chain associated with Chromium raw materials and products. Scope 3 becomes a greater proportion of our total carbon footprint.
- Our emissions intensities (tonne GHG emission per tonne produced and per $M revenue) are substantially improved.
- Risk from asset exposure to extreme weather events in the southern United States is smaller for our new footprint.
- Our potential exposure to future carbon and fossil fuel price trends is substantially reduced relative to the revenue of the continuing business.

The divestment means we can better align our sustainability investments with our business strategy, which will help deliver against our SBT commitment and to reach Net Zero.

CLIMATE SCENARIOS

To help us with our medium and long-term climate planning we conducted a climate scenario analysis (CSA). We used climate scenarios defined by the Network for Greening the Financial Systems (NGFS). NGFS is internationally recognised for its work to advance climate science and contributes to the International Panel on Climate Change's (IPCC) work. NGFS has defined six climate scenarios that explore possible economic and financial impacts of climate change. These scenarios are often taken as the starting point for organisations to build their own assumptions and cover a range of physical and transitional risks, each with varying economic, policy and population trends. We selected three of these scenarios for analysis – Net Zero 2050 (NZ); Divergent Net Zero (DNZ) and Current Policies (CP). NGFS updated the underlying data in their scenarios in October 2022 – we have used that update in our CSA. These scenarios are summarised in the table below.

We reviewed our significant climate risks (two physical risks and seven transition risks) in the context of the different scenarios with functional leaders, concluding that they are still the most relevant risks for the business (even accounting for the sale of our Chromium business). This gave us a comprehensive picture of potential climate related risks and opportunities in each scenario, and the dynamics in three time horizons; a) short/medium (2025, within our three year business plan period); b) long (2030, aligned with the UN decade for action and captures larger changes to key climate risk factors that help us set strategic direction); c) extended (2040 and beyond, still relevant for our strategic direction and climate scenario pathways, and for long-term investors). With the functional leaders we also assessed the impact and likelihood of these nine risks over these time horizons in each of the three climate scenarios using our enterprise risk scoring framework.

In the short/medium (2025) period, all nine risks scored lower than in longer periods. All risks were scored to be increasing or flat through to 2040 and beyond in all scenarios, except for the raw materials risk which has a score peak in 2030 in the NZ and DNZ scenarios. This reflects our view that under this scenario, disruptions as supply chains transition in the long term (2030) will be substantially resolved in the extended period (to 2040 and beyond).

Our climate-related risks, why they are important to us, how we assessed the risk and our strategy to mitigate them are described on pages 46-51.

NGFS SCENARIO DESCRIPTIONS

CHARACTERISTIC	NET ZERO 2050	DIVERGENT NET ZERO	CURRENT POLICIES
Summary	Orderly transition across the world and industry sectors to meet Net Zero by 2050	Net Zero by 2050 met, but with a delayed start and inconsistent policies that are focussed more on transport, construction, and consumers	Current Policies continue with no significant extra push to align with IPCC
Policy ambition	1.5°C	1.5°C	3°C
Policy reaction	Immediate and smooth	Immediate but divergent	Negligible / none
Type of change	Orderly	Disorderly	Hothouse world
Technology	Fast change	Fast change	Slow change
Cost of carbon	High	Very high	Very low
Regional policy variation	Medium	Medium	Low

Climate strategy continued

NINE MOST SIGNIFICANT CLIMATE-RELATED RISKS TO OUR OPERATIONS

Extreme weather events

Water scarcity

Carbon pricing

Investor pressure

Customer demands

Consumer trends

Raw material supplies / prices

Energy prices

Access to renewable electricity

For some of the risks, we have been able to use NGFS scenario data combined with our own business assumptions to estimate a range of financial impacts. These impacts should not be considered as forecasts – we use these calculations to understand a range of potential futures and use them to inform our strategy and tolerance to different climate risks.

In terms of the climate-related dynamics of the markets we operate in, we identified opportunities, especially in the NZ and DNZ scenarios. In these scenarios, we expect that changing demands of industry customers and end-consumers are likely to increase our opportunities for our innovative products across all three periods. For example, we would likely see more demand for our natural and naturally-derived additives for personal care products, and for our talc additives used in plastics for vehicle light-weighting that help increase the distance travelled for a given amount of electricity or fuel used.

On the market risk side, we have some potential exposure to reduced fossil fuel use in the NZ and DNZ scenarios. For example, demand for our talc additives used in pollution control catalyst ceramics for combustion engines could drop, as new vehicle fleets become increasingly electrified. Nevertheless, in the short/medium (2025) and long (2030) period, this remains an opportunity under every scenario because pollution control regulations continue to tighten, driving more demand for these products, while government mandated electrification usually commences post-2030. Another risk is that demand for our additives for drilling applications could slow if fossil fuel extraction drops over time. In 2022, revenue from our products directly exposed to declines in fossil fuel demand comprised 6% of our revenues (excluding Chromium revenues).

Thus, we consider that in the short, medium, and long-term, the market opportunities we could access with our portfolio would more than compensate for the market risks we identified during a low carbon transition. The diversity of the market sectors we serve, and the desirable performance and sustainability features of our products, provides increased revenue opportunities driven by climate change and the low carbon transition.

To deliver to the market, we also need a climate resilient operation. The CSA helps to identify the most significant climate related risks for our operational delivery. These risks include increasing carbon prices, investor pressures, supply chain resilience, energy market dynamics and extreme weather events. We detail our approaches to mitigate these risks in the tables below, and throughout this report.

Overall, our short/medium term (2025) strategy and business planning includes actions to ensure we take climate related opportunities and manage risks, including in:

- marketing, to allow early identification of trends and opportunities
- our innovation pipeline and supply chain management to deliver new products with both improved performance and sustainability impacts
- operational activities, such as energy efficiency projects and sourcing renewable power to lower emissions

Based on this assessment, we believe our strategy is fundamentally resilient to market dynamics in different climate scenarios (including a 1.5°C Net Zero scenario), and other risks over short/medium, long and extended periods, and provides a solid foundation to capitalise on climate-related opportunities.

CARBON PRICING

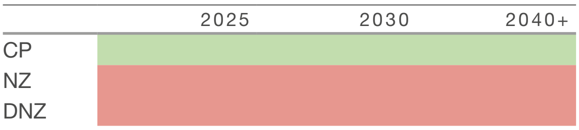
TYPE OF RISK

Transition

WHY THE RISK IS IMPORTANT TO US

A high carbon price could cause a significant increase in operating costs, making us uncompetitive.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

Introducing a market price for carbon is part of the UN 2015 Paris agreement, and many countries have introduced such a market price for certain economic activities. We used the global carbon prices in the NGFS scenarios (average of the different datasets) to estimate potential financial impact. We projected our 2022 Scope 1 and 2 (market) emissions from our continuing operations in line with an SBT pathway (4.2% reduction per year of the 2022 baseline emission), we found our potential annual carbon cost peaked at $15.5M in 2030 in the DNZ scenario. Without following an SBT pathway and assuming baseline emission growth of 1.5%, the DNZ scenario gives a potential cost of $29.4M, demonstrating how meeting an SBT derisks our exposure to future changes in carbon pricing. The divestment of our Chromium business also significantly lowers the potential impact. For example, in the DNZ scenario and following an SBT pathway, including Chromium emissions results in $63.4M potential cost of carbon. We exclude carbon price impacts on our costs related to Scope 3 activities in these assessments.

STRATEGIC MITIGATIONS

- Set a science-based target to support our continued Scope 1, 2 and 3 emission reductions.
- Continue energy efficiency improvements.
- Product price adjustments.

CUSTOMER DEMANDS

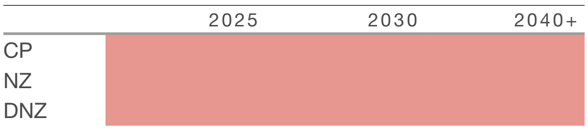
TYPE OF RISK

Transition

WHY THE RISK IS IMPORTANT TO US

As part of their own climate response and to lower their own Scope 3 emissions, our customers preferentially source products with lower climate impacts than we offer, resulting in lower revenues.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

Direct feedback from key customers, their own climate targets, and benchmarking of competitors' public climate targets shows that this risk is already happening. Even in a current policy scenario, we think there is enough expectation and long-term commitments already set that it remains high importance to deliver more sustainable products to our customers.

STRATEGIC MITIGATIONS

- Climate and sustainability benefits described in our product marketing.
- New product innovations.
- Finalise SBT and deliver on GHG reduction plans.
- Develop product lifecycle analysis.

KEY

High risk | Medium risk | Low risk

* Risk calculation = estimated impact to Elementis business multiplied by perceived likelihood of occurrence.

Climate strategy continued

CONSUMER DEMANDS

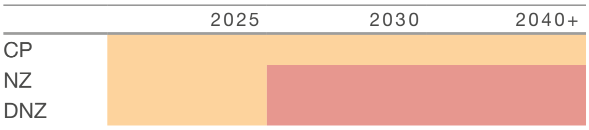
TYPE OF RISK

Transition

WHY THE RISK IS IMPORTANT TO US

- Consumers change buying habits to lower consumption or to lower climate-impact products than we offer, resulting in lower revenues.
- Technology or regulatory developments may dramatically alter the consumer market for certain end-use applications of our products.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

End market analysis shows increasing interest in products with increased sustainability credentials in many of our market segments, and this is reflected in feedback from our direct customers. This is particularly pronounced under Net Zero scenarios. For example, our products used in drilling lubricants and pollution control for internal combustion engines, could drop in demand if consumer demand for fossil fuels or internal combustion engines drops. Total revenues from these applications in 2022 were $45.4M (6% of our revenue from continuing operations).

STRATEGIC MITIGATIONS

- Innovate to ensure we are well positioned to address new market trends.
- Increase our high naturally-derived content in products.
- Ensure sustainable practices though the supply chain.
- Maintain our portfolio diversity.

RAW MATERIAL SUPPLY / PRICES

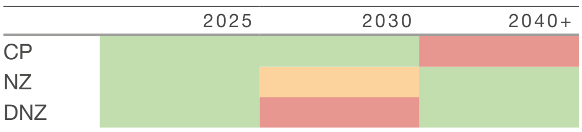
TYPE OF RISK

Transition

WHY THE RISK IS IMPORTANT TO US

Key raw materials have lower availability, damaging our ability to fulfil orders, potentially lowering revenues and / or higher raw material prices mean our cost base may become uncompetitive.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

Supply chain exposure to climate change risks includes physical impacts on transportation routes and perhaps bio-derived material yields/prices, especially in the current policies scenario. Materials considered more sustainable will have increased demand in the 2030 time horizon under Net Zero scenarios, by 2040, we think supplies will have adjusted to the new requirements.

STRATEGIC MITIGATIONS

- Qualification of multiple suppliers.
- Inventory management.
- Encourage climate resilience actions at key suppliers.

KEY

High risk | Medium risk | Low risk

* Risk calculation = estimated impact to Elementis business multiplied by perceived likelihood of occurrence.

EXTREME WEATHER EVENTS

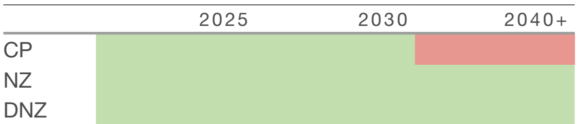
TYPE OF RISK

Physical

WHY THE RISK IS IMPORTANT TO US

Our sites are disrupted due to weather-related factors, delaying order fulfilment and potentially lowering revenues and increasing our cost base for repairs / prevention.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

Climate trends assessed using NGFS regional climate scenarios combined with local site situation. Our sites are constructed to withstand local extreme weather events, making them quite resilient to such events. Only in the long term for the current policies scenario do we see potentially higher risk. In most scenarios and time horizons, disruption is associated with employee ability to attend site due to travel impacts rather than site damage, and this is expected to be of short duration (1-2 days) per event.

STRATEGIC MITIGATIONS

Continuous assessment maintenance and investment in extreme weather adaptations at sites. Supply chain and inventory management to cover shorter duration disruptions.

ENERGY PRICES

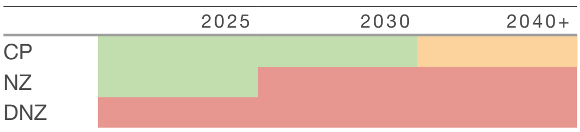
TYPE OF RISK

Transition

WHY THE RISK IS IMPORTANT TO US

- A high energy price causes significant increase in operating costs.
- Our cost base may become uncompetitive.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

We expect energy prices to be unpredictable during the climate transition, with significant upwards pressure due to introduction of innovative technologies and infrastructure upgrades. Using global energy prices from NGFS scenarios (average from the different datasets) with our current energy mix and estimated energy consumption growth rate of 1.5% from 2022, we see a potential increase of approximately 30% of our energy spend for all scenarios.

STRATEGIC MITIGATIONS

- Energy purchase strategy which balances spot, hedged and contracted purchases.
- Management of energy supplier contracts.
- Increased electrification to minimise exposure to gas and liquid fuels.
- Energy efficiency projects.

Climate strategy continued

WATER SCARCITY

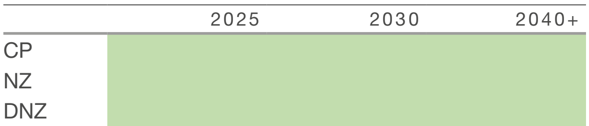
TYPE OF RISK

Physical

WHY THE RISK IS IMPORTANT TO US

All operations need reliable access to clean freshwater for manufacturing product.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

- Identification of site water risks via WRI Aqueduct tool combined with local assessment has indicated minor change to this risk over time in any scenario.
- Therefore, we expect our current mitigations are sufficient. Nevertheless, we continue to work to minimise our water withdrawal requirements.

STRATEGIC MITIGATIONS

- Projects to minimise water withdrawal and improve water and effluent management.
- Some sites have access to their own borehole for water supplies.

ACCESS TO RENEWABLE ELECTRICITY

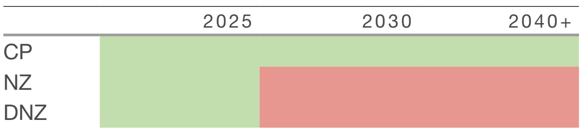
TYPE OF RISK

Transition

WHY THE RISK IS IMPORTANT TO US

Access to renewable / low carbon electricity is crucial lever for us to make progress on our emission reduction plans in the near term. If demand outstrips supply, we may find it too costly to use renewable electricity, impacting our competitiveness.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

We monitor electricity market trends, including REC prices and PPA availability, and engage with external parties to assess opportunities to source via PPA. We expect strong potential for renewable electricity to be supply constrained in Net Zero scenarios.

STRATEGIC MITIGATIONS

- Investigate renewable / low carbon electricity supplies with multi-year contracts.
- Assess opportunities to build additional capacity exclusively for our use.
- Purchase a mix of renewable and nuclear emission certificates to secure low carbon electricity at a balanced price.

KEY

High risk | Medium risk | Low risk

* Risk calculation = estimated impact to Elementis business multiplied by perceived likelihood of occurrence.

INVESTOR DEMANDS

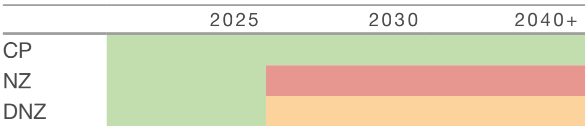
TYPE OF RISK

Transition

WHY THE RISK IS IMPORTANT TO US

As part of their own climate response, our investors place capital in companies with better sustainability and climate credentials, increasing our cost of capital or even limiting our capability to invest in the business.

RISK PROFILE UNDER DIFFERENT SCENARIOS AND TIMEFRAMES*



OUR ASSESSMENT APPROACH

- We review direct feedback from key investors and their approach to climate in their portfolio. We monitor regulatory trends. Especially in the UK and Europe, these continue to evolve and require portfolio climate risk assessment by the finance sector. Third party rating agencies give credit to science-based climate targets.
- Benchmarking of peer company public climate strategy, shows ever-increasing adoption of science-based targets and integration of climate mitigation into business opportunity.
- We expect this risk to increase, especially under the NZ scenario, until we reach Net Zero ourselves.

STRATEGIC MITIGATIONS

- Clearly describe how our business strategy supports climate mitigation and brings commercial opportunities.
- Engage with third-party rating agencies to ensure we are fairly assessed on ESG.
- Clear disclosure of our climate strategy, metrics and progress.
- Meet our SBT commitment and achieve Net Zero ambition.

TCFD STRATEGY DISCLOSURES

- Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term
- Describe the impact of climate related risks and opportunities on the organisation's business strategy and financial planning
- Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario

TCFD RISK MANAGEMENT DISCLOSURES

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

RISK MANAGEMENT

Our climate risk management approach is incorporated into our enterprise risk management framework (detailed on pages 86-89) and all nine climate related risks identified through the CSA analysis (described above) are included in our Group risk register. Some of these risks (for example, extreme weather disruption) have long been identified as elements of our principal risks (see pages 89-94), and we will continue assessing the climate related component of such risks to ensure we have appropriate mitigation and response plans. To ensure we do not over or under emphasise climate-related risks in relation to other enterprise risks, we use the same risk scoring framework for all risks.

The Audit Committee and Board have oversight of our risk management function and internal controls (pages 89 and 122). Risk mitigations are monitored by the ELT and delivered by the ESC-coordinated working teams (such as Scope 1 and 2 reduction) or by functional teams (such as new product innovation and product marketing).

METRICS & TARGETS

As detailed above we have committed to set an SBT by 2024 as part of our ambition to reach Net Zero by 2050. In 2022, we measured our Scope 3 emissions for the first time, giving us greater understanding of what activities in our value chain create the most emissions, and therefore allowing us to develop informed mitigation actions.

We also have a range of established metrics and environmental targets that we use to address our climate-related risks and opportunities in line with our strategy and risk management process. Progress against our environmental sustainability targets make up part of the performance-related remuneration of our CEO and CFO (page 127).

The table on page 52 shows which of these metrics and targets are relevant mitigations for which of our climate related risks. The table also shows which risk, target and metric are most strongly related with our Scope 1, 2 and 3 GHG emissions, and where in this report to find more information about our actions and progress.

Climate strategy continued

CLIMATE RELATED TARGETS & METRICS

	2030 Target				Business Metric				
Climate related risk	Operational GHG emissions	Energy (from fuels)	Water withdrawn	Waste sent to third parties	Renewable electricity	Value-chain emissions	Natural content of products	New products launched	Absolute GHG emissions
Customer Demands	◆		◆	◆	◆	◆	◆	◆	◆
Carbon Pricing	◆	◆			◆				◆
Consumer Demands	◆		◆	◆	◆	◆	◆	◆	◆
Raw material supply / prices				◆		◆	◆		
Extreme Weather events	◆		◆						
Water scarcity			◆					◆	
Investor pressure	◆		◆		◆	◆		◆	◆
Energy Prices	◆	◆		◆					◆
Access to renewable electricity	◆	◆			◆				◆
Related Emission Scope	1,2	1,2	3	3	2	3	3	3	1,2,3
Additional information	Pages 52-54	Pages 57-58	Page 59	Page 59	Pages 57-58	Pages 55-56	Pages 37-38	Page 13	Pages 52-56

We continue to review our metrics and targets in line with developing practices and regulatory requirements. For example, as we embed our use of climate scenarios deeper into strategic processes, we may introduce an internal price of carbon to help assess capital investment projects. We have identified energy efficiency projects that require $441,400 of investment in the next 5 years (with $73,000 spent on energy efficiency projects in 2022), and we will identify further projects as we develop our strategy further.

TCFD GOVERNANCE DISCLOSURES

- Describe the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1 and Scope 2 emissions and the related risks. If appropriate, disclose Scope 3 GHG emissions and the related risks
- Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets

GHG EMISSIONS

Mitigating our GHG emissions is a cornerstone of our climate strategy and ambition to be Net Zero by 2050. In 2022, we have committed to set an SBT. This will extend our focus from our current GHG intensity target to include an absolute reduction in emissions, which is better for the planet and all stakeholders in our business. Our current 2030 target is to reduce our Scope 1 and Scope 2 (market-based) emissions by 25% per tonne of product made from a 2019 baseline, which our continuing operations exceeded last year.

In November 2022, we announced that we had agreed the sale of our Chromium business, which completed in January 2023. The emissions data tables on pages 53-54 shows gross GHG emissions from both our continuing operations (i.e., our Performance Specialty (PS) and Personal Care (PC) businesses only) and our full 2022 footprint (PS, PC and the Chromium (Cr) business). Geographically, only our emissions in the Americas are impacted by the Chromium divestment – our UK, EU and Asia footprint is unchanged.

Considering continuing operations only (PS + PC), in 2022 we made further progress in mitigating our GHG emissions. Our absolute Scope 1 and Scope 2 (market-based) emissions dropped by 11% vs 2021. We increased the number of sites which purchased renewable or low-carbon electricity during 2022, which contributed to our 26% lower our Scope 2 (market-based) emissions versus 2021. We continue to explore options to extend our purchases of renewable electricity. Scope 2 (location-based) emissions showed a 20% improvement, reflecting a combination of lower production activity, efficiency gains and cleaner electricity grids. Scope 1 emissions decreased 3%, with a 16% lower overall production volume being counterbalanced by a product mix that required increased fuel use per tonne.

Our Scope 1 and Scope 2 (market-based) intensity versus production amount increased 8% versus 2021, with lower production mass and an unfavourable product mix with regards to energy demands of specific processes negating the gain in emissions from our increased renewable electricity purchases and energy efficiency projects. Nevertheless, our continuing operations have met our 2030 target for the past two years, with a 50% reduction in emission intensity per tonne produced versus the 2019 baseline. Our Scope 1 and Scope 2 (market-based) intensity versus revenue improved to 91 (2021: 106), mainly as a result of lower emissions in 2022.

GLOBAL		BUSINESS INCLUDED	2030 TARGET	2022	2021	2020	2019
Scope 1 (tonne CO_2 eq)		**PS + PC**		47,666	49,060	49,050	58,469
		PS + PC + Cr		207,058	211,619	193,826	205,314
Scope 2 (tonne CO_2 eq)	Market	**PS + PC**		19,401	26,183	94,332	99,957
		PS + PC + Cr		57,810	66,743	136,063	143,974
	Location	**PS + PC**		42,956	53,447	60,501	64,457
		PS + PC + Cr		81,365	93,768	102,232	108,474
Total Scope 1 and 2 (tonne CO_2 eq)	Market	**PS + PC**		67,067	75,243	143,382	158,426
		PS + PC + Cr		264,868	278,362	329,889	349,288
	Location	**PS + PC**		90,622	102,507	109,551	122,926
		PS + PC + Cr		288,423	305,387	296,058	313,788
Production (tonne)		**PS + PC**		513,300	611,533	538,495	601,753
		PS + PC + Cr		708,722	833,100	742,720	831,418
GHG intensity (Total Scope 1 and 2 tonne CO_2 eq / tonne production)	Market	**PS + PC**	0.20	0.13	0.12	0.27	0.26
		PS + PC + Cr	0.32	0.37	0.33	0.44	0.42
	Location	**PS + PC**		0.18	0.17	0.20	0.20
		PS + PC + Cr		0.41	0.37	0.40	0.38
GHG intensity (Total Scope 1 and 2 tonne CO_2 eq / $m revenue)	Market	**PS + PC**		91	106	237	225
		PS + PC + Cr		287	316	439	400
	Location	**PS + PC**		123	145	181	175
		PS + PC + Cr		313	347	394	359
GHG from biomass (tonne CO_2 eq)		**PS + PC**		4,011	5,165	5,732	6,301
		PS + PC + Cr		4,265	5,189	5,753	6,325

UK		BUSINESS INCLUDED	2022 % OF GLOBAL	2022	2021	2020	2019
Scope 1 (tonne CO_2 eq)		**PS + PC**	16	7,726	7,740	5,866	7,735
Scope 2 (tonne CO_2 eq)	Market	**PS + PC**	2	321	2,712	2,686	3,026
	Location	**PS + PC**	4	1,737	2,062	1,986	2,031
Total Scope 1 and 2 (tonne CO_2 eq)	Market	**PS + PC**	12	8,047	10,452	8,552	10,761
	Location	**PS + PC**	10	9,463	9,802	7,852	9,766
Production (tonne)		**PS + PC**	4	19,056	19,926	16,282	19,233
GHG intensity (Total Scope 1 and 2 tonne CO_2 eq / tonne production)	Market	**PS + PC**	–	0.42	0.52	0.53	0.56
	Location	**PS + PC**	–	0.50	0.49	0.48	0.51

Climate strategy continued

EU (EXCLUDING UK)		BUSINESS INCLUDED	2022 % OF GLOBAL	2022	2021	2020	2019
Scope 1 (tonne CO_2 eq)		**PS + PC**	19	8,891	12,092	13,030	15,369
Scope 2 (tonne CO_2 eq)	Market	**PS + PC**	11	2,120	2,552	68,424	72,024
	Location	**PS + PC**	47	20,349	29,876	35,293	37,519
Total Scope 1 and 2 (tonne CO_2 eq)	Market	**PS + PC**	16	11,011	14,644	81,454	87,393
	Location	**PS + PC**	32	29,240	41,968	48,323	52,888
Production (tonne)		**PS + PC**	73	375,298	464,560	432,089	481,184
GHG intensity (Total Scope 1 and 2 tonne CO_2 eq / tonne production)	Market	PS + PC	–	0.03	0.03	0.19	0.18
	Location	PS + PC	–	0.08	0.09	0.11	0.11

ASIA		BUSINESS INCLUDED	2022 % OF GLOBAL	2022	2021	2020	2019
Scope 1 (tonne CO_2 eq)		**PS + PC**	5	2,518	1,299	1,292	1,434
Scope 2 (tonne CO_2 eq)	Market	**PS + PC**	37	7,214	8,338	6,776	5,228
	Location	**PS + PC**	17	7,214	8,338	6,776	5,228
Total Scope 1 and 2 (tonne CO_2 eq)	Market	**PS + PC**	15	9,732	9,637	8,068	6,662
	Location	**PS + PC**	11	9,732	9,637	8,068	6,662
Production (tonne)		**PS + PC**	3	16,595	24,458	23,012	24,584
GHG intensity (Total Scope 1 and 2 tonne CO_2 eq / tonne production)	Market	PS + PC	–	0.59	0.39	0.35	0.27
	Location	PS + PC	–	0.59	0.39	0.35	0.27

AMERICAS		BUSINESS INCLUDED	2022 % OF GLOBAL	2022	2021	2020	2019
Scope 1 (tonne CO_2 eq)		**PS + PC**	60	28,530	28,012	28,867	34,278
		PS + PC + Cr	91	187,922	190,451	173,639	180,775
Scope 2 (tonne CO_2 eq)	Market	**PS + PC**	50	9,746	13,171	16,729	19,680
		PS + PC + Cr	83	48,155	23,727	58,117	63,697
	Location	**PS + PC**	32	13,656	12,844	16,729	19,680
		PS + PC + Cr	64	52,065	53,402	58,117	63,697
Total Scope 1 and 2 (tonne CO_2 eq)	Market	**PS + PC**	57	38,276	41,183	45,596	53,958
		PS + PC + Cr	89	236,077	214,178	231,756	244,472
	Location	**PS + PC**	47	42,187	40,856	45,596	53,958
		PS + PC + Cr	83	239,987	243,853	231,756	244,472
Production (tonne)		**PS + PC**	20	102,352	102,589	67,112	76,752
		PS + PC + Cr	42	297,774	324,156	271,337	306,416
GHG intensity (Total Scope 1 and 2 tonne CO_2 eq / tonne production)	Market	**PS + PC**	–	0.37	0.40	0.68	0.70
		PS + PC + Cr	–	0.79	0.66	0.85	0.80
	Location	**PS + PC**	–	0.41	0.40	0.68	0.70
		PS + PC + Cr	–	0.81	0.75	0.85	0.80

In 2022, we report our Scope 3 emissions for the first time. We have assessed each of the 15 Scope 3 categories with 2021 and 2022 data. We report 2022 emissions from our continuing operations of Performance Specialties and Personal Care, and our total 2022 emissions including the divested Chromium business. Compared to 2021, our Scope 3 emissions (including Chromium) dropped by 3%, with lower production volumes being partly offset by improved data for transportation.

SCOPE 3 CATEGORY	BUSINESS INCLUDED	2022 TONNES CO_2 EQ	2021 TONNES CO_2 EQ
Purchased Goods & services	**PS + PC**	319,208	–
	PS + PC + Cr	477,139	542,343
Capital Goods	**PS + PC**	22,421	–
	PS + PC + Cr	28,014	30,139
Fuel and energy related	**PS + PC**	21,321	–
	PS + PC + Cr	55,077	65,462
Upstream transportation	**PS + PC**	158,201	–
	PS + PC + Cr	222,234	164,187
Waste generated	**PS + PC**	9,397	–
	PS + PC + Cr	11,439	20,310
Business travel	**PS + PC**	4,772	–
	PS + PC + Cr	5,162	868
Employee commuting	**PS + PC**	1,483	–
	PS + PC + Cr	1,483	1,722
Upstream leased assets	**PS + PC**	147	–
	PS + PC + Cr	147	170
Downstream transportation	**PS + PC**	11,832	–
	PS + PC + Cr	13,134	31,462
Processing of sold products	**PS + PC**	Not calculated, not relevant	–
	PS + PC + Cr	Not calculated, not relevant	Not calculated, not relevant
Use of sold products	**PS + PC**	Not calculated, not relevant	–
	PS + PC + Cr	Not calculated, not relevant	Not calculated, not relevant
Product end-of-life	**PS + PC**	10,159	–
	PS + PC + Cr	17,259	21,489
Downstream leased assets	**PS + PC**	311	–
	PS + PC + Cr	311	333
Franchises	**PS + PC**	Not applicable	–
	PS + PC + Cr	Not applicable	Not applicable
Investments	**PS + PC**	115	–
	PS + PC + Cr	115	118
Scope 3 total	**PS + PC**	559,367	–
	PS + PC + Cr	831,513	856,667
TOTAL SCOPE 1, 2 AND 3 (MARKET)	**PS + PC**	626,434	–
	PS + PC + Cr	1,096,381	1,135,029
TOTAL SCOPE 1, 2 AND 3 (LOCATION)	**PS + PC**	649,989	–
	PS + PC + Cr	1,119,936	1,162,054

Climate strategy continued

Typical for a business of our type, Scope 3 makes up most of our total Scope 1, 2 and 3 emissions footprint, and becomes even more important for our continuing operations following the Chromium divestment. Scope 3 contributed 74% of our (market-based) footprint in 2022 when including Chromium, and 89% for our continuing operations. Most of our continuing operations Scope 3 emissions are associated with the raw materials that we buy (51%), meaning how we design products and source materials are crucial levers to lower our emissions footprint. Upstream and downstream transportation is the next largest contributor to Scope 3 (30%).

SUPPORTING EMPLOYEES TO LOWER COMMUTING EMISSIONS

Although employee commuting is only 0.2% of our whole emissions footprint, it is important that we support our employees in the climate mitigation choices they can make. In 2022, we launched a programme in partnership with Octopus Energy to help our UK employees purchase an electric car tax efficiently. The programme is supported by the UK government. During 2022, five employees (6% of UK employees) made an electric vehicle purchase with the scheme. According to the UK Society of Motor Manufacturers and Traders, 2022 electric car sales per head of UK population was 0.004%, much lower than uptake among our employees, which shows the beneficial impact such schemes can have. Our manufacturing site in Livingston, UK has also installed charging points to further encourage electric vehicle use.

GHG METHODOLOGY

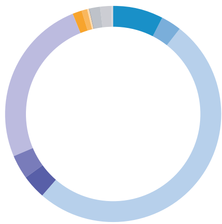
Our GHG emissions are calculated with reference to the GHG Protocol Corporate Standard (2015 revision). We take an operational control approach to defining our GHG and energy organisational boundary, meaning our 25% equity ownership of Alembic Manufacturing Ltd is excluded from our Scope 1 and 2 footprint. This approach is consistent with our financial statements. Non-financial data from new facilities are included from the date we take control and the facility becomes operational.

Scope 1 and 2 emissions are reported in tonnes of CO_2 equivalent (CO_2 eq) and include all gases in the GHG Protocol. We use DEFRA factors for Scope 1 fuels globally. We use IEA emissions factors for location-based Scope 2 emissions, except in the UK where we use DEFRA factors. Market-based emissions include power purchases associated with a Renewable Energy Certificate (REC) or Guarantee of Origin (GO), use residual mix factors from the Association of Issuing Bodies (AIB) for European sites without an REC or GO, and use location-based factors for remaining sites. GHG from biomass data includes energy and chemical process related emissions and excludes biomass in vehicle fuels.

Our Scope 1 GHG emissions include emissions from combustion of fuels for energy, heat and transport, emissions from our chemical processes and refrigerants. Our Scope 2 emissions include emissions caused by creating the electricity and steam we purchase.

We measure gross global Scope 1 and 2 emissions in tonnes of CO_2 eq per tonne of production output as this is a common intensity metric for our industry sector, and per million US dollars of revenue. Our disclosures meet the UK Streamlined Energy and Carbon Reporting (SECR) requirements.

OUR 2022 GHG EMISSIONS FOOTPRINT (SCOPE 1, 2 AND 3 CONTINUING OPERATIONS)



Scope 1	7.6%
Scope 2 (market)	3.1%
Purchased goods and services	51.0%
Capital goods	3.6%
Fuel- and energy-related	3.4%
Upstream transportation and distribution	25.3%
Waste generated	1.5%
Business travel	0.8%
Employee commuting and working from home	0.2%
Upstream leased assets	0.0%
Downstream transportation and distribution	1.9%
End of life treatment of sold products	1.6%
Downstream leased assets	0.0%
Investments	0.0%

SCOPE 3: METHODOLOGICAL COMMENTS FOR EACH OF THE 15 CATEGORIES

Scope 3 is calculated according the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Category 1 uses life-cycle emission factors from Ecoinvent for specific raw materials (where available, covering 50% of the declared Category 1 emissions) and an Environmentally Extended Input Output (EEIO) model. Category 2 and 6 are calculated with an EEIO. Category 3 is calculated from our energy consumption data using DEFRA and IEA emission factors. Category 4 and 9 are calculated with DEFRA emission factors for the mode of transport, mass moved and estimated distances. A higher proportion of process level data was used for 2022 analysis compared to 2021. Category 5 is calculated using DEFRA emission factors and the mass of waste generated in our operations. Category 7 is calculated based on number of employee days on site and at home, using private cars to reach work. Category 8, 13 and 15 are calculated with DEFRA and IEA emission factors, floor area and energy type used. We apply the WBCSD Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain guidance to Category 10, meaning it is not relevant, not calculated due to lack of visibility for the chemicals industry. Category 11 is also not relevant, not calculated due to our products not consuming energy and not emitting GHG in-use. Category 12 is calculated from DEFRA factors and the assumed end of life treatment of our products and packaging. Category 14 is not applicable as we do not operate franchises.

THIRD-PARTY VERIFICATION

Elementis have commissioned TÜV Süd, an experienced and independent verification body for greenhouse gases, to verify our 2022 Scope 1 and 2 GHG emissions, energy consumption, water withdrawal and waste generation (including the Chromium business). Scope 1 and 2 GHG emissions were verified regarding compliance with the ISO 14064-1: 2018 standard for GHG accounting using a reasonable level of verification. TÜV Süd's full verification statement is available on our website.

Protecting the Environment

Ensuring we minimise negative impacts of our activities on the natural world is a crucial element of how we operate.

PROTECTING THE ENVIRONMENT

We set four environmental targets for 2030 (with a 2019 baseline) and our progress against them in 2022 is summarised below:

2030 TARGETS*

GHG Scope 1 and Scope 2 (market-based) emissions	Energy from fuels	Water withdrawn	Waste sent for third party treatment
- 25%	- 20%	- 10%	- 10%
2022 % CHANGE VS 2021			
+ 8%	+ 16%	+ 10%	- 7%
2022 % CHANGE VS 2019 BASELINE			
- 50%	- 4%	- 18%	- 13%

* All targets are per tonne production. Performance is for our continuing business only i.e. excludes our divested Chromium business.

In November 2022, we announced the divestment of our Chromium business which was a significant contribution to our environmental data. In the following, we focus discussion on our continuing operations unless indicated otherwise. Data tables include the annual activity data, historic baseline and 2030 targets for both our continuing operations of Performance Specialties (PS) and Personal Care (PC), and our entire 2022 footprint including the Chromium (Cr) business.

In 2022, our continuing operations met our 2030 targets for Scope 1 and 2 (market) GHG emissions, water withdrawal and waste intensities. Intensities for GHG emissions, energy from fuels and water withdrawal became less efficient year-on-year due to product mix impacts and lower overall production volume (and especially lower talc volumes, since our talc production uses relatively little fuel or water per tonne produced and uses low carbon electricity – see also page 84) being unable to be fully compensated by our improvement programme. We made improvements to our waste intensity in the year.

ENERGY

We recognise that responsible usage of energy (whatever the source) reduces demands on resources and infrastructure and helps lower our costs. Our 2030 target aims to reduce our energy use from fuels per tonne of production by 20%.

The Chromium business was responsible for 63.18% of our energy consumption. As well as lowered our energy consumption, divestment of this business changed our energy mix – energy from fuels was 54% (2021: 51%) of our total energy consumption in our continuing operations compared to 74% (2021: 73%) when including the Chromium business.

Our site at Livingston, UK began a new electricity supply agreement sourcing 100% renewable electricity, joining our Amsterdam, Netherlands and Huguenot, US, sites. Sotkamo, Finland and Vuonos, Finland sourced low carbon (nuclear) electricity in 2022, helping us expand our use of low carbon energy while managing the associated costs. Overall, the amount of low carbon energy purchased in our continuing operations and associated with a renewable energy certificate (REC) or guarantee of origin (GO) was 76.6% (71.8% in 2021). We continue to assess opportunities to increase our purchase of clean energy, a key element of our Net Zero transition plan.

In 2022, sites continued to improve energy efficiency, for example:

- Both sites in Finland reduced their energy consumption by optimising their filtration processes resulting in over 1350 GJ savings with zero investment.
- Reducing our use of purchased hot water and steam from an offsite source at our Anji, China plant and using our own gas supply to generate our steam on site with less heat and energy lost during transportation.
- Reducing heat loss from our kilns at Castle Hayne, NC, US (a Chromium site) by installing new liners.

In total in 2022, we spent $73,000 on energy efficiency projects (2021: $298,000) to save an estimated 2,300 GJ of annual energy demand (2021: 35,000 GJ).

Our total energy usage in our continuing operations was 7.2% lower in 2022 compared to 2021, but our energy from fuels intensity increased by 16%. This was primarily due to reduced Talc demand, which uses relatively low amounts of energy from fuel per tonne produced compared to our other products.

To drive towards our 2030 target, we have identified building heating upgrades at our Vuonos plant, heat recovery at our Livingston, UK, site and a boiler upgrade at our Hsinchu, Taiwan, site equating to 2,845 GJ of energy savings for an estimated investment of $441,400 over the next 5 years. Our Sotkamo, Finland, site is also part way through a fuel switching project to convert from fuel oil to electricity for their drying process. Additionally, as part of our assessment to commit to an SBT, we identified further opportunities for energy efficiency improvements, and these are being incorporated into future investment plans.

Protecting the Environment

METRIC GLOBAL	BUSINESS SEGMENTS INCLUDED	2030 TARGET	2022	2021	2020	2019
Total energy (GWh)	**PS + PC**		**480.7**	518.4	517.3	598.4
	PS + PC + Cr		**1,306.2**	1,356.4	1,260.4	1,377.2
Total energy (GJ)	**PS + PC**		**1,730,694**	1,866,229	1,862,302	2,154,225
	PS + PC + Cr		**4,702,350**	4,844,343	4,501,375	4,918,727
Purchased energy (GJ)	**PS + PC**		**796,331**	907,907	909,680	1,008,301
	PS + PC + Cr		**1,206,360**	1,300,218	1,276,079	1,404,161
of which is certified renewable / low carbon (%)	**PS + PC**		**76.6**	71.8	0	0
	PS + PC + Cr		**50.6**	50.0	0	0
Energy from fuels (GJ)	**PS + PC**		**934,364**	958,322	952,622	1,145,924
	PS + PC + Cr		**3,495,991**	3,544,125	3,225,296	3,514,219
Production (tonne)	**PS + PC**		**513,300**	611,533	538,495	601,753
	PS + PC + Cr		**708,722**	833,100	742,720	831,418
Total energy intensity (GJ / tonne produced)	**PS + PC**		**3.37**	3.05	3.46	3.58
	PS + PC + Cr		**6.63**	5.81	6.06	5.92
Energy from fuels intensity (GJ from fuels / tonne produced)	**PS + PC**	1.52	**1.82**	1.57	1.77	1.90
	PS + PC + Cr	3.38	**4.94**	4.25	4.34	4.23

UK		2022 % OF GLOBAL	2022	2021	2020	2019
Total Energy (GWh)	**PS + PC**	**10.7**	**51.3**	51.4	40.9	50.4
Total Energy (GJ)	**PS + PC**	**10.7**	**184,639**	183,384	143,926	180,004
Production (tonne)	**PS + PC**	**3.7**	**19,056**	19,926	16,282	19,233
Energy intensity (total GJ / tonne produced)	**PS + PC**	**–**	**9.69**	9.20	8.84	9.36

EU (EXCLUDING UK)		2022 % OF GLOBAL	2022	2021	2020	2019
Total Energy (GWh)	**PS + PC**	**40.8**	**196.3**	240.4	244.5	280.4
Total Energy (GJ)	**PS + PC**	**40.8**	**706,826**	865,499	880,211	1,009,279
Production (tonne)	**PS + PC**	**73.1**	**375,298**	464,560	432,089	481,184
Energy intensity (total GJ / tonne produced)	**PS + PC**	**–**	**1.88**	1.86	2.04	2.10

ASIA		2022 % OF GLOBAL	2022	2021	2020	2019
Total Energy (GWh)	**PS + PC**	**7.6**	**36.5**	37.3	33.9	34.6
Total Energy (GJ)	**PS + PC**	**7.6**	**131,334**	134,297	121,965	124,473
Production (tonne)	**PS + PC**	**3.2**	**16,595**	24,458	23,012	24,584
Energy intensity (total GJ / tonne produced)	**PS + PC**	**–**	**7.91**	5.49	5.30	5.06

AMERICAS		2022 % OF GLOBAL	2022	2021	2020	2019
Total energy (GWh)	**PS + PC**	**40.9**	**196.6**	189.5	200.7	235.6
	PS + PC + Cr	**78.2**	**1,022.1**	1,018.2	932.1	1,001.4
Total energy (GJ)	**PS + PC**	**40.9**	**707,896**	682,031	722,447	848,004
	PS + PC + Cr	**78.2**	**3,679,552**	3,665,329	3,355,401	3,605,103
Production (tonne)	**PS + PC**	**19.9**	**102,352**	102,589	67,112	76,752
	PS + PC + Cr	**42.0**	**297,774**	324,156	271,337	306,416
Energy intensity (total GJ / tonne produced)	**PS + PC**	**–**	**6.92**	6.65	10.76	11.05
	PS + PC + Cr	**–**	**12.36**	11.31	12.37	11.77

WATER

We see water as a precious resource that is not to be wasted and we continue to work to mitigate our water risks and impacts. We aim to reduce water withdrawal per tonne of production by 10% by 2030. Our water stewardship policy is available on our website. We have also considered climate-related water risks at our sites (page 50). We publicly report our water performance through CDP, achieving a C rating in 2022 (2021: B-).

Overall, our water withdrawal increased by 763,000 m^3 compared to 2021, primarily due to increased water demand for cooling processes at our Chromium site in Castle Hayne, NC, US. 59% of our 2022 water withdrawal was associated with that business, so its divestment has had a significant impact.

Across our continuing operations, we reduced water withdrawals by over 126,000 m^3 and met our 2030 target for the second year in succession, although product mix effects meant our actual intensity metric was 10% higher year-on-year. We have worked to increase efficiency of water use across our continuing business portfolio. For example, our New Martinsville, WV, US, plant converted the source of cooling water to recycled water from a cooling tower, reducing withdrawals by over 10,500m^3 per year. Our St Louis, MO, US, plant also reprogrammed a flush sequence to reduce the required water by over 4,100m^3 per year.

We use the WRI Aqueduct tool to help us understand water risks, such as where our operations are in an area of high water stress. Three of our manufacturing sites are classed as being in a high water stress areas. These are Songjiang and Anji (in China) and Taloja, India. Our water withdrawal intensity in those areas was broadly flat in 2022. Taloja is a new facility and has been designed for zero liquid discharge, helping minimise substantially our need to withdraw water.

We also actively manage environmental monitoring (including water quality) and remediation activities at our legacy site in Eaglescliffe, UK.

METRIC GLOBAL	BUSINESS SEGMENTS INCLUDED	2030 TARGET	2022	2021	2020	2019
Water withdrawal (m^3)	**PS + PC**		**1,573,678**	1,700,117	2,048,730	2,254,182
	PS + PC + Cr		**3,840,035**	3,076,738	3,707,947	3,767,854
Production (tonne)	**PS + PC**		**513,300**	611,533	538,495	601,753
	PS + PC + Cr		**708,722**	833,100	742,720	831,418
Water withdrawal intensity (m^3 / tonne produced)	**PS + PC**	3.38	**3.07**	2.78	3.80	3.75
	PS + PC + Cr	4.08	**5.42**	3.69	4.99	4.53
Water withdrawn from high water stress areas (m^3)	**PS + PC**		**155,894**	229,947	228,585	222,733
– intensity	**PS + PC**		**14.3**	14.2	13.9	12.4

WASTE

We recognise how valuable resources are and we aim to use them as efficiently as possible. To this end, we are working to reduce the industrial waste (including hazardous waste) we send for third-party treatment per tonne of production by 10% by 2030. Our waste sent for third party treatment decreased by over 45% in 2022 as commercial sales of a large by-product in our Chromium business recommenced. The sale of that business has had a smaller impact on waste we send for third party treatment, with only 13% of such waste associated with the Chromium business.

In our continuing operations, our waste per tonne of production therefore decreased by 7% meaning we met our 2030 target. Examples of projects that have contributed to this result include our Huguenot, NY, US, and Middletown, NY, US sites reducing filtration aid consumption for their bag filters, and our Hsinchu, Taiwan, plant lowering hazardous wastes by recycling cleaning detergent and solvents consumed used in their process. Future projects include the potential reclassification of clay wastes from our Livingston, UK site as products for use within agricultural and construction businesses which could have a significant impact if realised.

METRIC GLOBAL	BUSINESS SEGMENTS INCLUDED	2030 TARGET	2022	2021	2020	2019
Total waste generated (tonne)	**PS + PC**		**20,372**	26,421	27,222	27,562
	PS + PC + Cr		**23,424**	43,274	34,190	29,850
– of which is Hazardous (%)	**PS + PC**		**2.6**	1.2	–	–
	PS + PC + Cr		**5.4**	1.2	–	–
Production (tonnes)	**PS + PC**		**513,300**	611,533	538,495	601,753
	PS + PC + Cr		**708,722**	833,100	742,720	831,418
Waste intensity (tonne / tonne produced)	**PS + PC**	0.041	**0.040**	0.043	0.051	0.046
	PS + PC + Cr	0.032	**0.033**	0.052	0.046	0.036

Protecting the Environment

AIR EMISSIONS

We control the emission of dust and gaseous pollutants – VOC's (volatile organic compounds), nitrogen oxides and sulfur oxides – in compliance with our local operating permits, using scrubbers where necessary. Our facilities are checked for compliance by regulatory authorities. Significant air emissions are shown below, calculated with site-specific data and factors as required for site permitting. St Louis is investigating the optimisation of their thermal oxidiser process to ensure VOC limits are maintained with the most efficient energy use.

EMISSION (TONNE)	2022	2021
SOx	**24.0**	33.5
NOx	**29.6**	37.3
VOC	**48.8**	58.3
HAP	**4.1**	3.9
PM	**2.5**	20.3

RESPONSIBLE MINING

We operate mines in Finland and California, US that give us direct access to key mineral resources incorporated into our products. We work to protect the environment and nature, reducing or avoiding our impact on sensitive species, habitats and ecosystems. We engage openly and constructively with local communities, seek continuous improvements in our practices and work to minimise negative impacts of our operations.

In 2022, we set out our Responsible Mining Principles to clearly guide our actions:

1. Operating safely
2. Protecting the environment and returning nature
3. Respecting nearby communities and their heritage
4. Maximising material use
5. Investing in research and education

Mineral wastes (for example, overburden, tailings, ore beneficiation residues) remain in tailing storage facilities on our mine sites. Some of these materials are sold as products, and there is further potential for valorisation in the future.

Finland

We operate four active open cast mines for high purity talc minerals. Our talc mines are members of the Finnish Network for Sustainable Mining, which aims to advance responsible mining practices and we are committed to the Finnish Towards Sustainable Mining (TSM) Standard.

We continuously monitor environmental impacts with our own laboratories or qualified third parties, including the quality of groundwater and surface water. We also reuse the water the from our tailings storage facility in our ore processing, minimising our need for freshwater withdrawal – resulting in over 95% water recycling rate. As we mine, we pump out accumulating groundwater and rainwater, treating it before discharge.

As we process the talc ore, we produce nickel concentrate and magnesite sand as by-products, which are utilised in on-site infrastructure or sold externally. We also use rocks in road construction on site.

The land area actively mined at these sites is 1,792 hectares. Our land management and remediation plans include consideration of landscape value when designing landfill areas.

The impact of our mining activities on biodiversity is monitored in compliance with local operating permits and regulations. There are no endangered species identified in our Finnish mining areas.

California, US

We operate one open cast mine in California for our hectorite clay mineral. We can mine 220 hectares of land and have additional claims (mineral rights) on US federal land surrounding the current operation.

By design and geological location, no stormwater leaves the site. Occasionally, rainwater in the active mining areas is pumped to other parts of the property to evaporate while allowing mining to continue. Water from an on-site and owned well is used for dust control to remain in compliance with the reclamation plan and regional California Air Quality Management District requirements.

All mined material is segregated such that further uses can be found for it in future (e.g. in agriculture, highway construction or landfill liners, etc.). To date, we have sold a small amount of rock as storm erosion protection and clay for agriculture amendments and residential pond liners.

Our mine is within the habitat range of the Mojave Desert tortoise, which is on the International Union for Conservation of Nature (IUCN) red list as critically endangered. We have an approved tortoise barrier surrounding the site to prevent tortoises entering the site. Should a tortoise be found inside the fence, we work with a trained biologist to return the animal safely to its natural habitat. Our biodiversity statement is available on our website.

Supportive Culture

At Elementis, our people are the key ingredients of our success – they are vital members of a local team and a dynamic, global, inclusive company.

Our Values (see pages 18-19) are at the centre of everything we do. Our commitment to safety is our way of life. We have a passion for excellence and a drive to create value. We respect our colleagues, customers, communities, and the environment. Our spirit is one of collaboration and teamwork.

HEALTH AND SAFETY

Safety is a core value at Elementis and our focus is on keeping our employees safe, protecting people, and operating responsibly. Nothing is more important than ensuring our employees and contractors return home from work each day to their loved ones in the same condition as when they came to work.

Accountability for health and safety is held by our Chief Executive Officer, supported by the SVP Global Supply Chain and Manufacturing and the Global Director for HSE. Our Board receives a detailed update on our health and safety performance at each meeting and the ELT receives updates monthly as part of the review of overall Group performance. Providing a safe working environment from which our employees return home safely is a key priority for the Board and the Group as a whole.

Our Health and Safety strategic plan reflects how we turn that focus into action. Our objective is to deliver excellence in HSE performance and drive continuous improvement through continual investment in our people, management systems and our facilities. A copy of our Health, Safety and Environmental (HSE) policy is available on our website.

Our TogetherSAFE commitment promotes our safety culture to all employees. TogetherSAFE is an extension of our core value of safety and guides our behaviours at home and at work. It affirms how every decision and action may affect others. It follows our products into the marketplace and it protects our facilities, the environment and nearby communities. TogetherSAFE is helping us advance our ambition of safety excellence and zero injuries across every corner of our organisation.

HUMAN RIGHTS

It is our expectation that all people are treated equally and fairly. Our approach to upholding human rights is guided by international conventions and standards, including the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. We prohibit all forms of slavery and are committed to keeping such practices out of our global supply chain. Our Code of Conduct is clear that we expect our suppliers to abide by the same standard and that we do not tolerate forced or child labour in our workplace or in our global supply chain. We are committed to the principles of freedom of association, equality of treatment and non-discrimination.

We operate a comprehensive management system that supports our values and the delivery of TogetherSAFE. We continuously develop key parts of the management system – this year we have continued our safety leadership programme for all new plant managers. Another focus has been communication and engagement, with regular safety webinars covering a range of topics, a monthly newsletter, information on our dedicated H&S intranet site and video messages from leadership and employees. We awarded our first CEO TogetherSAFE award to the Taloja, India, site for their safety initiative that delivered over one million safe work hours. We held our second annual safety week in April, which included a keynote speaker who shared a personal story about their serious injury, reminding us to take personal responsibility for one's own safety, think about the impact your actions can have on your loved ones and to stop work if it is unsafe.

HEALTH AND SAFETY PERFORMANCE

LTA

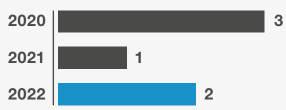
3

TRIR

0.67

Process safety incidents

2



Supportive Culture continued

EQUIPMENT INSPECTION

Each manufacturing site has developed safety improvement action plans. These have helped identify hazard recognition as a Group-wide focus area for next year. Each manufacturing site also operates a safety committee where concerns can be raised. Our corporate HSE team conduct regular audits to determine compliance with country and local regulations, completing eight audits of our manufacturing sites.

Employees and contractors are given training to understand their roles and responsibilities to ensure compliance with our safe work procedures. Employee training is tailored to the specific job requirements and consists of both in-person and on-line training, with each site maintaining a training plan. Each site also has context-specific contractor training, covering hazard communications, work permit processes, site rules and incident reporting.

HEALTH AND SAFETY PERFORMANCE

Our total recordable injury and illness rate (TRIR) was 0.67, compared to 0.90 in 2021. There were nine employee recordable injuries (twelve in 2021). Most of our employee injuries were lacerations (44%) and sprains/contusions (33%). There were three lost-time accidents (LTAs), including an employee receiving burns to the wrist and neck due to an arc flash. We had four contractor recordable injuries in 2022 (seven in 2021). Key improvement opportunities identified from these incidents are better hazard recognition and situational awareness, improved injury reporting and case management, and addressing manual handling ergonomic hazards. There were zero fatalities in the Group in 2022 (2021: zero).

Last year, we started to track process safety events and this year we established metrics based on that tracking. We also defined corporate standards for process safety and have a plan to complete process hazard analyses (PHAs) for all our processes by 2025. We had two process safety events in 2022 (2021: one). One incident involved the integrity failure of a process tank, resulting in the loss of primary containment of its contents to secondary containment. Corrective actions implemented include mechanical integrity and material of construction improvements. The other incident was a tank overflow which was also contained. We had zero environmental incidents in 2022 (2021: zero).

Good management of process and equipment changes are key to minimising safety risk, and this was a key learning from incidents during 2021. In 2022, we introduced a new web-based tool to perform management of change and to better manage incidents and action items resulting from these items, as well as tracking of compliance obligations.

In 2023, we will continue our TogetherSAFE commitment and address 2022 incident learnings by continuing to implement hazard recognition plus (HRP) training for all employees, including implementing HRP into our work planning processes to minimise human error, and reinforcing our stop work authority. We will perform ergonomic assessments of our manual handling tasks to identify ways to reduce associated injury risks.

TogetherSAFE.

In 2022, several our sites celebrated extended periods of safe operation.

Corpus Christi, TX, US, achieved 19 years without a recordable employee injury, showing strong employee engagement in driving continuous improvements in safety culture and taking responsibility for their own and other's safety, even through various organisational changes in that time period.

Other sites also celebrated significant milestones without an employee recordable injury: Amarillo, TX, US, and Katwijk, Finland (11 years); Milwaukee, WI, US (10 years); Newberry mine, CA, US (7 years); Middletown, NY, US, and Dakota City, NE, US (6 years); Livingston, UK (5 years); our new Taloja, India, site (1.56 million safe hours).

The dedication and commitment of all our employees and contractors to looking after both themselves and each other is a strong reflection of our culture and values in practice.

SAFETY METRIC METHODOLOGY

We use the US Occupational Safety and Health Administration (OSHA) Regulation definition for a recordable injury:

a work-related accident or illness that results in one or more of: death; loss of consciousness; absence of more than one day; medical treatment beyond first aid; restricted work or transfer to another job

Total recordable and injury and illness rate (TRIR) is the number of recordable cases multiplied by 200,000 divided by total hours worked by all employees over a calendar year. We exclude contractors from the TRIR calculation, separately tracking the number of contractor recordable injuries.

A Lost Time Accident (LTA) is a work-related injury or illness that requires greater than three days away from work (excluding the day of the incident).

A Tier 1 or Tier 2 process safety event involved loss of primary containment with consequence. It is an unplanned or uncontrolled release of any material from a process. Tier 1 has a higher magnitude of consequence than Tier 2, as defined in the American Petroleum Institute (API) Recommended Practice (RP) 754.

OUR EMPLOYEES

Employees are empowered to work autonomously and challenged to explore new possibilities to develop skills and grow professionally. Everyone's contributions are valued, and work has a meaningful impact. Employees will find the support they need to be and do their best, and to be a trusted guide for our customers, using their expertise to solve their challenges.

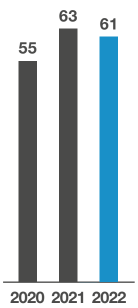
Together, we are innovating to enhance our customers' performance—and driving sustainable growth for our Company.

ENGAGEMENT AND WELLBEING

Elementis is committed to improving employee engagement throughout the business. Our engagement survey enables our people to provide feedback about what they need to become happier and more successful at work. We use the feedback and external trend analysis to make data driven decisions that improve employee engagement and company performance.

At Elementis, people managers are empowered to improve employee engagement in their teams using the engagement data of their teams, and are provided with training and tools. In 2022 we had a response rate of 60% and an Engagement Capital of 61% (-2% since 2021; +6% since 2020). We believe the slight drop is due to uncertainty in some parts of the business. The Manager index was 65% (+1% since 2021; +7% since 2020), and the DE&I Index was 67% (+3% since 2021; +10% since 2020). In 2023 we are launching a new methodology and platform to improve engagement.

Employee engagement capital index %



The Company continues to highlight the importance of mental health. We support flexible working, provide employee assistance helplines; and have regular informal check-ins with employees. We have continued global employee townhalls and other engagement efforts in a virtual setting. The CEO has informal sessions such as 'Coffee with the CEO' to further connect with employees. Our health and wellness initiatives include free webinars for employees on mental and physical wellbeing. As employees continue to work through the challenges associated with COVID-19, ongoing focus and support will remain a key priority.

The divestment of our Chromium business meant 177 employees exited Elementis, with all but two located in the Americas region.

	2022 EX. CHROMIUM	2022	2021	2020	2019
Total employees	**1,315**	**1,492**	**1,413**	**1,353**	**1,342**
Americas	436	611	589	582	609
Europe / Middle East	455	456	446	433	418
Asia	424	425	378	338	315

ENGAGEMENT ON THE FACTORY FLOOR

Supportive Culture continued

Connect. Grow. Make an Impact: Our Employee Value Proposition

In 2022, we launched our Employee Value Proposition (EVP): *Connect. Grow. Make an impact.* We started our journey to develop our EVP in 2021. The aim was to identify what employees value about Elementis, what makes this a satisfying and engaging place to work.

We gathered input from our employees regarding what they love about Elementis – our strengths, our identity and our culture. We interviewed employees, conducted multiple workshops and employee focus groups, and sent out a Company-wide global survey. All these activities resulted in our EVP.

Connect. Grow. Make an impact are identified by our employees as our core areas of strength. *Connect* – as our people value the collaboration and being part of a team. *Grow* – as there are plenty of opportunities to participate in projects and gain new perspectives and experiences. *Make an impact* – because everyone can make contributions and our work is important for our customers.

For the launch of the EVP, we held photoshoots at several of our locations and used our own employee photos to feature in our materials, such as an employee and people manager brochure and posters. Countries and locations held townhall meetings, joint meals and other get-togethers to present and discuss the meaning of our EVP. The feedback has been positive and employees recognise the strengths and language used. We have adapted our global programmes to reflect the language of our EVP and will continue in 2023 to engage with our employees to ensure every colleague experiences *Connect. Grow. Make an impact*.

DIVERSITY, EQUITY AND INCLUSION

Elementis strives to create a culture where all employees feel safe, respected, valued, and empowered to contribute ideas and perspectives. We recognise that the diversity of our people and the inclusive nature of our culture are intrinsic to better business decisions and fundamental to the success of our strategy.

During the year, the Board has received updates on DE&I matters and the Board's composition and diversity has been managed in accordance with the Board diversity policy and objectives. We have, as at 31 December 2022 and the date of this report, a Board composition with 37.5% female Board members (eight individuals, three female, five male). Further information on the diversity of our Board can be found on page 118.

Our DE&I Leadership Council is co-chaired by the CEO and CHRO and is represented by senior leaders who have a passion for DE&I. During 2022, the council delivered functional and business segment DE&I strategies, and is further driving greater accountability within the organisation. The council has continued to deliver against its roadmap with initiatives centred around knowledge and culture, process and policy, and communications and reporting.

This year, education for DE&I topics has been focused on creating an inclusive culture and continuing to build leadership skills through a Train the Trainer series. Expert speakers addressed foundations of inclusion in organisations and active cultural advocacy while compliance training was delivered to all employees on microaggressions and allyship. Over 323 hours of self-directed LinkedIn Learning DE&I content was logged, and Allyship and Advocacy workshops were delivered to 220 people managers globally.

Our employee resource groups (ERGs) are becoming more established and are helping raise awareness of various topics and perspectives. The global Women in Leadership forum has organised external speakers for a range of topics and established a framework for 'Listening Lounges' to be facilitated regionally in 2023. In the US, Empowering Each Other, a local women in leadership forum, was established to create greater opportunities for learning, mentoring and volunteering in the community.

Elementis is an equal opportunities employer and considers applications for employment from all backgrounds. We provide facilities, equipment and training to assist all employees. Should an employee become differently abled during their employment, efforts would be made to retain them in their current role or to explore opportunities for redeployment in the Group. In 2022, the Facility Access Programme executed on removing physical barriers, with 14 sites completing plans.

Our strategy to increase gender diversity continues to result in a greater proportion of females in senior positions, up to 34% in 2022 (62 individuals, 21 female, 41 male; 2021: 31%). We align with the FTSE Women Leaders definition of senior positions, that is our ELT and direct reports excluding administrative roles. Across the whole employee population, gender diversity remained flat at 24% in 2022 (1,492 individuals, 358 female, 1,134 male; 2021: 24%). This compares with 34% women in manufacturing roles (International Labour Organisation data). Considering our continuing operations (excluding employees in the divested Chromium business), our % total females becomes 26% (1,315 individuals, 342 female, 973 male), with 37% as senior leaders (59 individuals, 22 female, 37 male).

% FEMALE	2022 ex. Chromium	2022	2021	2020	2019
Senior leaders*	37	34	31	30	25
Total	26	24	24	24	23

* ELT and direct reports, excluding administrative personnel

EMPLOYMENT

Our HR policies demonstrate how our Values are put into practice. They underscore our commitment to providing equal opportunities in employment, striving to ensure that the work environment is free of harassment and bullying, and that everyone is treated with dignity and respect. Our policies are available to all employees via the Company intranet and local HR. Mandatory training is provided to employees.

Whilst the Company has less than 250 employees in the UK and is therefore not required to report under the gender pay gap regulations, the Company reviews gender pay on a biennial basis with the most recent one completed and reviewed by the Board in December 2022. The gender pay gap has greatly improved since 2020 due to the joining of female employees in higher paid roles including HSE, Legal, Sales, Finance, HR and Compliance. The female group were paid higher than the male group in salary and bonus with a pay gap of -3.7% at the mean and -40.7% at the median which was an improvement from 7% and 26% in 2020.

We are committed to providing fair and market competitive pay and benefits to attract, engage and motivate employees at all levels. In comparison with external benchmark in similar industries and geographic area, we aim to pay fully competent individuals who consistently meet performance expectations at competitive market levels. We are accredited by the UK Living Wage Foundation in respect of our pay commitment to direct and third party employees at all UK locations.

Guided by our global benefit principles, benefit programmes vary from one country to another as government mandates, cultural factors and market norms shape local programme design and employee expectations. To ensure fairness and understand the local application of the principles, we conducted a benefit audit in the fourth quarter of 2022 and found that local offerings were well aligned to and within the scope of our global principles.

All countries offer some form of retirement scheme, ranging from the employee-invested 401k plan in the US to wholly state provided and cash lump sums after retirement. In countries where state programmes are at a basic level, the company offers private plans in addition to the mandatory contributions to the state programme.

Employees in all countries have access to government health plan, to which the Company contributes, and/or a Company sponsored plan. Employees in India, US and Brazil are provided Company sponsored healthcare plans as there are no national healthcare system or the coverage is limited. In the UK and Germany, the Company offers supplemental health insurance in addition to the mandatory contributions to the national programmes. The offering of a supplemental plan in UK is above market norms as private medical schemes are not common and only offered by 10% of employers.

Supportive Culture continued

We are committed to accommodating flexible work arrangements including work from home, flexible work schedule and part-time work, as long as the role allows, and we promote meaningful and open conversations about what works best to balance individual needs and deliver against goals and business requirements.

We provide a variety of leave programmes to support employees through life events, including family leave to care for sick family members, paternity and maternity leave, and bereavement leave. Leave entitlement varies greatly across countries but the offerings are all in-line or above market norms.

In addition, each country offers multiple forms of personal and family support which aim to enhance work-life balance and increase employees sense of well-being. Examples are child education and childcare support, meal allowance or meal voucher, on-site canteen, transportation support, and gifts for holidays and life events.

In 2022, 6.4% of our employees were union members (data excludes Ludwigshafen, Germany where we have no right to this information). 24.3% were subject to collective bargaining agreements. The total voluntary attrition rate in 2022 was 10.7% (2021: 5.9%). The divestment of our Chromium business only has a small impact on these statistics.

2022 METRIC	INCLUDING CHROMIUM	EXCLUDING CHROMIUM
Union membership	6.4%	5.6%
Collective Bargaining Agreement	24.3%	26.1%
Voluntary Turnover	10.7%	10.6%

LEARNING AND DEVELOPMENT

As an employer, Elementis encourages our people to develop their expertise and expand their skills, so we can all confidently create value in everything we do. We embed learning and development in our core processes via Performance Management and Talent & Succession. With these processes, we have a fair and consistent approach to assess individual learning and development needs, provide clear learning and development targets, and create learning and development opportunities.

Through live (virtual) workshops and LRN, we provide training supporting our key priorities. All employees have unlimited access to LinkedIn Learning, where they can take e-learnings that suit their personal learning needs. 2,265 hours were logged on LinkedIn Learning in 2022. All employees in China have unlimited access to a local learning platform called Lzdxedu.com; 12,562 hours were logged on this platform.

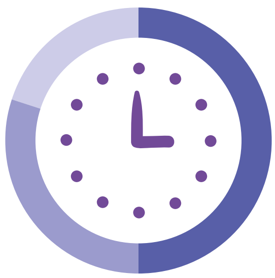
People managers have a yearly learning journey with live workshops, exercises and tools to grow their leadership skills. In addition, all people managers have access to Gartner for People Managers, which provides them with targeted courses and materials on leadership skills. People managers have the biggest impact on employee engagement, and we are committed to providing them the right tools to improve the engagement in their teams. In 2023, we are launching a new platform for people managers to improve engagement.

We recognise the importance of developing talent internally, as well as attracting talent from outside the organisation, to provide our employees with the skills they need to succeed in the future. This year, we strengthened our organisation with 268 new hires, the majority of whom were in manufacturing and supply chain.

PERFORMANCE MANAGEMENT

With the performance management process in Elementis we align the business and drive organisational success. We stimulate a culture of performance and develop our employees. It connects the different HR processes and ensures a fair and consistent approach. The performance management process starts with goal setting where employees are asked to set goals that contribute to the key priorities of Elementis. At Elementis we challenge people to learn new skills and develop their career by gaining experience beyond their day-to-day job responsibilities and seeking out learning opportunities. As part of goal setting we also ask people to define how they want to grow in the coming year, by defining learning and development actions. This gives their manager input to coach them during the year based on their personal needs. We use the mid-year review to review the goals and actions, and adjust if needed and provide feedback. During the year-end review employees and managers evaluate the performance and managers are asked to give a performance rating. The ratings are calibrated to ensure fairness. The final performance rating is connected to merit increase and bonus. All employees that join before October in the year are mandated to participate in the performance management process.

TRAINING HOURS



2,265 hours of training logged on LinkedIn Learning

2,265 hours

12,562 hours of training in the Chinese platform Lxdxedu.com

12,562 hours

Elementis encourages our people to develop their expertise and expand their skills.

COMMUNITIES AND VOLUNTEERING

- We offer our employees paid time off to spend volunteering and encourage them to participate in volunteering activity as teams.
- A few examples of activities done in 2022:
- Employees in Livingston, UK, conducted three litter picking activities in the local community.
- A yoga session was conducted in India on International Yoga Day to promote the significance of good health.
- Employees in Hsinchu, Taiwan, visited elderly people in a local nursing home and participated in activities celebrating the traditional Double Ninth Festival.
- Employees in Cologne, Germany, supported the Aids Aid Cologne and helped with painting, cleaning up and renovating a residential house/housing project.
- In China, during the lockdown period, employees from different functions served people in the community. Employees also collected clothes, books and toys, and donated to remote areas in China.
- Employees from Shanghai volunteered their time in cleaning up activities in the area of Anji.

Supporting sports and the local community

Elementis is a sponsor to the Finnish baseball team Sotkamon Jymy, based in Sotkamo, where the company has a talc site and employs about 80 people. Sotkamon Jymy is a well-known team in the Finnish baseball league and has won the gold medal 19 times.

Sotkamo is traditionally a baseball region in Finland. Children play the sport from a young age in junior teams, and aspire to join the professional team Sotkamon Jymy. Jymy has values like passion, cooperation, courage, and responsibility. They strive to be a responsible sports brand, inspiring the local population and adding to the community spirit. Since 2010, Sotkamon Jymy have organised an annual charity match, with all money raised donated to local social or medical organizations, such as the Children's and Cancer departments at Kainuu hospital.

Responsible Business

We are committed to conducting business with integrity around the world and to fair and ethical behaviour throughout our organisation.

ETHICS AND COMPLIANCE (E&C)

We are committed to conducting business with integrity around the world and to fair and ethical behaviour throughout our organisation. We relaunched our Code of Conduct and Ethics, entitled 'Integrity is our Specialty' in May 2022. Our Code is the cornerstone of our ethics and compliance programme. It helps us communicate our commitment to responsible business and promotes a culture of complying with the law and doing business ethically. It provides the framework for:

- Making a culture of ethics and compliance apparent and accessible to all employees and third parties doing business with Elementis
- Providing training, information and guidance on key compliance areas
- Guaranteeing that all concerns are addressed appropriately
- Ensuring ethical and compliance matters are considered and weighted appropriately in all Elementis business decisions

Our Code is available on our website and translated into seven languages. Posters were sent to every Elementis site to support the launch of the Code, along with freestanding Quick Reference Guide displays, suitable for locations such as reception and break areas. These show information about the Code and a QR Code to access it as well as details of our speak up channels. The E&C section of the intranet was also redesigned to support the digital launch of the Code and provide accessible information and resources on a range of E&C topics.

Alongside the Code of Conduct, we also launched an Integrity is our Specialty logo as a visual reminder of the importance of ethics and compliance at Elementis.

OUR GOVERNANCE STRUCTURE

The Ethics and Compliance Council (ECC), set up in 2021, continued to hold quarterly meetings throughout 2022. The ECC comprises the Group General Counsel & Company Secretary (Chair), the executive leaders from each business segment and function, and Internal Audit. The ECC reports to the CEO after each meeting and to our Board of Directors twice a year. Its purpose is to uphold and oversee an ethics and compliance culture at Elementis and to ensure the Code, and related Elementis policies and standards, are effectively communicated and implemented.

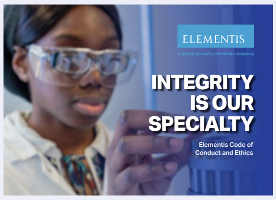
OUR RISK ASSESSMENT

Following the materiality assessment conducted with the ELT (see page 39), which identified business ethics risks as the most material set of risks considered in that exercise, our Global Compliance Manager conducted a further series of risk workshops at different levels of the organisation. These covered the three ethics and compliance risks which were considered the most relevant: competition and anti-trust, bribery and corruption and trade sanctions. This information will be used in identifying any risk-mitigation steps including awareness raising and training.

INTEGRITY IS OUR SPECIALTY

Our new Code of Conduct, entitled 'Integrity is our Specialty' was launched on 25 May 2022 by our CEO, Paul Waterman. A video from Paul introducing the Code was sent to everyone via email and featured on our intranet. During a well attended virtual townhall, our CEO and members of the Executive Leadership team introduced our new Code, using personal stories and experiences to bring it to life and demonstrate its relevance to our day-to-day work.

At our sites in London, Cologne, Palmital and Livingston, people gathered together to celebrate the launch, and engage with the new Code. Every employee in the Company was sent a small torch, and a letter to remind everyone that – like a torch – our Code is there to guide the way.



Other data points that we consider in assessing our compliance risks include speak ups, investigations and litigation as well as external data such as the Transparency International Corruption Perception Index (TICPI). There were no recorded investigations or litigation related to any of these three key risks (competition and anti-trust, bribery and corruption, and trade sanctions) in 2022.

KEY TOPICS IN 2022

Trade sanctions were a major area of focus for compliance since late February when Russia invaded Ukraine. Various products became subject to European Commission sanctions for sale or supply to Russia. The Legal & Compliance team worked closely with colleagues across the business units to manage compliance and resolve questions.

In 2022, we took specific steps to ensure compliance with the new US Uyghur Forced Labor Prevention Act (UFLPA) which included a risk based review of our suppliers and seeking assurances on compliance from any vendors considered to be high risk. We also updated our standard purchasing documents with revised Modern Slavery wording.

OUR SPEAK UP CULTURE

We value open and honest communication and encourage employees and third parties to speak up about any concern as it arises, to their manager, HR, other Elementis function (such as HSE or Finance), or Legal and Compliance. Where an individual does not feel able to raise the matter with anyone at Elementis, it can be raised confidentially and anonymously (where local law permits) to a reporting service hosted independently of Elementis, IntegrityCounts, which is available 24 hours a day, 7 days a week in multiple languages. These speak up channels are publicised in various ways including in our Code, on our intranet, on the training portal and on posters at sites.

All reports are reviewed and appropriate action taken, which may include investigation at the direction of the Group General Counsel & Company Secretary. We promptly take all required appropriate steps based on the outcome of the investigation, following our internal investigations procedures including provision of regular updates to the reporter. We have a clear stance on non-retaliation and are committed to protecting any employee who reports a violation in good faith from retaliation, even if the report is not substantiated in an investigation.

We received one report via the independent reporting service during 2022 (2021: four) and two other speak up reports via direct email, further details of which are set out in the table below. The Compliance function is working with the ECC to consider how to define and capture data on speak ups which are not reported through the hotline in order to obtain a better picture of our overall level of speak up and any identifiable trends.

REPORT TYPE	DATE OF REPORT (2022)	OUTCOME OF INVESTIGATION
HSE (via Integrity Counts)	August	Narrative conclusion – most issues had been or were being addressed.
Diversity, Equity & Inclusion (via direct email)	August	Investigation not required – steps were taken to address the issue.
Unethical Behaviour (via direct email)	December	Not substantiated.

OUR TRAINING PROGRAM

We updated our training portal during 2022, making it more engaging and easier to use, with clearer communications about training courses. There were over 2000 hours of compliance training completed on the portal in 2022. This was supplemented by in-person training including a dedicated, tailor-made interactive training session on competition and anti-trust law delivered to the Personal Care team in November. In 2023, we will deliver an updated programme of e-learning, tailored to the risks to which Elementis and its employees are exposed.

TRAINING EVENT

DATA PRIVACY

We remain committed to ensuring the security and confidentiality of our data. The Data Protection Steering Committee (DPSC) continues to meet regularly, overseeing the Group's compliance with the ever-changing landscape of privacy and data protection regulation. In 2022, this notably included legislative changes across California and other US states.

In 2022, as the number of global cyber-attacks was on the rise across the globe, we delivered a Cyber Preparedness Drill and have initiated the review of our Incident Response Plan (IRP) and associated procedures. We remain committed to the security of our network and systems and continue to run regular simulated phishing campaigns to raise employee awareness of cyber security threats. The overall simulated compromise rate remained considerably below the average predicted rate. We continue to encourage the timely, open, and transparent reporting of actual and potential incidents concerning personal data, and have dealt with the following reports during 2022:

CAUSE OF REPORT	NO. OF REPORTS
Disclosed in error	8
Technical/procedural failure	4
Theft of data/device	2
Third Party	3
Other	3

Responsible Business continued

PRODUCT STEWARDSHIP

The products we sell are essential to everyday society. From additives in coatings, cosmetic ingredients, and talc in industrial and paper applications, we sell specialty substances that enable these products to provide customers with the competitive advantage they are looking for.

We are committed to making sure any hazards are minimised by design wherever possible, helping to ensure no harm comes to people or the environment during our product manufacture, use and disposal. Our global Product Stewardship organisation monitors local and regional regulations for impacts to our products and supply chain and ensures our products are compliant with current regulations. A member of the ELT oversees the group and provides the consistency and strategy needed to ensure harmonised approaches to global customers while ensuring local regulatory compliance.

Our Product Stewardship team is actively involved with our Research and Development organisation. When a new product is conceptualised, Product Stewardship is engaged from the beginning to ensure the materials, processes, and sales are compliant with appropriate regulations. If they are not, we manage the authorization process so that the product can be safely sold and used as intended.

We track Substances of Very High Concern (SVHC), taking proactive action to eliminate these substances whenever it is technically feasible and when required by customers. SVHC and other chemicals of concern are brought to the attention of the Product Development teams so they can either avoid them or manage them to expectations.

Elementis seeks to avoid animal testing whenever possible. If we are required by regulation to do so (for example, under EU REACH requirements) we engage third parties to conduct the tests in the least impactful way possible. Our animal testing policy is available on our website.

We use a software system to ensure our safety data sheets (SDS) and product labelling complies with current regulation. Commercial SDS for our products are available on our website in English and in local languages. Product labels meet the regional requirements where the products are sold. Label printing stations in plants and warehouses are connected to our software system so that the most current label is used when shipping products, and alerts are made to logistics

LABORATORY EQUIPMENT

LABORATORY TESTING

providers to relabel products in warehouses and storage locations when regulations change, ensuring the most recent label is used on products dispatched. We also work with our supply chain team to ensure that ingredients used in our manufacturing meet all applicable regulatory requirements.

RESPONSIBLE SOURCING

We operate a complex, international supply chain of approximately 5,000 suppliers for our raw material feedstocks and indirect procurement, and we are committed to driving transparency throughout these value chains and partnering with suppliers who share our commitments.

We support the use of certified sustainable palm oil and derivatives. Our Livingston, UK site purchases palm oil derivatives for use in certain products. The site is third-party certified to the Roundtable on Sustainable Palm Oil (RSPO) Mass Balance Supply Chain Model.

In 2022, we signed a contract with an external provider for a solution to bring increased standardisation and efficiency to our third-party integrity risk-screening processes. The planned 2022 go-live will now take place in 2023. This will further enhance our established zero-tolerance approach to corruption and modern slavery in our supply chain.

TAX TRANSPARENCY

On an annual basis, we develop and publish our tax strategy. This statement is approved by the Board and is available on the Company's website. We aim for a proactive and transparent relationship with all relevant tax authorities to facilitate meeting our statutory and legislative obligations. For further details, see pages 119-120.

Non-financial information statement

Section 414CA and 414CB of the Companies Act 2006 requires the Company to provide information to help stakeholders understand our position on non-financial matters. The table below sets out where you can find this information:

REPORTING REQUIREMENT	POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH	FURTHER INFORMATION
ANTI-CORRUPTION AND ANTI-BRIBERY	• Code of Conduct • Anti-corruption policy • Anti-trust policy (global competition)	• Responsible business, pages 68-70 • www.elementis.com
EMPLOYEES	• Code of Conduct • Health, Safety and Environmental policy • Life saving rules • Data protection and privacy policies • Equality and diversity policies • Whistleblowing policies	• Supportive culture, pages 61-67 • Diversity Policy and initiatives, pages 97 and 117-118 • Data Privacy, page 69 • Whistleblowing, page 123
ENVIRONMENTAL MATTERS	• Code of Conduct • Health, Safety and Environmental policy • Water Stewardship statement and policy • Biodiversity statement	• Sustainability, pages 36-38 • Materiality, pages 39-41 • Climate strategy, pages 42-56 • Protecting the environment, pages 57-60 • Supportive culture, pages 61-67 • www.elementis.com
RESPECT FOR HUMAN RIGHTS	• Code of Conduct • Equality and diversity policies • Data protection and privacy policies • Purchasing Code of Practice • Modern Slavery Statement	• Supportive culture, pages 61-67 • Diversity Policy and initiatives, pages 97 and 117-118 • Data Privacy, page 69 • www.elementis.com
SOCIAL MATTERS	• Code of Conduct • Volunteering policy • Whilst we do not have specific policy on social/community matters, we engage directly with our communities wherever we operate	• Supportive culture, pages 61-67 • Stakeholder engagement – Communities and the environment, pages 73 and 106
STAKEHOLDERS	• Section 172	• Section 172, pages 74-75 and 106
DESCRIPTION OF THE BUSINESS MODEL		• Business Model, pages 18-19
DESCRIPTION OF PRINCIPAL RISKS AND IMPACT ON BUSINESS ACTIVITY		• Risk management, pages 86-89 • Principal risks and uncertainties, pages 90-94 • Audit Committee report, page 122
INNOVATION		• Innovation at Elementis, pages 22-23 and 26-27
NON-FINANCIAL KEY PERFORMANCE INDICATORS		• Non-financial Key performance indicators, pages 32-33 • Sustainability, pages 36-38 • Materiality, pages 39-41 • Climate strategy, pages 42-56 • Protecting the environment, pages 57-60

Reference to our policies, due diligence processes and information on how we are performing in these areas are contained throughout the Strategic report. Information on our principal risks can be found on pages 90-94, information on our non-financial key performance indicators can be found on page 33 and a description of our business model can be found on pages 18-19. Certain Group policies and internal standards and guidelines are not published externally.

Stakeholder engagement

We are committed to listening to, engaging with and reflecting our stakeholders' needs and priorities in our business plans and operations. Our engagement approach is based on trust and transparency, which reflects our strategy and purpose.

1. Customers

Our customers rely on us to deliver high quality products with superior performance, efficiency and sustainability features. We deliver a range of products to customers around the world, and by providing expertise and innovation, we keep our customers at the forefront of their industries.

WHAT MATTERS TO THEM

- Customer service and performance
- Supply reliability
- Responsible investment
- Affordability and value

HOW WE ENGAGE

- Continuous customer dialogue helps inform our innovation that aligns with market trends
- Provide technical support services to our customers; an established global key account programme enables us to focus on deepening our customer relationships
- Continuous feedback loop with key large customers drives more sustainable, innovative products that will meet their needs, strengthening partnerships and collaborations
- Participation in conferences, trade shows and industry associations

ACTIONS AND OUTCOMES

- Launched 18 new products
- 60 innovation projects in development
- $59m new business
- $16m spend on R&D and technical support
- Average of 25 online customer technical support seminars per month

Read more on pages 22-23

2. Suppliers

A resilient and ethical supply chain is critical to our business. We rely on our suppliers to be able to meet the needs of our customers so that we can meet our growth opportunities and portfolio potential.

WHAT MATTERS TO THEM

- Responsible supply chain
- Sustainability
- Collaboration

HOW WE ENGAGE

- Onboarding process provides two-way communication to build relationships with our suppliers
- Direct engagement with suppliers by senior management and regular contact with procurement team to address any issues or potential issues
- Corporate responsibility and ethics reporting

ACTIONS AND OUTCOMES

- Suppliers are held to high ethical standards
- Reliability of supply/key raw materials – development of additional raw material supply sources

Read more on pages 16-17

3. Employees

Our employees are crucial to the success of our business and many of our decisions have an impact on them. Our employees want to feel valued and empowered to make a difference. A safe, ethical and sustainable workplace with rewarding careers and investment in training and development remain important hallmarks of employee satisfaction.

WHAT MATTERS TO THEM

- Health, safety and wellbeing
- Diverse and inclusive workplace
- Fair pay and reward
- Opportunities for learning and growth

HOW WE ENGAGE

- Initiatives around health, safety and wellbeing, and our organisational culture
- Promote diversity and inclusion, and training and development by undertaking globally the 30 day inclusion challenge and regional activities facilitated by the employee resource group
- Annual engagement survey to obtain feedback and develop action plans
- Global and local townhall meetings, quarterly business briefings
- Coffee with the CEO, works councils, and business, site and functional meetings
- Performance reviews and appraisals provide feedback on agreed objectives and career development discussions
- Online training and support, and confidential employee and wellbeing programme
- Focus group sessions with employees, held by our Designated Non-Executive Director for Workforce Engagement

ACTIONS AND OUTCOMES

- 75% of sites without a recordable injury
- 61% response rate of employees (engagement score)
- 2 global Women in Leadership events
- Over 300 hours of online DE&I training via LinkedIn Learning
- 4 global townhall meetings and 5 informal 'Coffee with the CEO' sessions

Read more on pages 61-67

HOW THE BOARD ENGAGES

Information regarding how the Board engages can be found on pages 106-108.

4. Communities and the environment

Engagement helps us to understand our impact on the wider society and the ways in which we can work together to make a valuable difference.

WHAT MATTERS TO THEM

- Local employment
- Economic contribution
- Operational impact and disruption
- Environmental considerations

HOW WE ENGAGE

- Environmental and social reporting on our website, including corporate responsibility, modern slavery, gender pay, water stewardship and carbon emissions
- Philanthropy and employee-matched funding for charity policy
- Local volunteering activities
- CDP, UN Global Compact communication on progress and EcoVadis submissions
- Local biodiversity initiatives such as recycling rainwater for banana plantations in Brazil

ACTIONS AND OUTCOMES

- Water stewardship policy
- Volunteering and fundraising activities
- Gold rating from EcoVadis and B rating for CDP Climate
- Alignment with UN SDGs

Read more on pages 36-60

5. Investors

As owners of the Company, it is important to understand their perspectives on sustainable growth, capital efficiency and how the Company is run.

WHAT MATTERS TO THEM

- Strategy and business model
- Financial performance and returns
- Financial risk management
- Strong leadership
- ESG performance
- Reputation

HOW WE ENGAGE

- Consult with our major shareholders on specific issues such as ESG performance, supply chain and enhanced innovation
- Virtual innovation seminar held for investors helps grow awareness and understanding of innovation capabilities

ACTIONS AND OUTCOMES

- 58 investor meetings during the year
- Attendance at an investor conference
- Hybrid AGM
- All AGM resolutions passed
- Shareholder feedback informs Board and Committee decision making

Read more on page 110

6. Government trade bodies and regulators

Engagement with governments and local regulatory authorities helps to ensure we understand changing regulatory requirements and can maintain a constructive dialogue to meet these requirements.

WHAT MATTERS TO THEM

- Governance and compliance
- Trust and transparency
- Performance against regulatory targets
- Environmental impact
- Sustainable procurement

HOW WE ENGAGE

- Direct engagement with regulatory authorities, including permit compliance, reporting breaches, annual technical submissions and regulatory guidance
- Establishing and maintaining key contact relationships with the Company's main regulators
- Active engagement with industry bodies

ACTIONS AND OUTCOMES

- Dialogue with Financial Reporting Council in response to the 'Corporate Reporting Review Operating Procedures' review – see further information on page 123
- Certifications and accreditations build trust and transparency through operating as a responsible business

Section 172(1) statement

Promoting the success of the Company

Our Directors have a duty under Section 172(1)(a) to (f) of the Companies Act 2006 (s.172(1)) to promote the success of the Company for the benefit of its members. In doing so, they must have regard (among other matters) to the likely long term consequences of their decisions, the interests of our employees, the business relationships with our suppliers, customers and others, the impact of our operations on the community and the environment, the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between our shareholders.

To be able to fulfil their duties when making decisions, it is essential that our Directors understand what matters to our stakeholders and, equally, that it is not always possible to provide positive outcomes for all stakeholders when considering the long term success of the Company.

Details of our stakeholder groups and how the business and the Board have engaged with them during the year are set out on pages 72-73.

The Board receives information on stakeholder engagement matters through regular reports and presentations from senior management throughout the year. All Board papers for principal Board decisions include a specific section on s.172(1) and stakeholder interests. In addition to s.172(1) duties, there are also other factors that are taken into account or may be considered relevant in the context of decision making, for example, pension scheme members or engagement with regulatory authorities. Directors bring additional value by sharing knowledge or insight gained from previous or current roles which enable a more holistic approach to the decision making environment.

Christine Soden, our Designated Non-Executive Director for workforce engagement, ensures that the views and concerns of the workforce are brought to the Board and are taken into account. Further information on our approach to workforce engagement can be found on pages 106-108.

The Board made several site visits in 2022: to our Sotkamo and Vuonos sites in Finland and to our East Windsor and St Louis sites in the US. In addition, John O'Higgins, Christine Soden and Trudy Schoolenberg visited our Newberry Springs mine and processing plant in California, US. These visits provided opportunities for our employees to engage with the Directors during their tours of the sites, and through management overview presentations and 'fireside chats', as well as over dinners with the Board.

In addition, the Directors also engage directly with our investors (see page 110 for more detail) and participate in wider engagement with our employees.

HOW THE BOARD FULFILS ITS S.172 DUTIES

BOARD TRAINING

Each of the Directors is aware of their duties and has received training on s.172(1)

BOARD INFORMATION

Board papers include specific reference to s.172(1) and stakeholder interests

Board directly and indirectly engages with stakeholders

BOARD STRATEGIC DISCUSSION

Board considers quality of information and seeks assurance where necessary

Chair facilitates Board discussion ahead of formal debate

BOARD DECISION

Company Secretary records all Board decisions

Board decisions are cascaded for implementation

S.172 MATTERS	READ MORE	PAGES
(a) Consequences of decisions in the long term	Our business model Our strategic priorities Principal risks and uncertainties Viability statement and going concern Climate strategy Board activities	18-19 24-31 90-94 95 42-56 105
(b) Interests of employees	Non-financial information statement Supportive culture	71 61-67
(c) Fostering business relationships with suppliers, customers and others	Sustainability Materiality Operating review Our strategic priorities	36-38 39-41 82-85 24-31
(d) Impact of operations on the community and the environment	Sustainability Climate strategy Protecting the environment	36-38 42-56 57-60
(e) Maintaining high standards of business conduct	Sustainability	36-38
(f) Acting fairly between members	Shareholder engagement Voting rights	110 153

MATTERS CONSIDERED BY THE BOARD

The following are some of the decisions made by the Board this year which demonstrate how colleague interests, the need to foster business relationship with other key stakeholders and other section 172(1) matters have been taken into account in discussions and decision making:

KEY

Employees · Customers · Suppliers · Government and regulators · Environmental and communities · Investors · Creditors

DECISION	S.172(1) CONSIDERATIONS	THE BOARD'S ROLE
SALE OF CHROMIUM BUSINESS The key stakeholders identified:	• The impact of a decision to divest the Chromium business on the retained Group operations in the longer term, as well as on stakeholders of the divested business. • Whether the interests of the Chromium business's employees, customers and suppliers would be best served as part of the Group or under a new owner. • The changed profile of Elementis' environmental impacts if the Chromium business were to be sold.	The Board approved the initiation of a strategic review of the Group's Chromium business in April 2022. In the intervening period, which led to the announcement (in November 2022) that a sale of the Chromium business had been agreed, the Board regularly considered options in the strategic review, including assessing if divesting the Chromium business would deliver benefits to the retained Group, including the ability to focus as a specialty additives business. The Board's decision making process took into consideration the possible applications for any sale proceeds, including paying down the Group's debt and thereby strengthening its balance sheet, which in turn would be expected to have a positive impact on the covenant afforded to the Elementis Group Pension Scheme, as well as the Group's ability to resume dividends to shareholders in future. The Board also had regard to the implications for the Group's environmental sustainability profile of a potential sale, which would reduce the Group's Scope 1 and 2 (market) emissions by approximately 75%, as well as positively impact the Group's Scope 3 emissions. The Board evaluated the profiles of prospective buyers for the Chromium business and concluded that a divestment to the Yildirim Group, a leading Turkish industrial conglomerate and major producer of chrome ore and high carbon ferrochrome, would be likely to result in positive outcomes for employees, customers and suppliers of the Chromium business. Finally, the Board used insights from investor dialogues to conclude that the timing of the proposed divestment was appropriate.
EMPLOYEE VALUE PROPOSITION The key stakeholders identified:	The Board recognises the importance of attracting and retaining talented employees to the long term success of the Group.	In the context of the ongoing COVID-19 recovery, and the increased challenges for organisations in attracting and retaining high calibre employees, the Board received a proposal by management to take a proactive approach to communicating, internally and externally, a globally consistent position on what the Group uniquely offers as an employer. The Board received consolidated input from over 600 employees, from which the concept 'Connect. Grow. Make an Impact' emerged, and reviewed the proposed launch plans, including posters, brochures and in-person events. The Board endorsed the close alignment of the new Employee Value Proposition to the five Elementis Values.
SUSTAINABILITY STRATEGY The key stakeholders identified:	The ability to adapt to stakeholders' evolving environmental sustainability expectations as well as applicable legal requirements is essential to the long term viability of the Group.	The Board endorsed the output of the sustainability 'materiality assessment' in early 2022 – which identified the most important sustainability topics by business impact and stakeholder importance – and management's focus on these material areas during the year. The Board carefully considered the proposed adoption of a science based target for reduction in our greenhouse gas emissions by circa 2030, and the related updating of the Group's long term ambition statement from 'carbon neutral' to 'Net Zero by 2050', as well as the form of our first Net Zero transition plan, and approved these progressive steps, determining that they would better meet the expectations of the Group's employees, customers and shareholders in terms of the Group's management of its greenhouse gas footprint, as well as aligning our greenhouse gas emission reduction pathway with the UK's legal commitments and complying with UK corporate disclosure regulations.

Further performance improvement and leverage reduction

As a result of successful pricing and margin management in response to accelerating cost inflation and a particularly strong performance in Personal Care and Coatings we delivered another improved level of performance. Earnings recovery and net cash generation resulted in a further reduction in financial leverage from 2.6x to 2.2x net debt to EBITDA.

Ralph Hewins
Chief Financial Officer

GROUP RESULTS

In 2022, revenue from continuing operations increased 4% from $709m to $736m, due to strong new business success, targeted pricing actions and demand recovery across most of our end markets. Excluding the impact of currency translation, underlying revenue from continuing operations increased 10%. Revenue in Personal Care rose 21% on a reported basis and 26% on an underlying basis*, delivering record sales in both AP Actives and Cosmetics. In Coatings, revenue increased 1% on a reported basis and 5% on an underlying basis*, with pricing actions and a better product mix offsetting lower volumes. In Talc, revenue decreased 10% on a reported basis and increased 2% on an underlying basis*, with a decline in volumes partially offset by pricing actions and an improved product mix. Revenue in Chromium, a discontinued operation, increased 8%, due to strong volume growth as demand increased across a range of industrial end markets.

Reported operating profit/loss from continuing operations decreased from a profit of $12m to a loss of $42m, with a strong performance improvement more than offset by $142m of adjusting items; the largest of which was a $103.4m non-cash Talc goodwill impairment (2021: Talc $52.3m) due to the lower demand environment, global inflationary pressures, higher energy costs and the rising cost of capital in the second half of 2022. Adjusted operating profit from continuing operations increased 23% on an underlying basis* from $82m to $101m, with the aforementioned higher revenue and associated earnings more than offsetting cost inflation. The loss before income tax from continuing operations for the year was $63m compared with $8m in 2021.

ADJUSTING ITEMS

In addition to the statutory results, the Group uses alternative performance measures, such as adjusted operating profit and adjusted diluted earnings per share, to provide additional useful analysis of the performance of the business. The Board considers these non-GAAP measures as an alternative way to measure the Group's performance. Adjusting items in 2022 resulted in a charge of $135.7m before tax, an increase of $68.6m against last year. The key categories of adjusting items are summarised below. For more information on adjusting items and the Group's policy for adjusting items, please see Note 5 and Note 1 to the financial statements respectively.

Credit/(charge)	Personal Care $m	Coatings $m	Talc $m	Central costs $m	Continuing $m	Discontinued $m	Total $m
Business transformation	–	(2.9)	(1.9)	–	(4.8)	–	(4.8)
Environmental provisions	–	–	–	3.8	3.8	(2.2)	1.6
Impairment of property, plant and equipment	–	–	(23.0)	–	(23.0)	–	(23.0)
Impairment of goodwill	–	–	(103.4)	–	(103.4)	–	(103.4)
Costs associated with Chromium disposal	–	–	–	–	–	(5.6)	(5.6)
Amortisation of intangibles arising on acquisitions	(8.4)	(1.2)	(5.3)	–	(14.9)	(0.2)	(15.1)
Total charge to operating profit	**(8.4)**	**(4.1)**	**(133.6)**	**3.8**	**(142.3)**	**(8.0)**	**(150.3)**
Unrealised mark to market of derivatives	–	–	–	6.6	6.6	–	6.6
Total	**(8.4)**	**(4.1)**	**(133.6)**	**10.4**	**(135.7)**	**(8.0)**	**(143.7)**

BUSINESS TRANSFORMATION

In November 2020, the closure of the Charleston plant was announced. Costs of $2.9m in 2022 (including $0.4m of depreciation) associated with preparing the site for sale are classified as an adjusting item and the site is planned to be disposed of in the future. Since November 2020, costs of $22.7m have been incurred in relation to the closure of the site. Further charges of $1.9m relate to the Talc integration and synergy projects. These projects were completed in 2022.

ENVIRONMENTAL PROVISIONS

The Group's environmental provision is calculated on a discounted cash flow basis, reflecting the time period over which spending is estimated to take place. The movement in continuing provisions relates to a change in discount rates that has decreased the liability by $7.2m (2021: $0.6m) in the year, and extra remediation work identified in the year which has resulted in a $3.4m (2021: $5.3m) increase to the liability. As these costs relate to non-operational facilities, they are classified as adjusting items.

IMPAIRMENT OF GOODWILL

The performance of the Talc business was adversely impacted in the second half of 2022 by a lower demand environment, global inflationary pressures, higher energy costs and the Russian invasion of Ukraine. These factors, as well as a reduction in the near term forecasted profitability of the Talc business and a rise in the pre-tax discount rate, resulted in an impairment charge of $103.4m being recognised (2021: $52.3m), to reduce the remaining Talc goodwill to $nil. Due to the currency in which the goodwill was held, this impairment also gave rise to a $8.0m (2021: $0.8m) movement in exchange differences on translation of foreign operations within other comprehensive income.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

In 2022, the Group recognised a non-cash $23.0m impairment in respect of non-operational bioleaching property, plant and equipment in the Talc business. The Group determined that the operational, health and safety and financial commitments required to operate the equipment were not the best use of the Group's resources.

COSTS ASSOCIATED WITH CHROMIUM DISPOSAL

As announced in November 2022, the Group signed a sale and purchase agreement for the divestment of its Chromium business. The transaction completed in January 2023. Costs totalling $5.6m were incurred during 2022 as part of the divestiture process.

AMORTISATION OF INTANGIBLES ARISING ON ACQUISITIONS

Amortisation of $14.9m (2021: $15.8m) represents the charge in respect of the Group's acquired intangible assets. As in previous years, these are included in adjusting items as they are a non-cash charge arising from historical investment activities.

UNREALISED MARK TO MARKET OF DERIVATIVES

The unrealised movements in the mark to market valuation of financial instruments that are not in hedging relationships are treated as adjusting items as they are unrealised non-cash fair value adjustments that will not affect the cash flows of the Group.

Finance report continued

REVENUE

	2022 $m	2021 $m	Change
Personal Care	**211.5**	174.7	36.8
Coatings	**389.1**	384.3	4.8
Talc	**135.8**	150.4	(14.6)
Inter-segment	**–**	–	–
Revenue from continuing operations	**736.4**	709.4	27.0
Revenue from discontinued operation	**185.0**	170.7	14.3
Revenue from total operations	**921.4**	880.1	41.3

ADJUSTED OPERATING PROFIT

	2022			2021		
	Operating profit/ (loss) $m	Adjusting items $m	Adjusted operating profit/ (loss) m^\Delta$	Operating profit/ (loss) $m	Adjusting items $m	Adjusted operating profit/ (loss) m^\Delta$
Personal Care	**44.4**	**8.4**	**52.8**	27.9	8.8	36.7
Coatings	**69.2**	**4.1**	**73.3**	56.5	5.3	61.8
Talc	**(134.0)**	**133.6**	**(0.4)**	(44.3)	58.3	14.0
Central costs#	**(21.4)**	**(3.8)**	**(25.2)**	(28.2)	3.7	(24.5)
Operating (loss)/profit from continuing operations	**(41.8)**	**142.3**	**100.5**	11.9	76.1	88.0
Operating profit from discontinued operations	**15.2**	**8.0**	**23.2**	14.5	4.1	18.6
Operating (loss)/profit from total operations	**(26.6)**	**150.3**	**123.7**	26.4	80.2	106.6

Δ After adjusting items – see Note 5 to the financial statements.
Central costs include $6.8m (2021: $4.5m) of stranded costs in relation to the Chromium business following the discontinued operations classification.

GROUP PERFORMANCE – REVENUE

	Revenue 2021 $m	Effect of exchange rates $m	Increase 2022 $m	Revenue 2022 $m
Personal Care	174.7	(7.4)	44.2	**211.5**
Coatings	384.3	(14.9)	19.7	**389.1**
Talc	150.4	(16.9)	2.3	**135.8**
Inter-segment	–	–	–	**–**
Revenue from continuing operations	709.4	(39.2)	66.2	**736.4**
Revenue from discontinued operations	170.7	–	14.3	**185.0**
Revenue from total operations	880.1	(39.2)	80.5	**921.4**

GROUP PERFORMANCE – ADJUSTED OPERATING PROFIT

	Operating profit 2021$^\Delta$ $m	Effect of exchange rates $m	Increase/ (decrease) 2022 $m	Operating profit 2022$^\Delta$ $m
Personal Care	36.7	(2.6)	18.7	**52.8**
Coatings	61.8	(3.1)	14.6	**73.3**
Talc	14.0	(1.7)	(12.7)	**(0.4)**
Central costs	(24.5)	1.0	(1.7)	**(25.2)**
Adjusted operating profit from continuing operations	88.0	(6.4)	18.9	**100.5**
Adjusted operating profit from discontinued operations	18.6	–	4.6	**23.2**
Adjusted operating profit from total operations	106.6	(6.4)	23.5	**123.7**

Δ After adjusting items – see Note 5 to the financial statements.

HEDGING

Cash flow hedges are used as part of a programme to manage the Group's exposure to interest rate risk and commodity price risk, particularly those associated with US dollar and euro interest payments and aluminium and nickel pricing. In 2022, interest rate and commodity price movements were such that the net impact of the hedge transactions was a gain of $1.6m (2021: gain of $2.7m) recycled to the income statement.

CENTRAL COSTS

Central costs are those costs that are not identifiable as expenses of a particular business and comprise expenditures of the Board of Directors and corporate head office. In 2022, adjusted central costs were $25.2m, an increase of $0.7m on the previous year, primarily due to cost movements between continuing and discontinuing operations offset by favourable exchange rate movements and a reduction in variable remuneration.

COVID-19 ASSISTANCE

The Group has accessed various government support schemes aimed at mitigating the impact losses resulting from COVID-19. During the year, payment plans were agreed with the tax authorities in China and Taiwan to defer payment of income taxes and payroll taxes, resulting in $1.6m of payment deferrals.

OTHER EXPENSES

Other expenses are administration costs incurred and paid by the Group's pension schemes that relate primarily to former employees of legacy businesses. These costs were $1.3m in 2022 compared with $2.0m in the previous year.

NET FINANCE COSTS

	2022 $m	2021 $m
Finance income	**0.2**	0.3
Finance cost of borrowings	**(19.5)**	(23.2)
	(19.3)	(22.9)
Net pension finance income/(costs)	**0.6**	(0.2)
Discount unwind on provisions	**(0.7)**	(1.7)
Fair value movement on derivatives	**9.1**	10.7
Interest on lease liabilities	**(1.4)**	(1.6)
Net finance costs	**(11.7)**	(15.7)

Net finance costs for 2022 were $11.7m, a decrease of $4.0m on last year. Net finance costs comprise interest payable on borrowings, calculated using the effective interest rate method, facility arrangement fees, the unwinding of discounts on the Group's environmental provisions, net pension interest income/(costs), fair value movement on derivatives and interest charged on lease liabilities.

The decrease in net finance costs is primarily due to lower interest payable on borrowings following the refinancing of the Group's term loans on 1 July 2022 ($3.6m decrease).

The fair value movement on derivatives, which are unrealised mark to market on derivatives that are not in hedging relationships, decreased by $1.6m in 2022.

Net pension finance income/(costs), which are a function of discount rates under IAS 19, and the value of schemes' deficit or surplus positions, changed from a net finance cost of $0.2m in 2021 to a net finance income of $0.6m in 2022.

The discount unwind on provisions relates to the annual time value of the Group's environmental provisions which are calculated on a discounted basis. The unwind of $0.7m in 2022 compared to an unwind of $1.7m in 2021.

Both finance income and the interest on lease liabilities were broadly consistent in 2022 compared with 2021.

TAXATION

Tax charge

	$m	**2022 Effective rate %**	$m	2021 Effective rate %
Reported tax charge/(credit)	**7.8**	**(14.2)**	0.4	(5.3)
Adjusting items tax credit	**(8.3)**	**–**	(10.5)	–
Adjusted tax charge	**16.1**	**20.0**	10.9	18.3

The Group incurred a tax charge of $16.1m (2021: $10.9m) on adjusted profit before tax, resulting in an effective tax rate of 20.0% (2021: 18.3%). The Group's effective tax rate in 2022 is slightly lower than its usual range, due to beneficial adjustments in respect of prior years and the recognition of previously unrecognised deferred tax assets.

Tax on adjusting items relates primarily to the amortisation of intangible assets and the impairment of the bioleaching plant.

The medium-term expectation for the Group's adjusted effective tax rate is around 25-26%, due to the previously announced increase in UK corporation tax rates from April 2023.

EARNINGS PER SHARE

Note 9 to the consolidated financial statements sets out a number of calculations of earnings per share. To aid comparability of the underlying performance of the Group, earnings per share reported under IFRS is adjusted for items classified as adjusting.

Finance report continued

Adjusted diluted earnings from continuing operations per share was 10.9 cents$^{\Delta}$ for 2022 compared with 8.3 cents$^{\Delta}$ in the previous year, an increase of 31% due to a higher adjusted profit after tax. Basic earnings per share from continuing operations before adjusting items was a loss per share of 10.7 cents$^{\Delta}$ compared with a loss per share of 1.4 cents$^{\Delta}$ in the previous year.

Note 9 to the Group consolidated financial statements provides disclosure of earnings per share calculations both including and excluding the effects of adjusting items and the potential dilutive effects of outstanding and exercisable options.

DISTRIBUTIONS TO SHAREHOLDERS

Given the market and economic uncertainties, and the Board's desire to provide additional financial headroom and preserve cash, no dividend distributions to shareholders were made during the year. The Board is not recommending a final dividend for 2022. The Board recognises the importance of dividends to shareholders and will look to reinstate payments during 2023.

CASH FLOW

As per the statutory cash flow statement, net cash flow from operating activities increased by $10.3m to $77.0m in 2022, primarily due to lower cash taxes and interest paid, offset by an increase in working capital outflow as a result of movement in inventories and debtors.

Net cash outflow in relation to investing activities decreased by $18.1m to $46.9m, primarily due to lower capital expenditure and no contingent consideration payable in 2022.

Net cash outflow in relation to financing activities increased by $32.5m to $57.8m in 2022, primarily due to the repayment of borrowings as part of the refinancing completed on 1 July 2022.

The adjusted cash flow, which excludes the effect of adjusting items from operating cash flow and is therefore distinct from the statutory cash flow referenced above, is summarised below. A reconciliation between statutory operating profit to EBITDA is shown in the Alternative Performance Measures section on page 222.

	2022 $m	2021 $m
EBITDA[1]	**173.1**	158.5
Change in working capital	**(58.8)**	(31.6)
Capital expenditure	**(46.5)**	(52.8)
Other	**(3.6)**	1.9
Adjusted operating cash flow	**64.2**	76.0
Pension payments	**(1.0)**	(0.1)
Interest	**(14.6)**	(23.2)
Tax	**(13.4)**	(30.9)
Adjusting items	**(5.2)**	(20.4)
Payment of lease liabilities	**(7.1)**	(6.7)
Free cash flow	**22.9**	(5.3)
Issue of shares	**0.9**	0.1
Dividends paid	**–**	–
Acquisitions and disposals	**–**	0.3
Currency fluctuations	**10.4**	12.0
Movement in net debt	**34.2**	7.1
Net debt at start of year	**(401.0)**	(408.1)
Net debt at end of year	**(366.8)**	(401.0)

1 EBITDA – earnings before interest, tax, adjusting items, depreciation and amortisation

Adjusted operating cash flow decreased by $11.8m to $64.2m in 2022. An increase in EBITDA of $14.6m and a decrease in net capital expenditure of $6.3m was offset by a $27.2m increase in working capital outflow.

Free cash flow of $22.9m in 2022 represents an increase of $28.2m on the prior year period. Cash tax outflows decreased from $30.9m to $13.4m, primarily due to the one-off nature of the $19m charging notice received for the ongoing EU state aid case in 2021. That, combined with a further one-off cash outflow in 2021 of $13.2m in respect of a historic, pre-acquisition interest deductibility tax case, is the primary driver of the decrease in adjusting items cash outflow in 2022.

Net debt decreased from $401.0m in 2021 to $366.8m in 2022, a reduction of $34.2m. Net debt to adjusted EBITDA decreased from 2.6x** in 2021 to 2.2x** in 2022 on a pre-IFRS 16 basis. The decrease in leverage was driven by the improvement in adjusted EBITDA, reflective of the Group's higher earnings during 2022.

BALANCE SHEET

	2022 $m	2021 $m
Intangible fixed assets	**660.2**	815.7
Tangible fixed assets	**386.4**	499.7
Working capital	**141.5**	164.0
Net tax liabilities	**(102.2)**	(112.6)
Provisions and retirement benefit obligations	**(12.2)**	(22.5)
Financial assets and liabilities	**5.9**	(5.2)
Lease liabilities	**(36.3)**	(40.2)
Unamortised syndicate fees	**4.3**	3.1
Net debt	**(366.8)**	(401.0)
Net assets held for sale	**103.1**	–
Total equity	**783.9**	901.0

Group equity decreased by $117.1m in 2022 (2021: increase of $40.6m). Intangible fixed assets decreased by $155.5m due to an impairment of $103.4m, $15.7m of amortisation of intangibles, $35.6m of foreign exchange, $0.2m of additions and $1.0m being transferred to assets held for sale. Tangible fixed assets decreased by $113.3m, due to gross additions of $46.9m and right-of-use asset capitalisation of $5.3m more than offset by exchange differences of $19.9m, depreciation of $49.3m, the impairment of the bioleaching plant of $23.0m, $3.0m of net disposals and $70.3m being transferred to assets held for sale.

Working capital comprises inventories, trade and other receivables, and trade and other payables. Working capital decreased by $22.5m in 2022, primarily as a result of the classification of Chromium working capital as held for sale offset by inventory movements during the year.

Net tax liabilities decreased by $10.4m, primarily as a result of the amortisation of the intangible fixed assets leading to a reduction in the associated deferred tax liability, and the recognition of previously unrecognised deferred tax assets.

Adjusted ROCE (excluding goodwill) increased from 13% to 15%, with increased adjusted operating profit partially offset by increased total operating capital employed (see Alternative Performance Measures on page 222).

The main dollar exchange rates relevant to the Group are set out below.

	2022 Year end	2022 Average	2021 Year end	2021 Average
Pounds sterling	**0.83**	**0.81**	0.74	0.73
Euro	**0.94**	**0.95**	0.88	0.84

PROVISIONS

The Group records a provision in the balance sheet when it has a present obligation as a result of past events, which is expected to result in an outflow of economic benefits in order to settle the obligation and the amount can be reliably estimated. The Group calculates provisions on a discounted basis. At the end of 2022, the Group held provisions of $29.7m (2021: $61.8m) consisting of environmental provisions of $27.5m (2021: $58.7m), self-insurance provisions of $0.5m (2021: $0.7m) and restructuring and other provisions of $1.7m (2021: $2.4m).

Environmental provisions have decreased by $31.2m in 2022, of which $19.5m was transferred to liabilities held for sale. An expense of $8.7m (of which $3.4m relates to continuing operations), which relates to extra remediation work required, was offset by a $10.3m credit (of which $7.2m relates to continuing operations) related to a change in the discount rate applied to the liabilities; leading to a reduction of $1.6m. The remaining movement relates to the unwind the discount in the year ($1.3m) offset by currency translation of $3.5m and utilisation of $7.9m. The self-insurance provision represents the Group's estimate of its liability arising from retained liabilities under the Group's insurance programme and decreased by $0.2m in the period.

The restructuring and other provisions categories relate primarily to restructuring provisions made for adjusting head count and other costs of restructuring where a need to do so has been identified by management.

PENSIONS AND OTHER POST RETIREMENT BENEFITS

	2022 $m	2021 $m
Net (surplus)/liability:		
UK	**(26.4)**	(56.6)
US	**3.5**	8.3
Other	**5.4**	9.0
	(17.5)	(39.3)

UK PLAN

The largest of the Group's retirement plans is the UK defined benefit pension scheme (the 'UK Scheme'), which at the end of 2022 had a surplus, under IAS 19, of $26.4m (2021: $56.6m). The UK Scheme is relatively mature, with approximately two thirds of its gross liabilities represented by pensions in payment and it is closed to new members. Losses on plan assets of $200.4m (2021: return of $24.9m) and liability adjustments of $176.8m (2021: $27.1m) arising due to higher discount rates decreased the net surplus for the year. Company contributions of $0.5m (2021: $0.6m) reflect the funding agreement reached with the UK trustees following the 2020 triennial valuation which concluded in 2021.

US PLAN

In the US, the Group reports two post retirement plans under IAS 19: a defined benefit pension plan with a liability at the end of 2022 of $nil (2021: $1.7m), and a post retirement medical plan with a liability of $3.5m (2021: $6.6m). The US pension plans are smaller than the UK plan and in 2022 the overall deficit of the US plans decreased by $4.8m due to transfers to liabilities held for sale of $2.4m and actuarial decreases in the liability of $28.7m (2021: $6.3m), losses on plan assets of $26.1m (2021: return of $4.4m) and employer contributions of $1.2m (2021 $1.0m).

OTHER PLANS

Other liabilities at 31 December 2022 amounted to $5.4m (2021: $9.0m) and relate to pension arrangements for a relatively small number of employees in Germany, certain UK legacy benefits and one pension scheme acquired as part of the SummitReheis transaction in 2017.

FINANCIAL ASSETS AND LIABILITIES

Net financial assets at 31 December 2022 are net derivative financial assets of $5.9m (2021: net liability of $5.2m) relating to the valuation of various risk management instruments.

The movements in the mark to market valuation of cross currency swaps that are not in hedging relationships are treated as adjusting items as they are non-cash fair value adjustments that will not affect the cash flows of the Group.

EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2023, the Talc and Coatings segments merged to form a new segment called Performance Specialties.

On 31 January 2023, the Group completed the sale of its Chromium business to the Yildirim Group for an enterprise value of $170m, of which total cash proceeds of $119m were received.

On 31 January 2023, the Group repaid $83.0m of its US dollar borrowings and €31.4m of its euro borrowings.

During February 2023, the Group was notified that the Administrative Court in Finland has revoked its permit for the expansion of mining operations at the Uutela mine located in Sotkamo, Finland. The permit was previously issued by the Finnish Safety and Chemicals Agency, the body empowered to issue such permits. The Group intends to appeal the decision. If the appeal were to be unsuccessful, the impact would be to reduce the Talc ore available to the Group by approximately 6%.

There were no other significant events after the balance sheet date.

Ralph Hewins
Chief Financial Officer
6 March 2023

Δ After adjusting items – see Note 5.
* Amended for FX (where constant currency reflects prior year results translated at current year exchange rates) and the impact of M&A.
** See calculation within the unaudited information on page 223.

Strong sales growth and margin expansion

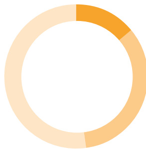
2022 Revenue (2021: $175m)

$212m

2022 Adjusted Operating Profit (2021: $37m)

$53m

Sales by region



Stijn Dejonckheere
SVP Global Personal Care

FINANCIAL PERFORMANCE

Personal Care revenue grew to $212m, from $175m in 2021, with both our Cosmetics and AP Actives businesses delivering record sales. Excluding currency impact, total revenue in Personal Care grew by 26%, as consumers in many of our end markets enjoyed a return to life without COVID restrictions. Volume growth was particularly strong in Europe, as demand recovered to pre-COVID levels, and AP Actives volumes in the Americas also saw exceptional growth. Pricing actions and a higher value product mix more than offset higher costs, in particular for raw materials, as well as manufacturing costs.

Adjusted operating profit was $52.8m, compared to $36.7m in the prior year. Excluding currency impact, adjusted operating profit in Personal Care grew by 55% and the adjusted operating margin improved to 25.0% from 21.0% in 2021. Pricing actions and a higher value product mix more than offset higher costs, in particular for raw materials, as well as manufacturing costs.

STRATEGY

Our strategy in Personal Care is to drive Innovation, Growth and Efficiency in two attractive sectors: Cosmetics and Anti-perspirants. These are both sectors with good growth potential, where our advantaged technologies and good market positions provide opportunities to deliver significant sales growth and attractive operating margins.

In Cosmetics, our unique Hectorite clay and market leading formulation capabilities deliver a compelling competitive advantage. Working closely with customers, our scientists develop and supply a wide range of differentiated additives that make our customers' products perform better. Our Hectorite-based formulations are also well positioned in a market that is increasingly focused on natural products, as they work equally effectively in both water-based as well as oil-based cosmetics.

The fast-growing cosmetics market in Asia is a major growth opportunity for Personal Care, where we have committed significant commercial resources and plan to double our sales over the medium term. Asia sales grew mid single digits versus the prior year, despite sales in China being flat due to the continuing COVID restrictions imposed there. Growth was particularly strong in Korea and Indonesia, and new regulatory approvals in Japan for our new generation Hectorite-based gels created significant interest. Robust growth in cosmetics sales in Asia is expected to continue, further supported by the ending of many COVID restrictions in China, which will stimulate demand for cosmetics there.

Skin care is a major target sector, which is growing strongly and where we have traditionally had a small share of the market, despite much of our chemistry and many of our products being well suited for skin care applications. Increased deployment of technical and commercial resources into the market generated strong interest for our BENTONE GEL and LUXE ranges across a wide spectrum of global and regional customers. Total skin care sales grew to over $20m, ahead of our target of $10m of incremental skin care sales. Areas where we enjoyed particular success were in the sun care sector, which enjoyed strong growth as travel restrictions eased, and with natural ingredients such as Hydroclays and Meadowfoam Seed Oil. Building on our current strong momentum in skin care, and a substantial new business pipeline already in place, we expect to drive further rapid sales growth in this attractive sector.

In 2022, the AP Actives business delivered exceptionally strong growth, driven by global demand for anti-perspirants and deodorants, in the Americas in particular, and utilising the compelling market position this business has built. Pricing actions offset the higher cost of raw materials such as zirconium and aluminium, and higher logistics costs. Our competitive position in AP Actives was further enhanced by the commissioning into commercial operation of our new production plant in Taloja in India. This plant was completed during 2022 and has now been qualified by most of our major customers. The plant will reduce the operating cost base of the AP Actives business and underpin its profitability. It will also enhance our resilience as a supplier, being able to deliver product to customers from multiple sources and with optimal logistical efficiency.

Innovation is a key driver of growth in Personal Care, and we have introduced 25 new products since 2020. Sales from new and innovation products have grown 47% since 2019. Skincare, AP Actives and Colour Cosmetics all represent future growth opportunities with a $50m pipeline of new business opportunities established. Our plant in Taloja, which completed customer certifications at the end of 2022, will further strengthen our competitive position and will lower production and distribution costs.

Personal Care operates in attractive growth markets globally. It develops and delivers high value additives to its customers, based on unique chemistry and formulation expertise, and has built a strong competitive position in its markets, as demonstrated in 2022 performance. We expect to continue to leverage these strengths and to deliver further strong revenue growth and attractive, sustainable operating margins, over the medium term.

Solid sales performance and margin expansion in challenging conditions

2022 Revenue (2021: $384m)

$389m

2022 Adjusted Operating Profit (2021: $62m)

$73m

Sales by region

Luc van Ravenstein
SVP Global Performance Specialties

FINANCIAL PERFORMANCE

Revenue in our Coating and Energy business increased 1% on a reported basis (5% excluding current impact) from $384m to $389m. Adjusted operating profit increased 19% on a reported basis (25% excluding current impact) from $62m to $73m. Our focus on higher value ingredients and a better mix, combined with price/cost initiatives resulted in a record adjusted operating margin of 18.8% vs 16.1% in 2021.

There were significant differences in performance between regions and end-market sectors. Coatings revenue, particularly in the premium decorative sector in the Americas, reported robust growth, reflecting healthy construction and housing market activity and new business wins. European revenues were broadly flat on an underlying basis. The weaker macro-economic environment, exacerbated by the impact of the Russian invasion of Ukraine, and inflationary pressures depressing customer demand in both the decorative and industrial coatings sectors, but was offset by our pricing actions and product mix improvement. In Asia, more than 80% of our business is industrial coatings. The industrial market sector in China, our biggest Asian market, was weak throughout the year, due to the impact of continued COVID restrictions, which had a material impact on our performance.

Coatings also includes our specialised Energy business, now which accounts for less than 10% of total Coatings sales.

Adjusted operating profit for Coatings grew to $73.3m, from $61.8m in the prior year, and the margin expanded to 18.8% compared to 16.1% in 2021. Margin performance was driven by our focus on higher value ingredients and a better mix as a result, as well as pricing actions.

Trading conditions in our markets in the Americas and Europe slowed as the year progressed, reflecting the broader macro-economic environment. However, our continued focus on innovation, delivering our growth platforms and new business opportunities, make us confident that we can sustain the momentum developed through 2022 into the new year.

STRATEGY

To drive growth and enhance our margins in Coatings, we focus on differentiated, technology-led growth platforms. These are all positioned to respond to specific market needs or to meet major market trends, and together they accounted for approximately 40% of our revenue in 2022 and a higher proportion of our growth.

The first of these is aimed at the premium segment of the decorative paints sector. We have developed a suite of products (the Rheolate series of NiSATs) which are easier to apply and have better resistance to staining. New products launched included a new powdered associative thickeners which gained significant traction with major customers. These products are aimed at an addressable market worth approximately $500m and which is expanding, and we are now well over half way towards our goal of achieving a 20% market share in this sector. Our growth in this sector was supported in 2022 by the expansion of the NiSAT processing capacity at our Livingston plant in the UK, ensuring that supply is always available to meet increasing customer demand.

The second of our growth platforms is aimed at the transition of many industrial coatings from solvent-based to water-borne technologies. The global water-borne industrial coatings sector is worth more than $38bn and growing at more than 6% annually, as countries seek to reduce VOC emissions. The application of water-borne coatings is extending across a wide range of end market sectors, including automotive, construction machinery, and timber coating. Our range of products in this market, based on our unique chemistry, deliver the performance and enhanced sustainability benefits our customers, including less energy use as well as less use of solvents.

Our third growth platform comprises adhesives and sealants, where we offer a range of high performance additives that are based on natural castor wax and require up to 30% less energy to process. Enhanced sustainability credentials in the products used in their formulations are an increasingly important consideration for our customers, as well as for Elementis. Energy efficiency during the manufacturing process, and the use of naturally-derived materials in formulations, are key drivers of growth in this sector.

A major component of our Growth strategy is our global key account management programme, where we have built strong technical and commercial relationships with major customers and cooperate in the development of new formulations to enhance their products and processes. This drives volume and sales growth, increases our share of these customers' spend, enhances the value mix of our sales, and opens up major new business opportunities. In 2022, our global key accounts contributed substantially to our revenue growth and improved product mix.

Revenues from new and innovation products generated over $33m in sales, with nine new products launched over the year, building on our market strengths in premium decorative coatings and water-borne coatings for industrial applications, both growing markets. These factors reflect our consistent application of the Group's Innovation, Growth and Efficiency strategy, and the focus on sustainability that is embedded in all of our operations and product lines.

Managing weak demand and high energy prices

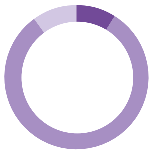
2022 Revenue (2021: $150m)

$136m

2022 Adjusted Operating Profit (2021: $14m)

$nil

Sales by region



FINANCIAL PERFORMANCE

Talc revenue was $136m, compared to $150m in 2021. Talc generates more than 80% of its revenues in Europe and so was materially affected by adverse currency movements. Excluding currency impact, Talc's revenue increased by 2%. Pricing actions and a better product mix successfully offset sharply higher input costs but were unable to also compensate for the decline in volumes, which reflected the weak trading conditions in many end markets, as well as the impact of the Russian invasion of Ukraine and some additional, adverse one-off factors.

The automotive sector is our main market for talc, and sales into this market were materially lower, reflecting continued weakness in European automotive production levels.

The paper sector still represents approximately 7% of Talc's revenue, and sales volume into this sector fell by over 25% in the year, due partly to a four-month strike at one of our biggest customers at the start of the year. Sales resumed towards the end of the first half, but the volume lost was not recovered.

The impact of the Russia/Ukraine conflict on European energy prices adversely affected a number of the energy-intensive industries to which Talc is exposed and led to significant volume losses across the plastics, paint and ceramics sectors. However, we benefitted from an improved product mix in plastics and paint in particular, as demand for our higher value grades of talc proved more robust.

At the adjusted operating profit level, Talc delivered a close to break-even result, compared to an adjusted operating profit of $14.0m in 2021. A major driver of Talc's profit decrease was higher energy costs. Talc is the Group's main user of electricity, and European electricity prices surged after the start of the invasion in Ukraine, and remained high and volatile through the remainder of the year. This had a substantial direct impact on our processing costs in both Finland and the Netherlands, although the impact was mitigated by hedging.

The near term forecasted profitability of the Talc business was impacted by, particularly in the second half of 2022, a lower demand environment, global inflationary pressures, higher energy costs and the Russia invasion of Ukraine. As a result of this, as well as a higher cost of capital, a $103.4m non-cash goodwill impairment was recognised in the 2022 results.

Looking ahead, we see the adverse conditions prevalent in 2022 starting to ease. European energy prices are lower and more stable, and activity in the sectors most exposed to energy prices is starting to recover, albeit within the context of a broader macro-economic environment that remains challenging. Over 2022, we implemented both cost control measures and a series of substantial pricing actions. These external and self help factors give us confidence in a materially stronger year for Talc in 2023.

STRATEGY

At the beginning of 2023, Talc was merged with our Coatings business to form a new Performance Specialties business unit. As Talc and Coatings share many distribution channels and end markets, we have combined these two businesses into one operating division, Performance Specialties. This will enable a stronger end market focus on attractive growth opportunities. We will continue to report Talc's performance for transparency. Additionally, being part of Performance Specialties will better enable further sales of talc into markets outside Europe, where Coatings is more strongly positioned.

Although its markets are currently subdued, talc is a product that is well positioned to benefit from several fundamental structural market drivers, such as vehicle light-weighting, and barrier coatings in recyclable food packaging. These are sectors with major growth potential, where the ability of talc to add strength to plastics and ceramics, without adding unnecessary weight, can create attractive sustainable solutions in these industries.

Sound performance as markets recovered

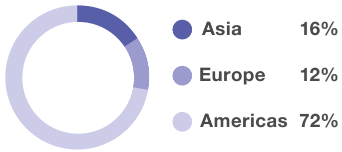
2022 Revenue (2021: $171m)

$185m

2022 Adjusted Operating Profit (2021: $19m)*

$23m*

Sales by region



FINANCIAL PERFORMANCE

Chromium revenue in 2022 grew by 8.4% to $185.1m, compared to $170.7m in 2021. Market demand overall was stronger in 2022, in particular in the first half, as industrial activity increased across a range of our North American end markets, such as automotive and leather tanning. This was reflected in higher global utilisation rates, with around 90% of capacity estimated to be utilised during much of the year. This resulted in higher prices, which more than offset volume weakness, particularly in the first half due to the impact of unplanned maintenance at our Castle Hayne facility, which reduced production during that period. Market prices were softer towards the end of the year, with customers destocking due to increased economic uncertainty.

Adjusted operating profit for the discontinued operation was $23.2m compared to $18.6m in 2021 and the adjusted operating margin of 12.5% was slightly ahead of the prior year margin of 10.9%. Higher prices more than offset the impact of raw material cost inflation. Chromium is a major user of natural gas, and although a substantial proportion of our gas supply in 2022 was fixed, our total energy and logistics costs increased in 2022 compared to the prior year.

DISPOSAL OF THE BUSINESS

At the end of the year, we announced that we had agreed to sell the Chromium business to the Yildirim Group, for an enterprise value of $170m. This followed our strategic review of Chromium, announced in April 2022, which concluded that the interests of all stakeholders would now be best served by a sale of the business. Chromium is an attractive business with a strong market position, but it increasingly sat outside of our Innovation, Growth and Efficiency strategic framework.

The sale included the transfer of gross environmental costs of $28m ($20m provision, net of the impact of discounting), as well as contingent and other liabilities, with the total cash proceeds after all transaction costs and customary working capital adjustments being around $119m. The disposal resulted in a tax charge of approximately $12m so that the net proceeds to the Group after tax are $107m. The net proceeds after tax will be used to reduce the Group's net debt, in line with the Group's capital allocation priorities.

* Excludes $6.8m (2021: $4.5m) of stranded costs which have been included in Central Costs following the discontinued operations classification.

Risk management

Elementis faces a number of risks, uncertainties and opportunities in the ordinary course of its operations. The effective identification, mitigation and ongoing management of these risks underpins the delivery of strategic objectives. Elementis has an established risk management framework and system of internal controls to support decision making throughout the financial year.

Risk management systems are intended to mitigate and reduce risk to the lowest possible level; however, complete elimination of all risks faced is not possible. The risk management processes can only provide reasonable, not absolute assurance against material misstatement or loss.

OUR FRAMEWORK FOR RISK MANAGEMENT

The Board has overall responsibility for risk management and sets the Group's policies, culture and tone on risk as well as providing oversight to management. A risk management framework is in place to identify, assess, mitigate and monitor the risks faced. The Company places the highest priority on preventing loss of life, harm to people and the environment, legal and regulatory breaches, and damage to reputation or brand. The Group has in place policies, procedures and guidance in various aspects of business operations and functions in order to help the Elementis Leadership team (ELT) and employees manage risk in these areas.

TOP DOWN

Oversight, identification, assessment and mitigation of risks at a Group level

BOARD

The Board has overall responsibility for risk management and sets the Group's policies, culture and tone on risk as well as providing oversight to management.

AUDIT COMMITTEE

Supports the Board and has specific responsibility for monitoring financial reporting as well as the internal and external audit programmes, one of the primary purposes of which is to provide assurance on financial, operational and compliance controls.

CEO (SUPPORTED BY THE ELT)

The CEO is responsible for implementing Group policies, risk management performance, identifying principal risks and ensuring resources are allocated for effective risk management and mitigation.

ELT INDIVIDUALS AND RISK CHAMPIONS

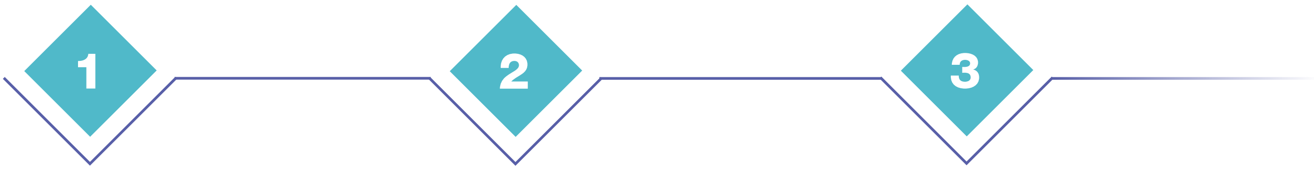
ELT members have responsibility for managing and monitoring risks relevant to their business or function on an ongoing basis and work with the support of risk champions to further embed risk management within the organisation.

BOTTOM UP

Identification, assessment and mitigation of risks across operational and functional areas

OPERATIONAL AND SUPPORTING FUNCTIONS

Data Protection Steering Committee, HSE Council, Manufacturing Council, Ethics and Compliance Council, Environmental Sustainability Council, Diversity, Equity and Inclusion Council, Investment Commitment forum (Capital expenditure and allocation) and Internal Audit.



FIRST LINE ROLES: BUSINESS OPERATIONS

Our first line of defence, our employees, have a responsibility to manage day-to-day risk in their own areas, guided by Group policies, procedures and control frameworks. Local management, and ultimately the ELT, ensure that risks are managed, maintained, reviewed and actioned according to these frameworks.

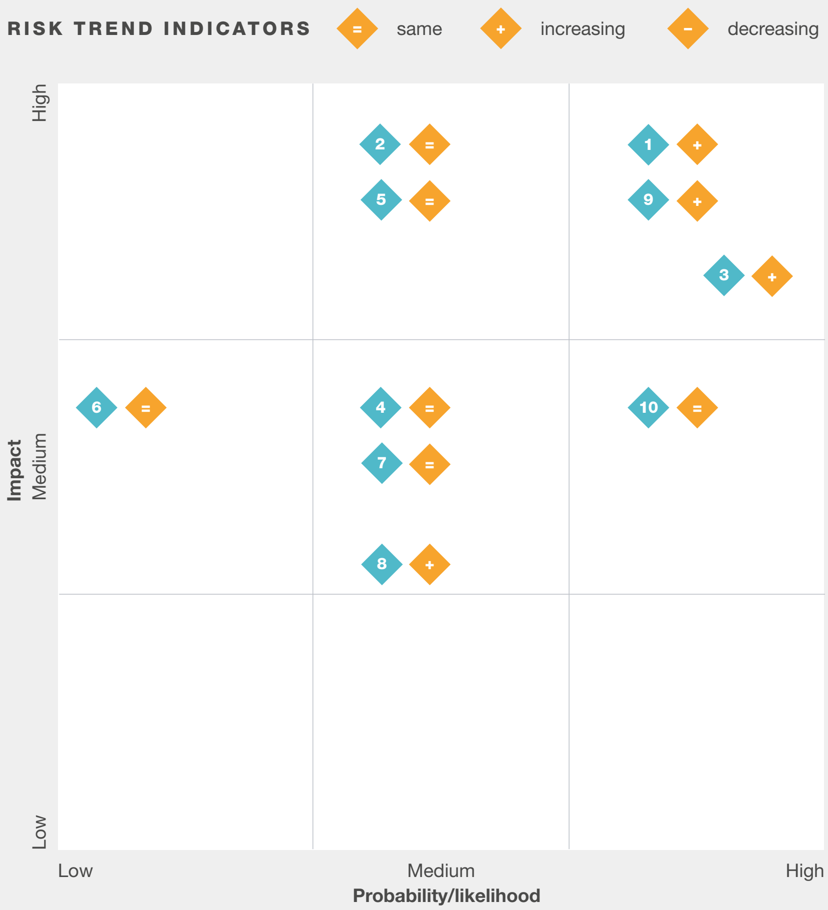
SECOND LINE ROLES: OVERSIGHT FUNCTIONS

The second line of defence is provided by the management team reviewing and monitoring current and emerging risks using a bottom-up and top-down approach.

THIRD LINE ROLES: INTERNAL AUDIT

The third line of defence is assurance over the effectiveness of mitigating controls. This is provided through internal audits, in addition to reports from external assurance providers, which are reviewed by management and monitored and challenged by the Audit Committee and the Board.

RISK HEAT MAP (GROSS IMPACT)



OUR PRINCIPAL RISKS

1. Global economic conditions and competitive market pressures
2. Business interruption as a result of a major event or a natural catastrophe
3. Business interruption as a result of supply chain failure of key raw materials and/or third party service provision
4. Regulatory compliance and product stewardship challenges
5. Major regulatory enforcement action, litigation and/or other claims arising from products and/ or historical and ongoing operations
6. Intellectual property and know-how
7. Portfolio innovation and technology/protection
8. People, talent management and succession
9. IT networks, data security and privacy
10. Health and Safety

Risk management continued

RISK CULTURE
Every individual at Elementis has a responsibility to manage risk, irrespective of function, business or role. Risk awareness exists through decision making processes and is embedded in systems, policies, procedures, leadership and, behaviours and specific standards such as the Code of Conduct. All Company employees are responsible for complying with related Company policies and guidance, and share responsibility for ensuring that the Company conducts its business in a safe, lawful and ethical manner.

RISK APPETITE AND TOLERANCE
Risk appetite at Elementis is understood as being the amount of risk that the Board is prepared to accept in return for reward or investment return. There is a degree of variability in determining risk appetite which may be based on strategic objectives as well as guidance from management or advisers based on appropriate understanding and analysis of the nature of the risk. The strategic appetite for risk is decided on a case-by-case basis at Board level, for example with respect to any corporate transaction or significant capital expenditure project, and delegated to the ELT to implement as appropriate. The maximum risk that can be taken before the Company experiences financial distress is also decided at Board level and mitigated, as far as possible, by internal controls, business continuity plans, insurance, financial instruments and contracts.

OUR RISK REVIEW PROCESSES
Our risk management policy defines our approach to risk management. The Board maintains an annual forward planner to ensure that appropriate focus is given at scheduled meetings to discuss, review and monitor business and operational performance, strategic priorities, governance, compliance and risk matters. This approach enables the Board to engage directly with each of the business units and functional departmental leaders.

Each ELT member is responsible for identifying, assessing and monitoring their respective business and functional risks as well as measuring the impact and likelihood of the risk to the business. Each identified risk is categorised as strategic, commercial, operational, financial or compliance.

On an annual basis, the ELT collectively reviews the enterprise risk universe and the Board carries out a review of the principal risks and uncertainties.

During the year, the following risk management activities have been carried out:

- Renewal of insurance programme
- Business unit and function risk registers reviewed and updated, and development of effectiveness of controls with clear accountabilities
- Reviewed climate related risks and scenario analysis, and made the commitment to set a science based target for greenhouse gas emission reductions to underpin our Net Zero by 2050 ambition
- Compliance risk workshops were held with the ELT and a number of sales teams – please refer to page 68
- Continued compliance activity to manage risks relating to trade sanctions due to the Russian invasion of Ukraine

KEY AREAS OF FOCUS DURING THE YEAR
During 2022, the Board carried out a robust assessment of the emerging and principal risks which could threaten the Group's business model, future performance, solvency or liquidity, or the long term viability of the Company. These risks, if they materialise, could have a significant impact on the Group's ability to meet its strategic objectives over the medium term.

Our risk heat map on page 65 identifies these key risks pre-mitigation that we consider most impact our business model pages 18-19 and the delivery of our strategic objectives pages 24-31. Movements on the risk heat map reflect changes to the underlying long term risk environment.

- IT networks, data security and privacy remain an increasingly significant risk to the business. The continued rise in the number of cyber attacks and phishing scams has elevated the risk in this area. Elementis continues to enhance its security and controls, and provides regular IT, cyber and GDPR updates to the Board.
- People, talent management and succession risk was assessed by the Board during the year in light of the increased shortages in the labour market. It was concluded that the loss of key personnel would have a greater impact on the business than was previously recognised. The impact rating for this risk has therefore been increased.
- The global economy remains under pressure from several complex and interconnected crises including rising inflation and interest rates, the Russian invasion of Ukraine and the continued tail impact of the COVID-19 pandemic. The Group, where possible, put in place measures to mitigate these risks, for example continued focus on cost reduction and the continued suspension of the dividend.
- The risk associated with a business interruption as a result of supply chain failure of key materials and/or third party service provision has increased primarily due to the Russian invasion of Ukraine and the continued impact of COVID-19 on global supply chains. The Group continued with its planning process improvements to ensure adequate inventory and safety stock are held.
- The Russian invasion of Ukraine has resulted in new international sanctions being introduced which add additional challenges to global supply chains.

There have been no significant changes to the risk profiles for the remaining principal risks although we continue to monitor and review as appropriate.

PRIORITIES FOR 2023 INCLUDE
- Continued improvement to the risk management programme through enhancing our mitigation programme; system based tracking and monitoring and net risk reporting.
- Improving the connection between enterprise risk and the ESG agenda. Identifying current and future risks to the organisation and further embedding sustainability factors systemically within business.
- Monitor the geopolitical position between China and Taiwan, along with modelling potential scenarios and proposed responses. Ensure that the enterprise risk management framework includes geopolitical and cyber-risk identification, operation analysis, compliance, and mitigation considerations.

EMERGING RISKS

Emerging risks and opportunities are identified and documented through the existing risk management framework using a variety of horizon-scanning methods and other activities, such as:

- Monthly performance calls with each business unit and functions including deeper dives on new business opportunities, supply chain resiliency and procurement matters
- Annual and 5 year financial plans and budgets
- Board, ELT and other internal governance forums
- Customer/market insight and industry specific data
- Materiality assessment with regard to ESG

As well as assessing ongoing risks, we continue to consider how the business could be affected by emerging risks over the longer term and how strategic, market and customer initiatives might manage risks and seize new opportunities. It is often possible to identify and respond to the potential impacts of emerging risks, but it is more challenging to predict their financial impact, likelihood and timeframe – for example, the climate scenario analysis which was carried out as part of our TCFD statement on pages 42-56.

CLIMATE CHANGE

In 2022, we identified our greenhouse gas emissions as a material topic for the business. Our response to climate change is a crucial part of our business strategy, shaping both how we design products and how we bring them to market. Climate change also brings opportunities – for example, some of our products can contribute to lower energy and resource use (see page 37).

In 2022, we set the ambition to reach Net Zero by 2050 and committed to set a science based target (via the SBTi) for greenhouse gas reductions. We continued to work towards our 2030 environmental targets. For further information on our ambition, performance and activities in each of these areas, please refer to pages 52-59.

We assess climate related risks using the same impact and likelihood criteria as the rest of our enterprise risks, helping ensure they are neither under- nor over-stated relative to other risks. We use climate scenarios from NGFS to help us understand how our climate risks change in different futures and time horizons. Our risk assessment has concluded that climate change is a contributing factor to many of our principal risks and longer term uncertainties, and these are summarised in the following pages. Further information on our approach to climate related risks can be found in our TCFD framework disclosure on pages 42-56.

INTERNAL CONTROL

The key elements of the Group's internal control framework are monitored throughout the year. The Audit Committee has conducted a review of the effectiveness of the Group's risk management and internal control systems on behalf of the Board.

To support the Board's annual assessment, a report is prepared by the Head of Internal Controls on the Group's principal risks and internal controls. This describes the risk management systems and key internal controls, as well as the work conducted in the year to improve the risk and control environment, including the level of assurance.

The internal control framework is intended to effectively manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable, but not absolute, assurance against the risk of material misstatement or financial loss.

In accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group. This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The process is regularly reviewed by the Board and accords with the guidance.

For further information on internal controls, please refer to page 122.

Principal risks and uncertainties

GLOBAL ECONOMIC CONDITIONS AND COMPETITIVE MARKET PRESSURES

LINK TO STRATEGIC OBJECTIVE 1 2 3

MOVEMENT IN YEAR +

DESCRIPTION OF RISKS

The performance of the specific end-user markets we serve is affected by general economic conditions. Adverse developments that may result in a downturn in general economic conditions or in the industries in which our customers operate may include political uncertainty, retaliatory tariffs or other disputes between trading partners. Sub-optimal global economic conditions can affect sales, raw material costs, fluctuations in foreign exchange rates, capacity, utilisation and cash generation, which can impact our position against banking covenants.

Increased competitive pressure in the marketplace can result in significant pricing pressure and loss of market share. The impact of non-delivery of operating plans can lead to market expectations of Group earnings not being met and slower delivery of reported strategic priorities.

LINKS WITH CLIMATE CHANGE

The global response to climate change introduces additional uncertainties in macroeconomic and market trends which may have both positive and negative impacts on our business. See pages 47-48.

CONTROLS AND MITIGATING ACTIVITIES

- Financial performance (monthly sales, profit and cash flows and position against key banking covenants) is closely monitored with full year scenario planning of our key risks, reforecasts updated twice a year and variances investigated and explained
- Contingency and cost reduction plans can be implemented in the event of an economic downturn to reduce operating costs, including non-essential capital expenditure items and discretionary spend
- Interest, currency and commodity hedging action taken as appropriate to mitigate the impact of rising interest rates and inflation
- Global key account management programme in place to deepen how we work and grow with our largest customers as well as monitoring customer performance and trends to pre-empt end market changes
- Balanced geographic footprint and supply chain and broad differentiated product offering across different sectors

DEVELOPMENTS IN YEAR

- Continued focus on cost reductions, capital expenditure effectiveness, working capital and discretionary spend (see page 31 for further information)
- New business opportunities delivered $59m and focus on future opportunity pipeline
- Balance sheet protections maintained, including the continued suspension of the dividend and the refinancing of our term loans
- Further price rises implemented to mitigate the impact of raw material, logistics and energy cost increases
- Refer to business summaries on pages 60-63

BUSINESS INTERRUPTION AS A RESULT OF A MAJOR EVENT OR A NATURAL CATASTROPHE

LINK TO STRATEGIC OBJECTIVE 1 2 3

MOVEMENT IN YEAR =

DESCRIPTION OF RISKS

The ability of the Group to manage its operations successfully and achieve performance in line with its strategy, business plans and budgets depends on the efficient and uninterrupted operation of planning processes, operational delivery capabilities and the internal control environment. Production facilities may be subject to planned and unplanned shutdowns, turnarounds and outages including for natural catastrophe, weather, climate change, disruption associated with transportation, utilities and distributors, which could result in increased costs in securing alternative facilities, significant time to increase production or customer qualification.

A major event is categorised as an operational or HSE incident, transport related, or workplace incident caused by system failure and/or human error or by fire, storm, flood or pandemic.

LINKS WITH CLIMATE CHANGE

Left unchecked, climate change can increase the frequency and severity of extreme weather events that may result in employee injury and/or operational disruption. See page 49.

CONTROLS AND MITIGATING ACTIVITIES

- Preventative maintenance, critical spares, process and other safety procedures to mitigate the effects of a major incident
- Property damage and business interruption insurance coverage
- Each site is required to develop a business continuity plan that includes emergency response and business recovery protocols, annual reviews, periodic updates, and training; and exercising the plan via periodic drills or table top exercises. We verify business continuity compliance through the HSE auditing process
- Business continuity scenario planning overseen by ELT
- HSE management programme which includes corporate compliance audits and insurance property surveys
- HSE matters reviewed by ELT on a monthly basis

DEVELOPMENTS IN YEAR

- Internal audits completed for St Louis and India plants
- Continued focus on operational reliability
- Insurance property survey recommendations adopted

Link to KPIs Read more on pages 32-33

BUSINESS INTERRUPTION AS A RESULT OF SUPPLY CHAIN FAILURE OF KEY RAW MATERIALS AND/OR THIRD PARTY SERVICE PROVISION LINK TO STRATEGIC OBJECTIVE

LINK TO STRATEGIC OBJECTIVE 2 3

MOVEMENT IN YEAR +

DESCRIPTION OF RISKS

The Group is dependent on numerous raw materials from various sources. In the event of a long term supply disruption or market volatility, it may not be possible to secure sufficient supplies of raw materials from alternative sources on a timely basis or in sufficient quantities or qualities or on commercially reasonable terms. The lead time and effort needed to establish a relationship with a new supplier could be lengthy and could result in additional costs, diversion of resources and reduced production yields.

LINKS WITH CLIMATE CHANGE

Climate change can increase the frequency and severity of extreme weather events that may result in supply chain disruption. We manage our supply chain with multiple suppliers and maintaining minimum stock levels. See page 48.

CONTROLS AND MITIGATING ACTIVITIES

- Review of single source supply chain, find and qualify alternatives
- Market research to understand and monitor the impact of short term events
- Recalibration of inventory stock levels and lead times on a regular basis at all sites
- Business continuity scenario planning overseen by ELT

DEVELOPMENTS IN YEAR

- Continually leverage strategic supplier relationships to secure required raw material volume
- Accelerated production qualification programme to ensure ability to redistribute production volume across our global manufacturing network
- Continued focus on qualification of new sources of supply
- Strengthening of Supply Chain and Procurement teams globally to ensure capability

REGULATORY COMPLIANCE AND PRODUCT STEWARDSHIP CHALLENGES

LINK TO STRATEGIC OBJECTIVE 1 2 3

MOVEMENT IN YEAR =

DESCRIPTION OF RISKS

Emerging regulations in global markets can lead to hurdles and additional costs to deliver on strategic objectives. Non-compliance and suspected non-compliance could lead to regulatory action. The Group is subject to extensive and evolving risk in multiple jurisdictions.

LINKS WITH CLIMATE CHANGE

Climate regulations ensure rigour in our corporate disclosure and marketing documents, and local requirements oblige us to continuously improve energy efficiency at our sites. In 2022 we have further expanded our teams in these areas to ensure we have the right sustainability expertise to drive our strategy forward. See also page 47.

CONTROLS AND MITIGATING ACTIVITIES

- Global Product Stewardship team oversees, manages and monitors regulatory developments in various jurisdictions
- Coordination with R&D team to enable a faster speed-to-market of new technologies and applications
- Safety Data Sheets, labels, and regulatory information is provided for global customers specific to the requirements in their jurisdiction
- Multiple languages are used to communicate these requirements
- Active compliance and risk management programmes in place (including policies, procedures and training)
- Horizon scanning for evolving regulatory landscape in current and new markets

DEVELOPMENTS IN YEAR

- UK REACH planning and assessment remains ongoing throughout the supply chain
- Ongoing support of manufacturing optimisation change through regulatory activities
- Addition of two product stewardship specialists with regulatory expertise in EMEA

Principal risks and uncertainties continued

MAJOR REGULATORY ENFORCEMENT ACTION, LITIGATION AND/OR OTHER CLAIMS ARISING FROM PRODUCTS AND/OR HISTORICAL AND ONGOING OPERATIONS

LINK TO STRATEGIC OBJECTIVE 2

MOVEMENT IN YEAR =

DESCRIPTION OF RISKS

The scale and complexity of the Group's operations means that the Group is subject to a wide range of international regulation spanning all aspects of its business. This regulatory sphere includes multiple corporate taxation regimes, national and supra-national anti-corruption, fair competition and data privacy laws, as well as applicable environmental regulations and standards relating to the Group's past and present operations. Failure to comply can lead to complex cross border claims, litigation, damages, fines, penalties and remediation orders. The Group may be involved in legal proceedings and claims within the ordinary course of business including legacy claims from businesses that have been acquired or disposed of by the Group.

Adverse results in legal proceedings could result in reputational and financial damages, loss of business, business opportunity and profit, and diversion of management time and resources.

DEVELOPMENTS IN YEAR

- The Compliance team was strengthened by the addition of a new Global Compliance Manager.
- A network of Ethics and Compliance champions was set up with volunteers enrolling from all key locations to facilitate local compliance initiatives, communicate ethics and compliance messages, and promote our Code of Conduct and Speak Up.
- A refreshed Code of Conduct – digital and accessible – was launched via a series of global events including a live webinar with senior commercial leaders communicating the importance of a strong compliance culture.
- Compliance risk assessments were conducted with the ELT and various sales team members and the findings were reviewed by the Ethics and Compliance Council.

CONTROLS AND MITIGATING ACTIVITIES

- Cross functional expertise including Legal, Compliance, Finance, HSE and Product Stewardship, supported by external consultants and advisers, actively monitoring emerging risks and ensuring controls in relation to known risks are effective
- The Group's products are routinely and rigorously tested to the highest standards
- The Group continuously evolves its global compliance programme to identify, address, monitor and mitigate compliance risks including through training and other activities
- Insurance programme and risk transfer strategy in place to mitigate potential financial losses
- The Audit Committee and Board of Directors exercise oversight through regular reports on all threatened and actual litigation from the Group General Counsel & Company Secretary
- Employees are subject to a range of policies and procedures setting out required behaviours and standards, and consequences for non-compliance
- The Ethics and Compliance Council, chaired by the Group General Counsel & Company Secretary, meets regularly to monitor the Group's compliance culture and ensure ethics and compliance considerations are appropriately weighted in business decisions
- The Data Protection Steering Committee meets regularly to oversee compliance with applicable data privacy laws

LINKS WITH CLIMATE CHANGE

Not applicable.

INTELLECTUAL PROPERTY AND KNOW-HOW

LINK TO STRATEGIC OBJECTIVE 1

MOVEMENT IN YEAR =

DESCRIPTION OF RISKS

Failure to adequately protect and preserve intellectual property and proprietary know-how in both existing and new markets could harm our competitive position.

LINKS WITH CLIMATE CHANGE

Not applicable.

DEVELOPMENTS IN YEAR

- New external council for managing intellectual property matters established.
- Patent and intellectual property disclosures to keep distinction in our new launches
- In-house legal expertise added for partnership agreements.
- Enforcement of proprietary advantage implemented in the year
- Annual patent portfolio review with decision making in line with business needs

CONTROLS AND MITIGATING ACTIVITIES

- The Group actively manages its trademark portfolio via an internal Trademark Committee (TMC) comprising the business segment Marketing Directors, Corporate Communications and Legal. The TMC meets regularly to take decisions in relation to the registration of new trademarks and defensive activity in relation to existing marks. The TMC is supported by a global network of trademark agents who represent the Group's interests in all relevant jurisdictions.
- The Group's Science Director works closely with the Legal team and external patent attorneys to ensure emerging inventions are appropriately protected.
- Employees are trained on the importance of appropriate handling and disclosures of proprietary and confidential information.
- The Legal team reviews every Confidentiality Agreement entered into by the Group to assess the suitability of the proposed purpose and the duration of the confidentiality obligations. A central record of all Confidentiality Agreements entered into globally is maintained by the Legal team.
- Contentious IP matters are reported through to the Audit Committee and Board of Directors
- Stage gate system incorporates intellectual property and freedom to operate as requirements to launch new products

Link to KPIs Read more on pages 32-33

PORTFOLIO INNOVATION AND TECHNOLOGY

LINK TO STRATEGIC OBJECTIVE 1 2

MOVEMENT IN YEAR =

DESCRIPTION OF RISKS
The ability of the Group to compete is highly dependent on its ability to meet the changing needs of customers and keep pace with technological innovations and sustainability trends.

New or substitute products and technologies developed by competitors could erode the Group's ability to compete and lead to declines in sales and market share.

LINKS WITH CLIMATE CHANGE
Climate change and increased focus on ESG matters drives our customers to require products with lower environmental impacts.

CONTROLS AND MITIGATING ACTIVITIES
- Global R&D team aims to develop new products and technologies used in an evolving market to meet the changing needs of our sophisticated customers
- Collaborative relationships with customers and industry formulators ensures our efforts are aligned with latest market trends
- Innovation (smart sheet based) tool to manage stage gate process with systematic prioritisation enables the Group to deliver high value solutions for the market
- Hectorite and high quality talc minerals are natural resources enabling the Group to consistently deliver high performance innovation

DEVELOPMENTS IN YEAR
- 18 new products launched in 2022 (15 focused launches planned for 2023)
- Innovation from new products was 13% in 2022, broadly in line with 2021 at 14%
- Sustainability remains a key driver for innovation and all new launches will have sustainability drivers as part of the launch package
- Open innovation with strategic partners remains a priority

PEOPLE, TALENT MANAGEMENT AND SUCCESSION

LINK TO STRATEGIC OBJECTIVE 1

MOVEMENT IN YEAR +

DESCRIPTION OF RISKS
The Group operates in highly competitive labour markets and relies upon the expertise and services of talented individuals and teams to succeed.

Loss of key people or disruption to teams without timely action could result in a disruption to business operations.

LINKS WITH CLIMATE CHANGE
Employees increasingly want to contribute to addressing climate change. Our Net Zero ambition and commitment to science-based targets supports our Employee Value Proposition.

DEVELOPMENTS IN YEAR
- Creation and launch of our Employee Value Proposition Connect. Grow. Make an Impact to improve our shared culture, engagement and to attract new joiners that fit into our culture.
- Implemented succession planning in Workday to improve fairness, consistency, quality, efficiency, reporting and data privacy.
- Launch training and toolkits for 'Our Future Winning Together' programme, providing tools to all employees on how we can achieve our 2025 goals
- Improved onboarding journey for new joiners including workshops, videos and an online repository containing all relevant information.
- Orderly transition to new leaders in procurement and compliance.

CONTROLS AND MITIGATING ACTIVITIES
- Performance management process for all employees to set goals that contribute to Elementis' key priorities, and to set actions for personal and professional development allowing managers to guide their employees to make an impact.
- Career profile allowing employees to create their personal profile and future aspirations for the longer term, giving managers insights for coaching their employees.
- Succession planning process to build a diverse leadership pipeline, improve internal growth and manage risks of employees leaving. Succession of senior leaders is reviewed twice a year by the ELT and their teams. Succession to the ELT is reviewed once a year by the Board.
- A focus on improving employee engagement by employee engagement survey, action planning based on data driven insights, external trend analysis and through managers by giving them access to data, tools and training.
- People manager training and toolkits empowering them to grow and make an impact.
- All employees have unlimited access to LinkedIn Learning (Chinese colleagues have access to a similar local training platform) where they can expand their skills based on their own learning needs.
- Flexible work models enable more people to participate in the workforce.

Principal risks and uncertainties continued

IT NETWORKS, DATA SECURITY AND PRIVACY

LINK TO STRATEGIC OBJECTIVE 1 2

MOVEMENT IN YEAR +

DESCRIPTION OF RISKS

The Group is expected to increasingly rely on IT systems for its internal communications, controls, reporting and relationships with customers and suppliers.

A significant disruption could cause delays to key operations and inability to meet customers' requirements and result in increased operating costs, legal liability and reputational damage. In addition, continuing developments in data protection legislation globally has created a range of compliance obligations with increased financial penalties for non-compliance.

LINKS WITH CLIMATE CHANGE

Not applicable.

CONTROLS AND MITIGATING ACTIVITIES

- Security controls including policies and procedures, staff awareness and training, risk management and compliance, systems and information management and protection process
- Regular IT, cyber and data protection updates to the Board
- Business continuity and emergency response plans are in place for manufacturing sites
- Internal audits are scheduled on a regular basis
- Privacy and data protection platform

DEVELOPMENTS IN YEAR

- Continued with regular phishing simulations to raise awareness and assess training needs
- Cyber preparedness drill delivered with an updated Incident Response Plan.
- Vendor appointment for the indexing and review of digital data
- Implementation of tools to help prevent emails sent in error
- Data Protection mandatory training launched
- Introduction of Privileged Access Management (PAM)

HEALTH AND SAFETY

LINK TO STRATEGIC OBJECTIVE 1

MOVEMENT IN YEAR =

DESCRIPTION OF RISKS

The nature of business manufacturing activities, which includes the production, storage and transport of hazardous materials, has a wide-ranging exposure to health and safety risks, including both occupational safety and process safety risks. Failure to recognise, evaluate and mitigate health and safety risks would leave the Group vulnerable to negative impacts such as employee and contractor injuries, lost production time, equipment damage, impact to the community, potential regulatory compliance challenges, and reputational damage.

DEVELOPMENTS IN YEAR

- Development of web based tool for management of HSE and quality incidents, HSE action tracking, and compliance calendars for improved accountability and analytics
- Implementation of hazard recognition process (Hazard Recognition Plus) to improve employee awareness and mitigation of hazards
- Participation in second annual World Day for Safety & Health at Work and Safety Week, including keynote speaker and many local activities
- Enhancement of HSE Sharepoint page to include key HSE resources, such as HSE standards, incident learnings and Safety Shares
- Development of life critical corporate standards
- Implementation of process safety management guidelines for process hazard analyses and equipment criticality assessments
- Embedding TogetherSAFE, our value for safety, into our work planning and business processes; holding second annual CEO TogetherSAFE award promoting team safety initiatives

CONTROLS AND MITIGATING ACTIVITIES

- Safety leadership – setting clear expectations for site leaders and supervisors on their role and responsibility for ensuring employee safety and providing them with leadership training/tools (Alive & Well at the End of the Day); HSE site leader certification process required for all site leaders; establishing safety lagging and leading key performance indicators; communication and demonstration of top management's strong commitment to our Safety value
- Management systems – programmes such as compliance and insurance audits, root cause analyses, management of change, routine inspections, risk assessments, training, contractor management and work permits
- Safety culture development – stop work authority focus and training; increasing employee participation in safety through near miss reporting, hazard recognition and safety committees; TogetherSAFE awareness sessions with all employees and development of safety improvement plans focused on employee concerns
- Process safety management – performing process hazard analyses; ensuring equipment is well maintained and functioning properly (mechanical integrity) through capital investment; developing corporate guidelines and performing equipment criticality assessments to determine preventative maintenance approach

LINKS TO CLIMATE CHANGE

Not applicable.

Link to KPIs Read more on pages 32-33

Viability and going concern statement

GOING CONCERN

The Directors are satisfied that it is appropriate for the Group and the Company to adopt the going concern basis of accounting in preparing these Group and parent company financial statements and that there are no material uncertainties impacting the ability of the Group and Company to continue to operate over a period of at least 12 months from the date of approval of these financial statements.

To support this assessment the Directors produced three models, covering a future period of five years from the date of these accounts, demonstrating the position of the Group regarding its two financial covenants, net debt/EBITDA and interest cover, at each measurement period for the 12 months following the date of signing of these accounts and annually thereafter. These models comprised:

- A base case scenario, aligned to the latest Group annual operating plan for 2023, as well as the Group's five year plan;
- A possible downside scenario that assumes the global economic environment is severely depressed over the assessment period; and
- A reverse stress test, flexing sales to determine what circumstance would be required to breach the financial covenants.

No breaches in the required covenant tests were reported during the year and under both the base case and severe but plausible downside scenarios the Group is expected to remain within its financial covenants throughout the going concern period. The conditions necessary for the reverse stress scenario to be applicable were deemed to be remote.

The Directors also considered factors likely to affect future performance and development, the Group's financial position, the current excess liquidity position, the high level of cash conversion and the principal risks and uncertainties facing the Group; including the Group's exposure to credit, liquidity and market risk and the mechanisms available for mitigating these risks.

The Group's net debt position as at 31 December 2022 was $366.8m. It has access to a syndicated revolving credit facility of $375m, of which $71.6m has an expiry date of September 2024 and $303.4m has an expiry date of September 2025, and long term loan facilities of $150m and €142m which have an expiry date of June 2026. The Group had further borrowing facilities available to it, aside from the syndicated revolving credit facility and term loans, of over $25m as at 31 December 2022.

In conclusion, after reviewing the base case scenario, the severe but plausible downside scenario and considering the likelihood of the reverse stress test scenario occurring to be remote, as well as having considered the uncertainty relating to the Group's principal risks and the mitigating actions available, the Directors have formed the judgement that at the time of approving these consolidated financial statements there are no material uncertainties that cast doubt on the Group's going concern status for next 12 months and that it is therefore appropriate to prepare the consolidated accounts on the going concern basis.

BUSINESS VIABILITY ASSESSMENT

The basis of the assessment included a detailed review of strategic and operating plans, underpinned by five year financial forecasts, including profit and loss and cash flows. Consideration was given to capital expenditure, investment plans, returns to shareholders and other financial commitments, as well as the Company's debt bearing capacity, its financial resources, borrowings and the availability of finance. No review of business plans and financial forecasts would be complete without a robust assessment of the risks and opportunities in such planning models and the assumptions used. The review included consideration and discussion of the materials prepared and presented to the Board by management and its advisers (where appropriate), as well as additional information requested by the Board.

The Board's programme of monitoring major risks is an important component of the business viability assessment and the financial impact of the principal risks was modelled over the five year period. Business and segment growth scenarios, rate of return on investments, assumptions on global GDP growth rates, relevant currency rates, and commodity prices in business plans and financial forecasts were all considered, with stress testing on financial models where appropriate. Finally, a review of litigation and tax reports, legal and compliance risks throughout the year and a formal year end risk review, ensures that the viability statement is made with a reasonable degree of confidence.

PRINCIPAL RISKS

For each principal risk that is deemed to be both permanent and likely to have a high impact, a severe but plausible scenario was considered. In making the business viability statement, the Board reviewed and discussed the overall process undertaken by management and assessed the outcome of the stress-testing carried out using the Group's five year financial forecast as the base case. The five year financial forecast considers the Group's cash flows, interest cover covenant, net debt/EBITDA covenant, and other key financial ratios over the period. These metrics were assessed against the Group risk register to determine the most impactful ones to stress test against.

Based on the results of this review, and as set out above, the Directors have a reasonable expectation that the Group would be able to withstand the impact of each of the scenarios considered should they occur in the course of the five year assessment period. In each scenario the Group would continue to operate and meet its obligations and liabilities as they fall due.

BUSINESS VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code provision 31, the Directors have reviewed the Group's current position and carried out a robust assessment of the principal risks and uncertainties that might threaten the business model, future performance, and solvency and liquidity of the Group, including resilience to such threats, and consider 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 a period of at least five years. A period of five years was chosen as being consistent with the Group's business and financial planning models, R&D plans, a number of key supply contracts and requirements for external borrowing facilities. Regarding accessibility to financing, the majority of the RCF currently has an expiry of September 2025 and the term loans have an expiry of June 2026; both of these are within the five year period and so will require renegotiation or replacement. Elementis has, to date, had a very supportive banking syndicate and by 2025 it is expected that there will be a materially lower requirement for debt financing; as such the Directors do not believe that there will be any issues in renegotiating lending facilities when necessary. Whilst the Directors have no reason to believe that the Group will not be viable over a longer period, a five year period allows the Directors to make the viability statement with a reasonable degree of confidence whilst providing shareholders with an appropriate longer term outlook. The Directors' viability assessment of the Group's prospects is based on reviews of annual operating and five year business plans, bank covenant compliance forecasts, the Group's strategy and strategic priorities and its principal risks and how these are managed and mitigated. The principal risks and how they are being managed are more fully described and explained in the Principal Risks and Uncertainties section on pages 90-94.

STRATEGIC REPORT

The Strategic report was approved by the Board of Directors on 6 March 2023 and is signed on its behalf by:

Paul Waterman
CEO

Ralph Hewins
Chief Financial Officer

Chair's introduction to governance

The Board is focused on continuing to deepen its understanding of the business through interacting with its employees and embedding the Company Values and behaviours.

John O'Higgins
Chair

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to introduce our Governance report for the year ended 31 December 2022. This report sets out our approach to effective corporate governance and outlines key areas of focus of the Board and the activities it undertook during the year, as we continue to drive long term value creation for all our stakeholders. I am grateful to my fellow Board members for their support during my first full year as Chair.

A REFRESHED PURPOSE

As a Board, we are responsible for ensuring that the business is purpose-led and that our decisions are guided by the Company's core purpose. The Board reviewed the Company's strategy regularly throughout the year, and, as part of this, considered the increasing importance of embedding sustainability considerations in, and aligning the Company's culture and Values to, strategy and purpose. In 2022, the Board was delighted to approve the Company's refreshed purpose statement, which reflects our authentic and distinctive strengths, as well as how we uniquely serve our stakeholders.

OUR PURPOSE

Unique Chemistry, Sustainable Solutions. At Elementis, we bring a unique combination of expertise, innovation and teamwork to every formulation challenge. We transform raw materials into high value specialty additives that enhance the performance of our customers' products and make a positive change in the world.

BOARD SUCCESSION AND DIVERSITY

There have been a number of changes to your Board this year. In March, Geertrui (Trudy) Schoolenberg joined the Board, and then assumed the role of Senior Independent Director and in April, Christine Soden assumed the role of Chair of the Audit Committee, following the retirement of Anne Hyland from the Board at the 2022 Annual General Meeting (AGM). We are grateful to Anne for her valuable contribution. Following a thorough recruitment process, we were delighted that Clement Woon joined the Board in December 2022. For further information on the recruitment process, please refer to page 116-117. I can report that 37.5% of the current Board are women (there are five men and three women on our Board). We are aware of the target specified in recent updates to the Listing Rules (against which we are required to report from next year), and also referred to in the FTSE Women Leaders Review, for female representation on the Board to be at least 40%, and will ensure that the benefits of diversity are appropriately considered in the context of any future Board recruitment. The Board currently meets the target referred to in the new Listing Rules and in the FTSE Women Leaders Review for there to be at least one woman in a senior Board role (our Senior Independent Director). The Board also meets the target referred to in the new Listing Rules and in the Parker Review for there to be at least one individual on the Board from a minority ethnic background. Further information on Board diversity is set out in the Nomination Committee report on pages 117-118.

WORKFORCE ENGAGEMENT

The Board recognises its obligation to engage with and consider the impact of the Board's decisions on all of our stakeholders, and the importance of interaction with employees as part of its wider engagement remit. The CEO, CHRO and other members of the ELT continued to provide regular updates on workforce matters, including health and safety, ongoing information about the impact of the pandemic on our employees, and diversity, equity and inclusion initiatives.

During 2022, the Board was delighted to be able to fully resume its programme of site visits and in-person meetings with employees for the first time since 2019. Christine Soden is designated as the Non-Executive Director with responsibility for employee engagement on behalf of the Board. Christine conducted in-person focus group discussions with employees in the US at our corporate offices and technology centre in New Jersey and at our manufacturing facility in Missouri, as well as in Finland at our processing plants in Vuonos and Sotkamo. The key themes arising from these discussions were considered by the Board and action plans developed where appropriate. Further information on the work of our Designated Non-Executive Director can be found on pages 106-108.

CONTINUED FOCUS ON SUSTAINABILITY

Following the appointment of our first Sustainability Director in late 2021, we have set out our sustainability strategy in three pillars – Protecting the Environment, Supportive Culture and Responsible Business – to enable us to focus on the areas that are most material to deliver our strategic ambitions and to create value for our shareholders. We completed our first assessment of value chain (Scope 3) greenhouse gas emissions, to fully understand our carbon footprint and our opportunities to improve it, and we were proud to commit to reducing our greenhouse gas emissions in line with the Science-Based Targets initiative framework and the Paris Agreement. Further information can be found in the report on pages 36-38.

BOARD EFFECTIVENESS

Having completed a full externally facilitated Board performance evaluation in 2021, our evaluation this year was conducted internally. I am pleased to report that the evaluation resulted in a positive assessment of the effectiveness of the operation of the Board and its Committees, and concluded that the Board has overseen the business well through an external environment which continued to be challenging. Insights shared by those who had the most interaction with the Board and its Committees during the year reflected that the Board and its Committees were felt to be well prepared, asked relevant, challenging questions, and were supportive and accessible if needed. Details of the process followed and its outcomes are set out on page 113-114.

REMUNERATION POLICY

Following consultation with top shareholders, our updated Remuneration Policy received almost 97% support from shareholders at our AGM in 2022. The Committee has continued its regular dialogue and engagement with shareholders, and during 2022, in response to shareholder views, introduced a post cessation of employment share ownership guideline. Further information can be found in the Directors' Remuneration report on pages 124-151.

AGM

This year we will once again be holding a hybrid AGM, with the ability for shareholders to attend in-person or join virtually. Further information is set out in the Notice of Meeting, which is available on the Company's website.

John O'Higgins
Chair

How the Board is creating the right culture and living its purpose through its Values

SAFETY
Our way of life
We are committed to providing a safe environment for all.

SOLUTIONS
Creating value for our customers
We make a difference through our expertise, responsiveness and focus on quality.

AMBITION
Passion for excellence
We are innovative, courageous and driven in everything we do.

RESPECT
We do the right thing
We care for our colleagues, customers, communities and environment.

TEAM
The power of collaboration
We work, grow and succeed together.

Board of Directors

The right skills to deliver our strategy

JOHN O'HIGGINS
CHAIR

TENURE

John was appointed a Non-Executive Chair and Chair of the Nomination Committee on 1 September 2021. John joined the Board as a Non-Executive Director on 4 February 2020 and was appointed Senior Independent Director on 29 April 2020 prior to his appointment as Chair.

INDEPENDENT

Yes**

EXPERIENCE AND ROLE

John served as chief executive of Spectris plc from January 2006 to September 2018, leading the business through a period of significant strategic transformation and development. Prior to Spectris plc, John spent 14 years at Honeywell International in a number of senior management roles including chairman of Honeywell Automation India and president of Automation & Control for Asia-Pacific. His early career was spent at Daimler Benz A.G. as a research and development engineer. Previous non-executive director roles include Exide Technologies, a US based supplier of battery technology to automotive and industrial users (from 2010 to 2015).
John holds a master's degree in Mechanical Engineering from Purdue University (US) and an MBA from INSEAD.

EXTERNAL APPOINTMENTS

- Trustee of the Wincott Foundation
- Non-executive director of Oxford Nanopore Technologies plc and a member of the audit, risk, remuneration and nomination committees
- Senior independent director of Johnson Matthey plc and a member of the audit, nomination and remuneration committees
- Adviser to Envea Global, a market leader in environmental air and emissions measurement and majority owned by The Carlyle Group

** On appointment

PAUL WATERMAN
CEO

TENURE

Paul was appointed CEO on 8 February 2016.

INDEPENDENT

No

EXPERIENCE AND ROLE

Paul has a proven track record in developing markets, products and opportunities for creating value, business optimisation and transformation. Paul's global experience provides the skill set required to deliver the Company's strategy and provide inspiring leadership.
Prior to joining Elementis, Paul was global CEO of the BP Lubricants business in 2013 after having overseen the BP Australia/New Zealand downstream business. In 2010, Paul was country president of BP Australia. Prior to this he was CEO of BP's global aviation, industrial, marine and energy lubricants businesses (2009 to 2010) and CEO of BP Lubricants Americas (2007 to 2009). He joined BP after it acquired Burmah-Castrol in 2000, having joined the latter in 1994 after roles at Reckitt Benckiser and Kraft Foods.
Paul holds a BSc degree in Packaging Engineering from Michigan State University and an MBA in Finance and International Business from New York University, Stern School of Business.

EXTERNAL APPOINTMENTS

None

RALPH HEWINS
CFO

TENURE

Ralph was appointed CFO-Designate and Executive Director on 12 September 2016 and became the Elementis Group CFO on 1 November 2016.

INDEPENDENT

No

EXPERIENCE AND ROLE

Ralph is an accomplished CFO who has a strong track record in finance, strategy development and implementation, and M&A which enables him to provide effective financial leadership to underpin the delivery of the Company's strategy.
Ralph had a 30 year career with BP, where he held a number of significant leadership positions, including roles in financial management, sales and marketing, corporate development, M&A, strategy and planning. In 2010, Ralph was CFO of BP Lubricants and served on the board of Castrol India Limited from 2010 until 2016.
Ralph holds an MA degree in Modern History and Economics from the University of Oxford and an MBA from INSEAD.

EXTERNAL APPOINTMENTS

None

TRUDY SCHOOLENBERG
SENIOR INDEPENDENT DIRECTOR

TENURE

Trudy was appointed Non-Executive Director on 15 March 2022 and become Senior Independent Director on 26 April 2022.

INDEPENDENT

Yes

EXPERIENCE AND ROLE

Trudy has over 30 years' experience of working in the chemicals, engineering and high performance product sectors. Having built her executive career with global organisations such as Shell, Wärtsilä and Akzo Nobel, she brings a strong international perspective and a proven track record for driving sustainability through innovation.
In addition, Trudy has strong operational knowledge, gained during her time at Shell as production manager at the Pernis refinery in the Netherlands, the largest refinery in Europe and one of the largest in the world.
Trudy currently serves as a non-executive director and senior independent director of Accsys Technologies plc (AIM listed sustainable building materials business), a supervisory board member of SPIE SA (a listed technical services business) and as a non-executive director and senior independent director of TI Fluid Systems plc (a listed global manufacturer of automotive systems).
Trudy previously served as a board member of The Netherlands Petroleum Stockpiling Agency (COVA) (2011-2021), non-executive director and senior independent director at Spirax-Sarco Engineering plc (2012-2021), non-executive director and senior independent director of Low and Bonar plc (2013-2020) and as a supervisory board member of Avantium N.V. (2020-2022).
Trudy has a Ph.D in Technical Physics from the Delft University of Technology (The Netherlands) and holds a master's degree in Industrial Engineering.

EXTERNAL APPOINTMENTS

- Non-executive director and senior independent director of Accsys Technologies plc (from April 2018)
- Independent director of SPIE SA (from November 2021)
- Senior independent director of TI Fluid Systems plc (from September 2022)

KEY TO COMMITTEE MEMBERSHIP

A Audit Committee   N Nomination Committee   R Remuneration Committee   * Chair of the Committee

DOROTHEE DEURING
INDEPENDENT NON-EXECUTIVE DIRECTOR

TENURE

Dorothee was appointed a Non-Executive Director on 1 March 2017.

INDEPENDENT

Yes

EXPERIENCE AND ROLE

Dorothee provides the Board with valuable insight into the wider European chemicals and Industrial sectors as well as sector specific acquisition expertise.

Dorothee manages her own corporate advisory consultancy serving a number of European clients in the pharma/biotech sector. She is active in various industry bodies. Her previous executive roles included managing director and head of Corporate Advisory Group (Europe) at UBS in Zurich, head of M&A chemicals and healthcare at a private investment bank in Germany and as a senior executive in the corporate finance department at the Roche Group.

Dorothee served as non-executive director of the supervisory board of Bilfinger SE and member of the audit committee (May 2016-May 2021).

Dorothee holds a master's degree in Chemistry from the Université Louis Pasteur, Strasbourg and an MBA from INSEAD.

EXTERNAL APPOINTMENTS

- Non-executive director of AXPO Holding AG (from March 2017)

STEVE GOOD
INDEPENDENT NON-EXECUTIVE DIRECTOR

TENURE

Steve joined the Board as a Non-Executive Director on 20 October 2014 and became Chair of the Remuneration Committee on 25 April 2017. Steve was appointed interim Senior Independent Director between 1 September 2021 and 26 April 2022.

INDEPENDENT

Yes

EXPERIENCE AND ROLE

Steve has strong and relevant international experience in specialty chemicals businesses, manufacturing and diverse industrial markets which enables him to provide guidance and challenge to management. Steve's involvement with remuneration committees in other organisations enables him to provide judgement and demonstrate sound knowledge of topical remuneration matters in his capacity as Remuneration Committee Chair.

Steve was chief executive of Low & Bonar plc between September 2009 and September 2014.

Prior to that role, he was managing director of its technical textiles division (2006-2009), director of new business (2005-2006), and managing director of its plastics division (2004-2005). Prior to Low & Bonar, he spent ten years with BTP plc (now part of Clariant) in a variety of leadership positions managing international specialty chemicals businesses. Steve served as non-executive director and chairman of the remuneration committee of Cape plc (2015-2017), non-executive director of Anglian Water Services and member of the audit committee, nomination committee and remuneration committee (2015-2018) and non-executive director of Dialight plc (2018-2020).

Steve holds a degree in Economics and Financial Management from Sheffield University. He is a chartered accountant.

EXTERNAL APPOINTMENTS

- Non-executive chairman of Zotefoams plc (non-executive director from October 2014 and chairman from April 2016) and chairman of the nomination committee and member of the remuneration committee
- Non-executive chairman of Devro plc (from June 2019) and chairman of the nomination committee

CHRISTINE SODEN
INDEPENDENT NON-EXECUTIVE DIRECTOR

TENURE

Christine was appointed a Non-Executive Director on 1 November 2020 and is the Designated Non-Executive Director for workforce engagement and Chair of the Audit Committee.

INDEPENDENT

Yes

EXPERIENCE AND ROLE

Christine brings significant experience of innovation and the commercialisation of technology to the Board. Christine is an experienced CFO with a strong track record from leading a range of private and public companies rooted in innovation with a particular focus on biotechnology, life sciences and pharmaceutical products.

Christine was CFO and company secretary of Acacia Pharma Group plc, a public quoted provider of pharmaceutical products designed to improve the outcomes and recovery for surgical patients (2015-2020). Prior to Acacia Pharma Group plc, Christine served as CFO and then non-executive director of AIM-listed Electrical Geodesics, Inc., which was acquired by Philips NV in 2017. Other CFO and finance leadership roles include Optos plc, BTG plc (former FTSE250 constituent), Oxagen Limited and Celltech Chiroscience Group plc, having started her life-sciences career as financial controller of Medeva plc.

Christine has previously served as chair of the audit committee at e-therapeutics plc, an AIM listed technology based drug discovery platform (2017-2020) and at Provalis plc, a quoted healthcare business (2000-2005). She was also non-executive director of Futurenova Limited, a provider of anti-microbial cases for ipads and iphones from 2017 to 2021.

Christine is a chartered accountant and holds a degree in Mathematics from the University of Durham.

EXTERNAL APPOINTMENTS

- Non-executive director of Vio Healthtech Limited (from January 2013)
- Non-executive director of Cell and Gene Therapy Catapult (from October 2020)
- Non-executive director of Arecor Therapeutics plc (from May 2021)

CLEMENT WOON
INDEPENDENT NON-EXECUTIVE DIRECTOR

TENURE

Clement was appointed a Non-Executive Director on 1 December 2022.

INDEPENDENT

Yes

EXPERIENCE AND ROLE

Clement brings broad managerial experience in globally operating technology and consumer related industries. He has a strong track record of renewing traditional industries and revitalising growth through strategic interventions and in-depth experience and knowledge of markets within the Asia Pacific region.

Clement was Group CEO of Saurer Intelligent Technology Co Ltd, a €1 billion textile machinery and components business listed on the Shanghai Stock Exchange, between August 2016 and March 2020. Clement continued to serve on the board of Saurer as non-executive director until August 2021. Between March 2021 and January 2023, Clement served as Chairman of PFI Foods Industries Pte Ltd. Between April 2014 and July 2016, Clement was Adviser and co-CEO of Jinsheng Industry Co. Ltd, an industrial company in China with diverse interests including biotech, automotive and textiles, between April 2014 to July 2016. Clement also previously held various senior positions at companies based in Switzerland and Singapore including Division CEO of Leica Geosystems AG, President & CEO of SATS Ltd, and CEO Textile Division of OC Oerlikon AG.

Clement holds an MSc in Industrial Engineering and a BEng in Electrical Engineering from the National University of Singapore, as well as an MBA in Technology Management from Nanyang Technological University, Singapore.

EXTERNAL APPOINTMENTS

- Non-independent Non-Executive Director of PFI Foods Industries Pte. Ltd (since February 2023, Chair between 2015 and January 2023)
- Non-executive director of Morgan Advanced Materials plc (from May 2019)

Executive Leadership team

PAUL WATERMAN
CEO

Full biography can be found on page 98.

RALPH HEWINS
CFO

Full biography can be found on page 98.

LUC VAN RAVENSTEIN
SVP GLOBAL PERFORMANCE SPECIALTIES

TENURE

Joined Elementis in 2012.

EXPERIENCE AND ROLE

Luc is responsible for leading the Performance Specialties business, which combines the segments previously known as Global Coatings, Energy and Talc. Previously, he led the Global Coatings business through the transformation programme and drove the execution of its growth strategies.

Luc started his career with Elementis leading the Personal Care and Surfactants businesses following leadership positions at specialty chemicals company Croda.

Luc has an MSc degree in Chemistry and Chemical Engineering and a Professional Doctorate in Engineering from Eindhoven University of Technology.

STIJN DEJONCKHEERE
SVP GLOBAL PERSONAL CARE

TENURE

Joined Elementis in 2007 and was appointed SVP, Global Personal Care in May 2020.

EXPERIENCE AND ROLE

Stijn is responsible for the leadership of the Personal Care business which includes Cosmetics and AP Actives businesses. He is an accomplished leader who has demonstrated an ability to build and lead high performing commercial teams.

Stijn spent many years developing his career at Elementis in various positions in our Personal Care and Coatings business, most recently as Director Global Sales Personal Care.

Prior to Elementis, he also held leading commercial roles at Capsugel, now Lonza, and Barentz. His leadership skills combined with strong commercial experience and focus on customer relationships will be key to ensuring successful execution of our strategy and the acceleration of growth in our Personal Care segment.

Stijn holds Master's degrees in Bio-Engineering from Ghent University and Agro-Management from Montpellier SupAgro and is a graduate of the Executive Development Program from the Wharton School.

GREG BELLOTTI
CHIEF INFORMATION OFFICER

TENURE

Joined Elementis in 2014 and was appointed CIO in January 2021.

EXPERIENCE AND ROLE

As Chief Information Officer, Greg is responsible for global IT strategy, operations, service delivery, innovation and digital transformation.

Prior to joining Elementis, Greg held IT leadership roles at Allscripts (Summit Medical Group) (now) and Siemens. At Summit, he rebuilt a team and an infrastructure to support exponential growth across facility locations. During his tenure at Siemens, Greg was instrumental in the acquisition of HEAR US, the first B2C in Siemens' portfolio, and led project management, global service provision and the global PMO at various times.

Greg graduated from The College of New Jersey in 1992 with a Bachelor of Science degree in Law & Justice. Greg serves as a member of The College of New Jersey Beacon Society, is a board member for the Delaware Valley Chapter of The National Football Foundation and the College Hall of Fame, is engaged in multiple groups supporting opportunities for women and minorities, and supports various youth and military charitable initiatives.

ANNA LAWRENCE
GROUP GENERAL COUNSEL & COMPANY SECRETARY

TENURE
Joined Elementis in March 2021.

EXPERIENCE AND ROLE
Anna has responsibility for all legal and compliance matters across the Group and is the Group Company Secretary. Anna also serves as the Group's Chief Compliance Officer and chairs the Ethics and Compliance Council.

She has extensive international experience gained through holding senior legal positions in companies across diverse sectors including Rolls-Royce plc, Johnson Matthey plc and Kingfisher plc.

Anna qualified as a solicitor at Allen & Overy LLP and holds a BA in Modern Languages from the University of Oxford, a Postgraduate Diploma in Law and Legal Practice, and is an Associate of the Chartered Governance Institute.

JOE LUPIA
SVP GLOBAL TECHNOLOGY

TENURE
Joined Elementis in 2019.

EXPERIENCE AND ROLE
Joe joined in 2019 and is responsible for the leadership of the Global R&D and Product Stewardship functions. His former commercial experiences enable him to ensure our innovation pipeline is capable of delivering both technical and financial success. Joe is responsible for collaborating with the business leaders to develop new technologies that enhance our customers' product performance as it pertains to the quality, sustainability and efficiency needs of our partners.

Joe has 30 years' experience in the chemicals industry and joined us from BASF, where he had many different technical and commercial roles over his 24 year tenure.

Joe has a Ph.D. in Organic Chemistry from Seton Hall University.

CHRIS SHEPHERD
CHIEF HUMAN RESOURCES OFFICER

TENURE
Joined Elementis in 2017.

EXPERIENCE AND ROLE
Chris leads the Group Human Resources and Communications function and is responsible for talent, succession, HR operations, reward programmes and internal communications. His focus is on embedding the Company's culture and Values throughout the organisation, developing internal talent and standardising our global people processes. Chris is co-Chair of the Elementis Diversity, Equity and Inclusion Council.

Chris has over 20 years' experience of global human resources gained in a mix of privately held US and UK listed plcs with the first 12 years of his career in manufacturing and supply chain.

Chris holds an MEng in Mechanical Engineering from the University of Liverpool.

The UK Corporate Governance Code

The UK Corporate Governance Code 2018 (the 'Code') sets standards of good practice in relation to all areas of corporate governance in the UK. The Code applies to the Company. In this Annual Report, we report on how we applied the main principles of the Code and complied with its relevant provisions.

The Company was not in compliance with Provision 38 (alignment of Executive Directors' pension contributions with those of the wider workforce) during the year; however, the Executive Directors were on a phased glidepath reduction in pension towards the workforce rate (as noted in page 125 in the Directors' Remuneration report) and alignment completed on 1 December 2022.

Elementis has complied with all other relevant provisions throughout the year ended 31 December 2022 and from that date up to the date of approval of this Annual Report. The Code is currently available www.frc.org.uk

Division of responsibilities

Governance framework

SHAREHOLDERS

BOARD OF DIRECTORS
The Board is collectively responsible for ensuring long term sustainability and the delivery of long term value and success for our shareholders. It also provides effective challenge and support to the Executive Leadership team in relation to strategy, whilst ensuring the Group maintains effective risk management and internal controls systems.

BOARD COMMITTEES
The Board is supported in its activities by Board Committees that have specific delegated responsibilities, as set out in separate terms of reference which are available on the website: www.elementis.com

AUDIT COMMITTEE

- Overseeing financial reporting and the Group's financial systems
- Providing oversight and governance of internal controls and risk management
- Monitoring the independence and effectiveness of the external auditors
- Maintaining an appropriate relationship with our internal and external auditors

For further information, please see page 119

NOMINATION COMMITTEE

- Responsibility for the structure, size and composition of the Board, ensuring the Board and Committees have the correct balance of skills, knowledge and experience
- Ensuring and overseeing succession planning and responsibility for the annual review of Board effectiveness
- Identifying and nominating suitable candidates for appointment to the Board
- Promoting diversity

For further information, please see page 115

REMUNERATION COMMITTEE

- Setting the Remuneration Policy and determining the review structure for the Chair, Executive Directors and Executive Leadership team, to align their remuneration with the long term interests of the Company
- Approving bonus plan, long term incentive plan targets and share awards

For further information, please see page 124

CHIEF EXECUTIVE OFFICER (CEO)
The CEO is responsible for the day-to-day running of the business and overseeing its performance, development and strategy.

EXECUTIVE LEADERSHIP TEAM
The Executive Leadership team is led by the CEO and meets quarterly to review and consider a number of reports. It also meets monthly to review and discuss each business segment. Relevant matters are reported to the Board by the CEO or the Chief Financial Officer.

DIVERSITY, EQUALITY & INCLUSION COUNCIL

ETHICS & COMPLIANCE COUNCIL

HSE COUNCIL

SUSTAINABILITY COUNCIL

DATA PROTECTION STEERING COMMITTEE

Board leadership and Company purpose

HOW THE BOARD OPERATES

The Board held eight scheduled meetings during the year and additional Board meetings were also held to discuss emerging matters such as climate change and sustainability, Board recruitment and succession matters, and to consider the strategic review and subsequent sale of the Chromium business.

For each Board and Committee meeting, meeting papers are provided in advance through a secure portal. Board papers include standing items, such as financial performance and investor relations updates, and special business such as strategic, operational or governance matters, which are prepared by Executive Directors, senior management, the Group General Counsel & Company Secretary and/or external advisers. The Board regularly invites ELT members to attend Board meetings and receives presentations and updates from their relevant business and functional areas.

Other key information, such as analyst/investor reports, Company policies and governance guidelines, is available through the secure portal.

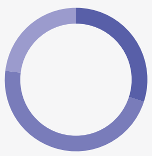
MATTERS RESERVED FOR THE BOARD

To ensure there is a clear division of responsibilities between the Board and the running of the Company business, the Board has a formal schedule of matters reserved for its decision. This is reviewed on a periodic basis and is available on our website: www.elementis.com.

BOARD ALLOCATION OF AGENDA TIME

Agendas for each Board meeting are prepared by the Group General Counsel & Company Secretary as a rolling programme over a 12 month period, but are reviewed regularly and updated where appropriate. The agenda for each Board meeting is agreed with the Chair, CEO and CFO.

SCHEDULED MEETINGS DURING THE YEAR



- Performance 30%
- Strategy 47%
- Governance 23%

CHANGES TO THE BOARD DURING THE YEAR

- Anne Hyland stepped down from the Board on 26 April 2022
- Trudy Schoolenberg was appointed as Senior Independent Director on 15 March 2022*
- Clement Woon was appointed as independent Non-Executive Director on 1 December 2022*

* Further information regarding Trudy and Clement's appointments can be found within the Nomination Committee report on page 116-117.

BOARD MEETING ATTENDANCE

The attendance of the Directors at the Board meetings in the year ended 31 December 2022 is as follows:

John O'Higgins	◆◆◆◆◆◆◆◆
Paul Waterman	◆◆◆◆◆◆◆◆
Ralph Hewins	◆◆◆◆◆◆◆◆
Dorothee Deuring	◆◆◆◆◆◆◆◆
Steve Good	◆◆◆◆◆◆◆◆
Anne Hyland**	◆◆◆◇◇◇◇◇
Christine Soden	◆◆◆◆◆◆◆◆
Trudy Schoolenberg◊	◇◆◆◆◆◆◆◆
Clement Woon°	◇◇◇◇◇◇◇◆

There were eight meetings of the Board in 2022. Anne, Trudy and Clement each attended all the meetings they were eligible to attend.

** Anne Hyland stepped down from the Board on 26 April 2022.
◊ Trudy Schoolenberg joined the Board on 15 March 2022.
° Clement Woon joined the Board on 1 December 2022.

MATTERS RESERVED FOR THE BOARD

- Group financial report
- Risk management and internal controls
- Corporate governance
- Group strategy
- Acquisitions and disposals
- Talent and succession
- Culture and Values
- Sustainability
- Health and safety
- Engagement with key stakeholders
- Financial and trading statements

KEY ACTIVITIES OF THE BOARD

The Board's key activities and their link to Section 172(1) factors are shown below.

The Company's Section 172(1) statement can be found on pages 74-75.

SECTION 172 MATTERS

Employees · Customers · Investors · Suppliers · Government and regulators · Creditors · Environment and communities

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ACTIVITY

SALE OF CHROMIUM BUSINESS

- The Board approved the initiation of a strategic review of the Group's Chromium business in April 2022
- Throughout 2022, the Board regularly considered options in relation of the Chromium business in the strategic review, both in "divest" and "retain" scenarios
- The Board's decision-making process took into consideration the possible applications for any sale proceeds, including repayment of net debt, as well as the Group's ability to resume dividends to shareholders in future

LINK TO SECTION 172

- The Board also considered the impact on the Company's environmental sustainability profile of a potential sale
- The Board evaluated the profiles of prospective buyers for the Chromium business and concluded that a divestment to the Yildirim Group, a leading Turkish industrial conglomerate and major producer of chrome ore and high carbon ferrochrome, would be likely to result in positive outcomes for employees, customers and suppliers of the Chromium business

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ACTIVITY

STRATEGIC UPDATES

- 2022-2027 financial shape
- Annual Operating Plan
- Chromium
- Coatings and Energy
- Continuous Improvement
- ESG & Sustainability
- HSE
- Innovation

LINK TO SECTION 172

- IT & Cyber
- Litigation & Compliance
- People related topics including strategy, Diversity, Equity & Inclusion, people engagement, employee value proposition and succession
- Personal Care
- Strategy
- Talc

ACTIVITY

BOARD SUCCESSION

- At the AGM on 26 April 2022, Anne Hyland stepped down from the Board
- The Committee appointed Korn Ferry to undertake a search for suitable candidates
- On 15 March 2022, Trudy Schoolenberg was appointed as Senior Independent Director, following a thorough recruitment process

LINK TO SECTION 172

- The Committee retained Korn Ferry to consult on a further search for another suitable candidate
- On 1 December 2022, Clement Woon was appointed as Independent Non-Executive Director, following a thorough recruitment process

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ACTIVITY

SITE VISITS TO FINLAND AND THE US

- With its people as its core asset, the Board recognised the importance of resuming face to face engagement with the workforce at all levels as soon as practicable when pandemic-related travel restrictions started to lift

LINK TO SECTION 172

- Site visits to locations in the US and Finland during 2022 enabled the Board to gain insights from discussions with the local management teams and colleagues about the opportunities and challenges they face, in management presentations as well as less formal networking events

Stakeholder engagement

In line with the requirements of the Code, the Board considered the mechanisms for ensuring that the views and concerns of the workforce are taken into account and agreed that a specific Board accountability for workforce engagement would be formalised by appointing a Board member to serve as the Designated Non-Executive Director for workforce engagement (DNED). Christine Soden currently serves as the DNED having assumed the role on appointment as a Board member on 1 November 2020.

During the year Christine held focus groups with employees in the US, China and Finland each of which included discussion around compensation. Further information found on pages 107-108.

Two further focus groups were held with all people managers globally (c.250) in January 2023 by Christine Soden, Steve Good and Chris Shepherd (CHRO) to explain governance at Elementis, the role of the Remuneration Committee and to show how the policy is applied throughout the organisation. The sessions including polling questions to assess understanding and questions and answers. The output of these sessions included the Board gaining confirmation that managers understand the basis on which our pay programmes are set, including the link to strategy and how Directors' remuneration is determined.

The Board closely monitors and reviews the results of the Company's annual Employee engagement. In 2022, we launched our Employee Value Proposition (EVP) to help identify what employees value about Elementis, what makes this a satisfying and engaging place to work. For further information, please see page 64.

We also work with our customers, suppliers, local communities and other business partners across the value chain every day. The infographic below sets out the different stakeholders with whom we engage, which in turn is reported to the Board.

STAKEHOLDER	HOW THE BOARD IS KEPT INFORMED	FURTHER INFORMATION
CUSTOMERS	• Regular meetings and visits by the CEO and Business Unit leaders	Page 22-23 and 72
SUPPLIERS	• Engagement with our suppliers	Pages 16-17 and 72
EMPLOYEES	• Focus groups conducted by the DNED • Regular townhall meetings	Page 61-67 and 72
COMMUNITIES AND THE ENVIRONMENT	• Community meetings • Receiving regular updates regarding Sustainability	Page 36-60 and 72
INVESTORS	• Engagement with major shareholders regarding governance and strategy • Committee Chairs engage, as appropriate, on their areas of responsibility • Formal and informal discussions are held with shareholders in the context of the Company's AGM	Page 110 and 72
GOVERNMENT TRADE BODIES AND REGULATORS	• Active engagement	Page 38 and 72

EXAMPLES OF WORKFORCE ENGAGEMENT THEMES

Values and culture

Communications

Processes

Remuneration and benefits

Local/global ways of working

COVID-19 response

WORKFORCE THEMES

Board engagement with the workforce

With the lifting of COVID-19 travel restrictions, the Board was pleased to resume its programme of visits to the Company's operations.

The Non-Executive Directors are encouraged to visit Group manufacturing sites to gain a greater understanding, knowledge and familiarity of the Group's activities and an opportunity to meet and engage with people across the business. This enables the Directors to maximise their contribution to Board discussions and their understanding of stakeholders.

Whilst visiting the various sites during 2022, Christine Soden, as Designated Workforce Engagement Director, held a number of focus groups which gave her an opportunity to meet with a selection of employees and to discuss any issues or concerns that they had.

JUNE – FINLAND

Since the previous visit to Finland in 2019, most of the NEDs are new to the Board. The Board was keen to deepen its understanding of the flow of operations from mine to customer and to meet the Talc employees.

DAY 1 – VISIT TO SOTKAMO

At the Sotkamo site, the Talc management team provided the Board with a presentation regarding both the Sotkamo and Vuonos sites. This was followed by a visit to the mine and processing facilities.

A focus group was also held with a small group of employees. Further information can be found on pages 97 and 126.

In the evening, the Board enjoyed a dinner with the management team. It was an opportunity for employees to engage directly with the Board.

DAY 2 – VISIT TO VUONOS

At the Vuonos site, the management team provided a tour of the processing facilities.

Board leadership and Company purpose continued

OCTOBER – THE US

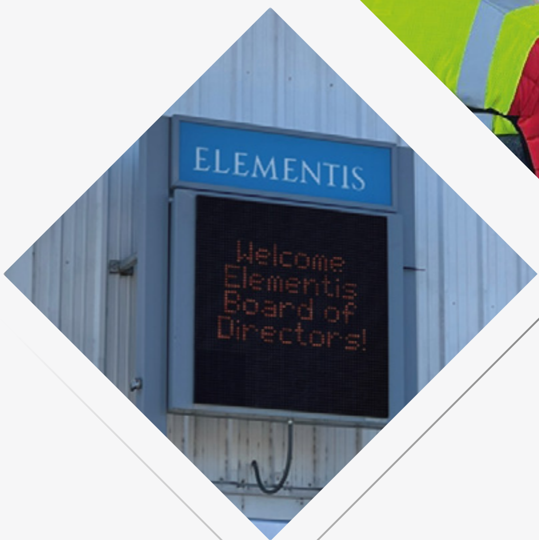
DAY 1 – VISIT TO NEW JERSEY

The Board meeting was held at the New Jersey offices. After the meeting, there was a dinner held with management. Each Board Director hosted their own table, which was an opportunity to meet with employees from various roles.

A focus group was also held with a small group of employees. Further information can be found on pages 97 and 126.

DAY 2 – VISIT TO ST LOUIS

The Board visited the St Louis facility where Board members received an overview of the plant's activities from management, with opportunity for Q&A, before undertaking a full site tour. After the meeting, Board members attended an ice hockey game of the local team with management, which provided a more informal opportunity for discussions.



DAY 3 – VISIT TO NEWBERRY SPRINGS

Three of the new NEDs also visited the Newberry Springs site. The management team provided the Board with a presentation, and a visit to the mine and processing facility. The Board also had an opportunity to engage with employees during a breakfast meeting.

OUR PURPOSE, CULTURE AND VALUES

Our purpose is to achieve sustainable progress across the world through innovative specialty chemical products that deliver cleaner and better performance.

We are collaborative industrial innovators; developing long term partnerships with our customers, innovating at pace to keep them at the forefront of their markets. Combining our access to unique natural resources with our unmatched rheology and technological expertise, we responsibly transform raw materials into advantaged ingredients that provide crucial end product benefits. This enables our customers to solve their product performance and sustainability challenges.

The Board is satisfied that the Company's culture continues to be aligned with its purpose, values and strategy:

- Company values were established during 2018 following a refresh and engagement with employee focus groups
- Strategy is discussed regularly and includes the three year plan and annual operating plan, and is formally agreed as part of the Board's annual programme
- The Company's values of Safety, Solutions, Ambition, Respect and Team underpin the behaviours expected to cultivate an open and inclusive culture

Further information regarding culture can be found on pages 61-67.

HOW THE BOARD MONITORS CULTURE

	Cultural indicators				
Cultural identifier	**Promoting integrity and accountability**	**Valuing diversity**	**Being responsive to the view of stakeholders**	**Culture aligned to purpose and Values**	**Culture aligned to strategy**
Employee Engagement survey insight	✓	✓	✓	✓	✓
Employee retention, promotion and attrition data		✓		✓	✓
Reports on progress on diversity, equity and inclusion	✓	✓		✓	
Whistleblowing reports	✓		✓	✓	✓
Health, safety and environmental performance	✓		✓	✓	✓
Internal Audit reports and findings	✓		✓	✓	✓
Ethics and compliance programme	✓	✓		✓	

Shareholder engagement

SHAREHOLDER COMMUNICATIONS
The Chair is responsible for effective communication with shareholders. The CEO and CFO are the Company's principal contacts for investors, analysts, press and other interested stakeholders.

There is a dedicated investor relations programme for current and potential investors, which is managed by the Director of Investor Relations who reports to the CFO. Further information regarding shareholder services can be found on page 225.

SHAREHOLDER ENGAGEMENT
INVESTOR MEETINGS
The Board receives an investor relations report at each of its meetings outlining recent dialogue with investors and feedback received, and updates from our corporate brokers JP Morgan and Numis. Analysts' reports are also made available to the Board. The Chair attends the financial results presentations where he has the opportunity to meet with those analysts who attend. All Board members are invited to attend results presentations.

The Chair and Senior Independent Director (SID) are available to shareholders to discuss governance and strategy concerns as appropriate. The SID regularly meets with the Company's major investors. At these meetings, investors are also given the opportunity to meet with other members of the Board, for example, the Chairs of the Audit, Nomination or Remuneration Committees. In 2022, a total of 58 meetings were held with investors.

PRIVATE INVESTORS
The Board is keen to hear the views of our private shareholders and they are encouraged to use our shareholder mailbox, company.secretariat@elementis.com. The Company's website is kept updated with Company reports and related information. Enquiries may also be addressed to the Group General Counsel & Company Secretary and sent to the registered office.

ANNUAL GENERAL MEETING
The Company held a hybrid AGM on 26 April 2022 where shareholders were invited to attend in person. Those unable to attend in person were given the opportunity to ask questions of the Board via email in advance of the meeting and to view the AGM proceedings via a webcasting facility. There was also a telephone line available for shareholders to ensure that they could be heard. The proceedings of the AGM is available on demand. All resolutions were approved by shareholders on a poll. Shareholders were able to submit questions ahead of the AGM; however, no questions were submitted prior to or at the AGM.

The 2023 AGM will be held on 26 April 2023 at 10.00am and further information can be found in the Notice of Meeting.

KEY SHAREHOLDER ACTIVITIES DURING THE YEAR

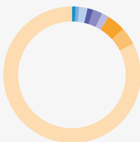
Q1
- Trading Statement
- FY21 results presentation
- Results roadshow

Q2
- AGM trading statement
- Chair Governance roadshow
- UBS Small and Mid-cap conference

Q3
- H1 22 results presentation
- Results roadshow

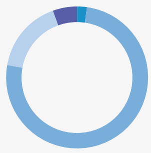
Q4
- 9 month trading update
- Chromium sale announcement
- Berenberg European conference

SHAREHOLDERS BY NUMBER OF SHARES



Balance ranges	
1-499	0.13%
500-999	0.13%
1,000-4,999	0.71%
5,000-9,999	0.43%
10,000-49,999	0.86%
50,000-99,999	0.68%
100,000-499,999	4.89%
500,000-999,999	4.53%
1,000,000-999,999,999	87.65%

SHAREHOLDERS BY TYPE



Party type	
Private individuals	2.27%
Nominee companies	75.74%
Limited and public limited companies	16.50%
Other corporate bodies	5.49%

Board responsibilities

ROLE	NAME(S)	RESPONSIBILITY
CHAIR	JOHN O'HIGGINS	• Leads the Board and is responsible for its overall effectiveness • Sets the agendas in consultation with the CEO, CFO and Group General Counsel & Company Secretary • Promotes open, honest and constructive debate, challenges during meetings and guides the CEO and CFO in delivery of the strategy • Ensures the Board conforms with the highest standards of corporate governance • Chairs the Nomination Committee and ensures the Board has an appropriate balance of skills, diversity and experience • Ensures effective succession planning is in place and leads the annual Board effectiveness review • Engages with shareholders and other stakeholders, and ensures that their views are understood and considered appropriately in Board decision making.
CEO	PAUL WATERMAN	• Day-to-day management of the business • Execution of strategy and operational performance • Provides regular updates to the Board on all significant matters relating to the Group • Ensures the Company has a strong team of high calibre executives • Puts in place management succession and development plans
CFO	RALPH HEWINS	• Supports the CEO in the delivery of the Company's strategy and financial performance • Leads the Group Finance function and is responsible for financial reporting, investor relations, IT, risk, insurance and tax matters • Plays a key role in external stakeholder relationships, including investment community, lenders and pension trustees
SENIOR INDEPENDENT DIRECTOR	TRUDY SCHOOLENBERG	• Acts as a sounding board to the Chair, providing support and advice where necessary • Is the point of contact for shareholders and other stakeholders to discuss matters of concern • Leads the Board's appraisal of the Chair's performance with the Non-Executive Directors
INDEPENDENT NON-EXECUTIVE DIRECTORS	DOROTHEE DEURING STEVE GOOD JOHN O'HIGGINS TRUDY SCHOOLENBERG CHRISTINE SODEN CLEMENT WOON	• Provide independent oversight objectivity to the Board's deliberations • Use their broad range of experience and expertise to challenge management and aid decision making • Serve on various Committees and play a leading role in the effectiveness of those Committees
DESIGNATED NON-EXECUTIVE DIRECTOR FOR WORKFORCE ENGAGEMENT	CHRISTINE SODEN	• Represents the Board when engaging and communicating with employees and provides communication on any outcomes
GROUP GENERAL COUNSEL & COMPANY SECRETARY	ANNA LAWRENCE	• Supports the Chair in ensuring the Board operates efficiently and effectively • Provides the Board with advice on governance developments • Facilitates the Directors' induction programmes and assists with ongoing training and development • Assists the Chair with the Board effectiveness review process

Board responsibilities continued

ROLES AND RESPONSIBILITIES

The Board members have clearly defined roles and responsibilities, as set out in the table on page 111. They also have a range of skills, knowledge and experience that is relevant to the successful operation of the Board (see the biographies on pages 98-99 and Board Composition and Skills table on page 118).

INDEPENDENCE OF THE NON-EXECUTIVE DIRECTORS

Each of the Non-Executive Directors is considered independent in character and judgement. The Chair was considered independent on appointment and the Board confirms that he remains effective. The independence of Non-Executive Directors is reviewed annually by the Nomination Committee, with the continuing independence of Steve Good being subject to a particularly rigorous review, in view of his longer service, as described further on page 116.

The biographies of the Directors can be found on pages 98-99 and details of the membership of each Board Committee can be found on pages 115, 119 and 124 respectively.

TIME COMMITMENT

Following the Board evaluation process, as detailed on pages 113-114, the Board has considered the individual Directors' attendance, contribution and external appointments, and is satisfied that each of the Directors is able to allocate sufficient time to the Group to discharge their responsibilities effectively. Information on Directors' external appointments can be found on pages 98-99.

The Directors' commitments register is maintained by the Group General Counsel & Company Secretary and is regularly reviewed by the Nomination Committee. All Directors are expected to commit sufficient time to the Board, and the Company, as is necessary to carry out their duties as a Director.

ADDITIONAL APPOINTMENTS

If a Non-Executive Director wishes to take on an additional external appointment, they are required to seek permission from the Board. The Board will take into consideration the time commitment required by the Non-Executive Director in their role as a Board Director, Committee Chair or Committee member before any permission is given.

Executive Directors are not permitted to take on more than one non-executive directorship of a FTSE 100 company or other significant appointment. No such external appointments are currently held by any of the Executive Directors.

In September 2022, Trudy Schoolenberg notified the Board of her wish to take on an additional appointment as senior independent director of TI Fluid Systems plc. The Board considered Trudy's external commitments and additional time required for the new proposed role and concluded that Trudy would still have sufficient time to perform her role with the Company. The Board also considered whether the appointment would be a conflict of interest and concluded that it would not.

CONFLICTS OF INTEREST

Elementis plc has a Conflicts of Interest Policy in place for all Group companies. Our Board and its Committees consider potential conflicts at the outset of every meeting and the Board formally reviews the authorisation of any potential conflicts of interest throughout the year, with any conflicts being recorded in the Conflicts of Interest Register.

The Conflicts of Interest Register sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties and the practical steps that are to be taken to avoid conflict situations. When reviewing conflict authorisations, the Board considers any other appointments held by the Director as well as the findings of the Board Effectiveness evaluation.

Directors are required to seek Board approval for any actual or potential conflicts of interest.

Ralph Hewins is in receipt of a conflict authorisation from the Company in respect of him acting as a trustee of the Elementis Group Pension Scheme. Further details can be found in the Directors' report on page 152.

DIRECTORS' INSURANCE AND INDEMNITIES

The Company maintains Directors' and Officers' liability insurance, in the event of legal action brought against its Directors.

The Company has also granted indemnities to each of the Directors. These indemnities are uncapped in amount, in relation to certain losses and liabilities which they may incur to third parties in the course of acting as a Director of the Company. Neither the indemnity or insurance provides coverage in the event that a Director is proved to have acted fraudulently or dishonestly.

BOARD TRAINING AND INDEPENDENT ADVICE

All Directors have access to the advice and services of the Group General Counsel & Company Secretary and may take independent professional advice, as appropriate, at the expense of the Company.

Directors are given the opportunity throughout the year to undertake training and attend seminars, as necessary, to keep their skills and knowledge up to date. In addition, technical briefings are regularly included in Board and Committee papers.

The Group General Counsel & Company Secretary supports the Chair in ensuring that the Board and its Committees operate within the governance framework and that communication and information flows within the Board and its Committees and between management and Non-Executive Directors remain effective.

INFORMATION FLOWS

The Chair and the Group General Counsel & Company Secretary ensure that the Directors receive clear and timely information on all relevant matters. Board papers are circulated in a timely manner in advance of the meetings to ensure that there is adequate time for them to be read and to facilitate robust and informed discussion. A fully encrypted electronic Board portal is used to distribute Board and Committee papers and to provide efficient distribution of business updates and other resources to the Board.

Board evaluation

BOARD EVALUATION

In line with the UK Corporate Governance Code, an externally facilitated review of the Board effectiveness is carried out every three years. The last externally facilitated review was carried out in 2021.

In 2022, it was agreed that an internally facilitated review would be appropriate. The next externally facilitated review is scheduled to take place in 2024.

PROCESS

A discussion is held by the Nomination Committee to consider the approach and process for evaluation. Following agreement, the Group General Counsel & Company Secretary and the Chair of the Nomination Committee agree the timetable, process and resources required for the evaluation activity.

During 2022, the process was divided into four stages:

Stage 1

The Group General Counsel & Company Secretary and Chair agree the format of the evaluation.

The internal review is usually carried out by means of an online questionnaire. Directors are invited to give their responses on the individual and collective performances of the Board and its Committees.

Stage 2

If there are any issues raised, the Group General Counsel & Company Secretary will reach out to the individual and discuss their concerns or issues.

Individual responses are collated into a report prepared by the Company Secretary.

Stage 3

The Group General Counsel & Company Secretary discusses the underlying themes of the evaluation with the Chair and prepares a formal paper for discussion.

The Chair meets with each Director individually to air any concerns they may have around Board dynamics and operation of Board and Committee effectiveness.

Stage 4

The report is presented and discussed with the Board.

The Board agrees on the development areas for the forthcoming year.

Composition, succession and evaluation continued

RECOMMENDATION	PROGRESS
BOARD SUCCESSION	
Continue to ensure the Board is composed of the most appropriate balance of skills, knowledge, experience and diversity to ensure the orderly succession of Anne Hyland and Steve Good over the next one to two years	Board succession matters were a key focus area for 2022 following retirements from the Board. The Board changes announced during 2022 reflect a continued focus on ongoing succession planning. Our approach to this is set out in further detail on pages 97 and 116.
STRATEGY	
Continue to develop discussion of strategy (incorporating ESG topics) with focus on portfolio and long term ambition	During 2022, a key focus for the Board was strategy at an overall portfolio level. In April 2022, the strategic review of the Chromium division was announced, which led to the agreement to sell the business announced in November 2022 and the completion of the sale in January 2023. The Board also initiated discussion of a new 5 year strategic plan with management which will receive further focus during 2023.
RISK MANAGEMENT	
Agree on risk topics for focused Board discussion during the year	During 2022, the Board kept the Group's principal and emerging risks, and corresponding controls, under regular review. In respect of the strategic updates provided to the Board throughout the year, a system was introduced for indicating which of the Group's principal risks was covered in each set of materials. A new Head of Risk Management and Controls role was created to drive increased focus and structure in this area from Q1 2023.
SUSTAINABILITY	
Maintain focus on Sustainability as a strategic Board topic	The 2021 evaluation process recognised the importance of sustainability and of developing strategic discussions at Board level, supported by better data and more resource; in particular, the incorporation of Sustainability into the long term strategy as a potential competitive advantage and strategic opportunity. During 2022, the Sustainability Director provided regular updates to the Board, including the outputs of a materiality assessment exercise undertaken with the ELT in early 2022, which identified the areas in which the Company could have the greatest impact and of most importance to our stakeholders.

2022 INTERNAL EVALUATION

The process for the 2022 review comprised a questionnaire which covered areas such as:

- How the Board has managed challenges during the year
- Board changes and general observations such as navigating the Board's operations and decision making processes
- Board relationships
- Observations on the operation/effectiveness of the Board and its Committees
- Individual performance and other themes and priorities for 2022

EVALUATION FINDINGS AND RECOMMENDATIONS

The evaluation concluded that the Board, its Committee Chairs and Committees continued to operate effectively, with the support and guidance of the Group General Counsel & Company Secretary and other external advisors as appropriate, and that all Directors were considered to have demonstrated considerable commitment and time to their roles.

The performance evaluation of the Board Chair was led by the SID and involved the whole Board. Board members were of the view that the Chair transition had gone smoothly, and that the Chair was very effective in his role, creating a focused, stable and inclusive environment in the boardroom.

FOCUS FOR 2023

- Continued focus on long-term strategy, following the Chromium divestiture, and how shareholder value over the longer term will be created
- Further focus on succession planning and talent development for ELT and the level below ELT
- Holding pre-meeting calls with presenters regarding strategic topics to enable Directors to ensure their areas of interest and challenge are adequately covered

Nomination Committee report

John O'Higgins
Chair

HIGHLIGHTS

AREAS OF FOCUS

- Appointment of a new Senior Independent Director and a Non-Executive Director
- Ongoing Board succession planning
- Oversight of Group's diversity policy
- Board effectiveness review
- Review of terms of reference

Dear Shareholders,
As Chair of the Nomination Committee (the 'Committee'), I am pleased to present the Nomination Committee report covering the work of the Committee during 2022. This report should be read in conjunction with the separate section on compliance under the UK Corporate Governance Code on page 102.

ATTENDANCE AT NOMINATION COMMITTEE MEETINGS*

John O'Higgins (Chair)	◆◆◆◆
Dorothee Deuring	◆◆◆◆
Steve Good	◆◆◆◆
Anne Hyland**	◆◇◇◇
Trudy Schoolenberg◊	◇◆◆◇
Christine Soden	◆◆◆◆
Clement Woon°	◇◇◇◆

* There were four meetings of the Nomination Committee in 2022. Anne, and Clement each attended all the meetings they were eligible to attend.
** Anne Hyland stepped down from the Board on 26 April 2022.
◊ Trudy Schoolenberg joined the Board on 15 March 2022. Trudy was unable to attend the December 2022 meeting as a result of transport difficulties.
° Clement Woon joined the Board on 1 December 2022.

The Committee's terms of reference are available on the Company's website at www.elementis.com.

There have been a number of changes in composition to the Board and its Committees during the year. The Committee oversaw the appointment process and further information can be found on page 116-117.

In March 2022, we welcomed Trudy Schoolenberg to the Board as Senior Independent Director.

In April 2022, Anne Hyland stepped down from the Board following the AGM after serving nine years on the Board. I would like to thank Anne for her substantial contribution to Elementis during her tenure.

In December 2022, Clement Woon was appointed as a Non-Executive Director to the Board.

Together, these two appointments will enrich the experience of the Board. Trudy brings in-depth knowledge of the chemicals sector, global markets, technical innovation and the ESG agenda. She has a strong international perspective and is an experienced Board member with substantial UK plc experience. Clement has an outstanding track record of senior executive management and board director experience in a range of industrial and consumer markets, especially in the Asia and China regions, both of which are key to Elementis' growth strategy.

John O'Higgins
Chair of the Nomination Committee

Nomination Committee report continued

ROLE OF THE COMMITTEE

The Committee is responsible for the structure, size and composition the Board, ensuring that the Board and Committees have the most appropriate balance of skills, knowledge and experience. This Committee ensures and oversees succession planning and has responsibility for the annual review of the Board.

KEY RESPONSIBILITIES

- Regularly reviewing the structure, size, diversity and composition of the Board
- Ensuring that the Company has the right leadership, balance of skills and experience to deliver the Company's strategy and enable the Board to effectively fulfil its obligations
- Succession planning for the Board and Executive Leadership team
- Leading on the annual performance evaluation of the Board and its Committees
- Identifying and nominating, for approval of the Board, candidates to fill Board vacancies as and when they arise
- Identifying and managing any potential conflicts of interests Directors may have

The Committee's terms of reference, which are reviewed and approved annually, are available on the Company's website at www.elementis.com.

PROGRAMME OF BUSINESS

- Annual Review of Directors' independence and conflicts in accordance with the Committee's terms of reference
- Engagement with external search consultants to conduct a search for a new Chair
- Reviewing structure, size, diversity and composition of the Board
- Succession planning for the Board and oversight of senior management succession plans
- Ensuring that at least annually the Non-Executive Directors meet without the Executive Directors present
- Approval of Nomination Committee report for inclusion in the Annual Report

BOARD EFFECTIVENESS PROCESSES

Annually, the Chair is responsible for conducting an appraisal with each Non-Executive Director in respect of their skills, experience, contribution and time commitment to the Company.

The Committee oversees the effectiveness process, which during 2022 comprised an internal evaluation. The last externally facilitated review was carried out in 2021 and it is anticipated that the next external review will be conducted in 2024.

Following the review, the Board is satisfied that all Directors possess relevant experience and appropriate levels of independence and financial and commercial experience across various industries.

Further information regarding the process can be found on page 113-114.

DIRECTORS' CONFLICTS

The Committee has oversight of Directors' potential conflicts of interest and, during the year, in accordance with policy, considered and approved additional external directorships for Anne Hyland and Trudy Schoolenberg.

BOARD COMPOSITION AND SKILLS

A matrix is maintained which serves as a record of Directors' experience, attributes and expertise. The Committee reviews this matrix annually to ensure that the Board has an appropriate composition and range of skills, experience and diversity to prevent any dominance, either individually or collectively, over the Board's decision making processes. Highlights from this matrix are noted on page 118.

RE-APPOINTMENTS TO THE BOARD AND SUCCESSION PLANNING

The re-appointments of John O'Higgins (for a second term from February 2023) and Dorothee Deuring (for a third term from March 2023) were approved and recommended to the Board during the year.

The recommendations were supported by considerations regarding the Directors' independence, experience and contribution which they bring to the Board and its Committees. These matters were subsequently confirmed following the Board evaluation process and a review of conflicts and independence. In line with best practice, their continuing Board roles remain subject to annual re-election by shareholders. The Committee is responsible for promoting effective succession planning for the Board and the ELT. During the year, the Committee regularly reviewed succession plans to ensure that plans are in place for orderly succession to the Board and that appointments are made against objective criteria and from a range of diverse backgrounds. The succession plans for ELT roles, including details of the internal talent pipeline, were presented to the Committee for consideration.

RE-APPOINTMENT OF DIRECTORS

All Directors are subject to re-election at the next AGM, as required by the UK Corporate Governance Code. Following the appraisal process, the Committee concluded that each of the Directors continued to make an effective contribution to the Board and provided sufficient time to the Company and that they should be recommended for (re-)election. Steve Good will have served on the Board for nine years by October 2023. Steve will seek re-election at the AGM in 2023, with the intention of serving until later in the year, until his successor's appointment has been announced. The Nomination Committee has concluded that Steve continues to exhibit independence of character and judgement, and that the board benefits greatly from his extensive knowledge of the business and the constructive challenge he brings to Board discussions.

SID AND NED RECRUITMENT PROCESS

The Chair of the Board, assisted by the Nomination Committee members, led the process in search both of a new Senior Independent Director and of a Non-Executive Director during the year.

Following a Committee discussion, and with input from the Executive Directors, role specifications were prepared, along with a recruitment brief, and shared with Korn Ferry. Korn Ferry provides independent advice to the Remuneration Committee (having been appointed by the Remuneration Committee following a competitive tender process in 2017) but has no other connection with the Company or with any individual Director. The services provided by Korn Ferry to the Remuneration Committee were carried out by a separate team to the human capital related services. Further information regarding the role of Korn Ferry in advising the Remuneration Committee can be found on page 151.

The Committee agreed that the attributes for the SID candidates should demonstrate the following:

- Current, proven and well regarded Independent Director from the broad industrial/manufacturing sector
- Significant international business experience in his/her former executive career as either a CEO or main board executive of a complex multinational B2B company
- An able strategic thinker who can play a role in Board discussions on Elementis' strategy
- Due regard to the benefits of a candidate with diversity, including gender, social and ethnic backgrounds

BOARD INDUCTION PROGRAMME

INDUCTION – GENERAL TOPICS

- The role of a Director
- Board and Committees
- Board meetings
- Rules and regulations and guidance
- Board procedures
- Current issues
- Nature of the Company, its business and its markets
- The Company's main relationships

↓

INDUCTION – BOARD COMMITTEES (AS APPROPRIATE)

- Role and remit of the Committee
- Link between the Committee's policy and the Company's strategic objectives
- The annual meeting schedule for the Committee
- The main business conducted by the Committee
- The legal requirements relevant to the Committee's operations
- Market practice and current trends relevant to the Committee
- Current issues
- Views of investors on matters considered by the Committee and potential areas of focus
- Any technical training on key matters

↓

INDUCTION – EXTERNAL ADVISERS

Meetings with:

- External auditors
- Internal audit function
- Remuneration consultants
- Brokers
- Lawyers

↓

INDUCTION – SENIOR MANAGEMENT MEETINGS

Meetings with:

- CEO
- CFO
- SVP Global Coatings & Energy
- SVP Global Personal Care
- SVP Global Chromium
- Chief HR Officer
- Chief Information Officer
- SVP Global Supply Chain & Manufacturing
- Group General Counsel & Company Secretary
- Group Financial Controller & Head of Tax
- Director of Investor Relations

↓

INDUCTION – SITE VISITS

- SciPark – New Jersey, US (US head office)
- Amsterdam, Netherlands (Talc)
- Others as agreed during the course of the year

For both searches, Korn Ferry prepared a longlist comprising candidates from the widest talent pool, against objective criteria and with regard for the benefits of diversity, including gender and ethnicity. The Committee duly discussed the merits of each of the candidates and agreed a shortlist to be interviewed by Board members. Committee meetings were held to discuss feedback.

Korn Ferry updated the Committee based on their confidential discussions with the candidates regarding their interest in the role.

The next stage included candidates meeting the Chair. After each of the meetings, the Chair provided the Committee with feedback and evaluation on each of the candidate's experience and skills.

The next step was to identify which candidates would be taken through to the next stage, and a final shortlist of candidates were invited to interview with the other Non-Executive Directors and Executive Directors.

Following the interviews and taking into account the references of the preferred candidate, external responsibilities and potential conflicts, the Committee agreed to recommend to the Board that Trudy Schoolenberg be appointed as Senior Independent Director with effect from 15 March 2022 and Clement Woon be appointed as Non-Executive Director with effect from 1 December 2022. Please see pages 98-99 for Trudy and Clement's biographies.

BOARD INDUCTION

The Chair, with the support of the Group General Counsel & Company Secretary, is responsible for preparing and coordinating an appropriate induction programme, which is to be tailored to the needs of each newly appointed Non-Executive Director.

Newly appointed Directors will be provided with a thorough briefing on their fiduciary duties and continuing obligations from the Group General Counsel & Company Secretary, and legal advisers if required.

DIVERSITY POLICY

The Board has adopted a diversity policy, which is available on the Company's website. The Board acknowledges the importance of diversity in its broadest sense in the boardroom as a key element of Board effectiveness. Diversity includes perspective, experience (including working internationally), background (including nationality), cognitive and personal strengths and other personal attributes, as well as diversity of gender, social background and ethnicity.

PROGRESS ON OUR DIVERSITY OBJECTIVES

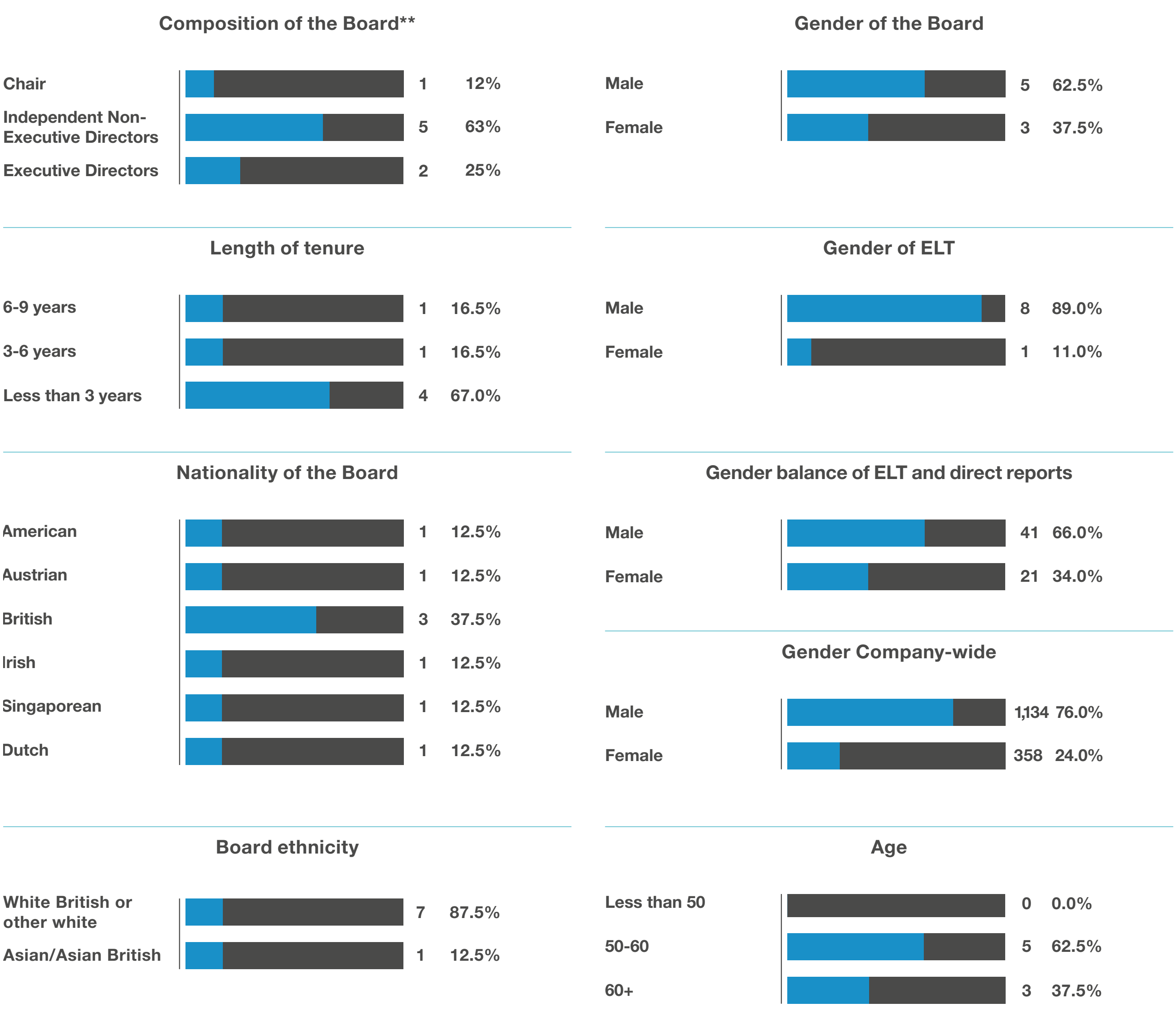
- Our external advisers are selected on their commitment and ability to deliver diverse longlists in the recruitment processes
- The composition of the Board is reviewed on an annual basis
- The gender balance of the Board is currently 37.5% (three women and five men). The Board is aware of the target specified in recent updates to the Listing Rules (against which we will be required to report for FY2023) and in the FTSE Women Leaders Review for female representation on Boards of at least 40% and will ensure that the benefits of diversity are appropriately considered in the context of any future Board recruitment. The Board currently meets the target referred to in the new Listing Rule and in the FTSE Women Leaders Review for there to be at least one woman in a senior Board role
- The Board aimed to meet the Parker target by the end of 2023. Following changes to the Board during 2022, this target has been met
- Oversight of gender and ethnic diversity profile across the Group including promotion of talent into management roles
- Oversight of senior management succession plans
- Assessment of skills, expertise, backgrounds and experience prior to Directors joining the Board and on an ongoing basis using a diversity matrix
- Continuing to monitor regulatory developments and best practice in respect of diversity
- The Board Diversity policy is reviewed on an annual basis

PRIORITIES FOR THE YEAR AHEAD

- Succession planning for a new Non-Executive Director and Remuneration Committee Chair following the nine year term of Steve Good in 2023
- Review Board and senior management succession plans
- Review Board Diversity Policy and objectives
- Review of 2023 internal evaluation outcomes and planning for 2024 external evaluation

Nomination Committee report continued

DIVERSITY OVERVIEW*



* As at 31 December 2022.
** Senior Independent Director is female.

BOARD EXPERTISE AND EXPERIENCE MATRIX

	John O'Higgins	Paul Waterman	Ralph Hewins	Dorothee Deuring	Steve Good	Christine Soden	Trudy Schoolenberg	Clement Woon
Manufacturing/industrial processing	◆	◆	◆	◆	◆		◆	◆
Specialty chemicals	◆	◆		◆	◆		◆	
Strategy/business development	◆	◆	◆	◆	◆	◆	◆	◆
International business and markets	◆	◆	◆	◆	◆	◆	◆	◆
Innovation/product development	◆	◆		◆	◆	◆	◆	
Sales/marketing/customer	◆	◆	◆		◆		◆	◆
Accounting/tax/treasury/risk management			◆	◆	◆	◆		

Audit Committee report

Christine Soden
Chair, Audit Committee

HIGHLIGHTS

AREAS OF FOCUS

- Recommended approval of the 2021 Annual Report and Accounts and 2022 Half Year Interim Statements to the Board
- Approval of audit plans (external and internal) for 2022
- Review of going concern and viability statement
- Assessment of impact of COVID-19, supply chain issues and Russian invasion of Ukraine on the key balances and estimates
- Presentation of adjusting items
- Goodwill and indefinite life intangible assets impairment review
- Group tax exposures and uncertain tax positions

Dear Shareholders,
As Chair of the Audit Committee (the 'Committee'), I am pleased to present the Audit Committee report covering the work of the Committee during 2022. This report should be read in conjunction with the separate section on compliance under the UK Corporate Governance Code on page 102.

ATTENDANCE AT AUDIT COMMITTEE MEETINGS*

Christine Soden (Chair)	◆◆◆◆
Dorothee Deuring	◆◆◆◆
Anne Hyland**	◆◇◇◇
Trudy Schoolenberg◊	◇◆◆◆
Clement Woon°	◇◇◇◆

* There were four meetings of the Audit Committee in 2022. Anne, Trudy and Clement each attended all the meetings they were eligible to attend.
** Anne Hyland stepped down from the Audit Committee, and as Chair of the Committee, at the AGM on 26 April 2022.
◊ Trudy Schoolenberg joined the Board on 15 March 2022.
° Clement Woon joined the Board on 1 December 2022.

All members of the Committee are independent Non-Executive Directors. Members' biographies can be found on pages 98-99.

The Chair of the Board, CEO, CFO and Group Financial Controller & Head of Tax, alongside representatives from the external auditors, Deloitte, and internal auditors, PwC, have a standing invitation to attend Committee meetings. All Board members have access to Committee papers.

As required by the Code, the Board is satisfied that Christine Soden has the relevant financial experience to chair this Committee and the Committee as a whole has the financial and commercial competence to meet its responsibility in an independent and robust matter.

ROLE OF THE COMMITTEE

To assist the Board by establishing, reviewing and monitoring the Group's financial reporting, internal controls framework and risk management, internal audit programmes and changes in regulatory requirements.

COMPOSITION OF THE COMMITTEE

In accordance with the Code, the Board has confirmed that all members of the Committee are independent Non-Executive Directors and have been appointed to the Committee based on their individual financial and commercial experience.

The Board is satisfied that Christine Soden, as Chair of the Committee, has recent and relevant financial experience to chair this Committee through her previous executive roles as CFO at Acacia Pharma Group plc (2015-2020) and CFO of Electrical Geodesics, Inc. Christine is a chartered accountant (FCA).

The Committee, as a whole, has financial and commercial competence relevant to the sector in which the Group operates. Further information on the skills, expertise and experience of Committee members can be found on page 118.

Audit Committee report continued

KEY RESPONSIBILITIES

- Monitoring the integrity of the Group's financial statements, financial reporting and related statements
- Ensuring the appropriateness of accounting policies, any changes to these, and any significant estimates and judgements made
- Reviewing the effectiveness of internal control, compliance and risk management systems (including whistleblowing arrangements)
- Overseeing all aspects of the relationship with the internal and external auditors; approving the policy on non-audit services; making recommendations to the Board for their dismissal or changes; and supervising any tender process

The Committee's terms of reference, which are reviewed and approved annually, are available on the Company's website.

ACTIVITIES DURING THE YEAR

The Committee's focus in 2022 has been on:

- Meetings with both the internal and external auditors to review their key findings
- Reviewing the internal control systems and considering the output of internal audit reviews and management's action plans
- Reviewing the integrity, consistency and key accounting judgements made by management in both the Company's full and half year results
- Advising the Board on whether the Annual Report and Accounts preparation process is fair, balanced and understandable, and provides the information necessary to shareholders to assess the Group's position and performance, business model and strategy
- Reviewing the going concern and viability statements and the supporting assumptions and assessments in the Company's half year report and Annual Report and Accounts
- Ensuring compliance with applicable accounting standards, monitoring developments in accounting regulations which affect the Group and reviewing appropriateness of accounting policies and practices currently in place
- Reviewing effectiveness of the internal and external auditors, their independence and objectivity and terms and scope of engagement, and recommending their re-appointment
- Overseeing matters relating to tax including the impact of tax rates on the financial statements, the position on EU state aid and approval of the Company's tax strategy
- Litigation and compliance reports for both the full and half year
- Considering the material legal risks impacting the Company and the associated provisioning for both the full and half year
- Receiving updates on the Code of Business Conduct and Ethics and the associated training and whistleblowing policies
- Technical updates on the Annual Report and Accounts key developments, 2022 year end report environment, corporate governance matters and future developments
- Reviewing the Group's risk management activities undertaken by each business area, and at Group level to identify and assess the Group's principal risks
- Monitoring and assessing the Group's insurance arrangements
- Preparation, and reviewing progress, for TCFD disclosure requirements
- Identifying, assessing and mitigating climate related risks
- FRC correspondence and oversight of the Company's response to the 'FRC Corporate Reporting Review Operating Procedures' review

COMMITTEE EFFECTIVENESS

The Committee's performance and effectiveness was reviewed in the year as part of the Board and Committee effectiveness review conducted by the Group General Counsel & Company Secretary. Further details can be found on page 113-114.

EXTERNAL AUDITORS

Deloitte have served as external auditors for seven years. The Committee engaged with Deloitte to ensure this key area of oversight was appropriately maintained. The Committee periodically meets privately with the lead audit partner and senior members of the audit team to discuss their work and findings.

AUDIT OF THE 2022 ANNUAL REPORT

At the end of 2022, Deloitte presented their audit plan for the year ahead, which the Committee considered and then approved. Deloitte highlighted the key areas of risk, which were primarily identified as areas of judgement and complexity and were consistent with those areas identified by the Committee.

As part of the audit process, Deloitte prepared a detailed report of their audit findings, which was reviewed and discussed by the Committee. A similar process is undertaken for the half year results.

AUDIT EFFECTIVENESS

To support the Committee in evaluating the effectiveness of the external auditors, a questionnaire based evaluation is circulated to internal stakeholders who have had the most interaction with the external auditors during the audit process. The data is collated into a score card which is used to assess the strengths and weaknesses of the external auditors.

Management and the external auditors then address any areas of weakness in their regular review meetings, and the lead audit partner from Deloitte updates the Committee on how areas of weakness are being addressed.

The Committee also monitors audit effectiveness by reviewing the Audit Quality Inspection reports published by the FRC.

The Committee will formally assess Deloitte's performance in relation to the 2022 audit following its completion. It is intended that a resolution to re-appoint Deloitte as the external auditors will be proposed at the 2023 AGM.

AUDIT INDEPENDENCE AND OBJECTIVITY

The Committee considers the external auditors' objectivity and independence at least twice a year. It takes into account the information and assurances provided by the auditor confirming that all its partners and staff involved with the audit are independent of any links to Elementis. The Committee also monitors changes in legislation related to auditor independence and objectivity to assist the Company to remain compliant.

Deloitte have confirmed that all its partners and staff complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standard, including that none of its employees working on our audit hold any shares in Elementis PLC.

Deloitte is required to provide written disclosure at the planning stage of the audit in the form of an independence confirmation letter. Their letter discloses matters relating to their independence and objectivity, including any relationships that may reasonably be thought to have an impact on its independence and the integrity and objectivity of the audit engagement partner and the audit staff.

The audit engagement partner must change every five years and other senior audit staff rotate at regular intervals.

The Committee develops and recommends to the Board the Company's policy on non-audit services and associated fees that are paid to Deloitte. In accordance with the FRC's Revised Ethical Standard, an auditor is only permitted to provide certain non-audit services to public interest entities (i.e. Elementis PLC) that are closely linked to the audit itself or that are required by law or regulation, as such services could impede their independence. Permitted non-audit services fees paid to the statutory auditor are subject to a fee cap of no more than 70 per cent of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period in which the cap applies. The 70 per cent non-audit services fee cap has been applied to the group for the year ended 31 December 2022. The average of audit fees is $1.9m (calculated as the average of the audit fees for the three preceding financial years (2021: $2.2m; 2020: $2.2m; 2019: $1.4m).

Non-audit services fees during the year were $0.0m, (2021: $0.0m; 2020: $0.1m; 2019: $0.0m) so significantly below the cap of $1.4m (70 per cent of $1.9m). In 2022, fees for non-audit services represent 0 per cent of the average audit fees on which the cap is based.

The Committee is of the view that Deloitte were objective and independent throughout the 2022 audit process.

AUDITOR ROTATION AND TENDERING, AND COMPETITION AND MARKETS AUTHORITY ORDER – STATEMENT OF COMPLIANCE

The Committee carried out an audit tender process in 2015, resulting in the appointment of Deloitte as external auditors in April 2016. Deloitte's re-appointment in 2022 was approved by shareholders at the Company's AGM in April 2022.

Under the Companies Act 2006, the lead audit partner must be mandatorily replaced after five years to ensure auditor independence. The external auditors, as a whole, can only be appointed for a maximum term of ten years before a competitive tender is required to undertaken.

The year ended 31 December 2022 is the second year for the lead audit partner, Lee Welham, who was appointed in January 2022.

Following this rotation of the lead external audit partner in FY2022, the Committee considers a full tender for the Group's external audit services, subject to its annual reviews, as per the indicative tendering timeline below.

The Committee confirms that the Company is compliant with the provisions of The Statutory Audit Services for Large Companies market investigation (mandatory use of Competitive Tender processes and Audit Committee Responsibilities) Order 2014, for the year ended 31 December 2022.

EXTERNAL AUDIT – INDICATIVE TENDERING TIMELINE

- 2016: Deloitte were appointed as external auditors
- 2021: Mandatory appointment of new audit partner
- 2025: Full competitive tender to be undertaken
- 2026: Re-appointment, or appointment of new, external auditors

NON-AUDIT SERVICES

The Group has an agreed policy with regard to the provision of audit and non-audit services by the external auditors, which has operated throughout 2022 and is available on the Company's website.

Under the policy, the CFO may approve individual engagements where the fee is up to 15% of the Group's audit fee for the year, provided that the non-audit fees in the year do not exceed 50% of that Group audit fee. Decisions above these thresholds must be referred to the Committee for determination.

	2022	2021
Audit fees ($m)	**2.4**	2.2
Assurance related services ($m)	**0.3**	0.2
Non-audit fees ($m)	**–**	–
Ratio of non-audit fees to audit fees (%)	**0%**	0%
Total fees ($m)	**2.7**	2.4

Audit Committee report continued

KEY JUDGEMENTS	HOW THE COMMITTEE HAS ADDRESSED THESE MATTERS
IMPAIRMENT TESTING OF GOODWILL IN RELATION TO THE TALC CGU	Critical accounting estimates arise in determining the value in use for the goodwill balances tested, which require assessments of the duration over which reliable business plans can be made, achievability of these plans (and therefore future cash flows), growth rates beyond the period covered by the business plans and appropriateness of the discount rates applied to future cash flows. A report from management was discussed setting out the basis for the assumptions and confirmation that the cash flows used were derived from the 2022 three year plan (which in their role as members of the Board, Committee members had previously reviewed and approved). The Committee has reviewed the robustness of the impairment model, challenged the appropriateness of the key assumptions used to calculate value in use including forecast sales volumes, selling prices, growth rates used to extrapolate beyond the forecast period and the discount rates applied to the resulting cash flows. The Committee also considered the continuing market challenges being faced by the business, especially in the automotive sector and increasing distribution and supply chain costs, and the continuing risk these present to achievement of the business plans. After considering these items, and also the impairment of $53.1m made to goodwill relating to the Talc cash generating unit (CGU) in 2021, the Committee concluded a further impairment of $111.4m was necessary at 31 December 2022.
REVENUE RECOGNITION	The main area of judgement continues to be in relation to recognition of revenue from shipments by sea. The Committee satisfied itself that the Group had appropriately recognised revenues in accordance with their contractual obligations during the period, payment particular attention to period end cut-off.

INTERNAL CONTROLS AND RISK, AND RISK MANAGEMENT

The Committee's role is to review the effectiveness of the internal control, compliance and risk management systems which it carries out in support of the Board's formal review of significant risks and material controls, as summarised in the Risk management report on pages 86-89.

The Committee also has oversight of associated readiness activity, implementation timelines and allocate appropriate resources to continue the development of our framework of controls in line with guidance.

PwC provide an outsourced internal audit function. The Committee considers that the value of internal audit is enhanced by having a third party perform this function, to support the independent challenge of management and give greater access to expertise and resources than an internal function could provide.

The internal audit plan is based on a review of the Group's key risks which are considered high risk or have not been subject to a recent audit.

The 2022 internal audit plan was discussed and agreed between management and PwC ahead of it being considered and subsequently approved by the Committee. Management review the schedule with PwC on a quarterly basis and adapt the schedule during the year to incorporate any new or increased risks which materialise.

The outcomes of these reports are provided to the Committee, alongside any management actions.

Following an evaluation of the services provided by PwC in respect of the internal audit, the Committee confirms that both the process for determining the internal audit programme, and the programme itself, are appropriate and effective.

Management are committed to address all control findings identified by both the internal and external auditors. Significant progress has been during the period in remediating control deficiencies identified during both the current and prior period. The Group continues to invest in its finance, operational and IT capabilities and management are committed to a strong controls environment. Set out below is a summary of the key features of the Group's internal controls and risk management system.

CONTROL ENVIRONMENT

The Group has policies and procedures that set out the responsibilities of business and site management, including authority levels, reporting disciplines, and responsibility for risk management and internal controls. In addition, annual compliance statements on internal controls are certified by each operating segment.

RISK IDENTIFICATION AND REVIEW

A formal risk review process exists at Board and ELT levels for the identification, evaluation, mitigation and ongoing monitoring of risks, including emerging risks. Further details can be found on pages 90-94.

INTERNAL AUDIT PROGRAMME

An internal audit programme is proposed by PwC in consultation with the CFO and approved by the Committee each year, setting out a programme of audits over the course of the next 12 months. The programme covers the monitoring of the effectiveness of internal controls and the design of processes to test the effectiveness of controls. As well as conducting audits of operating facilities, sales offices and tolling sites on a two to three year rotational basis, the internal audit programme includes reviews of Group functions and processes.

During 2022, the following audits were undertaken:

- India site
- IT general controls review
- ESG – Governance and TCFD Scenario analysis
- St Louis site

INTERNAL AUDITOR EFFECTIVENESS

To support the Committee in evaluating the effectiveness of the internal audit programme, a questionnaire based evaluation is completed by employees who had had the most interaction with PwC during the year. A scorecard is reviewed by the Committee to assess the strengths and weaknesses of the internal auditors. The effectiveness of the internal audit function was confirmed and agreed by the Committee.

CONTROLS ASSURANCE

The controls assurance framework at Elementis is as follows:

- Board leadership supported by an open and transparent culture of 'no surprises', good governance and compliance. This means knowing and understanding the businesses, quality interactions between the Board and the Executive Leadership team (including a regular programme of presentations and reports to the Board, as well as operational site visits)
- Internal and external audit programmes, and regular litigation and compliance reviews with the Group General Counsel & Company Secretary
- A programme of compliance audits, regulatory inspections, environmental reviews and property surveys by external specialists
- Code of Business Conduct and Ethics, on which all employees are given training and are required to self-certify compliance with, supplemented by an online compliance training programme, an anti-bribery and corruption policy, which contractors are also required to sign up to, whistleblowing arrangements and an anti-retaliation policy

WHISTLEBLOWING

The Group's whistleblowing facility is accessible on a 24/7 basis, 365 days of the year and provides arrangements for an independent service provider to receive, in confidence, reports of breaches of any laws or Company policy or standards, including those related to accounting, auditing, risk, internal control and related matters.

Details of how to access this service are referenced in the Code of Conduct, posters are available at each site and via the compliance training portal. The Committee has oversight of reports of this nature. During 2022, there were 3 reports, all of which were duly investigated and closed during the year.

FRC CORPORATE REPORTING REVIEW OPERATING PROCEDURES

The FRC engaged with the Company during the year to advise that the Company's Annual Report to 31 December 2021 had been reviewed and further information was sought in relation to the following principal areas:

- Impairment testing of goodwill
- Borrowing secured on time deposits
- Committed borrowing facilities

It was concluded that the Company had provided satisfactory explanations. The FRC published the associated report on their website in December 2022.

FAIR, BALANCED AND UNDERSTANDABLE

The Committee adopted a similar approach as in previous years to ensure that the Annual Report is fair, balanced and understandable. The process was as follows:

- An internal Annual Report Team (ART) was set up to manage the process. The ART consisted of members drawn from Group Finance, Company Secretariat, Investor Relations, Sustainability and Communication teams. The ART was responsible for regularly reviewing work and ensuring balanced reporting with appropriate links between key messages and sections of the Annual Report
- The Committee Chair held meetings with the audit partner, and the Committee held meetings with the external auditors without management being present
- An audit clearance meeting was held with the Committee Chair, CFO and members of the Finance team alongside the audit partner and audit team members
- The Committee received updates from management on the Annual Report progress and audit throughout the process as well as from the Company's brokers and other advisers
- The Committee, Chair and Executive Directors reviewed the Annual Report in its final stages

Following this process, the Committee and then the Board were able to confirm that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Christine Soden
Chair, Audit Committee

Annual Statement of the Chair of the Remuneration Committee

Steve Good
Chair, Remuneration Committee

The Directors' Remuneration report is set out in the following parts:

1. This Annual Statement from the Chair of the Remuneration Committee summarising how our Remuneration Policy has been implemented and the key decisions taken by the Committee
2. At a Glance section providing an overview of how we implemented the Remuneration Policy during the year under review
3. The Directors' Remuneration Policy for which shareholder approval was received in a binding vote at the AGM held on 26 April 2022
4. The Annual Report on Remuneration which provides full detail on how we paid Directors during 2022 and how we propose to implement the Policy in 2023

The Directors' Remuneration Report (excluding the Directors' Remuneration Policy) will be presented to shareholders for approval at the AGM on 26 April 2023 and I hope you will vote in support of the resolutions.

Dear Shareholders,
As Chair of the Remuneration Committee the ('Committee'), I am pleased to present the Directors' Remuneration report for the year ended 31 December 2022. This report should be read in conjunction with the separate section on compliance under the UK Corporate Governance Code on page 102.

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS*

Steve Good (Chair)	◆◆◆
Dorothee Deuring**	◇◆◆
John O'Higgins	◆◆◆
Christine Soden	◆◆◆
Trudy Schoolenberg◊	◇◆◆
Clement Woon°	◇◇◇

* There were four meetings of the Remuneration Committee in 2022. Trudy and Clement each attended all the meetings they were eligible to attend.
** Dorothee Deuring was unable to attend the July 2021 meeting as a result of a rescheduling conflict.
◊ Trudy Schoolenberg joined the Board on 15 March 2022.
° Clement Woon joined the Board on 1 December 2022.

INDEX PAGE

REMUNERATION POLICY

As a global specialty chemicals company, Elementis offers performance driven additives that help create innovative formulations for consumer and industrial applications. We have market leading positions in high performance ingredients in the Personal Care, Coatings and Talc markets. We have a global footprint, with sites in Europe, Asia and the America's, and a talented leadership team located across the world. Our strategy is to deliver long term sustainable shareholder value through innovation-led growth and the execution of efficiency savings. We continue to deliver solid progress against this strategy, improving both our margin and leverage.

Our Remuneration Policy has been purposefully designed to support our strategy detailed above. Our overall policy is set with reference to UK benchmarks, with flexibility retained to pay above UK norms where executives are recruited from overseas. Our pay model is UK-centric and includes base salary, pension and benefits, annual bonus, and a performance share plan (the same policy cascades below Executive Director level but includes restricted stock as well as performance shares in recognition of local market practice in the geographic locations in which we operate).

Remuneration is weighted towards long term variable pay which supports the long term nature of the investment decisions we make. Our performance metrics are fully aligned with strategy as set out above.

At the 2022 AGM, we received 97% support from shareholders for the 2022 Directors' Remuneration Policy which is intended to apply until the 2025 AGM.

REMUNERATION IN 2022

As detailed in the Strategic report, 2022 was a year of strong performance and progress against our Innovation, Growth and Efficiency strategy. This was notwithstanding the challenging external market context and as a direct result of the strong leadership of our executive team and the commitment and motivation of our talented workforce. In 2022, there has been continued strategic progress with strong underlying financial performance demonstrated by 34% growth in adjusted group profit before tax versus 2021. Performance on the average trade working capital to sales ratio, one of the bonus metrics, has however deteriorated to 24.4% as a result of a conscious decision to support customers throughout continued COVID related supply chain disruption. We achieved a 13.3% contribution to revenue from our innovation pipeline, delivered $59m of new business, increasing our future pipeline, and delivered over $4m of annualised cost savings. This was all achieved while delivering our safety targets and continuing our focus on environmental sustainability. Furthermore, we also agreed the sale of our Chromium business, which completed in January 2023 and will result in Elementis being a more focused specialty chemicals business.

ANNUAL BONUS

As a result of the above, following the Committee undertaking a formal assessment of performance against the targets, bonuses were payable at 75% of maximum for the Executive Directors.

The Committee was comfortable with the bonus earned in the context of the performance delivered and did not consider it necessary to use discretion in relation to the bonus outturn.

Further details of the targets set for 2022 and the actual performance achieved are disclosed on page 143.

LONG TERM INCENTIVE PLAN (LTIP)

The 2022 LTIP awards were granted on 4 April 2022 based on normal award levels of 200% of salary for the Chief Executive and 175% of salary for the Chief Financial Officer.

The metrics were equally weighted on earnings per share (EPS), total shareholder return (TSR) and cash conversion. The vesting of the award is also subject to a return on capital employed underpin which requires the Committee to consider whether the return generated is in line with the Board's expectations and, if not, to reduce the vesting to a more appropriate level.

Full details of the targets and the awards are set out on page 144. To the extent these awards vest at the end of the three year performance period, shares will be required to be held for a further two years.

The 2020 LTIP awards that were subject to EPS growth, cash conversion and TSR performance targets measured over the three years to 31 December 2022 will vest at 11% of the maximum. This is based on achievement against the targets set at grant and satisfying the ROCE financial underpin to the award, with ROCE increasing over the three year performance period in challenging market conditions.

In determining vesting, the Committee also considered the potential for windfall gains and concluded that the value on vesting of the 2020 awards did not benefit from windfall gains. In reaching this conclusion the Committee noted that it had reduced the 2020 awards at grant by 33% in light of the lower share price at grant versus 2019 to mitigate the potential for any windfall gains and also that following the first half of 2020 our share price recovery had been consistent through the balance of the three year performance period (i.e. performance has been a result of robust underlying financial performance as opposed to any short term change in market sentiment). Accordingly, the Committee did not use any discretion in connection with the 2020 award. Further details are included on page 128.

The Committee believes that the overall incentive outturns and approach to target setting (as detailed above) were appropriate based on the Company's performance over the whole performance period and demonstrates that the Committee has, and will continue to, set performance targets which it considers to be meaningful and appropriately stretching. As a result, the Committee is comfortable that its general approach to remuneration and the overall policy framework are working as intended. In reaching this conclusion, the Committee did consider the quantum of remuneration earned at both executive level and across the Company (including considering pay ratios) and determined that our overall remuneration policy and outcomes were appropriate and proportionate. As detailed in the sections above, the Committee did not use discretion during the year.

REMUNERATION IN 2023

The Committee considers the Policy to be operating effectively and as such the application of the Policy for 2023 is largely unchanged, as summarised below:

Salary review: The Executive Directors' base salary increases will be 3.2% and 4.5% respectively for the CEO and CFO for 2023. These increases are below the average workforce increase for each location, which was 4.2% in the US and 5.5% in the UK in recognition of current market conditions. It was agreed that the Directors' salary increases would be lower than the workforce averages recognising that higher cost of living impacts the lower paid to a greater extent.

Pension reductions: In line with the previously communicated glidepath, pension contributions for incumbent Executive Directors for 2023 will be 21% of salary, which is in line with the typical funding cost of pension benefits for UK employees as determined in 2019. Since there has been no material change to the funding cost, the Executive Directors' glidepath will result in their pension benefit (as a percentage of salary) being aligned with the typical pension provided to the majority of the UK workforce.

2023 annual bonus: There will be no change to the quantum of the Executive Director bonus opportunity and as such the CEO will have the opportunity to earn up to 150% of salary and the CFO up to 125% of salary.

Directors' Remuneration report continued

As for 2022, the bonus will be based 70% against a challenging range of financial targets (50% on adjusted Group profit before tax and 20% on average trade working capital to sales ratio (AWC) on total operations), with the remaining 30% based on non-financial strategic objectives which are specific and measurable objectives that are related to the Company's strategic priorities.

The non-financial targets for 2023 will again be focused on sustainability and strategic targets. Reflecting the continued Group-wide focus, half of the non-financial targets will relate to sustainability, with the balance of the non-financial targets relating to Innovation, Growth, Talc recovery and the longer term strategy.

Summary details of our approach to target setting are detailed on page 128 and full details of the financial target ranges and our performance against them will be disclosed on a retrospective basis in next year's report. The Committee has discretion to modify the overall amount of bonus payable to ensure it is appropriate. 50% of any bonus earned is deferred in shares for two years.

2023 LTIP awards: Subject to final Committee review prior to grant, awards are expected to be granted at 200% of salary for the Chief Executive and 175% of salary for the Chief Financial Officer. The awards will be subject to an overriding Committee discretion to reduce the awards at vesting should there be a perceived windfall gain.

The primary performance targets will be as per the 2022 awards with 33% based on EPS, 33% based on cash conversion and 33% based on TSR performance conditions.

- The EPS targets will be set based on the level of EPS achieved in 2025, with vesting to take place from 13 cents to 17 cents for threshold to maximum vesting, which runs from 0% to 100% on a straight-line basis. The Committee considers the EPS target to be appropriately stretching in light of the progress made with our Company's strategy after having had regard to current internal planning and external broker forecasts for our future performance in light of current market conditions.
- The cash conversion targets will be set based on a range of 80% to 100%, which is broadening of the range from the 85% to 95% applied to the 2022 awards, in recognition of current market conditions, and continues to align with the Company's publicly stated medium term target. Threshold to maximum vesting runs from 0% to 100% on a straight-line basis.
- TSR will continue to be assessed against the constituents of the FTSE All-Share Index (excluding investment trusts). Threshold vesting starting at 25% for median performance, increasing on a graduated basis, with 100% vesting for achieving at least upper quartile performance.

The 2023 LTIP awards will also be subject to a return on capital employed underpin. This will require the Committee to consider the vesting result determined based on the application of the EPS, TSR and operating cash conversion performance conditions in light of the return on capital employed achieved during the three year period ending 31 December 2025 relative to the Board's internal targets and planning over the period. If the Committee does not consider the vesting result appropriate in light of the return on capital employed achieved, the underpin enables vesting to be reduced to a more appropriate level.

Following the divestment of the Chromium business, the 2021 and 2022 LTIP performance targets were reviewed with EPS re-stated to reflect the change. This ensures the targets were no more or less challenging than when originally set (i.e. Chromium was excluded from the base and end targets so the condition can be tested on a consistent basis).

CONTEXT OF DIRECTORS' PAY WITHIN THE COMPANY

Christine Soden is the Designated Non-Executive Director (DNED) for workforce engagement. During the year Christine held focus groups with employees in the US, China and Finland each of which included discussion around compensation. Two further focus groups were held with all people managers globally (c.250) in January 2023 by myself, Christine Soden and Chris Shepherd (CHRO) to explain governance at Elementis, the role of the Remuneration Committee to show how the policy is applied throughout the organisation, and to take feedback. The session including polling questions to assess understanding and questions and answers. The output of these sessions included the Board gaining confirmation that managers understand the basis on which our pay programmes are set, including the link to strategy, and how Directors' remuneration is determined.

During the year, a Company-wide external pay benchmarking exercise was undertaken as part of a standard three year review process. This review concluded that employees are generally well positioned against industry benchmarks.

The Group is not required to provide disclosure of the CEO to all-employee pay ratio given the Group has less than 250 employees in the UK. However, given the external focus on pay ratios, the Committee has included full pay ratio disclosure on page 148 and is comfortable that the ratio is in line with the Company's pay policies and in line with current FTSE market practice.

The Group is also not required to report under the gender pay gap regulations. Despite this, the Group reviews gender pay on a biennial basis. The last gender pay review was completed towards the end of 2022 concluding that the approach to pay was fair and equitable with any anomalies adjusted accordingly. The CEO pay ratio and gender pay gaps are taken into account when there is a full review of the Executive Director and wider Remuneration Policy.

CONCLUDING REMARKS

The Committee believes that the Policy and our approach to implementation are in the best interests of the Company and we hope that you will support the actions the Committee has taken by voting in favour at the 2023 AGM. If you have any concerns, please feel free to contact me via the Group General Counsel & Company Secretary at company.secretariat@elementis.com.

Steve Good
Chair, Remuneration Committee

AT A GLANCE

OUR MEASURES

ANNUAL BONUS
Adjusted Group profit before tax:
50% weighting

Adjusted average trade working capital to sales ratio (AWC):
20% weighting

Non-financial objectives (aligned with strategic implementation, safety and environment, and people):
15% weighting – Sustainability targets
15% weighting – Strategic targets

2022 LTIP
Earnings per share (EPS):
33% weighting

Relative Total Shareholder Return (TSR):
33% weighting

Cash conversion:
33% weighting

ROCE underpin

HOW OUR MEASURES LINK TO STRATEGY

	Performance metrics	Strategic priorities: Innovation	Growth	Efficiency
Bonus	**Financial: (70%)**			
	Adjusted Group profit before tax	✓	✓	✓
	Average trade working capital to sales ratio		✓	✓
	Non-financial: (30%)			
	Sustainability targets	✓	✓	✓
	Innovation, Growth & Efficiency	✓	✓	✓
LTIP	EPS (33%)	✓	✓	✓
	Relative TSR versus FTSE All-Share (33%)	✓	✓	✓
	Cash conversion (33%)			✓
	Return on operating capital employed (underpin)	✓	✓	✓

IMPLEMENTATION OF REMUNERATION POLICY FOR 2022

The section below summarises how the Policy was implemented in the financial year ended 31 December 2022. Further details are provided on pages 138 to 147.

Key Policy features	Performance assessment	How we implemented in 2022
SALARY • Increases normally guided by the general increase for the local workforce and/or broader workforce as a whole	Not applicable	see below
PENSION/BENEFITS/ALL-EMPLOYEE SHARE SCHEMES • Pension: In line with the phased pension contribution detailed in the 2021 Remuneration Policy, the CEO and CFO pension contribution reduced in year from 22.5% to 21% of salary, effective from 1 December 2022 • Benefits: Directors receive market competitive benefits and may participate in all-employee share schemes	Not applicable	see below

Salary – how we implemented in 2022:

	Paul Waterman	Ralph Hewins
2022 salary	£699,847*	£380,566

* Equivalent to $964,179

In line with the average increases awarded to the US and UK salaried workforce, the salaries of the CEO and CFO were increased by 3%. These changes were effective from 1 January 2022.

Pension/benefits/all-employee share schemes – how we implemented in 2022:

	Paul Waterman	Ralph Hewins
Pension	£256,334*	£85,152

* Equivalent to $317,649

Implementation in line with the Policy. Executive Directors' pensions have been and will be reduced in phases to be in aligned with the pension provision of the median employee:

- From 1 December 2021: 22.5%
- From 1 December 2022: 21%

Directors' Remuneration report continued

Key Policy features | Performance assessment | How we implemented in 2022

ANNUAL BONUS

- Performance related scheme which delivers value for achievement against annual targets
- Committee may adjust outturn where formulaic assessment is inconsistent with Company's overall performance
- 50% of bonus earned deferred into shares for two years
- Recovery and withholding provisions apply

	Paul Waterman	Ralph Hewins
Opportunity	150% of salary	125% of salary
PBT	$103.3m vs target of $91.4m	
Payout (50% of bonus)	100% of PBT maximum	
AWC	24.4% vs target of 21.8%	
Payout (20% of bonus)	0% of AWC maximum	
Non-financial	See page 143	
Payout (30% of bonus)	83.3% of Non-financial maximum	83.3% of Non-financial maximum
Total	75% of maximum	75% of maximum

Further information can be found on pages 142-143.

As detailed in the Annual Statement on page 124, 2022 was a year of continued progress against our Innovation, Growth and Efficiency strategy.

We delivered 34% growth in adjusted operating profit to $103.3m which was above our internal planning; however the AWC ratio decreased to 24.4% as a result of a conscious decision to support customers throughout continued COVID related supply chain disruption.

LONG TERM INCENTIVE PLAN

- Performance measures based on financial and/or relative TSR metrics and measured over three years
- Committee may adjust outturn where formulaic assessment is inconsistent with Company's overall performance
- Holding period applies for two years following vesting
- Recovery and withholding provisions apply
- ROCE underpin

2020 award	EPS growth	Average cash conversion	TSR vs FTSE All Share
Weighting	33.3%	33.3%	33.3%
Threshold target	3% p.a.	85%	Median
Maximum target	12% p.a.	95%	Upper quartile
Actual	4.2% p.a.	87%	21st percentile
Vesting	4.32%/ 33.3%	6.77%/ 33.3%	0%/33.3%

Further information can be found on pages 144-146.

The average operating cash conversion and EPS, over the performance period were above the threshold target; however, the relative TSR threshold target was not met. Overall, this has resulted in 11.1% of the award vesting. With regard to the ROCE underpin, the Committee considered the vesting result appropriate having had regard to the ROCE during the period which improved by 19% with this achieved in toughening economic conditions.

The Committee considered the potential for any windfall gains on vesting, but noting that the awards were reduced by 33% on grant in light of the lower share price at grant versus 2019 to mitigate the potential for any windfall gains and so concluded there was no windfall gain. Shares are subject to the two year holding period. Further details are set out on page 144.

SHARE OWNERSHIP GUIDELINES

- Build up and maintain a shareholding equal to 200% of salary
- The guideline also applies for two years post cessation of employment

	Paul Waterman	Ralph Hewins
Guideline	200% of salary	200% of salary
Level	On track 191% of salary[1]	On track 79% of salary[1]

1 For the purposes of the guideline, an estimate has been made in relation to the after tax number of shares in relation to vested/unexercised share awards.

Both the CEO and CFO increased their holdings during the year.

Further information can be found on page 147.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2023

As a UK Listed business, our primary reference points for both quantum and remuneration structure for our Executive Directors are UK benchmarks. However, as noted in our policy, we retain flexibility as to where we position individuals against UK benchmarks to take into account the locations in which they work and also the relevant market for talent. With our CEO being a US Citizen, based in the US, splitting his time between the UK and US, his remuneration quantum is set to be aligned with UK market practice both in terms of structure and quantum. However, recognizing that remuneration quantum is above UK levels in US businesses of a similar size and complexity, his total remuneration package is positioned towards upper quartile versus UK FTSE 250 benchmarks. For completeness, this market positioning is considered appropriate on the basis that versus US companies of a comparable size and complexity his remuneration quantum falls between lower quartile and median.

The section below summarises how the Committee intends to implement the Policy for the forthcoming financial year ending 31 December 2023.

Key Policy features	2023 implementation
SALARY • Level based on the scope and responsibilities of the role • Increases normally guided by the general increase for the local workforce and/or broader workforce as a whole	• The Committee reviewed salaries and decided to award Paul Waterman and Ralph Hewins each a salary increase as shown in the table below, which is lower than the average increase in year for the respective US and UK salaried workforce
PENSION/BENEFITS/ALL-EMPLOYEE SHARE SCHEMES • Pension: CEO participates in US specific arrangements and receives a salary supplement and the CFO receives a salary supplement • Any new Director appointment will have pension set at 8% of salary in line with that offered to new joiners across the wider workforce • Benefits: Directors receive market competitive benefits and may participate in all-employee share schemes	• Implementation in line with the Policy • Pension rates for incumbent Directors for 2023 are aligned with the typical UK individual pension funding rates (see page 147 for further detail)
ANNUAL BONUS • Policy maximum of 150% of salary for CEO and 125% of salary for CFO • Performance related scheme which delivers value for achievement against annual targets • Committee may adjust outturn where formulaic assessment is inconsistent with Company's overall performance • 50% of bonus earned deferred into shares for two years • Recovery and withholding provisions apply **LINK TO KPIs** • Adjusted Group PBT • AWC • Individual objectives linked to sustainability and strategic priorities	See Opportunity table below. **PERFORMANCE METRICS** • Adjusted Group PBT: 50% • Average trade working capital to sales ratio: 20% • Non-financial strategic priorities: 30% of which 15% based on appropriately structured sustainability priorities with the remaining 15% set on Innovation, Growth and Efficiency targets. • The targets are fully aligned with the Company's current strategy and have been set to be challenging in the context of the Company's performance expectations for the year ahead • The Committee considers that the bonus targets are commercially sensitive and therefore plans to disclose them only on a retrospective basis in next year's Directors' Remuneration report • The range of targets around budgeted performance levels to apply in 2023 has been calibrated to take into account the current external environment and internal planning

	Paul Waterman	Ralph Hewins
Salary as at 1 January 22	$964,179	£380,566
Salary as at 1 January 23	$995,033	£397,691
2023 increase	+3.2%	+4.5%

	Paul Waterman	Ralph Hewins
Opportunity	150% of salary	125% of salary

Directors' Remuneration report continued

Key Policy features	2023 implementation

LONG TERM INCENTIVE PLAN

- Policy maximum is 250% of salary
- Awards vest to the extent performance conditions are achieved
- Performance measures based on financial and/or relative TSR metrics and measured over three years with a ROCE underpin
- Committee may adjust outturn where formulaic assessment is inconsistent with Company's overall performance and/or there is a perceived windfall gain
- Holding period applies for two years following vesting
- Recovery and withholding provisions apply
- ROCE underpin introduced for the 2019 awards continues to apply

LINK TO KPIs

- EPS
- Relative TSR
- Cash conversion
- The choice of targets relates to measuring the Company's success in delivering profitable growth and sustainable shareholder returns

	Paul Waterman	Ralph Hewins
LTIP award	200% of salary	175% of salary

	Weighting	Threshold target	Threshold vesting	Maximum target
FY25 EPS	33.3%	13 cents per share	0%	17 cents per share
Cash conversion	33.3%	80%	0%	100%
Relative TSR vs FTSE All-Share Index	33.3%	Median	25%	Upper quartile

- The range of EPS targets is considered to be appropriately demanding noting (i) that vesting takes place from 0% (as opposed to the market norm of 25%), and (ii) in line with institutional investor expectations such that the range straddles consensus growth expectations
- Cash conversion is the three year average operating cash conversion. The target remains set to align with the medium term goal, whilst the range has been broadened in recognition of current market conditions.
- The terms of the above awards will be subject to a final review prior to grant and the awards will be subject to an overriding Committee discretion to reduce the awards at vesting should there be a perceived windfall gain.

CHAIR AND NED FEES

- To attract individuals with the relevant skills, knowledge and experience that the Board considers necessary in order to maintain an optimal mix that ensures the effectiveness of the Board as a whole in carrying out its duties and responsibilities

- Fees will increase by 4.5% for the upcoming year, which is lower than the UK workforce, who will receive an average increase of 5.5%.

	2023	2022	2023 increase
Basic fees			
Chair	**£207,909**	£198,957	(+4.5%)
Non-Executive Director	**£56,286**	£53,863	(+4.5%)
Additional fees			
Senior Independent Director	**£9,780**	£9,360	(+4.5%)
Chair of Audit or Remuneration Committee	**£9,780**	£9,360	(+4.5%)
Workforce engagement NED	**£4,891**	£4,680	(+4.5%)

REMUNERATION POLICY REPORT

The 2021 Remuneration Policy has been reproduced here for ease of reference, with factual data updated where appropriate (e.g. scenario charts, contractual terms, page references etc.). The Policy as approved by shareholders can be found in the Elementis plc Annual Report and Accounts 2021 available on the corporate website.

The Company's previous Remuneration Policy was approved by shareholders at the Company's 2021 AGM and took effect from the date of that meeting. This policy was a rollover of the 2018 Policy with the Committee considering that a full Policy review should be delayed until 2021 to allow the business to focus on the challenges arising due to the COVID-19 pandemic. The Committee undertook a full review of the Policy during 2021 and an updated Policy was subsequently presented to, and approved by c.97% of shareholders at the 2022 AGM on 26 April 2022, being effective from this date.

The Committee determines the Remuneration Policy taking into account all relevant factors. The Committee receives input from management and external advisers with respect to the design of the Policy and consider the context of the relevant stakeholders when considering their input. The Committee determines the Policy applicable to the Executive Directors and the Chair, with the Policy for Non-Executive Directors agreed by the Board, excluding the Non-Executive Directors. This also applies when with respect to the implementation of the Policy so that no individuals are involved in decisions as to their own remuneration. The Committee concluded that the Policy continues to support the long term strategy of the company and as such only minor changes were required.

- **Long term incentives:** The policy for the threshold level of vesting has been set such that no more than 25% of a future award may vest for achieving the threshold performance target. Whilst this level of vesting is not anticipated being applied to financial targets set for future awards (e.g. EPS and cash conversion targets where 0% vests at the threshold performance target), it is anticipated that 25% of any portion of an award set against relative total shareholder return targets would vest at the threshold performance target, mirroring standard market practice.
- **Share ownership guidelines:** From 2022, executives will be expected to hold shares equal to the value of the lower of the actual shareholding at cessation of employment and the current guideline (200% of salary). The post cessation guideline only applies to shares vesting under incentive plans from 2022.

Further summary details of this change are included in the Remuneration Committee Chair's Annual Statement in this report.

The Policy is aligned with the six factors listed in Provision 40 of the UK Corporate Governance Code:

- **Clarity** – the Policy is set out as transparently as possible and the workforce engagement Director retains oversight of employee communication and education. We proactively consult our shareholders on any proposed changes to remuneration policy.
- **Simplicity** – the Remuneration Policy is structured as simply as possible; however, a degree of complexity is required to align pay and performance. Performance metrics are chosen to focus on the key operational, financial and strategic performance objectives of the business.
- **Risk** – the Remuneration Policy has been shaped to discourage inappropriate risk taking, including long term performance measurement, deferral and shareholding guidelines which extend into post employment. The Committee retains discretion to override formulaic outcomes.
- **Predictability** – elements of the Policy are subject to caps and dilution limits. Examples of how remuneration varies depending on performance is set out in the scenario charts.
- **Proportionality** – there is a sensible balance between fixed pay and variable pay, and incentive pay is weighted to sustainable long term performance.
- **Alignment to culture** – the Policy is weighted towards performance related pay which supports a performance based culture and the non-financial targets encourage innovation and optimisation which are also central to the Elementis culture and is aligned to Company Values.

POLICY TABLE

The information in the table below sets out the Remuneration Policy for Directors.

Basic salary	
PURPOSE AND LINK TO COMPANY'S STRATEGY	Targeted at a level to attract and retain world class executives who are essential to drive the business forward and deliver the Company's strategic goals.
HOW IT OPERATES IN PRACTICE	Annual salary increases that are broadly in line with the local workforce (in percentage of salary terms), subject to Committee approval. Increases beyond the average of those granted to the local workforce (in percentage of salary terms) may be awarded in certain circumstances, such as where there is a material change in responsibility or experience of the individual, to recognise exceptional performance over a sustained period or a significant increase in the complexity, size or value of the Company. Where new joiners or recent promotions have been placed on a below market rate of pay initially, a series of increases above those granted to the local workforce (in percentage of salary terms) may be given over the following few years subject to individual performance and development in the role. Salaries are normally reviewed in December and any changes are effective from 1 January in the following year.
MAXIMUM POTENTIAL VALUE	There is no prescribed maximum for salary increases. The Committee will be guided by the general increase for the local workforce and/or broader workforce as a whole, as well as the circumstances listed above.

Directors' Remuneration report continued

Benefits	
PURPOSE AND LINK TO COMPANY'S STRATEGY	To aid retention and to remain competitive in the marketplace. Healthcare benefits in order to minimise business disruption. Executive Directors may also participate along with other employees in the Group's HMRC approved SAYE or other equivalent savings based share schemes to share in the success of the Group.
HOW IT OPERATES IN PRACTICE	Life assurance and private medical health insurance are provided. Provision of either a company car (for business and personal purposes) or a car allowance. Payments in connection with an international assignment and payments in connection with a relocation, which would typically be paid for a transitionary period only, tailored to the location of each executive. The benefits may include provision of tax advice where, at the Company's request, the international location (or balance of time spent in different locations) is changed. Participation in all-employee/savings based share option schemes as above. In addition, benefits in the US, where it is standard, include cover for dental costs, accidental death and disablement, long term disability and club membership.
MAXIMUM POTENTIAL VALUE	SAYE/savings based schemes are subject to individual limits. These are $2,000 per month in the US and up to the HMRC prescribed limit (£500 per month) in the UK. Other benefits: the Committee will determine the level of benefit as it considers appropriate, taking into consideration local market practice.

Pension	
PURPOSE AND LINK TO COMPANY'S STRATEGY	To aid retention and remain competitive in the marketplace. To provide appropriate retirement benefits commensurate with local market practice, seniority of the role and tenure with the Company.
HOW IT OPERATES IN PRACTICE	Executive Directors are eligible to participate in a Company sponsored pension scheme, a statutory pension arrangement, receive cash in lieu of a Company pension or a combination of these.
MAXIMUM POTENTIAL VALUE	For incumbent Executive Directors, pensions will continue to be reduced in phases to be aligned with the pension provision of the median employee: • From 1 January 2020: 25% • From 1 December 2020: 24% • From 1 December 2021: 22.5% • From 1 December 2022: 21% Any new Director appointment will have pension set to be aligned with the average of the appropriate wider workforce rate (currently 8% of salary).

Annual bonus scheme	
PURPOSE AND LINK TO COMPANY'S STRATEGY	To incentivise the senior management team to exceed the annual operating plan approved by the Board at the start of each financial year. To ensure that a significant proportion of an executive's total remuneration is based on corporate/business financial performance that is linked to the Company's annual operating plan. Through the part deferral of bonuses into deferred shares this enables incentive pay to help executives build and maintain meaningful shareholdings and thereby provides a long term focus.
HOW IT OPERATES IN PRACTICE	An annual bonus is based on over performance against selected performance measures which are linked to the Company's key performance indicators, or the achievement of strategic and/or operational objectives. Bonus payments are paid following the approval of full year results. Payments are based on salaries at the time of payment. Bonus deferral element: 50% of any cash bonus payable is normally awarded in shares and deferred for two years. Dividends accrue on deferred shares (which are normally structured as nil cost options or conditional share awards) that vest during the vesting period. Deferred shares are forfeitable for gross misconduct (dismissal for cause). The Committee may seek recovery and/or withholding of bonuses paid that are later found to have been based on performance that was mis-stated or incorrectly calculated, or where the amount of any bonus may have been reduced or withheld due to reasons of gross misconduct. Recovery and withholding provisions will apply for a period of three years following payment of any bonus. Detailed provisions are incorporated into the rules of the various schemes which govern the terms of a bonus payment and/or the making of any deferred share or conditional award.
MAXIMUM POTENTIAL VALUE	CEO: 150% of basic salary. CFO: 125% of basic salary. A higher annual bonus limit of 200% of basic salary may apply for new recruits.
FRAMEWORK USED TO ASSESS PERFORMANCE	Performance measures will be mainly financial measures. The Committee reserves the right to select other non-financial targets (including the basis of their measurement) as appropriate considering the Company's strategic objectives for the year ahead. The financial element of the bonus may include (but is not limited to) the Company's key performance indicators which include: • Profit before tax or other measures of profitability • Group average trade working capital to sales ratio expressed as a percentage or other cash flow indicators For any profit related metric, targets will be set at threshold, plan and stretch levels and the amount payable for threshold performance is 0% for financial targets rising on a graduated basis through to 100%, becoming payable at the stretch performance level. With regard to non-financial targets, it is not always practicable to set targets on a sliding scale and so targets may be set based on the achievement of specific milestones and/or on a graduated scale. The Committee will consider the bonus outcome each year based on the Company's performance against the measures set at the start of the year. If it considers the quantum to be inconsistent with the Company's overall performance during the year it can override the result of the performance test. For the avoidance of doubt, this can be to zero and bonuses may not exceed the maximum levels detailed above. Any use of such discretion would be detailed in the Annual Report on Remuneration. The Committee keeps performance metrics under review on an annual basis to ensure they continue to remain appropriate and has the discretion to introduce new metrics or remove existing ones and amend their relative weightings. As a result, the performance metrics and weightings may vary in line with the Company's evolving strategy during the life of the Policy. The profit related element of annual bonus shall not be less than 50% of the overall bonus opportunity.

Long term incentives	
PURPOSE AND LINK TO COMPANY'S STRATEGY	The LTIP is the sole long term incentive mechanism for Executive Directors and is intended to align the interests of the executives and shareholders in growing the value of the Group over the long term. When granting awards under the LTIP the Committee generally takes into consideration the need to motivate and retain the Executive Directors and other participants.
HOW IT OPERATES IN PRACTICE	Awards are normally structured as either nil cost options or conditional share awards which are eligible to be granted annually. Options may be exercisable three years from, and within ten years of, the date of award. Share awards normally vest on the third anniversary of the date of award. A post vesting holding period of two years will normally apply to annual awards. Recovery and withholding provisions similar to those described in respect of annual bonus payments but relating to the vesting of LTIP awards will apply to awards. Dividends may accrue on shares that vest during the vesting period (and during the post vesting holding period where awards are structured as nil cost options) and may be paid in cash or shares.
MAXIMUM POTENTIAL VALUE	The maximum award limit is set at 250% of basic salary. Current practice is as follows: • CEO: 200% of basic salary • CFO: 175% of basic salary
FRAMEWORK USED TO ASSESS PERFORMANCE	Awards are subject to achievement of financial (e.g. EPS and operating cash conversion) and/or relative TSR performance conditions, measured over a minimum of three financial years beginning with the financial year in which the award is made. The Committee also retains flexibility to introduce strategic targets as a performance measure for a minority of an award. The threshold vesting level may be up to 25% of maximum, increasing to 100% vesting on a graduated basis for achieving stretch targets. For the TSR portion of the 2022 awards, the threshold vesting for achieving median will be 25% of maximum. For the EPS and operating cash conversion performance conditions applying to the 2022 awards, the threshold vesting level will start from 0%. In relation to strategic targets, the structure of the target will vary based on the nature of the target set (i.e. it will not always be practicable to set strategic targets using a graduated scale and so vesting may take place in full if specific criteria are met in full). The metrics and their weighting and targets within the LTIP will be reviewed each year. The Committee will consider the LTIP vesting outcomes for awards based on applying the performance conditions and, if it considers the level of vesting to be inconsistent with the Company's overall performance during the performance period (including its underlying financial performance), it can override the result of the performance test. For the avoidance of doubt, this can be to zero. Any use of such discretion would be detailed in the Annual Report on Remuneration.

Share ownership guidelines	
PURPOSE AND LINK TO COMPANY'S STRATEGY	To align an executive's interests with those of shareholders and to encourage executives to participate and share in the long term success of the Group.
HOW IT OPERATES IN PRACTICE	Executive Directors are expected to build up a shareholding in the Company that is equal in value to 200% of their basic annual salaries. The guideline will also apply for two years post cessation of employment such that Executive Directors are expected to hold shares equal to the value of the lower of the actual shareholding at cessation of employment and the current guideline (200% of salary). The post cessation guideline only applies to shares vesting under incentive plans from 2022. Shares vesting from share awards, or transferred pursuant to an exercise of any option, granted under any share incentive or employee share saving scheme may not be sold (other than to meet a tax liability) until the above shareholding level has been met. In exceptional circumstances the Committee may allow the Director to sell some, or all, shares received from a share incentive scheme even if the individual has not met the share ownership guidelines, provided they are satisfied that shareholder interests are adequately aligned. The Committee monitors compliance with these guidelines and can make changes to them from time to time.

Non-Executive Chair and Directors' fees	
PURPOSE AND LINK TO COMPANY'S STRATEGY	To attract individuals with the relevant skills, knowledge and experience that the Board considers necessary in order to maintain an optimal mix that ensures the effectiveness of the Board as a whole in carrying out its duties and responsibilities.
HOW IT OPERATES IN PRACTICE	Non-Executive Directors' fees are determined by the Chair and the Executive Directors, having commitment and responsibilities of the role. In the case of the Chair, the fee level is determined by the Committee. As well as taking into consideration the above factors, the Committee sets the fee at an appropriate level necessary to attract a role holder qualified to effectively lead the board of a company of a similar size and prestige as Elementis. Fees are payable in cash and Non-Executive Directors are not eligible to participate in any pension, bonus or share incentive schemes. All Non-Executive Directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties so that they are fully recompensed on a pre-tax basis for undertaking Company business. No individual is allowed to vote on his/her own remuneration.
MAXIMUM POTENTIAL VALUE	Fees will be reviewed annually with changes taking effect from 1 January in the following year. It is the Company's policy (other than where there is a step change in the time commitment required of the Non-Executive Directors) that fees paid to the Chair and other Non-Executive Directors are increased annually in line with the average increase awarded to the UK salaried workforce.

LINK BETWEEN POLICY, STRATEGY AND STRUCTURE

The Remuneration Policy is principally designed to attract, motivate and retain the Executive Directors and other members of the Executive Leadership team (senior management team) to execute the Company's corporate and business strategies in order to deliver the annual operating plan and sustainable year on year profitable growth, as well as to generate and preserve value for shareholders over the longer term, without encouraging excessive levels of risk taking. The principles and values that underpin the remuneration strategy are applied on a consistent basis for all Group employees.

The remuneration structure for Executive Directors is made up of two elements: fixed remuneration (consisting of basic salary, benefits including, for example, non-contributory health insurance and life assurance, and pension provision), and variable remuneration (annual bonus scheme and long term share incentives).

It is Company policy to reward all employees fairly, responsibly and by reference to local market practices, by providing an appropriate balance between fixed and variable remuneration.

CHOICE OF PERFORMANCE MEASURES AND APPROACH TO TARGET SETTING

The performance metrics that are used for annual bonus, and long term incentive plans are drawn from a suite of Company KPIs monitored by the Board that are closely linked to the financial KPIs on pages 32-33.

In the annual bonus scheme, the financial measures currently used are adjusted Group profit before tax and average working capital (AWC). Adjusted Group profit before tax is a clear measure of the Company's trading performance and AWC encourages the most efficient use of working capital and is how earnings are converted into cash. These metrics are aligned with the Company's objectives and strategy.

In addition, non-financial criteria also form part of the targets set in the bonus scheme and these are based on Company specific sustainability objectives (e.g. health and safety, Diversity, Equity and Inclusion and environment) and/or strategic business objectives (e.g. relating to Innovation, Growth and Efficiency targets).

With regard to long term performance targets, EPS is currently used since it is aligned with the Company's strategy of delivering profitable growth and creating long term shareholder returns. Cash conversion is also used to encourage efficient working practices. Use of relative TSR also further aligns shareholders and executives.

Targets for financial metrics are set relative to internal planning expectations after having regard to general economic conditions, external market data, current and past performance of the business and any organic or acquisitive growth plans.

Where appropriate, targets are set based on sliding scales. Only modest rewards are available for delivering performance at threshold levels or above, with maximum rewards requiring outperformance of our challenging plans approved at the start of each year.

The Committee keeps the choice of metrics and targets under review for both the annual and long term incentive plans each year to ensure they are appropriate in light of the Company's current circumstances. The Committee retains discretion to revise the choice of metric and weightings within the incentives as detailed above. Should the Committee make material changes to the application of the Remuneration Policy from year to year the Committee would give consideration to an appropriate form of dialogue with the Company's major shareholders.

DIFFERENCES IN EXECUTIVE REMUNERATION POLICY COMPARED WITH OTHER EMPLOYEES

The Committee is informed of pay structures across the wider Group when setting the Remuneration Policy for Executive Directors. The Committee considers the general basic salary increase for the broader Group and, in particular the employees based in the US, UK and Europe, when determining salary increases for the Executive Directors.

The same principles and values behind the design of remuneration for the Executive Directors apply to other members of the Executive Leadership team and employees throughout the rest of the Group, with modifications to reflect local market practice and the level of seniority and ability to influence Group performance. Overall, the Remuneration Policy for Executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the Executive Directors, given it is the Executive Directors who are considered to have the greatest potential to influence shareholder value creation.

The level of variable pay varies by level of employee within the Group and is informed by the specific responsibilities of each role and local market practice as appropriate.

In 2018, the Board introduced the ability to grant restricted shares into the new LTIP. The majority of the senior executive population at Elementis is based in the US where it is common market practice to grant restricted shares. It is considered that the ability to grant restricted shares in tandem with performance related share awards enables the Company to compete for the best talent. Where restricted shares are used, the award levels are generally lower than if performance shares were granted, since restricted share awards are more valuable to a recipient given there is no performance requirement attached to the vesting of the award. Restricted shares will not be granted to Executive Directors.

HOW THE VIEWS OF EMPLOYEES ARE TAKEN INTO ACCOUNT

The Board has established a Designated Non-Executive Director for workforce engagement as a direct response to the UK Corporate Governance Code, enabling the workforce voice in Board matters. The role of the workforce engagement Director is to review and monitor employee insight informed by engagement activities and employee engagement surveys. During 2021, global reward principles were communicated with additional detail on determination of pay, irrespective of position. The DNED engaged with the workforce on these principles during 2022, and feedback was sought during focus groups held. For more information on engaging with the workforce, please refer to pages 106-108.

COMMITTEE DISCRETION WITH REGARD TO INCENTIVE PLANS

The Committee will operate the annual bonus plan, Deferred Share Bonus Plan, LTIP and all employee plans according to their respective rules and in accordance with the Financial Conduct Authority's Listing Rules ('Listing Rules') and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include the following (plan limits and performance targets restricted to the descriptions detailed in the preceding policy table):

- Who participates in the plans
- The timing of grant of award and/or payment
- The size of an award and/or payment
- The determination of vesting
- Dealing with a change of control (e.g. the timing of testing performance targets) or restructuring
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends)
- The annual review of performance conditions, including metrics and weightings, for the annual bonus plan and LTIP

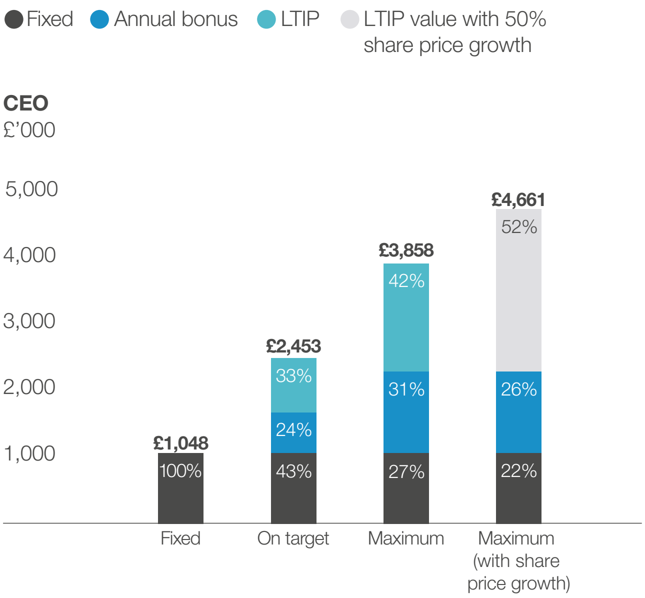
The Committee also retains the ability to adjust the targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. The Committee has discretion to override incentive pay outcomes in the event that payouts are not considered reflective of overall Company performance having applied the performance conditions for the annual bonus and LTIP.

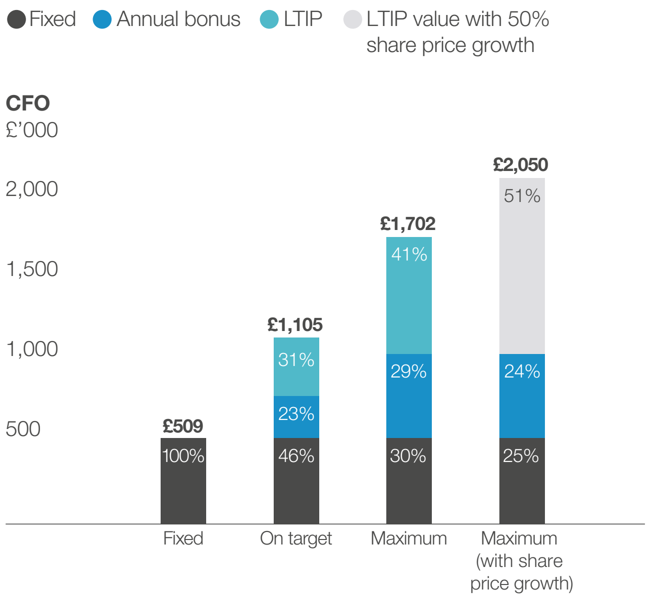
CEO AND CFO REWARDS SCENARIO ANALYSIS

The bar charts below illustrate the potential pay opportunities for Executive Directors under three different scenarios for 2022. The CEO's remuneration has been converted into pounds sterling using the average exchange rate for 2022 ($1.2392:£1.00).

- Fixed: comprises fixed pay, being the value of salary, benefits and pension (based on 2022 Company contributions)
- On target: the amount receivable assumes performance in which 50% of annual bonus is payable and 50% of LTIP awards vest.
- Maximum: the maximum amount receivable should all stretch targets be met and vesting under both the annual bonus scheme and LTIP is 100%
- Maximum with share price growth: in addition, we have provided an illustration of the maximum outcome assuming 50% share price appreciation for the purpose of the LTIP value

The LTIPs also relate to awards to be made in 2023 rather than any awards vesting in 2023.





RECRUITMENT POLICY

For Executive Director recruitment and/or promotion situations, the Committee will follow the policy outlined below:

Element	Policy
BASIC SALARY	Basic salary levels will be set in accordance with the Company's Remuneration Policy, taking into account the experience and calibre of the individual (e.g. typically around market rates prevalent in companies of comparable size and complexity) or salary levels may be set below this level (e.g. if the individual was promoted to the Board). Where it is appropriate to offer a below market rate of pay initially, a series of increases to the desired salary positioning may be given over the following few years subject to individual performance and development in the role.
BENEFITS	New Directors may be entitled to benefits such as life assurance, private medical health insurance, cover for dental costs, accidental death and disablement, long term disability and provision of either a company car (for business and personal purposes) or a car allowance, club membership or any other appropriate benefit as the Committee reasonably determines. Where necessary, the Committee may approve the payment of reasonable relocation expenses to facilitate recruitment for a maximum period of 12 months.
PENSION	Any new Executive Directors will have their pension level set to be aligned with the appropriate wider workforce rate (currently 8% of salary).
ANNUAL BONUS	The annual bonus would operate as outlined for current Executive Directors but, where necessary to aid recruitment, the maximum bonus opportunity is 200% of basic salary for the life of this policy. Bonus will be pro-rated for the proportion of the year served. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets initially.
LONG TERM INCENTIVES	Awards under the LTIP will be granted in line with the policy outlined for the current Executive Directors on an annual basis but, where necessary to aid recruitment, the maximum award is 250% of basic salary for the life of this policy. An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant. In addition, if the grant of awards for that individual precedes his or her appointment as a Board Director for that financial year, the Committee's policy would include flexibility to top up awards for that year (subject to the overall individual salary limit) based on the executive's new salary.
BUYOUT AWARDS	In the case of an external hire, if it is necessary to buy out incentive pay or benefit arrangements which would be forfeited on leaving the previous employer), this would be provided for, taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards may be granted using the Company's LTIP (up to the individual limit) or outside of the LTIP if necessary and as permitted under the Listing Rules.
INTERIM APPOINTMENTS	Where a Director is appointed on an interim basis (e.g. to cover a role until a permanent successor is appointed), the Company may pay additional remuneration to an individual in line with the policy for the role.

OUTSIDE BOARD APPOINTMENTS

The Company's policy is to support executives should they wish to take on an external board appointment, provided that there is no conflict of interest and the role does not interfere with the executive's commitment or duties. If an executive does take on an external appointment, they may retain any fees paid and will be restricted generally to only one such external appointment.

SERVICE CONTRACTS

Executive Directors' service contracts contain a termination notice period not exceeding 12 months.

Name	Date of contract*	Notice period
Paul Waterman, CEO	6 November 2015	12 months
Ralph Hewins, CFO	27 June 2016	12 months

* The date of the service contract is not the same as the date of appointment, which for Paul Waterman was 8 February 2016 and Ralph Hewins 12 September 2016.

Copies of the Executive Directors' service contracts are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the AGM.

POLICY ON PAYMENT FOR LOSS OF OFFICE

TERMINATION PAYMENTS

The maximum amount payable under both the CEO's and CFO's contract is basic salary, benefits and pension for 12 months while each serves his notice period. For the Executive Directors, the terms covering termination were agreed at the date their contracts were made and both are required to mitigate their loss in the event of loss of office by making efforts to secure a new position.

The Company may pay compensation in lieu of the notice period of basic salary only, to be paid in monthly instalments (pro-rated for the actual notice period). This would apply if the Company terminates his/her contract for any reason other than for cause, or if he/she serves notice to terminate his/her contract in 12 months' time.

Payments in lieu of notice to both the CEO and CFO may be reduced or ceased if either secures a new position. In both cases, the payments will only be ceased if the salary in a new position is equal to or more than the salary on termination; if not, the monthly payments will be reduced by the gross salary earned by the CEO or CFO in his/her new position each month.

The above summary only addresses contractual rights to payments in lieu of notice, or during the relevant Director's notice period, and may not reflect any settlement or compromise sums which are separately agreed at the point of termination.

TREATMENT OF INCENTIVE PLANS

ANNUAL BONUS PLAN

If an Executive Director resigns and serves his/her notice period, the Committee retains discretion to make a pro-rata payment based on performance. The same applies in certain circumstances such as if the individual's employment is terminated on the grounds of ill health or disability. No bonus is payable for termination for cause.

In line with the Company's policy, rules of the annual bonus scheme incorporate a requirement to defer half of the amount of bonus vesting for two years in the form of share awards under the Deferred Share Bonus Plan. In certain 'good leaver' circumstances (e.g. ill health, death), the Committee, acting fairly and reasonably, may waive deferral.

DEFERRED SHARE BONUS PLAN

If an Executive Director's employment is terminated before a deferred share award vests (after two years), then the awards would vest in full on the date of leaving unless termination is for cause, in which case the awards would lapse.

LTIP

As with the annual bonus plan, the Company's current (and proposed) LTIP also includes a number of discretions in connection with an Executive Director leaving employment. Other than in certain defined 'good leaver' circumstances, awards lapse on cessation of employment. Where an individual ceases employment for one of the defined 'good leaver' events (i.e. ill health, disability, redundancy within the meaning of UK legislation or its overseas equivalent, transfer out of the Group/sale of business or retirement with employer's consent and, in the case of the new LTIP, any other reason at the discretion of the Committee), the award will remain eligible to vest on its normal vesting date (unless the Committee uses its discretion to vest the award on the date of cessation of employment), in all cases subject to a pro-rata reduction to reflect the portion of the vesting period that has elapsed (unless the Committee determines otherwise) and the application of the performance condition. In the event of a death of an Executive Director, the default is for the award to vest at the date of death unless the Committee determines otherwise, in which case it will vest at the normal vesting date with pro-rating and performance conditions applied as described in other 'good leaver' circumstances.

Similar provisions apply in the event of a change of control, with performance measured up to the date of the relevant event, and a pro-rata reduction applying unless the Committee determines otherwise.

It is the Committee's policy to exercise these discretions in a way that would be in the best interests of the Company and depending on the individual circumstances of each case.

Directors' Remuneration report continued

PAYMENTS AGREED PRIOR TO THE EFFECTIVE DATE OF THIS POLICY

Any agreements entered in good faith prior to the commencement of the 2022 Remuneration Policy will remain eligible to operate on their original terms.

NON-EXECUTIVE DIRECTORS' TERMS OF APPOINTMENT

Non-Executive Directors are appointed for a three year term, subject to annual re-election by shareholders. For Non-Executive Directors who have served for nine years or more, they may be appointed for a further year at a time. Each letter of appointment currently provides that the Director's appointment can be terminated by the Company on six months' notice on any grounds without claim for compensation. Following the 2018 AGM, the letters of appointment of the Non-Executive Directors were amended to 30 days' notice by either party, which is the application of the new Remuneration Policy where a limit of up to three months is permitted. All other terms will remain the same. The Chair's letter of appointment will remain with a six months' notice period.

Non-Executive Directors are not eligible to participate in any pension, bonus or share incentive schemes. No individual is allowed to vote on his/her own remuneration.

The table below provides further details of the letters of appointment that the Non-Executive Directors held with the Company during 2022.

Name	Date of appointment	Date of last re-appointment	Date of expiry
Non-Executive Director			
D Deuring	1 March 2017	1 March 2020	1 March 2023[2]
S Good	20 October 2014	20 October 2020	20 October 2023
A Hyland[1]	1 June 2013	1 June 2019	1 June 2022
J O'Higgins	4 February 2020	n/a	4 February 2023[2]
G Schoolenberg	15 March 2022	n/a	15 March 2025
C Soden	1 November 2020	n/a	1 November 2023
C Woon	1 December 2022	n/a	1 December 2025

1 Anne Hyland retired from the Board on 26 April 2022.
2 Dorothee Deuring and John O'Higgins' reappointments were approved by the Nomination Committee on 6 December 2022.

SHAREHOLDER ENGAGEMENT

The views of shareholders are important to the Committee. Regular dialogue and engagement with the Company's shareholders is undertaken. For example, the Committee wrote to its major shareholders and the leading advisory bodies in 2021 with the proposed changes to the Policy and its operation going forward. In particular, the Committee has introduced a post cessation of employment share ownership guideline in response to shareholder views which will apply from 2022.

ANNUAL REPORT ON REMUNERATION ('REPORT')

This Report details how the Company's policies and practices on Directors' remuneration were applied in respect of the financial year ended 31 December 2022 and how they will be applied in the 2023 financial year.

REMUNERATION PAYABLE TO DIRECTORS FOR 2022 (AUDITED)

Although the Company reports its results in US dollars, the remainder of this report on remuneration is presented in pounds sterling because the majority of the Directors are UK based and paid in pounds sterling.

A breakdown of the Directors' remuneration for the year ended 31 December 2022 is set out in the table below.

		Fixed				Performance related				
£'000	Year	Salary/fees	Benefits[2]	Pension	Total fixed	Bonus[11]	LTIP	Other[3]	Total variable	Total
Executive Directors										
Paul Waterman[1], CEO	**2022**	**778**	**85**	**171**	**1,034**	**903**	**235**	**42**	**1,180**	**2,214**
	2021	679	89	165	933	976	–	37	1,013	1,946
Ralph Hewins, CFO	**2022**	**381**	**28**	**85**	**494**	**373**	**100**	**18**	**491**	**985**
	2021	369	27	88	484	442	–	–	442	926
Non-Executive Directors										
John O'Higgins, Chair	**2022**	**199**	**–**	**–**	**199**	**–**	**–**	**–**	**–**	**199**
	2021	107	–	–	107	–	–	–	–	107
Dorothee Deuring	**2022**	**54**	**–**	**–**	**54**	**–**	**–**	**–**	**–**	**54**
	2021	52	–	–	52	–	–	–	–	52
Steve Good[6]	**2022**	**66**	**–**	**–**	**66**	**–**	**–**	**–**	**–**	**66**
	2021	64	–	–	64	–	–	–	–	64
Anne Hyland[7]	**2022**	**20**	**–**	**–**	**20**	**–**	**–**	**–**	**–**	**20**
	2021	61	–	–	61	–	–	–	–	61
Trudy Schoolenberg[8]	**2022**	**50**	**–**	**–**	**50**	**–**	**–**	**–**	**–**	**50**
	2021	–	–	–	–	–	–	–	–	–
Christine Soden[9]	**2022**	**65**	**–**	**–**	**65**	**–**	**–**	**–**	**–**	**65**
	2021	57	–	–	57	–	–	–	–	57
Clement Woon[10]	**2022**	**4**	**–**	**–**	**4**	**–**	**–**	**–**	**–**	**4**
	2021	–	–	–	–	–	–	–	–	–
Former Directors										
Andrew Duff[5], former Chair	**2022**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2021	133	–	–	133	–	–	–	–	133
Total	**2022**	**1,617**	**113**	**256**	**1,986**	**1,276**	**335**	**60**	**1,671**	**3,657**
Total	2021	1,522	116	253	1,891	1,418	0	37	1,455	3,346

1 Paul Waterman is based in the US and paid in US dollars. He received an annual salary of $964k (2021: $936k). His pension comprises a salary supplement and employer contributions to defined contribution retirement schemes. The foreign exchange rate applied is the 2022 average rate of $1.2392:£1.00 (2021: $1.3777:£1.00).
2 Taxable benefits for Paul Waterman consist of a car allowance (£18,523), private healthcare (£5,409), dental, life assurance, accidental death and disablement cover and long term disability insurance (£36,862), and tax advice (£24,209). The tax advice benefit allows appropriate tax filings to be made in both the UK and US as a result of Company business travel requirements during 2020/21, which exceeded the normal business expectations agreed on appointment and gave rise to the need for dual filings. Taxable benefits for Ralph Hewins consist of a car allowance (£18,000), private healthcare and life assurance.
3 As required by remuneration reporting regulations, the valuation of Paul Waterman's US Savings Related Share Option Scheme (SRSOS) award and Ralph Hewins' SAYE grant are based on the face value of shares at grant (September 2022), less the exercise price. There are no performance measures for either the SRSOS or SAYE.
4 John O'Higgins was appointed Chair on 1 September 2021, having been appointed Non-Executive Director on 4 February 2020 and Senior Independent Director on 29 April 2020.
5 Andrew Duff stepped down as Chair on 1 September 2021.
6 Steve Good was appointed Senior Independent Director upon John O'Higgins' appointment as Chair until 26 April 2022.
7 Anne Hyland stepped down from the Board on 26 April 2022.
8 Trudy Schoolenberg was appointed a Non-Executive Director on 15 March 2022 and assumed the role of Senior Independent Director at the conclusion of the 2022 AGM held on 26 April 2022.
9 Christine Soden is the Designated Non-Executive Director for workforce engagement and was appointed Audit Committee chair with effect from 26 April 2022.
10 Clement Woon was appointed a Non-Executive Director on 1 December 2022.
11 Bonus calculated in line with Director's Remuneration Policy.

Directors' Remuneration report continued

DETERMINATION OF ANNUAL BONUS OUTCOME FOR PERFORMANCE IN 2022 (AUDITED)

This section shows the performance targets set in respect of the 2022 annual bonus scheme and the level of performance achieved.

As detailed in the Chair's Annual Statement, 2022 was a robust year of performance in a challenging market context. In 2022, there has been continued strategic progress with strong underlying financial performance demonstrated by 34% growth in Adjusted Group profit before tax versus 2021. Performance on the average trade working capital to sales ratio has however deteriorated to 24.4% as a result of continued COVID supply chain disruption.

Full details of the bonus assessment for the Executive Directors are set out below. The total bonuses payable based on the performance achieved are 75% of maximum for the CEO and CFO. The Committee was comfortable with the bonus earned in the context of the performance delivered and did not consider it necessary to use discretion in relation to the bonus out-turn. Accordingly, and in line with the Policy, 50% of the bonus payable will be deferred over shares which will be released to the Director after two years and which are forfeitable for gross misconduct.

		FY2022 bonus plan targets					Percentage of maximum bonus earned		Percentage of salary earned	
Full year bonus	Relative weighting of performance conditions	Threshold	Plan	Stretch	Actual result	Percentage of maximum	Paul Waterman CEO	Ralph Hewins CFO	Paul Waterman CEO	Ralph Hewins CFO
Maximum as % salary							100%	100%	150%	125%
PBT ($m)	50%	82.2	91.3	100.4	103.3	100%	50%	50%	75%	62.5%
AWC (%)	20%	23.8%	21.8%	19.8%	24.4	0%	0%	0%	0%	0%
Non-financial	30%	See disclosure below and on page 143			25/30	83.3%	25%	25%	37.5%	31.25%
Total full year	100%						75%	75%	112.5%	93.75%

In relation to the targets, 0% is payable at the threshold performance levels, 50% at plan and 100% at the maximum performance level.

Set out on page 143 are the challenging 2022 sustainability and individual strategic objectives and actual performance against the objectives. The objectives were categorised into two categories: (1) sustainability priorities (15% weighting) and (2) Innovation, Growth and Efficiency (15% weighting).

2022 BONUS ASSESSMENT FOR CEO & CFO: NON-FINANCIAL TARGETS

KEY TO SUMMARY SCORING

● Achieved in full or predominantly achieved ● Partially achieved ● Not achieved

Measure	Performance indicator	Achievements	Summary scoring
SUSTAINABILITY OBJECTIVES			
SAFETY, COMPLIANCE, AND RISK MANAGEMENT Focus on maintaining and strengthening responsible workplace practices	• Recordable injuries: Threshold 11; Target 9; Stretch 7 • Process safety Tier 1 and Tier 2 events: Threshold 3; Target 2; Stretch 1 • Progress on leading Safety Engagement indicators	• Recordable injuries: 9 • Process safety Tier 1 and Tier 2 events: 2 • Significant progress on leading Safety Engagement indicators e.g. stop work authority, near miss reporting	● 3/5
DIVERSITY, EQUITY AND INCLUSION Build organisational capability through actions that increase employee engagement and create a more diverse, equitable and inclusive organisation	• Gender diversity: material progress to 40% female representation in senior population by 2025 • Material improvement in DE&I Engagement Index • Development of functional and segment specific DE&I strategies	• Improved gender diversity in senior population making material progress towards 40% goal moving from 31% to 34% • Scoring a material improvement in DE&I Engagement Index increasing from 63% to 67% positive responses • Implemented key DE&I strategies throughout functions and segments, tracked by DE&I Leadership Council	● 5/5
ENVIRONMENTAL Progress towards 2030 emissions goals and minimise environmental incidents	• Materiality assessment • Scope 3 emissions analysis • Net Zero transition strategy	• Good progress against environmental initiatives with GHG emissions dropped by 6% y-o-y. Intensity metrics impacted by lower volumes • Materiality assessment completed • Corporate Scope 3 assessment completed • Net Zero Transition Plan agreed	● 4/5
STRATEGIC OBJECTIVES			
INNOVATION Develop new products to deliver future revenue growth	• New product launches • Innovation revenue contribution	• Targets for pipeline of new products exceeded with $94m of innovation sales delivered in 2022 • Targets for new product launches exceeded with 18 in 2022 (and over 60 new products launched since 2019) • Target for a healthy pipeline of opportunities exceeded • Targets for overall innovation revenue below target with innovation products contributing 13.3% of Group revenue driven by Talc performance being below target but with Coatings and Personal Care exceeding targets	● 3/5
GROWTH Underpin future revenue growth	• Underpin future revenue growth through NBO pipeline leading to >$50m NBO delivery in 2023 and 2024	• Delivered $59m of NBOs in 2022 versus $52m in 2021, with an increase in NBO pipeline for 2024 and 2025	● 5/5
EFFICIENCY Improve efficiency through the identification of (a) cost savings of $10m and (b) working capital reductions of $10m, to be delivered in 2023	• Cost savings • Working capital reduction	• > $10m cost savings underpinned across continuous improvement, procurement, logistics and India AP initiatives with $4m delivered in 2022 • >$15m of working capital improvements identified by 2023 vs 2019 baseline data	● 5/5

Directors' Remuneration report continued

DIRECTORS' SHARE BASED AWARDS

DETERMINATION OF 2020 LTIP AWARDS (AUDITED)

Under the 2020 award, the performance is assessed against EPS growth, relative TSR and cash conversion performance metrics, as summarised below. The EPS growth and average operating cash conversion over the performance period was above the threshold target, however the relative TSR threshold targets were not met. Overall this has resulted in 11.1% of the award vesting. The Committee considers this to be in line with underlying performance.

In determining vesting, the Committee considered:

- ROCE over the performance period. ROCE increased by 19% in challenging market conditions and as such the Committee confirmed the formulaic outcome
- The potential for windfall gains, and concluded that the value on vesting of the 2020 awards did not benefit from windfall gains.

In reaching this conclusion, the Committee noted that it had reduced the 2020 awards at grant by 33% in light of the lower share price at grant versus 2019 to mitigate the potential for any windfall gains and also that following the first half of 2020 our share price recovery had been consistent through the balance of the three year performance period (i.e. performance has been a result of robust underlying financial performance as opposed to any short term change in market sentiment). Accordingly, the Committee did not use any discretion in connection with the 2020 award.

Performance metric	Weighting	Threshold target	Threshold payout	Maximum target	Elementis achievement	Payout
EPS growth	33.3%	3% p.a.	0%	12% p.a.	4.2% Above threshold	4.32%
Three year operating cash conversion	33.3%	85%	0%	95%	87%	6.77%
					Above threshold	
Relative TSR vs FTSE All-Share Index	33.3%	Median	3.85%	Upper quartile	Below threshold	0%

Based on this performance assessment, the table below illustrates the value receivable under the 2020 awards. Any shares vesting will be subject to a two year holding period.

Award holder	Number of awards granted	Payout (% of maximum)	Number of shares due to vest	Value from share price increase[1]	Value of dividend equivalents[2,3]	Total value vesting[3]
Paul Waterman	2,024,856	11.1%	224,509	£70,271	£0	£235,285
Ralph Hewins	862,469	11.1%	95,628	29,932	£0	£100,218

1. Value of share price increase based on a £0.735 share price at the time of grant of the award compared with the three month average share price of £1.048 to 31 December 2022. The Committee is comfortable that discretion is not required as a result of share price appreciation.
2. Value of dividend equivalents estimated based on dividends until 31 December 2022.
3. Value of shares based on a three month average share price of £1.048 to 31 December 2022. This value will be restated next year based on the actual share price on the date of vesting.

ANNUAL LTIP AWARDS GRANTED IN THE YEAR (AUDITED)

On 04 April 2022, LTIP awards were granted in line with the Remuneration Policy. The CEO was granted an award over shares to the value of 200% of salary and 175% of salary for the CFO. Share awards will ordinarily vest after three years, with any shares vesting (other than those sold to meet associated tax liabilities) subject to a two year holding requirement.

Details of the main terms of the 2022 LTIP awards are summarised in the table below.

Award holder	Type of share award	Grant date	Number of awards	Face value of award at grant (£000s)[1]
Paul Waterman	Nil cost (restricted stock unit)	04.04.2022	1,236,244	1,471
Ralph Hewins	Nil cost option	04.04.2022	559,656	666

The awards are subject to EPS, TSR and operating cash conversion performance conditions (equally weighted), each measured over the three years to 31 December 2024, as shown in the table below.

Performance metric	Weighting	Threshold target	Threshold payout	Stretch target	Stretch payout	End of the performance period
EPS	33.3%	FY24 EPS of 10.9[4] cents per share	0%	FY24 EPS of 14.7[4] cents per share	100%	31.12.2024
Cash conversion	33.3%	85%	0%	95%	100%	31.12.2024
Relative TSR vs FTSE All-Share Index	33.3%	Median	25%	Upper quartile	100%	31.12.2024

1 The share price used to determine the number of awards granted was £1.190, based on the share price on the day prior to grant.
2 Details of deferred bonus and savings based share schemes are shown in the table on the next page.
3 The vesting of the award is also subject to a return on capital employed underpin which requires the Company to consider whether the return generated is in line with the Board's expectations and if not, to reduce the vesting to a more appropriate level. The Committee also retains discretion to reduce the number of shares on vesting should it be considered appropriate, including in the event of a perceived windfall gain.
4 The targets have been restated for the reduced earnings arising from the sale of Chromium in a way that does not advantage or disadvantage participants. The threshold target has been adjusted from 13.5 cps to 10.9 cps and the maximum from 17.5 cps to 14.7 cps.

SOURCING SHARES FOR OUR SHARE PLANS

Employee share plans comply with the Investment Association's guidelines on dilution, which provide that overall issuance of shares under all plans should not exceed an amount equivalent to 10% of the Company's issued share capital over any ten year period, with a further limitation of 5% in any ten year period on discretionary plans. Based on the number of awards that remain outstanding as at the year end, the Company's headroom for all plans is 4.09% and for discretionary plans is 3.34% of issued share capital.

Directors' Remuneration report continued

DIRECTORS' SCHEME INTERESTS (AUDITED)

The interests of the persons who were Directors during the year in the issued shares of the Company were:

					Scheme interests				
	Interest type	Grant date	Option price (p)	01.01.22[A]	Granted during 2022	Exercised during 2022	Lapsed during 2022	31.12.22	Vested but unexercised share options
Executive Directors									
Paul Waterman	LTIP[A]	01.04.2019	–	849,282	–	–	849,282	–	–
	DSBP[B]	05.03.2020	–	188,130	–	188,130	–	–	–
	LTIP[A]	07.04.2020	–	2,037,577	–	–	–	2,037,577	–
	SRSOS[E]	15.09.2020	63.11	59,188	–	59,188	–	–	–
	LTIP[A]	06.04.2021	–	1,079,362	–	–	–	1,079,362	–
	DSBP[B]	05.03.2022	–	–	490,383	–	–	490,383	–
	LTIP[A]	04.04.2022	–	–	1,236,244	–	–	1,236,244	–
	SRSOS[E]	20.09.2022	92.31	–	45,584	–	–	45,584	–
Total scheme interests				4,213,539	1,772,211	247,318	849,282	4,889,150	Nil
Ralph Hewins	DSBP[B]	07.03.2017	–	7,140	–	–	–	7,140	7,140
	RA[C]	07.03.2017	–	92,262	–	–	–	92,262	92,262
	RA[D]	07.03.2017	–	17,458	–	–	–	17,458	17,458
	DSBP[B]	05.03.2018	–	73,123	–	–	–	73,123	73,123
	SAYE[F]	27.11.2018	163.91	10,981	–	–	10,981	–	–
	DSBP[B]	06.03.2019	–	48,865	–	–	–	48,865	48,865
	LTIP[A]	01.04.2019	–	381,469	–	–	381,469	–	–
	DSBP[B]	05.03.2020	–	76,266	–	–	–	76,266	76,266
	LTIP[A]	07.04.2020	–	862,469	–	–	–	862,469	–
	LTIP[A]	06.04.2021	–	515,214	–	–	–	515,214	–
	DSBP[B]	05.03.2022	–	–	213,105	–	–	213,105	–
	LTIP[A]	04.04.2022	–	–	559,656	–	–	559,656	–
	SAYE[F]	20.09.2022	88.00	–	20,454	–	–	20,454	–
Total scheme interests				2,085,247	793,215	–	392,450	2,486,012	315,114

Notes

(A) LTIP awards are subject to performance conditions. The same relative TSR performance conditions apply in respect of all awards. The EPS target for the 2019 and 2020 awards requires annual growth of 3% to 12%. The EPS target for the 2021 and 2022 awards are based upon fixed cps at threshold and maximum. The targets have been restated for the reduced earnings arising from the sale of Chromium in a way that does not advantage or disadvantage participants. For 2021 the threshold target has been adjusted from 10.0 cps to 8.4 cps and the maximum from 13.0 cps to 10.9 cps. For 2022 the threshold target has been adjusted from 13.5 cps to 10.9 cps and the maximum from 17.5 cps to 14.7 cps. The operating cash conversion performance conditions for the 2020, 2021 and 2022 awards is based on three year targets between 85% and 95%. These awards ordinarily vest on the third anniversary of the grant date. Full detail of the vesting conditions for the 2022 awards are set out on page 145.

(B) Conditional share award under the Deferred Share Bonus Plan (DSBP). Structured as restricted stock units for Paul Waterman and nil cost options for Ralph Hewins. The 2020 DSBP vested on 5 March 2022. Paul Waterman's tax liability crystallised on vesting which he self funded and he therefore retained the 188,130 shares. Ralph Hewin's 2020 DSBP award has vested but has not yet been exercised. For DSBP awards granted in March 2020, the share price at date of grant was 98.95 pence. The face value of awards at grant were £186,155 and £75,466 for Paul Waterman and Ralph Hewins respectively. Both Executive Directors recommended and the Committee agreed that no bonus be payable in respect of 2020, therefore no DSBP awards were granted in 2021. For DSBP awards granted in March 2022, the share price at date of grant was 103.8 pence, with the face value of awards at grant of £509,018 and £221,204 for Paul Waterman and Ralph Hewins respectively.

(C) Replacement Awards structured as nil cost options made under standalone arrangements that borrow terms from the LTIP as amended. In line with the remuneration forfeited on leaving his former employer, the 2017 award did not have performance conditions, but shares were required to be held for two years.

(D) Replacement Awards structured as nil cost options made under standalone arrangements that borrow terms from the DSBP as amended.

(E) Grant under the Elementis plc US Savings Related Share Option Scheme 2018. The options granted in 2020 became exercisable from 15 September 2022 with an option price of 63.11 pence per share. The options are made pursuant to a two year savings contract and the exercise price is based on the share price at close of business on 15 September 2020, being the date of the grant. A 2022 grant was made on 20 September 2022 with an option price of 92.31 pence per share.

(F) Options held under the UK SAYE scheme. This is a savings based share option scheme that is not subject to performance conditions. The 2018 grant vested on 1 January 2022 and 10,981 shares lapsed on 1 July 2022 due to the shares being underwater. A 2022 grant was made on 20 September 2022 with an option price of 88.00 pence per share. Further details on this scheme are shown in Note 26 to the consolidated financial statements on page 208.

DIRECTORS' SHARE INTERESTS (AUDITED)

The interests of the Directors (including any connected persons) during the year (and from the year end to 7 March 2023) in the issued shares of the Company were:

	01.01.22	Acquired during 2022	Disposed during 2022	31.12.22	Shareholding level met as at 31.12.22
Executive Directors					
Paul Waterman	794,462	322,318	–	1,116,780	No[1]
Ralph Hewins	59,193	33,802	–	92,995	No[1]
Non-Executive Directors					
Dorothee Deuring	26,250	–	–	26,250	n/a
Steve Good	62,500	–	–	62,500	n/a
Anne Hyland	22,153	–	–	22,153	n/a
John O'Higgins	125,600	–	–	125,600	n/a
Trudy Schoolenberg	–	–	–	–	n/a
Christine Soden	20,000	10,000	–	30,000	n/a
Clement Woon	–	20,000	–	20,000	n/a

1 As per the Policy, Executive Directors are expected to build up a shareholding that is equal in value to 200% of their basic annual salaries. Share awards vesting over time will contribute to meeting the shareholder requirement.

The market price of ordinary shares at 31 December 2022 was 120 pence (2021: 131 pence) and the range during 2022 was 88 pence to 147 pence (2021: 108 pence to 161 pence).

As at 31 December 2022, the trustee of the Company's Employee Share Ownership Trust (ESOT) held 258,404 shares (2021: 446,534). As Executive Directors and as potential beneficiaries under the ESOT, Paul Waterman and Ralph Hewins are deemed to have an interest in any shares that become held in the ESOT.

As at 7 March 2023, no person who was then a Director had any interest in any derivative or other financial instrument relating to the Company's shares and, so far as the Company is aware, none of their connected persons had such an interest. There was no other change, so far as the Company is aware, in the relevant interests of other Directors or their connected persons.

Other than their service contracts, letters of appointment and letters of indemnity with the Company, none of the Directors had an interest in any contract of significance in relation to the business of the Company or its subsidiaries at any time during the financial year.

DIRECTORS' RETIREMENT BENEFITS (AUDITED)

The table below shows the breakdown of the retirement benefits of the Executive Directors, comprising employer contributions to defined contribution plans and salary supplements paid in cash.

Paul Waterman received a salary supplement and participated in US contractual retirement schemes. Further detail can be found in the Policy. The amount shown in the table below represents employer matching contributions, and both this and the salary supplement are included in the Directors' emoluments table shown on page 141.

Ralph Hewins received a salary supplement in lieu of any other retirement benefit. The amount received is shown in the table below and in the Directors' emoluments table.

	Defined contribution plans		Salary supplement	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Paul Waterman	**40**	38	**131**	126
Ralph Hewins	**n/a**	n/a	**85**	88

Note: The pensions received were in line with the glidepath set out in the 2020 Directors' Remuneration report and for Paul Waterman included contributions to his US pension arrangements (which included a tax qualified 401k plan and a non-qualified plan with contributions to these structures varying year to year but in all cases capped in line with the commitments included in the 2019 Directors' Remuneration report).

PAYMENTS TO PAST DIRECTORS OR PAYMENTS FOR LOSS OF OFFICE (AUDITED)

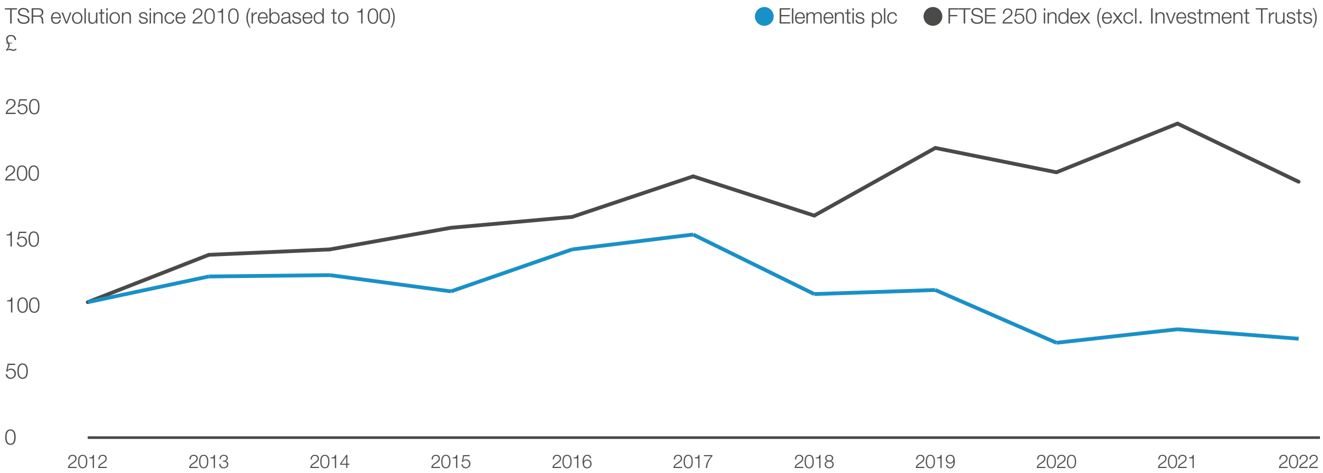
There were no payments in the financial year.

Directors' Remuneration report continued

TOTAL SHAREHOLDER RETURN PERFORMANCE AND CHANGE IN CEO'S PAY

The graph below illustrates the Company's total shareholder return for the ten years ended 31 December 2022, relative to the FTSE 250 Index, along with a table illustrating the change in CEO pay over the corresponding period. The table also details the payouts for the annual bonus scheme and LTIP.

As the Company's shares are denominated and listed in pence, the graph below looks at the total return to 31 December 2022 of £100 invested in Elementis on 31 December 2012 compared with that of the total return of £100 invested in the FTSE 250 Index. This index was selected for the purpose of providing a relative comparison of performance because the Company is a member of it.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CEO pay (total remuneration – £'000s)	2,252	1,573	763	1,553[1]	2,539	1,229	1,114	1,007	1,946	2,214
Annual bonus payout (% of maximum)	56%	50%	0%	27.5%	93.0%	35.0%	17.3%	0%	93%	75%
LTIP vesting (% of maximum)	100%	65%	0%	91.2%[2]	91.4%[3]	0%	0%	0%	0%	11.1%

1 Includes remuneration for Paul Waterman and David Dutro for the period in which each was CEO during 2016.
2 Relates to Paul Waterman's buy-out awards which vested in March 2017.
3 Relates to Paul Waterman's buy-out awards vesting in March 2018.

CEO TO ALL-EMPLOYEE PAY RATIO

Whilst Elementis is not required to publish a CEO to all-employee pay ratio given it has less than 250 UK employees, voluntary disclosure of the pay ratio is included below. In line with the relevant legislation, the analysis has been completed using Option A (i.e. actual total remuneration earned has been used as the basis for comparison).

Whilst this is only based upon 80 UK employees, there is a mix of factory based employees (c.75%) and corporate Head Office employees. Option A was used as it was deemed the most accurate and prevalent amongst recent FTSE 250 disclosures. The 2022 ratio is greater than that measured internally for 2021 due to higher than target bonus payouts for the majority of UK employees in 2022, the much higher ratio of variable pay within the CEO's overall compensation and the CEO had a small portion of their 2020 LTIP award vest. Only 10% of UK employees are eligible for LTIP. The ratio is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole.

CEO pay ratio	2019	2020	2021	**2022**
Method	A	A	A	**A**
CEO single figure	£1,114	£1,007	£1,946	**£2,214**
Upper quartile	15	14	23	**24**
Median	21	19	34	**40**
Lower quartile	25	23	42	**49**

The salary and total pay for the individuals identified at the Lower quartile, Median and Upper quartile positions in 2022 are set out below:

2022	Salary	Total pay
Upper quartile individual	£73,041	£92,779
Median individual	£51,126	£54,945
Lower quartile individual	£41,225	£45,479

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the total remuneration paid across the Group together with the total dividends paid in respect of 2022 and the preceding financial year.

£m	**2022**	2021	Change
Remuneration paid to all employees[1]	**107.4**	108.5	-1%
Total dividends paid in the year	**0**	0	0%

1 See Note 8 to the consolidated financial statements. The amounts for 2022 and 2021 have been converted from dollars into pounds sterling using the average USD/GBP exchange rates for those years.

PERCENTAGE CHANGE IN THE REMUNERATION OF THE DIRECTORS (UNAUDITED)

The table below shows the change in the Directors' pay and the corresponding change of these elements across all UK employees within the Group from 2021 to 2022.

	Average percentage change 2019-20			Average percentage change 2020-21			Average percentage change 2021-22		
	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus
CEO[1,2,3]	2.0%	8.5%	0%	2%	26%	100%	3%	-4%	-17%
CFO[1,2]	2.2%	2.8%	0%	2%	4%	100%	3%	4%	-16%
John O'Higgins[4]	n/a	–	–	131%	–	–	86%	–	–
Dorothee Deuring	2.2%	–	–	2%	–	–	3%	–	–
Steve Good[5]	2.2%	–	–	7%	–	–	3%	–	–
Anne Hyland[6]	2.2%	–	–	2%	–	–	-67%	–	–
Trudy Schoolenberg[7]	–	–	–	–	–	–	–	–	–
Christine Soden[8]	n/a	–	–	512%	–	–	14%	–	–
Clement Woon[9]	–	–	–	–	–	–	–	–	–
Employees[12]	-9.4%	–	0%	11.1%	–	100%	1.8%	–	-12%
Former Directors									
Sandra Boss[10]	2.8%	–	–	–	–	–	–	–	–
Andrew Duff[4]	2.2%	–	–	-31%	–	–	–	–	–
Nick Salmon[11]	2.2%	–	–	–	–	–	–	–	–

1 All percentages are based on converting relevant local currencies into pounds sterling using the average rates for the respective year.
2 The Executive Directors recommended and the Committee agreed that no bonuses should be payable in relation to 2020 performance.
3 The 2019-20 year on year change in the CEO's benefits are driven by increased private medical insurance subscription as a result of a change in coverage, while changes in employee salary, benefits and bonus are driven by changes to the employee population and movements in exchange rates.
4 Andrew Duff stepped down as Chair on 1 September 2021, with John O'Higgins assuming the role.
5 Steve Good assumed the interim role of SID on 1 September 2021 until April 2022.
6 Anne Hyland retired from the Board in April 2022.
7 Trudy Schoolenberg was appointed Non-Executive Director on 15 March 2022 and assumed the role of SID in April 2022.
8 Christine Soden joined the Board as Non-Executive Director and Designated Non-Executive Director for workforce engagement on 1 November 2020
9 Clement Woon was appointed Non-Executive Director on 1 December 2022.
10 Sandra Boss was appointed as Designated Non-Executive Director for workforce engagement in October 2019 and retired from the Board in April 2020.
11 Nick Salmon retired from the Board in April 2020.
12 Taxable benefit change for all employees globally not shown due to complexities of multiple countries, states, and employment set up treating benefits differently.

Directors' Remuneration report continued

STATEMENT OF SHAREHOLDER VOTING

The resolutions to approve the 2021 Directors' Remuneration Policy and the 2021 Directors' Remuneration report were passed by a poll at the Company's 2022 AGM held on 26 April 2022. Set out in the table below are the votes cast by proxy in respect of these resolutions.

	Votes for	% for	Votes against	% against	Votes withheld[1]
2021 Directors' Remuneration report (2022 AGM)	440,775,753	92.91	33,615,247	7.09	47,439
2021 Directors' Remuneration Policy (2022 AGM)	460,112,804	96.99	14,282,696	3.01	42,939

1 Votes withheld are not included in the final figures as they are not recognised as a vote in law.

OTHER INFORMATION ABOUT THE COMMITTEE'S MEMBERSHIP AND OPERATION

COMMITTEE COMPOSITION

The Chair and members of the Committee are shown on pages 98 to 99, together with their biographical information. Three meetings were held during 2022 and the attendance of Committee members is shown on page 124.

The Chair, CEO and other Non-Executive Directors who are not members of the Committee have a standing invite to attend, and the CFO and CHRO also attend meetings by invitation, as appropriate. The Executive Directors are not present when their own remuneration arrangements are discussed or, if they are, they do not participate in the decision making process.

EXTERNAL ADVISOR

Korn Ferry was appointed as external independent advisor to the Committee in 2017 following a competitive tender process. During 2022, Korn Ferry provided advice to the Committee in relation to emerging market practice and benchmarking. Through a separate advisory team to the remuneration advisory team, Korn Ferry provided other human capital related services to the Nomination Committee. The Committee is therefore satisfied that the advice received was objective and independent. Korn Ferry is a member of the Remuneration Consultants Group and abides by the voluntary code of conduct of that body, which is designed to ensure objective and independent advice is given to remuneration committees. More information regarding the role of Korn Ferry in advising the Nomination Committee can be found on pages 116-117. Fees paid to Korn Ferry for remuneration advisory services in 2022 were £39,630 (excluding VAT) and were charged on a time and materials basis.

TERMS OF REFERENCE

A full description of the Committee's terms of reference is available on the Company's website at www.elementis.com.

ACTIVITIES DURING THE YEAR

The Committee ensures that the Policy promotes sustained performance of the Company and is aligned with shareholder interests with incentive pay based on growing profits and delivering above average total shareholder return. In line with the business operations as a global specialty chemicals company, our Policy is designed with a bias towards long term performance. In line with this strategy, the performance metrics are selected to focus on profitable growth and delivering above average total shareholder returns.

The Committee considers the Directors' remuneration in the context of remuneration practices across the Group, considering pay ratios (including the CEO pay ratio and gender pay gap), internal relativities, and external benchmarking. The Committee is of the opinion that the Policy is currently operating as intended, and provides a strong link between Company performance and outturns.

During the Policy review in 2022, the Committee considered the clarity, simplicity, risk alignment, predictability of outcomes, proportionality and alignment with culture. These are also considered when implementing the Policy. For example, salary increases are considered in the context of the increases provided to the wider employee population, the measures used in the incentive schemes are directly linked to the KPIs used within the business, and both the annual bonus and LTIP have clearly defined performance targets.

Shareholders were consulted during the Policy review in 2022, with their views taken into account in agreeing the changes recommended.

Committee meeting dates	Agenda items
February 2022	• 2019 LTIP performance outcomes • 2021 Executive Director bonus awards • 2022 LTIP targets/performance conditions and delegated authority to grant the 2022 awards • ELT salary review and bonus payments • CEO pay ratio calculations • Approval of final draft of Directors' Remuneration report • Investor engagement regarding FY2022 Directors' Remuneration Policy
July 2022	• Market update and Remuneration Policy review discussion proposals • Employee share schemes
December 2022	• Update on workforce pay reviews • 2023 salary reviews for Paul Waterman and Ralph Hewins • Chair's fee review • Update on FY 2022 performance against annual bonus targets • Application of Remuneration Policy in 2023 • Gender Pay Gap review • Global benefits review • Workforce engagement • Committee terms of reference

Outside of the above meeting dates, the Committee considered and confirmed operational matters in appropriate forums (e.g. the Executive Directors' annual bonus targets, and granting of the 2022 LTIP awards).

EVALUATION, TRAINING AND DEVELOPMENT

On an annual basis, the Committee's effectiveness is reviewed as part of the evaluation of the Board. Following the evaluation last year, there were no major issues to report. During 2022, Committee members were updated on the latest developments on executive remuneration and all members received briefings from the Group General Counsel & Company Secretary and the Committee's remuneration advisers throughout the year, to keep them updated on topical matters and developments relating to executive remuneration.

AUDITABLE SECTIONS OF THE DIRECTORS' REMUNERATION REPORT

The sections of the Annual Report on Remuneration that are required to be audited by law are as follows: Remuneration payable to Directors for 2022 and Directors' retirement benefits; and tables headed Annual LTIP awards granted in the year, Directors' scheme interests, Directors' share interests and Directors' retirement benefits.

Steve Good
Chair, Remuneration Committee
6 March 2023

Directors' report

The Directors present the Annual Report and Accounts together with the audited consolidated financial statements of the Company, and the Group, for the year ended 31 December 2022.

The Directors' report comprises pages 152 to 154 of this report, together with the information required to be disclosed referred to below which is incorporated by reference. The Company, in accordance with Section 414(C)(11) of the Companies Act 2006, has chosen to set out certain information required to be included in the Directors' report in the Strategic report. Such information is identified in the table below. The Governance report is set out on pages 96 to 155. Information from the consolidated financial statements referred to in this Directors' report is incorporated by reference.

Disclosure of information under Listing Rule 9.8.4

Carbon emissions, energy consumption and energy efficiency	Pages 52-60
Corporate Governance Framework	Page 103
Directors' share interests and remuneration	Pages 141, 147
Directors' training and development	Page 112
Employee equality, diversity and inclusion	Page 65
Employee engagement	Page 64
Environmental matters	Pages 36-70
Financial instruments and financial risk management	Pages 86-89
Innovation, Growth and Efficiency strategy	Pages 24-25
Long term incentive schemes	Page 125
Membership of Board	Pages 98-99
Modern Slavery Statement	Page 68
Non-financial information	Page 71
Principal risks	Pages 90-94
Results and dividend	Pages 76-81
Section 172(1) statement	Pages 74-75
Stakeholder engagement	Pages 72-73,106
Statement of Directors' responsibilities	Page 155
Sustainability	Pages 36-38
Viability and going concern statement	Page 95
Waiver of dividends	Pages 153

DIRECTORS

DIRECTORS AND THEIR INTERESTS

The biographical details of the Directors of the Company who held office during the year, and up to the date of the signing of the financial statements, are set out on pages 98 and 99. Anne Hyland also served during the year but stepped down from her role as independent Non-Executive Director at the AGM on 26 April 2022. Two new Directors have joined the Board during the year, Trudy Schoolenberg as Senior Independent Director on 15 March 2022 and Clement Woon as Non-Executive Director on 1 December 2022.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The Articles of Association (the 'Articles') give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, appointments are recommended by the Nomination Committee for approval by the Board. In line with the UK Corporate Governance Code, the Articles also require all Directors to retire and submit themselves for election at each AGM except for any Director appointed by the Board after the notice of the AGM has been given. The service contracts of the Executive Directors and letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office.

DIRECTORS' POWERS

The business of the Company is managed by the Board who may exercise all the powers of the Company, subject to the Company's Articles, the Companies Act 2006 and any special resolution of the Company. The exercise of certain powers, including in relation to the issuing or buying back of shares, requires authority from the Company's shareholders. The Articles may only be amended by special resolution of the Company at a general meeting of its shareholders.

DIRECTORS' CONFLICTS OF INTEREST

Ralph Hewins is in receipt of a conflict authorisation from the Company in respect of him acting as a trustee of the Elementis Group Pension Scheme.

The conflict authorisation enables Ralph Hewins to continue to act as a trustee notwithstanding that this role could give rise to a situation in which there is a conflict of interest. The Board considers that it is appropriate for the trustees of the UK pension scheme to benefit from the financial expertise of the CFO and that his contribution at trustees' meetings demonstrates the Board's commitment to supporting the UK pension scheme. The Board's conflict authorisation is subject to annual review and, under the terms of the conflict authorisation, reciprocal provisions have been put in place with a view of safeguarding information that is confidential to the Group, as well as to the trustees. Were a conflict of interest to arise, Ralph Hewins is required to excuse himself from reading the relevant papers and absent himself from participating in relevant discussions. Procedures are in place to ensure compliance with the Companies Act 2006. These procedures have been complied with during the year. Details of any new conflicts or potential conflicts matters are submitted to the Board for consideration and, where appropriate, are approved.

Authorised conflicts and potential conflict matters are reviewed on an annual basis and more frequently where required.

DIRECTORS' INSURANCE AND INDEMNITIES

In addition to the indemnity granted by the Company to Directors in respect of the liabilities incurred as a result of their office, a Directors' and Officers' liability insurance policy is maintained throughout the year. Neither the indemnity nor the insurance provides cover in the event that a Director has proven to have acted dishonestly or fraudulently. Similar arrangements also exist for Directors appointed to Group subsidiary entities.

DIRECTORS' SHARE INTERESTS

The Directors' interests in the ordinary shares and options of the Company can be found within the Directors' Remuneration report on pages 146 and 147.

SHARES

SHARE CAPITAL

As at 31 December 2022, the Company's issued share capital was 584,017,841 ordinary shares, with a nominal value of 5 pence each. Each issued share carries a voting right of one vote per share. All of the Company's issued shares are fully paid up and rank equally in all respects. The rights attached to the shares, in addition to those conferred on their holders by law, are set out in the Company's Articles.

From time to time, the ESOT holds shares in the Company for the purposes of various share incentive plans and the rights attaching to them are exercised by independent trustees, who may take into account any recommendation by the Company. As at 31 December 2022, the ESOT held 258,404 shares in the Company (2021: 446,534). A dividend waiver is in place in respect of all shares that may become held by the Trust.

Further details of the authorised and issued share capital during the financial year are provided in Note 17 to the accounts on page 191.

VOTING RIGHTS

In a general meeting of Elementis, the provisions of the Companies Act 2006 apply in relation to voting rights, subject to the provisions of the Articles and to any special rights or restrictions as to voting attached to any class of shares in Elementis (of which there are none).

Shareholders are entitled to attend and vote at any general meeting of the Company and a poll will be held on every resolution. Every member present in person or by proxy has, upon a poll, one vote for every share held. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 26 April 2023 will be set out in the Notice of Annual General Meeting.

DIVIDENDS

The Directors are not recommending the payment of a final dividend this year.

AUTHORITY TO PURCHASE OWN SHARES

The Company did not purchase any of its ordinary shares (2021: nil) during the year. All of the Company's 5p ordinary shares held in treasury were issued in satisfaction of awards under the Company's share-based incentive plans during the year and no shares were held in treasury at 31 December 2022 (2021: nil).

A special resolution will be proposed at the forthcoming Annual General Meeting to renew the Company's authority to purchase its own shares in the market up to a limit of 10% of its issued ordinary share capital. The maximum and minimum prices will be stated in the resolution at the date of the Annual General Meeting. The directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. The directors of the Company may consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This will give the Company the ability to reissue treasury shares quickly and cost effectively, and will provide the Company with additional flexibility in the management of its capital base.

Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10% anti-dilution limit set by The Investment Association. The directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

EMPLOYEE SHARE SCHEMES

The Company operates a number of employee share plans, details of which are set out in Note 26 to the consolidated financial statements and on page 146 of the Directors' Remuneration report.

SUBSTANTIAL SHAREHOLDERS

In accordance with the Disclosure Guidance and Transparency Rules (DTR), as at 31 December 2022 and 6 March 2023, the following interests in voting rights over the issued share capital of the Company had been notified.

	Ordinary shares	Percentage of issued share capital*	Nature of holding
Ameriprise Financial, Inc. and its group	57,361,641	9.86	Direct and Indirect
SFM UK Management LLP	33,337,634	5.74	Indirect
Franklin Mutual Advisers LLP	29,170,775	5.01	Indirect
Aberdeen Asset Managers Limited	23,056,448	4.97	Indirect
Schroders plc	22,517,387	4.91	Indirect
AXA Investment Managers S.A.	23,515,878	4.05	Indirect
Norges Bank	18,322,191	3.14	Direct
Odyssean Investment Trust LLP	18,000,000	3.09	Direct
Blackrock, Inc.	Below 5%	Below 5%	Indirect
FMR LLC	Below 5%	Below 5%	Indirect

* The percentage is as at date of notification

Information provided to the Company pursuant to the DTRs is published on a Regulatory Information Service and on the Company's website.

EMPLOYEES

EMPLOYMENT POLICIES AND EQUAL OPPORTUNITIES

Elementis policies seek to create a workplace that has an open atmosphere of trust, honesty and respect. Harassment or discrimination of any kind based on race, colour, religion, gender, age, national origin, citizenship, mental or physical disabilities, sexual orientation, veteran status, or any other similarly protected status is not tolerated. This principle applies to all aspects of employment, including recruitment and selection, training and development, promotion and retirement. Employees are free to join a trade union and participate in collective bargaining arrangements.

It is also a Group policy for applicants and employees who have a disability to reasonably accommodate them, where practicable, and to provide training, career development and promotion, as appropriate. It is Group policy not to discriminate on the basis of any unlawful criteria and its practices include prohibition on the use of child or forced labour.

Elementis supports the wider fundamental human rights of its employees worldwide, as well as those of our customers and suppliers, and further details set out in the Supportive Culture and Responsible Business sections on pages 61-70.

Directors' report continued

EMPLOYEE COMMUNICATIONS AND INVOLVEMENT

The Company is committed to employee involvement throughout the business. Employees are kept informed of the performance and strategy of the Group via email. Videoconference calls are held by the CEO to employees worldwide and these serve as an informal forum for employees to ask topical questions about the Group. Further information can be found on page 63.

RESEARCH AND DEVELOPMENT ACTIVITIES

Innovation is a core strategic priority. Our innovation expertise and capability is focused on delivering products that address our customers needs.

As at 31 December 2022, 100 employees were engaged in global research and development activities. For further information on our approach to innovation, please refer to pages 22-23 and 26-27.

During the year ended 31 December 2022, costs relating to research and development activities were $8m (2021: $7.5m).

ADDITIONAL INFORMATION

GOING CONCERN AND VIABILITY STATEMENT

The Directors consider that the Group and the Company have adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements. The UK Corporate Governance Code requires the Directors to assess and report on the prospects of the Group over a longer period. This longer term viability statement is set out on page 95.

AUDIT INFORMATION

Each Director of the Company on 7 March 2023, the date this Directors' report was approved, confirms that so far as they are aware, there is no relevant audit information of which the Company's auditors, Deloitte LLP, are unaware and that they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Following recommendation by the Audit Committee, resolutions to re-appoint Deloitte LLP as auditors and to authorise the Audit Committee to fix their remuneration will be proposed at the forthcoming AGM. The remuneration of the auditors for the year ended 31 December 2022 is fully disclosed in Note 7 to the financial statements on page 184.

ANNUAL GENERAL MEETING

The 2023 AGM will be held at 10.00am on Wednesday 26 April 2023 at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD. Details of the resolutions to be proposed at the AGM are set out in the Notice of AGM, which has been sent to shareholders and is available on the Elementis corporate website: www.elementis.com.

SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

There are a number of significant agreements which the Company is party to that take effect, alter or terminate in the event of change of control of the Company. The Company is a guarantor under the Group's $150m and €143m long term loans, and $375m RCF and, in the event of a change of control, any lender among the facility syndicate, of which there are 13 with commitments ranging from $10m to $93m, may withdraw from the facility and that lender's participation in any loans drawn down are required to be repaid.

The rules of the Company's various share incentive schemes set out the consequences of a change of control of the Company on the rights of the participants under those schemes. Under the rules of the respective schemes, participants would generally be able to exercise their options on a change of control, provided that the relevant performance conditions have been satisfied and, where relevant, options are not exchanged for new options granted by an acquiring company.

In the event of a takeover or other change of control (usually excluding an internal reorganisation), outstanding awards under the Group's incentive plans vest and become exercisable (including DSBP cash awards and LTIP awards), to the extent any performance conditions (if applicable) have been met, and subject to time pro-rating (if applicable) unless determined otherwise by the Board in its discretion, in accordance with the rules of the plans. In certain circumstances, the Board may decide (with the agreement of the acquiring company) that awards will instead be cancelled in exchange for equivalent awards over shares in the acquiring company.

POLITICAL DONATIONS

The Group made no political donations during the year (2021: $nil).

BRANCHES

As a global Group, Elementis' interests and activities are held or operated through subsidiaries, branches, joint arrangements or associates which are established in, and subject to the laws and regulations of, many different jurisdictions.

OTHER INFORMATION

Information about the Group's financial risk management and exposure to financial market risks are set out in Note 23 to the financial statements on pages 198-202.

EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2023, the Talc and Coatings segments merged to form a new segment called Performance Specialties.

On 31 January 2023, the Group completed the sale of its Chromium business to the Yildirim Group for an enterprise value of $170m, of which total cash proceeds of $119m were received.

On 31 January 2023, the Group repaid $83m of its US dollar borrowings and €31.4m of its euro borrowings.

During Feburary 2023, the Group was notified that the Administrative Court in Finland has revoked its permit for the expansion of mining operations at the Uutela mine located in Sotkamo, Finland. The permit was previously issued by the Finnish Safety and Chemicals Agency, the body empowered to issue such permits. The Group intends to appeal the decision. If the appeal were to be unsuccessful, the impact would be to reduce the Talc ore available to the Group by approximately 6%.

There were no other significant events after the balance sheet date.

On behalf of the Board:

Anna Lawrence
Group General Counsel & Company Secretary
6 March 2023

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations. Detailed below are statements made by the Directors in relation to their responsibilities:

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the UK. The financial statements also comply with the IFRS as issued by the International Accounting Standards Board (IASB).

The Directors have also chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 Reduced Disclosure Framework – Disclosure exemptions from EU-adopted IFRS for qualifying entities (FRS 101).

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 Company and of the profit or loss for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 which comply with that law and 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.

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors, who are appointed at the date of approval of this report, confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with the relevant financial reporting framework, 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;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 6 March 2022 and is signed on its behalf by:

Paul Waterman	**Ralph Hewins**
CEO	CFO

Report on the audit of the financial statements

1. OPINION

In our opinion:

- the financial statements of Elementis plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the consolidated financial statement related notes 1 to 33; and
- the parent company statutory accounts related notes 1 to 11.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 7 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of goodwill and intangible assets in relation to the Talc cash generating unit; and • Revenue recognition, including cut off. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was $3.8 million (2021: $2.8 million). Materiality was set on the basis of 5% of forecast adjusted profit before tax from all operations ("adjusted PBT") (2021: 5% of forecast adjusted profit before tax). See section 6.1 for more details.
Scoping	We have performed full scope audits or audits of specified account balances of seven components which contribute 95% of the group's revenue and 95% of the group's profit before tax.
Significant changes in our approach	In the current year we reduced the scope of work previously performed in speciality products operations in Taiwan and Germany and increased the scope of work performed on speciality product operations in India. No other significant changes to our approach have been taken.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting, included:

- evaluating the group's financing facilities including the nature of facilities, repayment terms and covenants including the tightening of the net debt to EBITDA ratio covenant for the 2023 measurement periods onwards. Further information is set out on page 95 of the annual report;
- recalculating and assessing of the amount of forecast headroom on the loan covenants;
- evaluating the reverse stress test prepared by management and performing a sensitivity analysis to
- consider specific scenarios, including a reduction in revenue and associated profits; and
- challenged management on the assumptions used in the cash flow model used to prepare the going concern forecast. This includes testing of clerical accuracy of the model, assessment of the historical accuracy of forecasts prepared by management and reviewing the balance sheet for items which could potentially result in a cash outflow.
- evaluating management's going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS IN RELATION TO THE TALC CGU

Key audit matter description	The financial performance of the Talc cash generating unit (CGU) has continued to decline below that forecast by management in 2021 despite measures taken by management to improve pricing. Talc's business performance in 2022 and the future forecast have been impacted by the slowdown in the automotive industry, the ongoing war in Ukraine affecting demand and by increased distribution and supply chain costs. In addition, market factors have resulted in an increase in the pre-tax discount rate used to discount forecast cash flows from 10.0% in 2021 to 12% in 2022. Management recognised an impairment charge of $111.4m, reducing the goodwill balance of the Talc CGU to nil as at 31 December 2022 (2021: $53.1m). Management performed an impairment review at 31 October 2022, consistent to prior year. No further impairment indicators requiring a further impairment review were identified in the period between 31 October 2022 to year end. As described in note 1 to the financial statements, the annual impairment review involves judgement in relation to forecasting future cash flows. At the planning stage of our audit, we identified the Talc CGU as being sensitive to variations in future forecast cash flows and we identified the forecast revenue growth in the short-term and growth in the levels of contribution margins as key assumptions which could be manipulated due to fraud. Management has highlighted impairment of goodwill as a key source of estimation uncertainty and provided disclosure on the sensitivity of the Talc CGU to reasonably possible changes in key assumptions in note 10. These significant judgement areas are also referred to within the Audit Committee report on page 121.

How the scope of our audit responded to the key audit matter	Our procedures included: • Gaining an understanding of the Group and Talc management's process for developing the short-term cash flow assumptions and the relevant controls mitigating the risks identified in the impairment process; • Performing sensitivity analysis to identify the key assumptions that have a significant effect on the model as part of our risk assessment process; • Challenging the period over which the model has been prepared both for the 5 year short-medium term forecast period and the 65 year long term life ; • Meeting with Talc management to understand and challenge the revenue growth forecasts and the reasons for the changes to the forecasts in the current year including from the half year reporting date to year end date; • Challenging the key assumptions underpinning management's forecast revenue and contribution margin growth, including by reference to past actual performance and available third party evidence; Evaluating management's price increases included in the revenue forecasts by tracing them to price changes enacted in FY22. • Considering available market data, as well as inflation and GDP forecasts, to assess and challenge the forecast sales volume increases and longer term growth rates; • Evaluating the rationale for underperformance in FY22 of the talc CGU and determining if there is a longer term associated impact. • Evaluating the impact of climate related risks on the forecasts prepared by management. • Assessing the historical accuracy of forecasts by comparing the current period actual trading performance against the FY22 planned expectations; • Involving our internal valuation specialists to challenge the discount rate applied; this was done by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable organisations, and by evaluating the underlying process used to determine the risk adjusted cash flow projections; • Evaluating the integrity of the impairment models through testing of the mathematical accuracy, checking the application of the input assumptions and testing its compliance with IAS 36; and • Assessing the appropriateness of the reasonable possible change and sensitivity disclosures included by management in note 10 to the financial statements, challenging management's choice regarding the assumptions to be sensitised, and re-performing the underpinning calculations.
Key observations	We are satisfied that management's conclusion that an impairment charge of $111.4m is appropriate ($103.4m recognised through the profit or loss and $8.0m recognised through OCI due to exchange rate movements) . We consider the disclosure in the judgements and estimates section of note 1 provided concerning the impairment of assets in the Talc CGU together with the reasonable possible change sensitivity provided in note 10 to be appropriate.

5.2. REVENUE RECOGNITION IN RELATION TO CUT OFF

Key audit matter description	During the year the Group recognised revenue from all operations of $921.4m (2021: $880.1m) and recorded a cut off adjustment of $11.1m (2021: $12.0m). At the year end, manual adjustments are made by management for goods which have been despatched but where, under the terms of sale, the control of the goods has yet to pass to the customer; this is done because the Group's systems record revenue on despatch. Management determines the point at which the performance obligation has been fulfilled based on different shipping terms and estimates the delivery times to the point at which control passes to the customer. The Group trades globally and a change in the number of days estimated for shipments to transfer to the customer can have a material impact on the cut off adjustment. The accounting policy is described in note 1 where this is also included as a critical accounting judgement. These significant judgement areas are also referred to within the Audit Committee report on page 121.
How the scope of our audit responded to the key audit matter	Our procedures included: • Performing walkthroughs of each signficant class of revenue transaction and assessing the design and effectiveness of key financial controls. • Reviewing and assessing the commercial arrangements, to determine the correct point of revenue recognition for different shipping arrangements and agreements with customers; • Testing a sample of revenue transactions at each component and obtaining support for appropriate revenue recognition including shipping documentation and payments received; • Selecting a sample of international shipments made pre-year end for time periods varying by destination port and therefore transit time for shipments and agreeing these to invoice, shipment and order details and goods receipt notes; • Engaging our data analytics team to assess the accuracy and formulae of management's cut off calculations; • Challenging management's assumptions used in their cut off calculation for reasonableness and consistency and substantively testing of international shipments both pre and post year-end; and • Testing a sample of post year end credit notes raised to determine if revenue was inappropriately recognised in 2022.

Key observations	We completed our planned audit procedures with no exceptions noted. We are satisfied that that management has completed appropriate cut off adjustments at the year end to take into account those sales where control has not transferred.

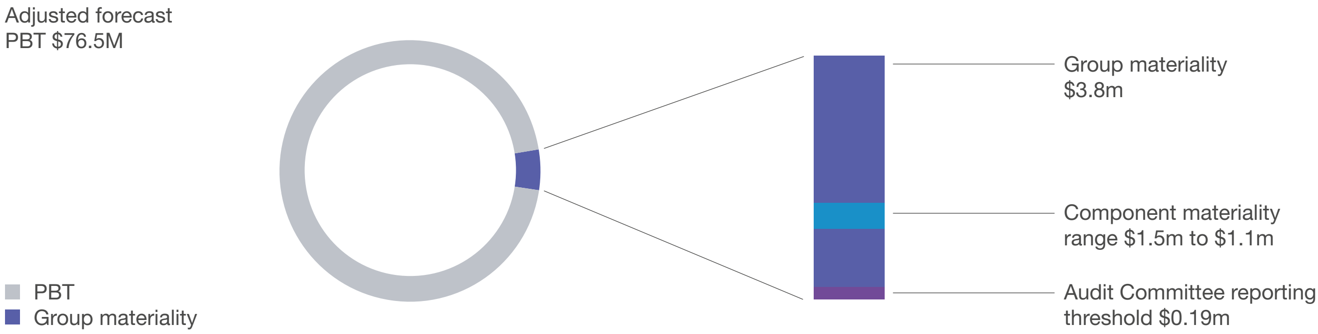
6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	$3.8 million (2021: $2.8 million)	$1.1 million (2021: $1.4 million)
Basis for determining materiality	The materiality that we used for the group financial statements was $3.8 million (2021: $2.8 million) which was determined on the basis of 5.0% of adjusted forecast profit before tax from all operations without adjustment for amortisation of purchased intangibles arising on acquisition.	A factor of 3% of net assets was used capped to an appropriate component materiality of 50% (2021: 50%) of Group materiality.
Rationale for the benchmark applied	We have considered the users of the financial statements when selecting the appropriate benchmark. Earnings based metrics tend to be of more interest to the analyst and investor-based communities. Adjusted profit before tax is a suitable measurement for profit orientated entities. In determining adjusted profit before tax, we did not exclude the results from the Chromium business, because the transaction was completed after the balance sheet date.	We have used net assets in determining materiality as we believe this is an appropriate basis for materiality as it reflects the nature of the parent company as a holding company and its contribution to the Group performance.



6.2. PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	60% (2021: 60%) of group materiality	60% (2021: 60%) of parent company materiality
Basis and rationale for determining performance materiality	We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered our past experience of the group and our risk assessment, including our assessment of the group's overall control environment. A number of control deficiencies were identified for the years ended 31 December 2021 and 2022, which were reported to the Audit Committee. In determining performance materiality for the current year, we therefore considered the value and number of corrected and uncorrected misstatements in the previous year, as well as the likelihood of these recurring in the current year. Further discussion regarding the control environment is included in section 7.2.	

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $191,000 (2021: $140,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

There are seven components for the 2022 year end audit (2021: eight), of which the first five below are significant to the Group:

- the Talc operation in Netherlands and Finland.
- the Chromium operations in the US;
- the Chromium operations in the UK;
- the Specialty products operations in the US;
- the Specialty products operations in the UK;
- the Specialty products operations in China; and
- the Specialty products operations in India.

In the current year we reduced the scope of work previously performed in speciality products operations in Taiwan and Germany and increased the scope of work performed on speciality product operations in India.

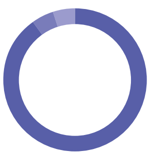
All of these locations were subject to full scope audits or audits of specified accounts balances.

Our audit work on the seven components was executed at levels of performance materiality applicable to each individual entity which were lower than Group materiality and ranged from $1.5 million to $1.1 million (2021: $1.2 million to $0.8 million).

The in-scope locations represent the principal business units within the Group's operating divisions and account for 95% (2021: 96%) of the Group's revenue and 95% (2021: 98%) of the Group's profit/(loss) before tax.

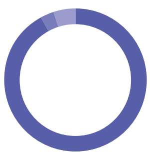
At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. The parent company is located in the UK and is audited directly by the Group audit team.

Revenue



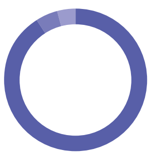
- Full audit scope 90%
- Specified audit procedures 5%
- Review at group level 5%

Profit before tax



- Full audit scope 92%
- Specified audit procedures 3%
- Review at group level 5%

Net assets



- Full audit scope 91%
- Specified audit procedures 5%
- Review at group level 4%

7.2. OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

Our audit for the prior period identified a number of control deficiencies. The nature of these deficiencies primarily related to the preparation of the goodwill impairment models used and the precision of the management review controls of those models; and user access and segregation of duties within the IT systems.

During the current year audit, we noted that actions have been initiated and in some cases fully implemented by management to address the deficiencies previously identified.

We have not relied on internal controls during our audit. We have involved IT specialists to test the design and implementation and operating effectiveness of general IT controls over the JD Edwards System. We have evaluated design and implementation of relevant internal controls over financial reporting, revenue, goodwill impairment, going concern, tax, inventory and environmental provisions. As described in the Internal controls and risk management section of pages 88 and 89, the Audit Committee will continue to oversee the actions taken to monitor and improve the internal control environment.

7.3. OUR CONSIDERATION OF CLIMATE-RELATED RISKS

Climate change and the transition to a low carbon economy ("climate change") were considered in our audit where they have the potential to directly or indirectly impact key judgements and estimates within the financial statements. The Group continues to develop its assessment of the potential impacts of climate change, as explained in the Chief Executive Officer's review within the strategic report on page 9. Management has disclosed their climate risk considerations on page 45 primarily in relation to the key judgements and estimates in the assessment of the carrying value of non-current assets and environmental provisions. The key judgements and estimates included in the financial statements incorporate actions and strategies, to the extent they have been approved and can be reliably estimated in accordance with the Group's accounting policies. With the involvement of our ESG specialists, we assessed this disclosure by performing inquiries with management and independent industry research, and we did not identify any climate related material risks of misstatement. We also considered whether information included in the climate related disclosures in the Annual Report were materially consistent with our understanding of the business and the financial statements.

7.4. WORKING WITH OTHER AUDITORS

The Group audit was conducted exclusively by a global network of Deloitte member firms under the direction and supervision of the UK Group audit team, with exception of Speciality UK and Chromium UK operations where the Group audit team performed the audit without the involvement of a component team. Component auditors were assigned to perform audit procedures in line with the scoping of the respective components within their jurisdiction. For the Group audit, the component auditors focused on components classified for full scope and specified audit procedures. Further work was performed at a Group level over the consolidation and components not in scope. Dedicated members of the Group audit team were assigned to each component to facilitate an effective and consistent approach to component oversight.

The planned programme which we designed as part of our involvement in the component auditor's work was delivered over the course of the Group audit. The extent of our involvement which commenced from the planning phase included:

- Setting the scope of the component auditor and assessment of the component auditor's independence.
- Designing the audit procedures for all significant risks to be addressed by the component auditors and issuing Group audit instructions detailing the nature and form of the reporting required by the Group engagement team.

Frequent calls and meetings (including in person meetings) were held between the Group and component teams and our procedures included, where appropriate, providing direction on enquiries made by the component auditors through online and telephone conversations, a review of each component auditor's engagement file by a senior member of the Group audit team and Group team virtual or in-person attendance at local component audit close meetings. Component visits were performed at US and Netherland sites.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, pensions, IT, financial instruments, valuation, environmental and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: impairment of goodwill and intangibles for the Talc cash generating unit. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, and tax legislation and the sector it operates in.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty which included environmental regulations.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD CONTINUED

11.2. AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified impairment of goodwill and intangibles for the Talc cash generating unit as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and environmental regulators; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 95;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 95;
- the directors' statement on fair, balanced and understandable set out on page 155;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 88-89;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 88-89; and
- the section describing the work of the audit committee set out on pages 119-123.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

15.1. AUDITOR TENURE

Following the recommendation of the audit committee, we were appointed by the Board on 27 April 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 31 December 2016 to 31 December 2022.

15.2. CONSISTENCY OF THE AUDIT REPORT WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. USE OF OUR REPORT

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Lee Welham FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom

6 March 2022

Consolidated income statement

For the year ended 31 December 2022

	NOTE	2022 $m	2021[1] $m
Revenue	2	**736.4**	709.4
Cost of sales		**(437.5)**	(420.4)
Gross profit		**298.9**	289.0
Distribution costs		**(125.0)**	(126.1)
Administrative expenses		**(215.7)**	(151.0)
Operating (loss)/profit	2	**(41.8)**	11.9
Loss on disposal	32	**–**	(1.7)
Other expenses[2]	25	**(1.3)**	(2.0)
Finance income	3	**9.9**	11.0
Finance costs	4	**(21.6)**	(26.7)
Loss before income tax		**(54.8)**	(7.5)
Tax	6	**(7.8)**	(0.4)
Loss from continuing operations	7	**(62.6)**	(7.9)
Profit from discontinued operations	32	**11.5**	10.4
(Loss)/profit for the year		**(51.1)**	2.5
Attributable to:			
Equity holders of the parent		**(51.1)**	2.5
EARNINGS PER SHARE			
From continuing operations			
Basic loss (cents)	9	**(10.7)**	(1.4)
Diluted loss (cents)	9	**(10.7)**	(1.4)
From continuing and discontinued operations			
Basic (loss)/earnings (cents)	9	**(8.8)**	0.4
Diluted (loss)/earnings (cents)	9	**(8.8)**	0.4

1 2021 has been represented following the classification of the Chromium business as a discontinued operation, see Note 32 for further details.
2 Other expenses comprise administration expenses for the Group's pension schemes.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	NOTE	2022 $m	2021[1] $m
(LOSS)/PROFIT FOR THE YEAR		**(51.1)**	2.5
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit and loss:			
Remeasurements of retirement benefit obligations	25	**(18.5)**	64.3
Deferred tax associated with retirement benefit obligations		**5.3**	(14.6)
Items relating to discontinued operations, net of tax	25	**0.3**	(0.8)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations	22	**(100.9)**	(29.1)
Effective portion of change in fair value of net investment hedge	22	**46.2**	10.7
Tax associated with change in fair value of net investment hedge		**(2.8)**	1.8
Tax associated with changes in cashflow hedges		**0.8**	(0.4)
Recycling of deferred foreign exchange gains on disposal		**–**	(0.4)
Effective portion of changes in fair value of cash flow hedges	22	**(2.6)**	(0.1)
Fair value of cash flow hedges transferred to income statement	22	**1.6**	2.7
Exchange differences on translation of share options reserves		**(0.9)**	–
Other comprehensive (loss)/income		**(71.5)**	34.1
Total comprehensive (loss)/income for the year		**(122.6)**	36.6
Attributable to:			
Equity holders of the parent		**(122.6)**	36.6

1 2021 has been represented following the classification of the Chromium business as a discontinued operation, see Note 32 for further details.

Consolidated balance sheet

As at 31 December 2022

	Note	2022 31 December $m	2021 31 December $m
NON-CURRENT ASSETS			
Goodwill and other intangible assets	10	**660.2**	815.7
Property, plant and equipment	11	**386.4**	499.7
Tax recoverable	30	**17.5**	19.7
Financial assets	21	**1.3**	–
Deferred tax assets	16	**24.8**	28.0
Net retirement benefit surplus	25	**26.4**	56.6
TOTAL NON-CURRENT ASSETS		**1,116.6**	1,419.7
CURRENT ASSETS			
Inventories	12	**182.0**	186.1
Trade and other receivables	13	**94.9**	138.9
Financial assets	21	**10.7**	0.2
Current tax assets		**7.0**	7.1
Cash and cash equivalents	20	**54.9**	84.6
TOTAL CURRENT ASSETS		**349.5**	416.9
Assets classified as held for sale	32	**160.9**	–
TOTAL ASSETS		**1,627.0**	1,836.6
CURRENT LIABILITIES			
Bank overdrafts and loans	19	**(2.7)**	–
Trade and other payables	14	**(135.4)**	(161.0)
Financial liabilities	21	**(3.3)**	(1.4)
Current tax liabilities		**(20.2)**	(17.4)
Lease liabilities	24	**(6.1)**	(6.4)
Provisions	15	**(5.8)**	(8.7)
TOTAL CURRENT LIABILITIES		**(173.5)**	(194.9)
NON-CURRENT LIABILITIES			
Loans and borrowings	21	**(414.7)**	(482.5)
Retirement benefit obligations	25	**(8.9)**	(17.3)
Deferred tax liabilities	16	**(131.3)**	(150.0)
Lease liabilities	24	**(30.2)**	(33.8)
Provisions	15	**(23.9)**	(53.1)
Financial liabilities	21	**(2.8)**	(4.0)
TOTAL NON-CURRENT LIABILITIES		**(611.8)**	(740.7)
Liabilities classified as held for sale	32	**(57.8)**	–
TOTAL LIABILITIES		**(843.1)**	(935.6)
NET ASSETS		**783.9**	901.0
EQUITY			
Share capital	17	**52.3**	52.2
Share premium		**238.7**	240.8
Other reserves	18	**42.1**	90.7
Retained earnings		**450.8**	517.3
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**783.9**	901.0
TOTAL EQUITY		**783.9**	901.0

The financial statements on pages 164 to 214 were approved by the Board on 6 March 2023 and signed on its behalf by:

Paul Waterman
CEO

Ralph Hewins
CFO

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Share capital $m	Share premium $m	Translation reserve $m	Hedging reserve $m	Other reserves $m	Retained earnings $m	Total equity $m
BALANCE AT 1 JANUARY 2021	52.1	237.7	(48.9)	(8.9)	166.4	462.0	860.4
Comprehensive income							
Profit for the year	–	–	–	–	–	2.5	2.5
Other comprehensive income:							
Exchange differences	–	–	(18.4)	–	–	–	(18.4)
Recycling of deferred foreign exchange gains on disposal	–	–	(0.4)	–	–	–	(0.4)
Fair value of cash flow hedges transferred to the income statement	–	–	–	2.7	–	–	2.7
Effective portion of changes in fair value of cash flow hedges	–	–	–	(0.1)	–	–	(0.1)
Tax associated with changes in cashflow hedges	–	–	–	–	–	(0.4)	(0.4)
Tax associated with change in fair value of net investment hedge	–	–	–	–	–	1.8	1.8
Remeasurements of retirement benefit obligations	–	–	–	–	–	63.5	63.5
Deferred tax adjustment on pension scheme deficit	–	–	–	–	–	(14.6)	(14.6)
Transfer	–	–	–	–	(1.4)	1.4	–
Total other comprehensive income/(loss)	–	–	(18.8)	2.6	(1.4)	51.7	34.1
Total comprehensive income/(loss)	–	–	(18.8)	2.6	(1.4)	54.2	36.6
Transactions with owners:							
Issue of shares by the Company	0.1	3.1	–	–	(3.1)	–	0.1
Deferred tax on share based payments recognised within equity	–	–	–	–	–	1.1	1.1
Share based payments	–	–	–	–	5.1	–	5.1
Fair value of cash flow hedges transferred to net assets	–	–	–	(2.3)	–	–	(2.3)
Total transactions with owners	0.1	3.1	–	(2.3)	2.0	1.1	4.0
BALANCE AT 31 DECEMBER 2021	52.2	240.8	(67.7)	(8.6)	167.0	517.3	901.0
BALANCE AT 1 JANUARY 2022	**52.2**	**240.8**	**(67.7)**	**(8.6)**	**167.0**	**517.3**	**901.0**
Comprehensive income							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(51.1)**	**(51.1)**
Other comprehensive loss:							
Exchange differences	**–**	**–**	**(54.7)**	**–**	**(0.9)**	**–**	**(55.6)**
Fair value of cash flow hedges transferred to the income statement	**–**	**–**	**–**	**1.6**	**–**	**–**	**1.6**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**(2.6)**	**–**	**–**	**(2.6)**
Tax associated with changes in cashflow hedges	**–**	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Tax associated with change in fair value of net investment hedge	**–**	**–**	**–**	**–**	**–**	**(2.8)**	**(2.8)**
Remeasurements of retirement benefit obligations	**–**	**–**	**–**	**–**	**–**	**(18.2)**	**(18.2)**
Deferred tax adjustment on pension scheme deficit	**–**	**–**	**–**	**–**	**–**	**5.3**	**5.3**
Transfer	**–**	**–**	**–**	**7.8**	**(4.0)**	**(3.8)**	**–**
Total other comprehensive income/(loss)	**–**	**–**	**(54.7)**	**6.8**	**(4.9)**	**(18.7)**	**(71.5)**
Total comprehensive income/(loss)	**–**	**–**	**(54.7)**	**6.8**	**(4.9)**	**(69.8)**	**(122.6)**
Transactions with owners:							
Issue of shares by the Company	**0.1**	**0.8**	**–**	**–**	**–**	**–**	**0.9**
Deferred tax on share based payments recognised within equity	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Share based payments	**–**	**–**	**–**	**–**	**3.4**	**–**	**3.4**
Fair value of cash flow hedges transferred to net assets	**–**	**–**	**–**	**0.8**	**–**	**–**	**0.8**
Reserve reclassification[1]	**–**	**(2.9)**	**–**	**–**	**–**	**2.9**	**–**
Total transactions with owners	**0.1**	**(2.1)**	**–**	**0.8**	**3.4**	**3.3**	**5.5**
BALANCE AT 31 DECEMBER 2022	**52.3**	**238.7**	**(122.4)**	**(1.0)**	**165.5**	**450.8**	**783.9**

1 Reclassification adjustments to correct share premium and retained earnings reserves as at 31 December 2022.

Consolidated cash flow statement

For the year ended 31 December 2022

	Note	2022 $m	2021 $m
OPERATING ACTIVITIES:			
(Loss)/profit from continuing operations		**(51.1)**	2.5
Adjustments for:			
Other expenses		**1.4**	2.1
Finance income		**(9.9)**	(11.0)
Finance costs		**22.3**	27.8
Tax charge		**10.7**	3.3
Depreciation and amortisation		**65.0**	68.3
Impairment loss on property, plant and equipment	11	**23.0**	–
(Decrease)/increase in provisions and financial liabilities		**(9.3)**	0.8
Pension payments net of current service cost	25	**(1.0)**	(0.1)
Share based payments expense	26	**3.4**	5.1
Impairment of goodwill	10	**103.4**	52.3
Loss on disposal of business	32	**–**	1.7
Operating cash flow before movement in working capital		**157.9**	152.8
Increase in inventories		**(72.1)**	(24.2)
Decrease/(increase) in trade and other receivables		**4.6**	(33.8)
Increase in trade and other payables		**14.8**	26.3
Cash generated by operations		**105.2**	121.1
Income taxes paid		**(13.4)**	(30.9)
Interest paid	4	**(14.8)**	(23.5)
NET CASH FLOW FROM OPERATING ACTIVITIES		**77.0**	66.7
INVESTING ACTIVITIES:			
Interest received		**0.2**	0.3
Disposal of property, plant and equipment		**–**	0.7
Purchase of property, plant and equipment	11	**(46.9)**	(52.7)
Purchase of business	33	**–**	(0.2)
Disposal of business	32	**–**	0.5
Acquisition of intangible assets	10	**(0.2)**	(0.4)
Contingent consideration paid	21	**–**	(13.2)
NET CASH FLOW FROM INVESTING ACTIVITIES		**(46.9)**	(65.0)
FINANCING ACTIVITIES:			
Issue of shares by the Company and the ESOT net of issue costs		**0.9**	0.1
Net movement on existing debt	28	**(51.6)**	(18.7)
Payment of interest on lease liabilities	24	**(1.4)**	(1.6)
Payment of gross lease liabilities	24	**(5.7)**	(5.1)
NET CASH USED IN FINANCING ACTIVITIES		**(57.8)**	(25.3)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(27.7)**	(23.6)
Cash and cash equivalents at 1 January		**84.6**	111.0
Foreign exchange on cash and cash equivalents		**(2.0)**	(2.8)
Less: cash and cash equivalents classified as held for sale	32	**–**	–
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	20	**54.9**	84.6

Notes to the consolidated financial statements

For the year ended 31 December 2022

1. ACCOUNTING POLICIES

Elementis plc is a public company limited by shares incorporated and domiciled in England and is the parent company of the Group. The address of its registered office is The Bindery, 5th Floor, 51-53 Hatton Garden, London, EC1N 8HN. The Group financial statements have been prepared and approved by the Directors in accordance with UK adopted international accounting standards. The Company has elected to prepare its parent company financial statements in accordance with FRS 101. These are presented on pages 215 to 221.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the UK. These financial statements also comply with IFRS as issued by the IASB.

The financial statements have been prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. The preparation of financial statements requires the application of estimates and judgements that affect the reported amounts of assets and liabilities, revenues and costs and related disclosures at the balance sheet date.

The financial statements have been prepared on a going concern basis. The rationale for adopting this basis is discussed in the Directors' report on page 154.

REPORTING CURRENCY

As a consequence of the majority of the Group's sales and earnings originating in US dollars or US dollar linked currencies, the Group has chosen the US dollar as its presentational currency. This aligns the Group's external reporting with the profile of the Group, as well as with internal management reporting. The functional currency of the parent is pounds sterling.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When applying the Group's accounting policies, management must make a number of key judgements on the application of applicable accounting standards and estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and judgements are based on factors considered to be relevant, including historical experience, which may differ significantly from the actual outcome. The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognised in the financial statements within the next year are discussed below. The development of the estimates and disclosures related to each of these matters has been discussed by the Audit Committee.

Climate change risks and opportunities, as detailed in climate strategy on pages 42 to 56, were considered as part of our five year financial plan. The five year financial plan has been utilised in the assessment of the carrying value of assets, impairment of goodwill, and the going concern and viability assessment.

CRITICAL ACCOUNTING JUDGEMENTS

The following is the sole critical judgement, as opposed to those involving estimations which are dealt with separately below, that the Directors have made in the process of applying the Group's accounting policies that has significant effect on the amounts recognised in the financial statements. Where relevant and practicable, sensitivity analyses are disclosed in the relevant notes to demonstrate the impact of changes in estimates or assumptions used.

REVENUE RECOGNITION

Judgement is exercised over how to determine the timing of revenue recognition for orders where the agreed terms are delivery to the destination point. The Group has compiled shipping estimates based on the destination country which are used to inform the timing of revenue recognition. In compiling these estimates management have used past experience and carrier standard shipping estimates to inform their decision making.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

A. ENVIRONMENTAL PROVISIONS

Provisions for environmental restoration are recognised where: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be estimated reliably.

Environmental provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Due to the long time horizons over which costs are anticipated, small changes in recurring annual cash outflows can have a significant cumulative impact on the total provision required. At 31 December 2022 the carrying value of environmental provisions was $27.5m. Further details of these provisions and a sensitivity assessment are given in Note 15.

B. VALUATION OF A DEFINED BENEFIT PENSION OBLIGATION

The key estimates made in relation to defined benefit pensions relate to the discount rate used to determine the present value of future benefit, the rate of inflation applied to plan assets, mortality rates and rates of salary growth. At 31 December 2022 the UK scheme, the largest of the Group's retirement plans, had a surplus of $26.4m whilst the US and other schemes were in a net deficit position of $8.9m in aggregate. Further details of pensions and a sensitivity analysis are given in Note 25.

C. IMPAIRMENT TESTING OF GOODWILL IN TALC CASH GENERATING UNIT (CGU)

Each year the Group carries out impairment tests of goodwill which require estimates to be made of the value in use of the cash generating units to which it is allocated. These value in use calculations are dependent on estimates of future cash flows, long-term growth rates and appropriate discount rates to be applied to future cash flows.

During the year ended 31 December 2022, a full impairment review was performed and an impairment charge of $103.4 million was recorded in respect of the goodwill held in the Talc CGU. At 31 October 2022 the Talc CGU had a carrying value of $244.6 million and no further impairment charge was required. Should the business experience further unforeseen deterioration of results, were there to be an increase in the pre-tax discount rate, or a reduction in the long-term growth rate, a future impairment may be required for these assets. Further details and sensitivity disclosures are included in Note 10.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition costs are accounted for as an expense in the period incurred.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A full list of the Group's subsidiaries is shown in Note 6 of the parent company financial statements.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

FOREIGN CURRENCY

A. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at exchange rates ruling at the dates the fair value was determined.

B. FINANCIAL STATEMENTS OF FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the average rates of exchange ruling for the relevant period. Exchange differences arising since 1 January 2004 on translation are taken to the translation reserve. They are recognised in the income statement upon disposal of the foreign operation. The Group may hedge a portion of the translation of its overseas net assets through US dollar and euro borrowings. From 1 January 2005, the Group has elected to apply net investment hedge accounting for these transactions where possible. Where hedging is applied, the effective portion of the gain or loss on an instrument used to hedge a net investment is recognised in equity. Any ineffective portion of the hedge is recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Freehold land is not depreciated. Leasehold property is depreciated over the period of the lease. Freehold buildings, plant and machinery, fixtures, fittings and equipment are depreciated over their estimated useful lives on a straight line basis. Depreciation methods, useful lives and residual values are assessed at the reporting date. No depreciation is charged on assets under construction until the asset is available for use.

Depreciation is charged on a straight-line basis over the estimated useful economic lives of the assets as follows:

Buildings	10 – 50 years
Plant and machinery	2 – 20 years
Fixtures, fittings and equipment	2 – 20 years
Right of use assets	Shorter of the useful economic life of the asset and the lease term

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within it will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Management regularly considers whether there are any indications of impairment to carrying values of property, plant and equipment. Impairment reviews are based on risk adjusted discounted cash flow projections. Significant judgement is applied to the assumptions underlying these projections which include estimated discount rates, growth rates, future selling prices and direct costs. Changes to these assumptions could have a material impact on the financial position of the Group and on the result for the year.

1. ACCOUNTING POLICIES CONTINUED

INTANGIBLE ASSETS

A. GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

INTANGIBLE ASSETS CONTINUED

B. RESEARCH AND DEVELOPMENT

Expenditure on pure research is recognised in the income statement as an expense as incurred. Under IAS 38, expenditure on development where research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised if the product or process will give rise to future economic benefits and where the cost of the capitalised asset can be measured reliably. Expenditure capitalised is stated as the cost of materials, direct labour and an appropriate proportion of overheads less accumulated amortisation. The length of development lifecycles, broad nature of much of the research undertaken and uncertainty until a late stage as to the ultimate commercial viability of a potential product can mean that the measurement criteria of IAS 38 regarding the probability of future economic benefits and the reliability of allocating costs may not be met, in which case expenditure is expensed as incurred.

C. CUSTOMER RELATIONSHIPS, BRANDS AND OTHER INTANGIBLE ASSETS

Customer relationships, brands and other intangible assets are stated at cost or when arising in a business combination, estimated fair value, less accumulated amortisation.

D. AMORTISATION

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets through the administrative expenses line item, unless such lives are indefinite. Goodwill is systematically tested for impairment each year. Other intangible assets, comprising customer lists, customer relationships, manufacturing processes and procedures, trademarks, non-compete clauses and patents are amortised over their estimated useful lives which range from 5 to 24 years.

IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS

The carrying amount of non-current assets other than deferred tax is compared to the asset's recoverable amount at each balance sheet date where there is an indication of impairment. For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

Each year the Group carries out impairment tests of its goodwill and other indefinite life intangible assets which requires an estimate to be made of the value in use of its CGUs. These value in use calculations are dependent on estimates of future cash flows and long term growth rates of the CGUs. Further details of these estimates are given in Note 10.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset(s). For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

IMPAIRMENT OF FINANCIAL ASSETS – EXPECTED CREDIT LOSSES

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on payment profiles and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward looking information in relation to macroeconomic factors that could affect the ability of customers to settle receivables.

The Group usually considers a financial asset in default when contractual payments are 120 days past due. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less estimated costs of completion and selling expenses. Cost, which is based on a weighted average, includes expenditure incurred in acquiring stock and bringing it to its existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads attributable to manufacture, based on normal operating capacity.

TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables are due for payment within one year and are thus classified as current. They are non-interest bearing and are stated at their nominal amount which is the original invoiced amount, less allowance for expected future credit losses. Estimates of future expected credit losses are informed by historical experience and management's expectations of future economic factors, further information on expected credit loss impairment is given in the impairment of financial assets accounting policy. Individual trade receivables are written off when management deem them to be no longer collectable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

LEASES

A lease liability is recognised when the Group obtains control of the right-of-use asset that is the subject of the lease. The lease liability is subsequently measured using the effective interest method, with interest charged to finance costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

At inception, the Group evaluates whether it is reasonably certain that any option to extend a lease term will be exercised or likewise whether any option to terminate the lease will be exercised. The Group continues to evaluate the likelihood of exercising such options throughout the initial lease term. When the Group is committed to extending or terminating the lease, having considered the alternative options available, and where appropriate lessor consent to the extension or termination has been obtained, the Group will consider the option to be reasonably certain to be exercised. When an option is reasonably certain to be exercised, the right-of-use asset and lease liabilities recognised are adjusted to reflect the extended or curtailed lease term.

Leases, which at inception have a term of less than 12 months or relate to low-value assets, are not recognised on balance sheet. Payments made under such leases are recognised as an expense in the income statement on a straight-line basis over the period of the lease.

BORROWINGS

Borrowings are initially measured at cost, which is equal to the fair value at inception, and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds, net of transaction costs and the settlement or redemption of borrowings is recognised over the terms of the borrowings using the effective interest rate method.

TRADE AND OTHER PAYABLES

Trade payables are non-interest bearing borrowings and are initially measured at fair value and subsequently carried at amortised cost.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated. Provisions for environmental issues are judgemental by their nature, particularly when considering the size and timing of remediation spending, and are more difficult to estimate when they relate to sites no longer directly controlled by the Group.

Self-insurance provisions relate to personal injury and other claims from former employees or third parties and represent the aggregate of outstanding claims plus a projection of losses incurred but not yet reported which together make up the full liability recognised as a provision. Insurance recoveries are recognised as a separate reimbursement asset.

PENSION AND OTHER POST RETIREMENT BENEFITS

In respect of the Group's defined benefit schemes, the Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. Pension and post retirement liabilities are calculated by qualified actuaries using the projected unit credit method. Following the introduction of the revised IAS 19 Employee Benefits standard, the net interest on the defined benefit liability consists of the interest cost on the defined benefit obligation and the interest income on plan assets, both calculated by reference to the discount rate used to measure the defined benefit obligation at the start of the period.

The Group recognises actuarial gains and losses in the period in which they occur through the statement of comprehensive income. The Group also operates a small number of defined contribution schemes and the contributions payable during the year are recognised as incurred. Due to the size of the Group's pension scheme assets and liabilities, relatively small changes in the assumptions can have a significant impact on the expense recorded in the income statement and on the pension liability recorded in the balance sheet.

SHARE CAPITAL

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity. When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Shares repurchased by the Company are classified as treasury shares and are presented as a deduction from total equity.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and commodity swap contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. The Group does not hold or issue derivative financial instruments for speculative trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Due to the requirement to assess the effectiveness of hedging instruments, changes in market conditions can result in the recognition of unrealised gains or losses on hedging instruments in the income statement.

1. ACCOUNTING POLICIES CONTINUED

DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Derivative financial instruments are recognised initially at fair value and are shown within derivatives if they are in an asset position or within financial liabilities if they are in a liability position. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

A. CASH FLOW HEDGES

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset the gains or losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

B. FAIR VALUE HEDGES

Where a derivative financial instrument is designated as a hedge of the variability in a fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement.

The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged, even if it is normally carried at amortised cost, and any gains or losses on remeasurement are recognised immediately in the income statement, even if those gains would normally be recognised directly in reserves.

C. HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION

The Group designates the foreign exchange gain or loss on a proportion of the Group's euro and US dollar denominated borrowings as a hedge of the Group's net investment in foreign operations. As such the foreign exchange gain or loss on those borrowings is recognised in other comprehensive income and accumulated in equity until such time as the operations are disposed of at which point the corresponding amounts are recycled to profit or loss.

TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

REVENUE

Revenue is recognised upon transfer of promised goods to customers (the performance obligation) in an amount that reflects the consideration the Company expects to receive in exchange for those goods. This may occur, depending on the individual customer relationship, when the product has been transferred to a freight carrier, when the customer has received the product or, for consignment stock held at customers' premises, when usage reports for the relevant period have been compiled.

All revenue is from contracts with customers and pertains to the sale of specialty chemicals products. Selling prices are agreed in advance and hence are directly observable.

The Group's payment terms offered to customers are within a certain number of days of receipt of invoice and standard contracts do not include a significant financing component. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Provisions for returns, trade discounts and rebates are recognised as a reduction in revenue at the later of when revenue is recognised for the transfer of the related goods and the entity pays or promises to pay the consideration. The promise to pay rebates is contractually agreed in advance and thus the point of transferring the goods to the customer is deemed to be the later of the two circumstances. Rebates and discounts are estimated using historical data and experiences with the customers. Returns from customers are negligible.

OPERATING PROFIT

Operating profit includes net profits realised on the sale of tangible fixed assets, current and long term assets and liabilities but excludes gains and losses on the disposal of businesses.

OTHER EXPENSES

Other expenses are administration costs incurred and paid by the Group's pension schemes, which relate primarily to former employees of legacy businesses.

FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested and changes in the fair value of financial instruments at fair value taken to the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings, lease liabilities, unwinding of the discount on provisions, dividends on preference shares classified as debt, foreign currency gains/losses and changes in the value of financial instruments at fair value taken to the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group is required to estimate the income tax in each of the jurisdictions in which it operates. This requires an estimation of current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. The Group operates in a number of countries in the world and is subject to many tax jurisdictions and rules. As a consequence the Group is subject to tax audits, which by their nature are often complex and can require several years to conclude. Management's judgement is required to determine the total provision for income tax. Amounts are accrued based on management's interpretation of country specific tax law and likelihood of settlement. However, the actual tax liabilities could differ from the position and in such events an adjustment would be required in the subsequent period which could have a material impact. Tax benefits are not recognised unless it is probable that the tax positions are sustainable. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation. This evaluation requires judgements to be made including the forecast of future taxable income.

SHARE BASED PAYMENTS

The fair value of equity settled share options, cash settled shadow options and LTIP awards granted to employees is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options/awards. The fair value of the options/awards granted is measured using a binomial model, taking into account the terms and conditions upon which the options/awards were granted. The amount recognised as an employee expense is adjusted to reflect the actual number of share options/awards that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits, such as salaries, paid absences, and other benefits including any related payroll taxes are accounted for on an accrual basis over the period which employees have provided services. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are accounted for in accordance with the requirements of IAS 19, 'Employee benefits'. All expenses relating to employee benefits (other than pension costs) are recognised in the income statement within wages and salaries, or social security costs.

OWN SHARES HELD BY EMPLOYEE SHARE OWNERSHIP TRUST (ESOT)

Transactions of the Group sponsored ESOT are included in the consolidated financial statements. In particular, the ESOT's purchases of shares in the Company are charged directly to equity.

GOVERNMENT GRANTS

Government grants are recognised at fair value when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants compensating for expenses incurred are recognised as a deduction of the related expenses in the consolidated income statement on a systematic basis in the same periods in which the expenses are incurred.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset or a group of assets containing a non-current asset (a disposal group), is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale within one year is highly probable. On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographic area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned, or that meets the criteria to be classified as held for sale.

ALTERNATIVE PERFORMANCE MEASURES

In the analysis of the Group's operating results, earnings per share and cash flows, information is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are unusual and other items relevant to an understanding of the Group's performance and long term trends with reference to their materiality and nature. This additional information is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure. Information for separate presentation is considered as follows:

- Material costs or reversals arising from a significant restructuring of the Group's operations are presented separately
- Disposal of entities or investments in associates or joint ventures or impairment of related assets are presented separately
- Other matters arising due to the Group's acquisition, such as adjustments to contingent consideration, payment of retention bonuses, acquisition costs and fair value adjustments for acquired assets made in accordance with IFRS 13 are separately disclosed in aggregate
- If a change in an accounting estimate for provisions, including environmental provisions, results in a material gain or loss, that is presented separately
- Other items the Directors may deem to be unusual as a result of their size and/or nature.

1. ACCOUNTING POLICIES CONTINUED

ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods that began on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

International Accounting Standards (IAS/IFRSs) and Interpretations (IFRICs):	UK Endorsement status	Effective date
Amendments to IFRS 3: Reference to the Conceptual Framework	Endorsed	1 January 2022
Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use	Endorsed	1 January 2022
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	Endorsed	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture	Endorsed	1 January 2022

NEW AND REVISED IFRSS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the Group has not applied the following new and revised international accounting standards (IAS/IFRSs) and interpretations (IFRICs) that have been issued but are not effective for periods starting on 1 January 2022 but will be effective for later periods:

International Accounting Standards (IAS/IFRSs) and Interpretations (IFRICs) not yet endorsed for use in the EU or UK:	UK Endorsement status	Effective for annual reporting periods beginning on or after
IFRS 17 Insurance Contracts	Endorsed	1 January 2023
Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Endorsed	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	Endorsed	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	Endorsed	1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Endorsed	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	Not yet endorsed	1 January 2024
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	Not yet endorsed	1 January 2024
Amendments to IAS 1: Non-Current Liabilities with Covenants	Not yet endorsed	1 January 2024

2. OPERATING SEGMENTS

BUSINESS SEGMENTS

The Group has determined its operating segments on the basis of those used for management, internal reporting purposes and the allocation of strategic resources. The key measure used for review of the performance of the operating segments is adjusted operating profit. In accordance with the provisions of IFRS 8, the Group's chief operating decision maker is the Board of Directors.

The three reportable segments, Personal Care, Coatings and Talc each have distinct product groupings and separate management structures. Segment results, assets and liabilities include items directly attributable to a segment and those that may be reasonably allocated from corporate activities. Presentation of the segmental results is on a basis consistent with those used for reporting Group results. The principal activities of the reportable segments are as follows:

PERSONAL CARE

Production of rheological modifiers and compounded products, including active ingredients for AP deodorants, for supply to personal care manufacturers.

COATINGS

Production of rheological modifiers and additives for decorative and industrial coatings.

TALC

Production and supply of talc for use in plastics, coatings, technical ceramics and the paper sectors.

Effective from 1 January 2023 the results of the Coatings and Talc segments will be merged and reported under a new segment called Performance Specialties, which reflects a change in the internal organisation structure used for management, internal reporting purposes and the allocation of strategic resources.

SEGMENTAL ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2022

						2022
	Personal Care $m	Coatings $m	Talc $m	Segment totals $m	Central costs $m	Total $m
Revenue	**211.5**	**389.1**	**135.8**	**736.4**	**–**	**736.4**
Internal revenue	**–**	**–**	**–**	**–**	**–**	**–**
Revenue from external customers	**211.5**	**389.1**	**135.8**	**736.4**	**–**	**736.4**
Adjusted operating profit/(loss)	**52.8**	**73.3**	**(0.4)**	**125.7**	**(25.2)**	**100.5**
Adjusting items (see Note 5)	**(8.4)**	**(4.1)**	**(133.6)**	**(146.1)**	**3.8**	**(142.3)**
Operating profit/(loss)	**44.4**	**69.2**	**(134.0)**	**(20.4)**	**(21.4)**	**(41.8)**
Other expenses						**(1.3)**
Finance income						**9.9**
Finance expense						**(21.6)**
Tax						**(7.8)**
Profit from discontinued operations						**11.5**
LOSS FOR THE YEAR						**(51.1)**

2. OPERATING SEGMENTS CONTINUED

2022	Personal Care and Coatings[1] $m	Talc $m	Segment totals $m	Central costs $m	Total $m
Fixed assets	637.7	259.4	897.1	149.5	1,046.6
Inventories	151.6	30.3	181.9	0.1	182.0
Trade and other receivables	70.9	17.2	88.1	6.8	94.9
Other tax recoverable	–	–	–	17.5	17.5
Derivatives	–	–	–	12.0	12.0
Tax assets	–	–	–	31.8	31.8
Retirement benefit surplus	–	–	–	26.4	26.4
Cash and cash equivalents	–	–	–	54.9	54.9
SEGMENT ASSETS	860.2	306.9	1,167.1	299.0	1,466.1
Assets classified as held for sale					160.9
TOTAL ASSETS					1,627.0
Trade and other payables	(83.6)	(27.3)	(110.9)	(24.5)	(135.4)
Operating provisions	(0.8)	(4.6)	(5.4)	(24.3)	(29.7)
Lease liabilities	(26.1)	(9.6)	(35.7)	(0.6)	(36.3)
Bank overdrafts and loans	–	–	–	(417.4)	(417.4)
Current tax liabilities	–	–	–	(20.2)	(20.2)
Retirement benefit obligations	–	–	–	(8.9)	(8.9)
Deferred tax liabilities	–	–	–	(131.3)	(131.3)
Financial liabilities	–	–	–	(6.1)	(6.1)
SEGMENT LIABILITIES	(110.5)	(41.5)	(152.0)	(633.3)	(785.3)
Liabilities classified as held for sale					(57.8)
TOTAL LIABILITIES					(843.1)
NET ASSETS	749.7	265.4	1,015.1	(334.3)	783.9
Capital additions	18.3	17.1	35.4	3.2	38.6
Depreciation and amortisation	(28.6)	(24.8)	(53.4)	(3.2)	(56.6)

1 Due to the shared nature of the production facilities for the Personal Care and Coatings segments a split of assets and liabilities by segment is not available and the cost to determine such a split would be prohibitive therefore assets and liabilities are shown in aggregate for these segments.

ANALYSIS BY GEOGRAPHY

2022	North America $m	United Kingdom $m	Rest of Europe $m	Rest of the World $m	Total $m
Revenue from external customers	234.6	23.2	250.3	228.3	736.4
Fixed assets	666.9	26.4	280.9	72.4	1,046.6
Capital additions	20.1	6.0	5.3	7.2	38.6
Depreciation and amortisation	(24.0)	(1.5)	(27.9)	(3.2)	(56.6)

Revenue is based on the location of the customer. The Group's largest customer accounts for 7.5% of revenue ($55.5m).

SEGMENTAL ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2021

	Personal Care $m	Coatings $m	Talc $m	Segment totals $m	Central costs $m	2021 Total $m
Revenue	174.7	384.3	150.4	709.4	–	709.4
Internal revenue	–	–	–	–	–	–
Revenue from external customers	174.7	384.3	150.4	709.4	–	709.4
Adjusted operating profit/(loss)	36.7	61.8	14.0	112.5	(24.5)	88.0
Adjusting items (see Note 5)	(8.8)	(5.3)	(58.3)	(72.4)	(3.7)	(76.1)
Operating profit/(loss)	27.9	56.5	(44.3)	40.1	(28.2)	11.9
Loss on disposal						(1.7)
Other expenses						(2.0)
Finance income						11.0
Finance expense						(26.7)
Tax						(0.4)
Profit from discontinued operations						10.4
PROFIT FOR THE YEAR						2.5

	Personal Care, and Coatings[1] $m	Talc $m	Segment totals $m	Central costs[2] $m	Discontinued segments[2] $m	2021 Total $m
Fixed assets	659.1	310.5	969.6	268.4	77.4	1,315.4
Inventories	109.0	23.0	132.0	(0.1)	54.2	186.1
Trade and other receivables	90.0	23.2	113.2	5.5	20.2	138.9
Other tax recoverable	–	–	–	19.7	–	19.7
Derivatives	–	–	–	0.2	–	0.2
Tax assets	–	–	–	34.9	0.2	35.1
Retirement benefit surplus	–	–	–	56.6	–	56.6
Cash and cash equivalents	–	–	–	84.6	–	84.6
SEGMENT ASSETS	858.1	356.7	1,214.8	469.8	152.0	1,836.6
Trade and other payables	(86.2)	(21.6)	(107.8)	(22.3)	(30.9)	(161.0)
Operating provisions	(1.0)	(4.4)	(5.4)	(34.8)	(21.6)	(61.8)
Lease liabilities	(27.9)	(11.0)	(38.9)	(0.8)	(0.5)	(40.2)
Bank overdrafts and loans	–	–	–	(482.5)	–	(482.5)
Current tax liabilities	–	–	–	(17.4)	–	(17.4)
Retirement benefit obligations	–	–	–	(14.5)	(2.8)	(17.3)
Deferred tax liabilities	–	–	–	(149.2)	(0.8)	(150.0)
Financial liabilities	–	–	–	(5.4)	–	(5.4)
SEGMENT LIABILITIES	(115.1)	(37.0)	(152.1)	(726.9)	(56.6)	(935.6)
NET ASSETS	743.0	319.7	1,062.7	(257.1)	95.4	901.0
Capital additions	28.9	14.3	43.2	4.4	8.7	56.3
Depreciation and amortisation	(28.3)	(27.4)	(55.7)	(2.6)	(10.0)	(68.3)

1 Due to the shared nature of the production facilities for the Personal Care and Coatings segments a split of assets and liabilities by segment is not available and the cost to determine such a split would be prohibitive. Assets and liabilities are therefore shown in aggregate for these segments.
2 The results of the Chromium business, which has been classified as held for sale as of 30 November 2022, have been represented within the central costs and discontinued segments above.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

2. OPERATING SEGMENTS CONTINUED

ANALYSIS BY GEOGRAPHY

2021	North America $m	United Kingdom $m	Rest of Europe $m	Rest of the World $m	Total $m
Revenue from external customers	180.1	21.0	272.3	236.0	709.4
Fixed assets	750.9	155.2	335.0	74.3	1,315.4
Capital additions	19.9	1.5	16.3	9.9	47.6
Depreciation and amortisation	(23.3)	(1.6)	(30.3)	(3.1)	(58.3)

Revenue is based on the location of the customer. The Group's largest customer accounts for 7.5% of revenue ($43.3m).

3. FINANCE INCOME

	2022 $m	2021 $m
Interest on bank deposits	**0.2**	0.3
Pension and other post retirement liabilities	**0.6**	–
Fair value movement on derivatives	**9.1**	10.7
	9.9	11.0

4. FINANCE COSTS

	2022 $m	2021 $m
Interest on bank loans	**19.5**	23.2
Pension and other post retirement liabilities	**–**	0.2
Unwind of discount on provisions	**0.7**	1.7
Interest on lease liabilities	**1.4**	1.6
	21.6	26.7

5. ADJUSTING ITEMS

	2022 $m	**2022 Discontinued operations $m**	**2022 Total $m**	2021 $m	2021 Discontinued operations $m	2021 Total $m
Business transformation	**4.8**	**–**	**4.8**	4.3	0.3	4.6
Environmental provisions						
Increase in provisions due to additional remediation work identified	**3.4**	**5.3**	**8.7**	5.3	4.3	9.6
Decrease in provisions due to change in discount rate	**(7.2)**	**(3.1)**	**(10.3)**	(0.6)	(0.7)	(1.3)
Impairment of property, plant and equipment	**23.0**	**–**	**23.0**	–	–	–
Impairment of goodwill	**103.4**	**–**	**103.4**	52.3	–	52.3
Sale of Montreal land	**–**	**–**	**–**	(1.0)	–	(1.0)
Costs associated with Chromium disposal	**–**	**5.6**	**5.6**			
Amortisation of intangibles arising on acquisition	**14.9**	**0.2**	**15.1**	15.8	0.2	16.0
	142.3	**8.0**	**150.3**	76.1	4.1	80.2
Sale of Business	**–**	**–**	**–**	1.7	–	1.7
Unrealised mark to market of derivative financial instruments	**(6.6)**	**–**	**(6.6)**	(10.7)	–	(10.7)
Tax credit in relation to adjusting items	**(8.3)**	**(1.7)**	**(10.0)**	(10.5)	(0.8)	(11.3)
	127.4	**6.3**	**133.7**	56.6	3.3	59.9

A number of items have been recorded under 'adjusting items' by virtue of their size and/or one time nature, in line with our accounting policy in Note 1, in order to provide additional useful analysis of the Group's results. The Group considers the adjusted results to be an important measure used to monitor how the businesses are performing as they achieve consistency and comparability between reporting periods. The net impact of these items on the Group profit before tax for the year is a debit of $135.7m (2021: $67.1m). The items fall into a number of categories, as summarised below:

Business transformation – In November 2020, the closure of the Charleston plant was announced. Costs of $2.9m ($4.2m in 2021) (including $0.4m of depreciation ($0.4m in 2021)) associated with the closure of the site are classified as an adjusting item and the site is planned to be disposed of in the future. Since November 2020, costs of $22.7m have been incurred in relation to the closure of the site. In addition to this, costs of $1.9m have been incurred in relation to the Talc integration and synergy projects. These projects were completed in 2022.

Environmental provisions – The Group's environmental provision is calculated on a discounted cash flow basis, reflecting the time period over which spending is estimated to take place. The movement in the provision relates to a change in discount rates that has decreased the liability by $7.2m in the year (2021: $0.6m) and extra remediation work identified in the year which has resulted in a $3.4m increase to the liability (2021: $5.3m). As these costs relate to non-operational facilities they are classified as adjusting items.

Impairment of property, plant and equipment – In 2022 the Group recognised a non-cash $23.0m impairment in respect of non-operational bioleaching property, plant and equipment in the Talc business. The Group determined that the operational, health and safety and financial commitments required to operate the equipment were not the best use of the Group's resources.

Impairment of goodwill – The performance of the Talc business was adversely impacted by a lower demand environment, global inflationary pressures, higher energy costs and the Russia invasion of Ukraine. These factors, as well as a reduction in the near term forecasted profitability of the Talc business and a rise in the pre-tax discount rate resulted in an impairment charge of $103.4m being recognised (2021: $52.3m). Due to the currency in which the goodwill was held, this impairment also gave rise to a $8.0m (2021: $0.8m) movement in exchange differences on translation of foreign operations within other comprehensive income.

Costs associated with Chromium disposal – As announced in November 2022, the Group signed a sale and purchase agreement for the divestment of its Chromium business. The transaction completed in January 2023. Costs totalling $5.6m were incurred during 2022 as part of the divestiture process.

Sale of Montreal land – In 2021 the Group disposed of a non-core parcel of land in Montreal, Canada. The profit on disposal has been treated as an adjusting item.

Amortisation of intangibles arising on acquisition – Amortisation of $14.9m (2021: $15.8m) represents the charge in respect of the Group's acquired intangible assets. As in previous years, these are included in adjusting items as they are a non-cash charge arising from historical investment activities.

Sale of Business – In 2021, the $1.7m loss on disposal of two non-core dental businesses, Eisenbacher Dentalwaren ED GmbH and Adentatec GmbH, was treated as an adjusting item.

Unrealised mark to market of derivatives – The unrealised movements in the mark to market valuation of financial instruments that are not in hedging relationships are treated as adjusting items as they are unrealised non-cash fair value adjustments that will not affect the cash flows of the Group.

Tax on adjusting items – this is the net impact of tax relating to the adjusting items listed above.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

5. ADJUSTING ITEMS CONTINUED

To support comparability with the financial statements as presented in 2022, a reconciliation to the adjusted consolidated income statement is shown below.

	2022 Profit and loss $m	2022 Adjusting items $m	2022 Adjusted profit and loss $m
Revenue	736.4	–	736.4
Cost of sales	(437.5)	–	(437.5)
Gross profit	298.9	–	298.9
Distribution costs	(125.0)	–	(125.0)
Administrative expenses	(215.7)	142.3	(73.4)
Operating (loss)/profit	(41.8)	142.3	100.5
Other expenses	(1.3)	–	(1.3)
Finance income	9.9	(6.6)	3.3
Finance costs	(21.6)	–	(21.6)
(Loss)/profit before income tax	(54.8)	135.7	80.9
Tax	(7.8)	(8.3)	(16.1)
(Loss)/profit from continuing operations	(62.6)	127.4	64.8
Profit from discontinued operations	11.5	6.3	17.8
(Loss)/profit for the year	(51.1)	133.7	82.6
Attributable to:			
Equity holders of the parent	(51.1)	133.7	82.6
EARNINGS PER SHARE			
From continuing operations			
Basic (loss)/earnings (cents)	(10.7)	21.8	11.1
Diluted (loss)/earnings (cents)	(10.7)	21.6	10.9
From continuing and discontinued operations			
Basic (loss)/earnings (cents)	(8.8)	23.0	14.2
Diluted (loss)/earnings (cents)	(8.8)	22.7	13.9

	2021 Profit and loss $m	2021 Adjusting items $m	2021 Adjusted profit and loss $m
Revenue	709.4	–	709.4
Cost of sales	(420.4)	–	(420.4)
Gross profit	289.0	–	289.0
Distribution costs	(126.1)	–	(126.1)
Administrative expenses	(151.0)	76.1	(74.9)
Operating profit	11.9	76.1	88.0
Loss on disposal	(1.7)	1.7	–
Other expenses	(2.0)	–	(2.0)
Finance income	11.0	(10.7)	0.3
Finance costs	(26.7)	–	(26.7)
(Loss)/profit before income tax	(7.5)	67.1	59.6
Tax	(0.4)	(10.5)	(10.9)
(Loss)/profit from continuing operations	(7.9)	56.6	48.7
Profit from discontinued operations	10.4	3.3	13.7
Profit for the year	2.5	59.9	62.4
Attributable to:			
Equity holders of the parent	2.5	59.9	62.4
EARNINGS PER SHARE			
From continuing operations			
Basic (loss)/earnings (cents)	(1.4)	9.8	8.4
Diluted (loss)/earnings (cents)	(1.4)	9.7	8.3
From continuing and discontinued operations			
Basic earnings (cents)	0.4	10.3	10.7
Diluted earnings (cents)	0.4	10.2	10.6

To support comparability with the financial statements as presented in 2022, a reconciliation from operating profit/(loss) to adjusted operating profit/(loss) by segment is shown below for each year.

2022	Personal Care $m	Coatings $m	Talc $m	Segment totals $m	Central costs $m	Total $m
OPERATING PROFIT/(LOSS)	**44.4**	**69.2**	**(134.0)**	**(20.4)**	**(21.4)**	**(41.8)**
Adjusting Items						
Business transformation	**–**	**2.9**	**1.9**	**4.8**	**–**	**4.8**
Increase in environmental provisions due to additional remediation work identified	**–**	**–**	**–**	**–**	**3.4**	**3.4**
Decrease in environmental provisions due to change in discount rate	**–**	**–**	**–**	**–**	**(7.2)**	**(7.2)**
Impairment of property, plant and equipment	**–**	**–**	**23.0**	**23.0**	**–**	**23.0**
Impairment of goodwill	**–**	**–**	**103.4**	**103.4**	**–**	**103.4**
Amortisation of intangibles arising on acquisition	**8.4**	**1.2**	**5.3**	**14.9**	**–**	**14.9**
ADJUSTED OPERATING PROFIT/(LOSS)	**52.8**	**73.3**	**(0.4)**	**125.7**	**(25.2)**	**100.5**
Operating profit from discontinued operations						**15.2**
Adjusting items from discontinued operations						**8.0**
ADJUSTED OPERATING PROFIT FROM DISCONTINUED OPERATIONS						**23.2**
ADJUSTED OPERATING PROFIT FROM TOTAL OPERATIONS						**123.7**

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

5. ADJUSTING ITEMS CONTINUED

						2021
	Personal Care $m	Coatings $m	Talc $m	Segment totals $m	Central costs $m	Total $m
OPERATING PROFIT/(LOSS)	27.9	56.5	(44.3)	40.1	(28.2)	11.9
Adjusting Items						
Business transformation	0.1	4.2	–	4.3	–	4.3
Increase in environmental provisions due to additional remediation work identified	–	–	–	–	5.3	5.3
Decrease in environmental provisions due to change in discount rate	–	–	–	–	(0.6)	(0.6)
Impairment of goodwill	–	–	52.3	52.3	–	52.3
Sale of Montreal land	–	–	–	–	(1.0)	(1.0)
Amortisation of intangibles arising on acquisition	8.7	1.1	6.0	15.8	–	15.8
ADJUSTED OPERATING PROFIT/(LOSS)	36.7	61.8	14.0	112.5	(24.5)	88.0
Operating profit from discontinued operations						14.5
Adjusting items from discontinued operations						4.1
ADJUSTED OPERATING PROFIT FROM DISCONTINUED OPERATIONS						18.6
ADJUSTED OPERATING PROFIT FROM TOTAL OPERATIONS						106.6

6. INCOME TAX EXPENSE

	2022 $m	2021 $m
CURRENT TAX:		
UK corporation tax	**11.2**	12.5
Overseas corporation tax	**6.5**	4.2
Adjustments in respect of prior years:		
United Kingdom	**(0.6)**	(1.0)
Overseas	**(3.8)**	(7.2)
Total current tax	**13.3**	8.5
DEFERRED TAX:		
United Kingdom	**3.1**	(2.8)
Overseas	**(8.4)**	(4.8)
Adjustment in respect of prior years:		
United Kingdom	**–**	–
Overseas	**(0.2)**	(0.5)
Total deferred tax	**(5.5)**	(8.1)
Income tax expense for the year	**7.8**	0.4
COMPRISING:		
Income tax expense for the year	**7.8**	0.4
Adjusting items*		
Overseas taxation on adjusting items	**(6.3)**	(11.4)
UK taxation on adjusting items	**(2.0)**	0.9
Taxation on adjusting items	**(8.3)**	(10.5)
Income tax expense for the year after adjusting items	**16.1**	10.9

* See Note 5 for details of adjusting items.

The tax charge on profits represents an effective rate of 14.2% (2021: 5.3%) and an effective tax rate after adjusting items of 20.0% (2021: 18.3%).

The tax impact of the adjusting items outlined within Note 5 and within the consolidated income statement relates to the following:

	2022 Gross $m	2022 Tax impact $m	2021 Gross $m	2021 Tax impact $m
Business transformation	**4.8**	**1.1**	4.3	0.9
Environmental provisions	**(3.8)**	**(0.7)**	4.7	0.9
M&A and disposal costs	**–**	**–**	1.7	–
Impairment of property, plant and equipment	**23.0**	**4.9**	–	–
Impairment of goodwill	**103.4**	**–**	52.3	–
Mark to market of derivative financial instruments	**(6.6)**	**(1.3)**	(10.7)	(2.0)
Sale of Montreal land	**–**	**–**	(1.0)	–
Amortisation of intangibles arising on acquisition	**14.9**	**2.9**	15.8	3.5
Reversal of uncertain tax provision	**–**	**1.4**	–	7.2
Tax (credit)/charge and effective tax rate for the year	**135.7**	**8.3**	67.1	10.5

The Group is international and has operations across a range of jurisdictions. Accordingly, tax charges of the Group in future periods will be affected by the profitability of operations in different jurisdictions and changes to tax rates and regulations in the jurisdictions within which the Group has operations. The Group's adjusted effective tax rate in 2022 is slightly lower than its usual range due to beneficial adjustments in respect of prior years and the recognition of previously unrecognised deferred tax assets. The medium-term expectation for the Group's adjusted effective tax rate is around 25-26% due to the previously announced increase in UK corporation tax rates from April 2023.

On 20 December 2021 the OECD published its Global Anti-Base Erosion Model Rules (Pillar Two). The report provides a model for a coordinated system of taxation that imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum tax rate of 15%. Each OECD member nation is implementing Pillar Two on slightly different timescales but certain jurisdictions have announced their intentions to implement for accounting periods beginning on or after 31 December 2023. The Group continues to consider the impact of the announcements on its tax position.

The total charge for the year can be reconciled to the accounting profit as follows:

	2022 $m	2022 %	2021 $m	2021 %
Loss before tax	**(54.8)**		(7.5)	
Tax at 19.00% (2021: 19.00%)	**(10.4)**	**(19.0)**	(1.4)	(19.0)
Difference in overseas effective tax rates	**2.3**	**4.2**	1.5	20.0
Income not taxable and impact of tax efficient financing	**(0.4)**	**(0.7)**	(1.0)	(13.3)
Expenses not deductible for tax purposes	**21.8**	**39.7**	12.0	160.0
Adjustments in respect of prior years	**(4.6)**	**(8.4)**	(8.8)	(117.2)
Tax rate changes	**0.2**	**0.4**	(1.3)	(17.2)
Movement in unrecognised deferred tax	**(1.1)**	**(2.0)**	(0.6)	(8.0)
Total charge and effective tax rate for the year	**7.8**	**14.2**	0.4	5.3

The adjustment in respect of prior years relates primarily to the release of uncertain tax provisions.

7. LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations of $62.6m (2021: $7.9m) has been arrived at after charging/(crediting):

	2022 $m	2021 $m
Employee costs (see Note 8)	**133.1**	131.3
Net foreign exchange (losses)/gains	**(1.3)**	0.9
Research and development costs	**8.1**	7.5
Depreciation of property, plant and equipment	**41.2**	41.9
Amortisation of intangible assets	**15.4**	16.4
Total depreciation and amortisation expense	**56.6**	58.3
Loss/(profit) on disposal	**–**	1.7
Profit on disposal of property, plant and equipment	**0.3**	0.2
Write off of inventory	**3.0**	1.3
Cost of inventories recognised as expense	**302.9**	294.5
Fees payable to the Company's auditor and its associates:		
Audit of company[1]	**1.4**	1.4
Audit of subsidiaries	**1.0**	1.1
Audit related services – interim review	**0.3**	0.2
Other advisory fees	**–**	–

1 In 2021, the $1.4m of audit of company includes $0.3m of extra fees relating to the 2020 group audit.

GOVERNMENT GRANTS AND OTHER COVID-19 ASSISTANCE

The Group has accessed various government support schemes aimed at mitigating the impact losses resulting from COVID-19. During the year payment plans were agreed with the tax authorities in China and Taiwan to defer payment of income taxes and payroll taxes, resulting in $1.6m of payment deferrals.

8. EMPLOYEES

	2022 $m	2021 $m
Employee costs:		
Wages and salaries	**113.2**	111.2
Social security costs	**9.6**	8.8
Pension costs	**7.2**	7.7
Share based payment costs	**3.1**	3.6
	133.1	131.3

	2022 Number	2021 Number
Average number of FTE employees[1]:		
Specialty Products	**951**	940
Talc	**235**	252
Central	**17**	17
Total	**1,203**	1,209

1 Full time equivalent including contractors and does not include part time employees.

The aggregate amount of Directors' remuneration (salary, bonus and benefits) is shown in the Remuneration Report on page 141;

- The aggregate amount of gains made by Directors on exercise of share options was $nil (2021: $0.1m).
- The remuneration of the highest paid Director was $2.7m (2021: $2.6m).
- Payments have been made to a defined contribution pension scheme on behalf of 1 Director (2021: 1 Director). For the highest paid Director, pension contributions of $0.2m (2021: $0.2m) were made.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following:

	2022 $m	2022 Discontinued operations $m	2022 Total $m	2021 $m	2021 Discontinued Operations $m	2021 Total $m
EARNINGS:						
(Loss)/earnings for the purpose of basic earnings per share	**(62.6)**	**11.5**	**(51.1)**	(7.9)	10.4	2.5
Adjusting items net of tax	**127.4**	**6.3**	**133.7**	56.6	3.3	59.9
Adjusted earnings	**64.8**	**17.8**	**82.6**	48.7	13.7	62.4

	2022 m	2021 m
NUMBER OF SHARES:		
Weighted average number of shares for the purposes of basic earnings per share	**582.6**	581.0
Effect of dilutive share options	**9.7**	7.8
Weighted average number of shares for the purposes of diluted earnings per share	**592.3**	588.8

The dilutive (loss)/earnings per share calculation in the table below, does not include the impact of the 9.7m dilutive share options (2021: 7.8m dilutive share options), as the inclusion of these potential shares would have an anti-dilutive impact on the diluted loss per share from continuing operations; it would decrease the diluted loss per share from continuing operations.

	2022 cents	2022 Discontinued operations cents	2022 Total cents	2021 cents	2021 Discontinued operations cents	2021 Total cents
EARNINGS PER SHARE:						
Basic (loss)/earnings	**(10.7)**	**2.0**	**(8.8)**	(1.4)	1.8	0.4
Diluted (loss)/earnings	**(10.7)**	**2.0**	**(8.8)**	(1.4)	1.8	0.4
Basic after adjusting items	**11.1**	**3.1**	**14.2**	8.4	2.4	10.7
Diluted after adjusting items	**10.9**	**3.0**	**13.9**	8.3	2.3	10.6

10. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill $m	Brand $m	Customer lists $m	Other intangible assets $m	Total $m
COST:					
At 1 January 2021	728.3	26.7	170.5	106.1	1,031.6
Exchange differences	(2.2)	0.2	(4.1)	(2.0)	(8.1)
Additions	–	–	–	0.4	0.4
Acquisition	0.5	–	–	0.1	0.6
Disposals	(1.0)	–	–	–	(1.0)
At 31 December 2021	**725.6**	**26.9**	**166.4**	**104.6**	**1,023.5**
Exchange differences	**(26.2)**	**(1.6)**	**(3.2)**	**(3.3)**	**(34.3)**
Additions	**–**	**–**	**–**	**0.2**	**0.2**
Transferred to assets held for sale (see Note 32)	**–**	**–**	**–**	**(2.6)**	**(2.6)**
AT 31 DECEMBER 2022	**699.4**	**25.3**	**163.2**	**98.9**	**986.8**
AMORTISATION AND IMPAIRMENT:					
At 1 January 2021	60.3	3.2	30.1	45.3	138.9
Charge for the year	–	–	9.5	7.1	16.6
Impairment	52.3	–	–	–	52.3
Disposals	–	–	–	–	–
At 31 December 2021	**112.6**	**3.2**	**39.6**	**52.4**	**207.8**
Exchange differences	**2.5**	**(0.7)**	**(1.9)**	**1.4**	**1.3**
Charge for the year	**–**	**–**	**8.8**	**6.9**	**15.7**
Impairment	**103.4**	**–**	**–**	**–**	**103.4**
Transferred to assets held for sale (see Note 32)	**–**	**–**	**–**	**(1.6)**	**(1.6)**
AT 31 DECEMBER 2022	**218.5**	**2.5**	**46.5**	**59.1**	**326.6**
CARRYING AMOUNT:					
AT 31 DECEMBER 2022	**480.9**	**22.8**	**116.7**	**39.8**	**660.2**
At 31 December 2021	613.0	23.7	126.8	52.2	815.7
At 1 January 2021	668.0	23.5	140.4	60.8	892.7

The net book value of customer lists includes $89.3m (2021: $94.9m) in relation to the acquisition of SummitReheis which have remaining lives of between 5 and 17 years (2021: between 6 and 18 years) and $27.5m (2021: $32.1m) in relation to the acquisition of Mondo which have remaining lives of 11 years (2021: 12 years).

The brand intangibles represent the value ascribed to the trading name and reputation of the Deuchem, Fancor, Watercryl, Hi-Mar and SummitReheis acquisitions. The Group, with the exception of SummitReheis, considers these to have significant and ongoing value to the business that will be maintained and it is therefore considered appropriate to assign these assets an indefinite useful life. The brand relating to SummitReheis has been amortised over a period of three years, and the carrying amount of this intangible is $nil (2021: $nil). The carrying amount of brand intangibles with an indefinite useful life is $22.8m (2021: $23.7m). Brand intangibles with an indefinite useful life are tested annually for impairment as part of the annual goodwill impairment test and have been allocated to the Personal Care and Coatings CGUs.

Included within other intangible assets above are technology related intangible assets of $30.1m (2021: $35.1m) arising from the acquisition of Mondo which have remaining useful lives of 11 years (2021: 12 years), and know how related intangible assets of $6.2m (2021: $8.2m) which have remaining useful lives of between 4 and 5 years (2021: 5 and 6 years).

The remaining intangible assets comprise the value ascribed to customer lists, patents and non-compete clauses, which are being amortised over periods of 5 to 24 years.

GOODWILL AND BRAND INTANGIBLES WITH AN INDEFINITE USEFUL LIFE IMPAIRMENT TESTING

Goodwill and brand intangibles with an indefinite useful life are allocated to the Group's cash-generating units (CGUs) as follows:

	2022 $m	2021 $m
Personal Care	**296.0**	297.9
Coatings	**207.7**	208.5
Talc	**–**	130.3
Chromium	**–**	–
At 31 December	**503.7**	636.7

The Group tests annually for impairment at 31 October, or more frequently, if there are events or circumstances that indicate that the carrying amount may not be recoverable.

BASIS OF THE RECOVERABLE AMOUNT

The recoverable amounts of the Group's CGUs are determined from value in use calculations which use cash flow projections based on financial budgets approved by the directors covering a five year period.

MANAGEMENT'S JUDGEMENT IN ESTIMATING THE CASH FLOWS OF A CGU

The key assumptions for the value in use calculations are expected changes to sales volumes, selling prices and direct costs during the forecast period, growth rates used to extrapolate beyond the forecast period and the discount rates applied to the resulting cash flows. Changes in sales volumes, selling prices and direct costs are based on past practices and expectations of future changes in the market. A 5 year forecasting model is used for all CGUs (2021: 3 year for all CGUs except for Talc which was 5 years).

GROWTH RATES

Cash flows for periods beyond the forecast period are extrapolated based on estimated long-term growth rates. The rates do not exceed the average long term growth rate for the relevant products or markets.

DISCOUNT RATES

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

PERSONAL CARE

The recoverable amount of the CGU was calculated using forecast cash flows based on budgets and plans for 2023 to 2027, a pre-tax discount rate of 12.0% (2021: 10.8%) and a long-term growth rate of 5.0% (2021: 5.0%) based on the long term historical growth rate seen in this CGU. The recoverable amount exceeded the carrying value of the CGU by $230.9m (2021: $72.6m). The Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value.

COATINGS

The recoverable amount of the CGU was calculated using forecast cash flows based on budgets and plans for 2023 to 2027, a pre-tax discount rate of 11.9% (2021: 11.2%) and a long-term growth rate of 3.0% (2021: 3.0%). The recoverable amount exceeded the carrying value of the CGU by $531.8m (2021: $454.1m). The Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value.

TALC

The performance of the Talc business was adversely impacted in the second half of 2022 by a lower demand environment, global inflationary pressures, higher energy costs and the Russian invasion of Ukraine. These factors, as well as a reduction in the near term forecasted profitability of the Talc business and a rise in the pre-tax discount rate, resulted in an impairment charge of $103.4m being recognised (2021: $52.3m). Due to the currency in which the goodwill was held, this impairment also gave rise to a $8.0m (2021: $0.8m) movement in exchange differences on translation of foreign operations within other comprehensive income.

The recoverable amount of $244.6m (2021: $440.7m) for the CGU was calculated using forecasted cash flows based on budgets and plans for 2023 to 2027, a pre-tax discount rate of 12.0% (2021: 10.0%), a long-term growth rate of 3.0% (2021: 3.0%), and revenue growth of between 4.1% and 12.8% (2021: 5.0% and 8.0%). The pre-tax discount rate is based on the geographies in which the Talc CGU operates. The increase in the pre-tax discount rate used in 2022 as compared to 2021, was primarily driven by the increase in risk-free rates and the pre-tax cost of debt. The long-term growth rates are supported by third party studies which consider the long-term growth prospects for the Talc industry. The revenue growth forecasts reflect market and independent data as well as management's estimates regarding medium term growth in the Talc industry. The movement in the revenue growth forecasts in 2022 as compared to 2021 reflects a steady recovery of the Talc business following the lower demand noted in the second half of 2022.

The high end of reasonably possible changes, all in isolation, would have the following impact: increasing the discount rate by 0.5% would result in an impairment charge $13.4m to amortising intangible assets; decreasing the long-term growth rate by 1.0% would result in a further impairment charge of $17.5m to amortising intangible assets; and decreasing the forecasted revenue by 2.5%, yearly over each year in the 5 year forecasting model, would result in a further impairment charge of $24.8m to amortising intangible assets.

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

10. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

GOODWILL AND BRAND INTANGIBLES WITH AN INDEFINITE USEFUL LIFE IMPAIRMENT TESTING CONTINUED

CHROMIUM

The recoverable amount of the CGU, which was classified as held for sale in November 2022 (refer to Note 32), was calculated using forecast cash flows based on budgets and plans for 2023 to 2027, a pre-tax discount rate of 12.0% (2021: 11.3%) and a long-term growth rate of 3.0% (2021: 3.0%). The recoverable amount exceeded the carrying value of the CGU by $140.0m (2021: $135.1m). The Directors do not consider that any reasonably possible changes to the key assumptions would reduce the recoverable amount to its carrying value.

11. PROPERTY, PLANT AND EQUIPMENT

					Right-of-use assets			
	Land and buildings $m	Plant and machinery $m	Fixtures fittings and equipment $m	Under construction $m	Land and buildings $m	Plant and machinery $m	Fixtures fittings and equipment $m	Total $m
COST:								
At 1 January 2021	128.6	670.2	47.2	28.5	53.3	5.8	3.1	936.7
Additions	–	13.9	–	38.6	1.4	0.5	0.1	54.5
Exchange differences	(2.0)	(23.6)	(0.4)	(0.5)	(1.0)	(0.3)	(0.1)	(27.9)
Disposals	(0.4)	(1.2)	(2.6)	–	–	–	(0.2)	(4.4)
Acquisitions through business combinations	–	0.1	0.2	–	–	–	–	0.3
Reclassifications	0.9	21.2	(0.6)	(21.5)	–	–	–	–
At 31 December 2021	**127.1**	**680.6**	**43.8**	**45.1**	**53.7**	**6.0**	**2.9**	**959.2**
Additions	**–**	**13.5**	**–**	**33.4**	**4.0**	**0.8**	**0.5**	**52.2**
Exchange differences	**(5.0)**	**(25.1)**	**(1.4)**	**(1.6)**	**(0.9)**	**(0.3)**	**–**	**(34.3)**
Disposals	**–**	**(5.7)**	**(0.2)**	**–**	**(1.5)**	**(1.5)**	**–**	**(8.9)**
Reclassifications	**1.6**	**33.5**	**1.6**	**(36.7)**	**–**	**–**	**–**	**–**
Transferred to assets held for sale (see Note 32)	**(34.0)**	**(186.2)**	**(11.7)**	**(7.3)**	**–**	**(0.8)**	**(0.6)**	**(240.6)**
AT 31 DECEMBER 2022	**89.7**	**510.6**	**32.1**	**32.9**	**55.3**	**4.2**	**2.8**	**727.6**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:								
At 1 January 2021	65.2	295.7	36.2	–	19.8	2.0	1.8	420.7
Charge for the year	2.4	43.9	0.4	–	3.6	0.9	0.5	51.7
Exchange differences	(1.0)	(7.1)	(0.6)	–	(0.3)	(0.1)	(0.1)	(9.2)
Disposals	–	(1.1)	(2.5)	–	–	–	(0.1)	(3.7)
Reclassifications	(0.2)	(1.1)	1.3	–	–	–	–	–
At 31 December 2021	**66.4**	**330.3**	**34.8**	**–**	**23.1**	**2.8**	**2.1**	**459.5**
Charge for the year	**2.6**	**39.6**	**1.6**	**–**	**4.1**	**0.9**	**0.5**	**49.3**
Exchange differences	**(2.5)**	**(10.9)**	**(0.7)**	**–**	**(0.3)**	**–**	**–**	**(14.4)**
Disposals	**–**	**(4.9)**	**(0.2)**	**–**	**(0.7)**	**(0.1)**	**–**	**(5.9)**
Impairment losses	**–**	**23.0**	**–**	**–**	**–**	**–**	**–**	**23.0**
Reclassifications	**0.4**	**3.2**	**(3.6)**	**–**	**–**	**–**	**–**	**–**
Transferred to assets held for sale (see Note 32)	**(26.4)**	**(134.3)**	**(8.6)**	**–**	**–**	**(0.6)**	**(0.4)**	**(170.3)**
AT 31 DECEMBER 2022	**40.5**	**246.0**	**23.3**	**–**	**26.2**	**3.0**	**2.2**	**341.2**
NET BOOK VALUE:								
AT 31 DECEMBER 2022	**49.2**	**264.6**	**8.8**	**32.9**	**29.1**	**1.2**	**0.6**	**386.4**
At 31 December 2021	**60.7**	**350.3**	**9.0**	**45.1**	**30.6**	**3.2**	**0.8**	**499.7**
At 1 January 2022	**63.4**	**374.5**	**11.0**	**28.5**	**33.5**	**3.8**	**1.3**	**516.0**

Group capital expenditure contracted but not provided for in these financial statements amounted to $nil (2021: $nil).

In 2022, the Group recognised a $23.0m non-cash impairment of the non-operational bioleaching property, plant and equipment acquired as part of the Mondo acquisition, impairing the asset to a $nil carrying value. The impairment was a result of the Group concluding that the operational, health and safety and financial commitments required to operate the equipment were not the best use of the Group's resources.

In 2022 and 2021, the Group reclassified items of property, plant and equipment from under construction to their relevant categories upon these assets becoming available for use.

12. INVENTORIES

	2022 $m	2021 $m
Raw materials and consumables	55.4	62.5
Work in progress	10.7	17.4
Finished goods and goods purchased for resale	115.9	106.2
	182.0	186.1

Inventories are disclosed net of provisions for obsolescence of $5.6m (2021: $7.3m).

13. TRADE AND OTHER RECEIVABLES

	2022 $m	2021 $m
Trade receivables	77.5	110.6
Other receivables	10.4	20.4
Prepayments	7.0	7.9
	94.9	138.9

The Group historically entered into an accounts receivable purchase programme, the net balance outstanding in relation to this programme was $22.6m (2021: $12.9m).

14. TRADE AND OTHER PAYABLES

	2022 $m	2021 $m
Trade payables	74.0	77.8
Other payables	13.5	22.7
Accruals	47.9	60.5
	135.4	161.0

The Group historically entered into supplier financing arrangements with Santander and US Bank. At the end of the period the net balance outstanding on the Santander facility was $nil (2021: $6.2m) and the net balance outstanding on the US bank facility was $0.5m (2021: $0.6m).

15. PROVISIONS

	Environmental $m	Self insurance $m	Restructuring $m	Other $m	Total $m
AT 1 JANUARY 2022	58.7	0.7	1.0	1.4	61.8
(Decrease)/increase in provisions	(1.6)	0.7	–	0.6	(0.3)
Unused amounts reversed	–	–	(0.1)	–	(0.1)
Unwinding of discount	1.3	–	–	–	1.3
Utilised during the year	(7.9)	(0.5)	(0.2)	(0.4)	(9.0)
Currency translation differences	(3.5)	–	(0.1)	0.1	(3.5)
Transferred to liabilities held for sale (see Note 32)	(19.5)	(0.4)	–	(0.6)	(20.5)
AT 31 DECEMBER 2022	27.5	0.5	0.6	1.1	29.7
DUE WITHIN 1 YEAR	3.8	0.3	0.6	1.1	5.8
DUE AFTER 1 YEAR	23.7	0.2	–	–	23.9

Notes to the consolidated financial statements continued

For the year ended 31 December 2022

15. PROVISIONS CONTINUED

Environmental provisions relate to manufacturing and distribution sites including certain sites no longer owned by the Group. These provisions have been derived using a discounted cash flow methodology and reflect the extent to which it is probable that expenditure will be incurred over the next 25 years. The level of environmental provision is based on management's best estimate of the most likely outcome for each individual exposure. Environmental provisions are discounted using discount rates which reflect market assessments and the risks specific to the liabilities. The discount rates used were 4.0% in the US, 4.0% in the UK and 3.3% in Canada.

Included within environmental provisions are amounts in respect of all anticipated costs related to the closure and remediation of the Chromium UK site at Eaglescliffe. The Eaglescliffe site was not included within the $19.5m transferred to liabilities held for sale.

The following table shows the timeframes over which undiscounted costs in relation to the environmental provisions are expected to be incurred:

	1-10 years $m	11-20 years $m	20-25 years $m	Total $m
Environmental provisions	**21.1**	**12.0**	**6.0**	**39.1**

Environmental provisions have decreased by $10.3m due to increases in the discount rates used offset by a $8.7m increase due to extra remediation work identified during the year. The decrease in provisions is included within adjusting items (see Note 5). If the cost estimates on which the provisions are based were to change by 10%, which is reasonably possible, the provision recognised would increase by approximately $2.8m.

Whilst a range of outcomes is possible, the Directors believe that the reasonably possible range for the environmental provision is from $26.6m to $33.8m.

Self-insurance provisions relate to personal injury and other claims from former employees or third parties and represent the aggregate of outstanding claims plus a projection of losses incurred but not yet reported which together make up the full liability recognised as a provision. Insurance recoveries are recognised as a separate reimbursement asset. The self-insurance provisions are expected to be utilised within five years.

Restructuring provisions relate to costs of adjusting head count and other costs of restructuring where a need to do so has been identified by management. These provisions are expected to be utilised within one year.

16. DEFERRED TAX

	Retirement benefit plans $m	Accelerated tax depreciation $m	Amortisation of US goodwill $m	Other intangible assets $m	Other temporary differences $m	Unrelieved tax losses $m	Total $m
AT 1 JANUARY 2021	2.4	(44.1)	(63.6)	(35.4)	13.3	10.6	(116.8)
Credit/(charge) to the income statement	0.3	(1.9)	0.2	2.4	7.4	(1.9)	6.5
Charge to other comprehensive income	(14.5)	–	–	–	(0.4)	–	(14.9)
Credit to retained earnings	–	–	–	–	1.0	–	1.0
Currency translation differences	(0.6)	3.2	–	1.6	(1.2)	(0.8)	2.2
AT 31 DECEMBER 2021	**(12.4)**	**(42.8)**	**(63.4)**	**(31.4)**	**20.1**	**7.9**	**(122.0)**
(Charge)/credit to the income statement	**–**	**(0.1)**	**0.4**	**2.0**	**0.6**	**1.5**	**4.4**
Credit to other comprehensive income	**5.3**	**–**	**–**	**–**	**0.8**	**–**	**6.1**
Credit to retained earnings	**–**	**–**	**–**	**–**	**0.4**	**–**	**0.4**
Currency translation differences	**1.7**	**(0.1)**	**–**	**1.5**	**(0.2)**	**0.2**	**3.1**
Transferred to assets/(liabilities) held for sale (see Note 32)	**(0.7)**	**8.7**	**–**	**–**	**(6.5)**	**–**	**1.5**
AT 31 DECEMBER 2022	**(6.1)**	**(34.3)**	**(63.0)**	**(27.9)**	**15.2**	**9.6**	**(106.5)**
DEFERRED TAX ASSETS	**–**	**–**	**–**	**–**	**15.2**	**9.6**	**24.8**
DEFERRED TAX LIABILITIES	**(6.1)**	**(34.3)**	**(63.0)**	**(27.9)**	**–**	**–**	**(131.3)**

Deferred tax assets have been recognised to the extent that it is considered more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted. Where this is not the case, deferred tax assets have not been recognised.

Deferred tax liabilities are reduced for any deferred tax assets which exist within a jurisdiction where consolidated tax returns are filed and where tax assets and liabilities may be netted.

At the balance sheet date the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was $37.9m (2021: $37.8m). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future. As at the balance sheet date the Group had an unrecognised deferred tax asset of $4.5m (gross $21.4m) (2021: $8.9m (gross $42.4m)) in relation to restricted US interest deductions, an unrecognised deferred tax asset of $3.8m (gross $18.9m) (2021: $2.4m (gross $11.9m)) in relation to restricted Finnish interest deductions and an unrecognised deferred tax asset of $8.6m (gross $26.1m) (2021: $7.3m (gross $22.1m)) in respect of German net operating losses.

17. SHARE CAPITAL

	2022 $m	2021 $m
At 1 January	**52.2**	52.1
Issue of shares	**0.1**	0.1
At 31 December	**52.3**	52.2

18. OTHER RESERVES

	Capital redemption reserve $m	Translation reserve $m	Hedging reserve $m	Share options reserve $m	Total $m
AT 1 JANUARY 2021	158.8	(48.9)	(8.9)	7.6	108.6
Issue of shares	–	–	–	(0.2)	(0.2)
Share based payments	–	–	–	5.1	5.1
Exchange differences	–	(18.8)	–	–	(18.8)
Fair value of cash flow hedges transferred to the income statement	–	–	2.7	–	2.7
Effective portion of changes in fair value of cash flow hedges	–	–	(0.1)	–	(0.1)
Fair value of cash flow hedges transferred to net assets	–	–	(2.3)	–	(2.3)
Transfer	–	–	–	(4.3)	(4.3)
AT 31 DECEMBER 2021	**158.8**	**(67.7)**	**(8.6)**	**8.2**	**90.7**
Share based payments	**–**	**–**	**–**	**3.4**	**3.4**
Exchange differences	**–**	**(54.7)**	**–**	**(0.9)**	**(55.6)**
Fair value of cash flow hedges transferred to the income statement	**–**	**–**	**1.6**	**–**	**1.6**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**(2.6)**	**–**	**(2.6)**
Fair value of cash flow hedges transferred to net assets	**–**	**–**	**0.8**	**–**	**0.8**
Transfer	**–**	**–**	**7.8**	**(4.0)**	**3.8**
AT 31 DECEMBER 2022	**158.8**	**(122.4)**	**(1.0)**	**6.7**	**42.1**

The Company can redeem shares by repaying the market value to the shareholder, whereupon the shares are cancelled. Redemption must be from distributable profits. The capital redemption reserve represents the nominal value of the shares redeemed.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The transfer from the hedging reserve to retained earnings is as a result of adjusting the hedging reserve to reflect the balance of open cash flow hedges at the end of the year.

The share options reserve comprises amounts accumulated in equity in respect of share options and awards granted to employees. The transfers from the share options reserve to retained earnings is as a result of the exercise and expiry of share options and awards during the year.

19. BORROWINGS

	2022 $m	2021 $m
Bank loans	**419.0**	485.6
Unamortised syndicate loan fees	**(4.3)**	(3.1)
Short-term borrowings	**2.7**	–
Carrying value of borrowings at 31 December	**417.4**	482.5
The borrowings are repayable as follows:		
Within one year	**2.7**	–
Within two to four years	**419.0**	485.6
In the fifth year	**–**	–
	421.7	485.6

The weighted average interest rates paid were as follows:

	2022 %	2021 %
Bank loans	**3.0**	2.9

Group borrowings were denominated as follows:

	US dollar	euro	Total Bank loans
Bank loans			
31 DECEMBER 2022	**233.1**	**185.9**	**419.0**
31 December 2021	290.0	195.6	485.6

On 1 July 2022 the Group successfully refinanced its term loans. As part of the refinancing the total quantum of the term loans was reduced by $100m and the maturity extended to June 2026, with the option of a one year extension. The terms of the revolving credit facility (RCF) remain unchanged, with $71.6m maturing in September 2024 and $303.4m in September 2025.

The US dollar borrowings comprised of a fully drawn $150.0m term loan (2021: $200.0m) and $83.1m of RCF drawings (2021:$90.0m). The euro borrowings comprised a fully drawn €142.9m term loan (2021: €172.0m) and €31.4m of RCF drawings (2021: €nil).

The RCF and term loans are governed by the Group's bank syndicate facilities agreement, under which certain Group entities act as guarantors. The guarantors to the facilities agreement are required to constitute at least 75% of the Group's total fixed assets plus current assets less current liabilities and 75% of the Group's profits before interest expense and tax.

Each guarantor irrevocably and unconditionally jointly and severally guarantees the punctual performance under the Group's bank syndicate facilities agreement. There are no fixed or floating charges over assets.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the consolidated cash flow statement comprise the following:

	2022 $m	2021 $m
Cash at bank and on hand	**54.9**	84.6

21. FINANCIAL INSTRUMENTS

At 31 December 2022:	Held at fair value: Through profit and loss $m	Held at fair value: Derivatives used for hedging $m	Held at amortised cost: Loans and receivables $m	Held at amortised cost: Liabilities $m	Total book value $m	Total fair value $m
CURRENT:						
Trade and other receivables (see note 13)	–	–	87.9	–	87.9	87.9
Derivative financial instruments (see note 22)*	6.9	3.8	–	–	10.7	10.7
Cash and cash equivalents (see note 20)	–	–	54.9	–	54.9	54.9
NON-CURRENT:						
Derivative financial instruments (see note 22)*	–	1.3	–	–	1.3	1.3
Financial assets	6.9	5.1	142.8	–	154.8	154.8
CURRENT:						
Bank overdrafts and loans (see note 19)	–	–	–	(2.7)	(2.7)	(2.7)
Trade and other payables (see note 14)	–	–	–	(135.4)	(135.4)	(135.4)
Derivative financial instruments (see note 22)*	(0.5)	(2.8)	–	–	(3.3)	(3.3)
Lease liabilities (see note 24)	–	–	–	(6.1)	(6.1)	(6.1)
NON-CURRENT:						
Loans and borrowings** (see note 19)	–	–	–	(414.7)	(414.7)	(419.0)
Lease liabilities (see note 24)	–	–	–	(30.2)	(30.2)	(30.2)
Derivative financial instruments (see note 22)*	–	(2.8)	–	–	(2.8)	(2.8)
Financial liabilities	(0.5)	(5.6)	–	(589.1)	(595.2)	(599.5)
TOTAL	6.4	(0.5)	142.8	(589.1)	(440.4)	(444.7)

At 31 December 2021:	Held at fair value: Through profit and loss $m	Held at fair value: Derivatives used for hedging $m	Held at amortised cost: Loans and receivables $m	Held at amortised cost: Liabilities $m	Total book value $m	Total fair value $m
CURRENT:						
Trade and other receivables (see note 13)	–	–	131.0	–	131.0	131.0
Derivative financial instruments (see note 22)	–	0.2	–	–	0.2	0.2
Cash and cash equivalents (see note 20)	–	–	84.6	–	84.6	84.6
Financial assets	–	0.2	215.6	–	215.8	215.8
CURRENT:						
Bank overdrafts and loans (see note 19)	–	–	–	–	–	–
Trade and other payables (see note 14)	–	–	–	(161.0)	(161.0)	(161.0)
Derivative financial instruments (see note 22)*	–	(1.4)	–	–	(1.4)	(1.4)
Lease liabilities (see note 24)	–	–	–	(6.4)	(6.4)	(6.4)
NON-CURRENT:						
Loans and borrowings** (see note 19)	–	–	–	(482.5)	(482.5)	(485.6)
Lease liabilities (see note 24)	–	–	–	(33.8)	(33.8)	(33.8)
Derivative financial instruments (see note 22)*	(4.0)	–	–	–	(4.0)	(4.0)
Financial liabilities	(4.0)	(1.4)	–	(683.7)	(689.1)	(692.2)
TOTAL	(4.0)	(1.2)	215.6	(683.7)	(473.3)	(476.4)

* Derivatives in an asset and liability position at 31 December 2022 and 31 December 2021 are shown within current or non current financial assets and current or non current financial liabilities in the consolidated balance sheet.

** Loans and borrowings are shown net of facility fees of $4.3m (2021: $3.1m).

21. FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUES MEASUREMENT AND HIERARCHY

BASIS FOR DETERMINING FAIR VALUES

The Group measures fair values in respect of financial instruments in accordance with IFRS 13, using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly.

Level 3: Valuation techniques using significant unobservable inputs. This category includes contingent consideration.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

The Group assesses that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and the current portion of floating rate bank and other borrowings, approximate to book values due to the short maturity periods of these financial instruments. For trade and other receivables, allowances are made within their book value for credit risk. The fair values of lease liabilities approximate to their book values due to the measurement of lease liabilities at the Group's incremental borrowing rate, which has not changed significantly since the inception of the lease liabilities presented. Leases are also negotiated at market rates with independent, unrelated third parties and are subject to periodic rental reviews.

DERIVATIVES (LEVEL 2)

Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds).

NON-DERIVATIVE NON-CURRENT FINANCIAL LIABILITIES (LEVEL 2)

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

CONTINGENT CONSIDERATION PAYABLE (LEVEL 3)

Fair value has been estimated by calculating the present value of the future expected cash flows. Expected cash inflows are estimated based on the terms of the sale and purchase contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in fair value of financial liabilities classified as level 3 in the hierarchy are as follows:

	2022 $m	2021 $m
Contingent consideration at fair value through profit or loss:		
At 1 January	–	13.4
Foreign exchange losses/(gains)	–	(0.1)
Cash paid	–	(13.3)
At 31 December	–	–

INTEREST RATES USED FOR DETERMINING FAIR VALUE

The interest rates used to discount estimated cash flows, where applicable, are based on yield curves observable at the balance sheet date and contractual interest rates. The rates used were as follows:

	2022 %	2021 %
Borrowings	–	2.4–2.7

The following table shows amounts recognised in profit or loss in relation to financial assets and liabilities within the scope of IFRS 9:

	2022 $m	2021 $m
RECOGNISED IN PROFIT OR LOSS		
Revenue – fair value of cash flow hedges transferred from equity to the income statement	**1.7**	(0.3)
Interest income on bank deposits held at amortised cost	**0.2**	0.3
Fair value movement on derivatives	**9.1**	10.7
Financial income	**9.3**	11.0
Interest on bank loans	**(19.6)**	(20.8)
Fair value of cash flow hedges transferred from equity to the income statement	**0.1**	(2.4)
Interest on lease liabilities	**(1.4)**	(1.6)
Financial costs	**(20.9)**	(24.8)

The following table shows amounts recognised directly in equity in relation to financial assets and liabilities within the scope of IFRS 9:

	2022 $m	2021 $m
RECOGNISED DIRECTLY IN EQUITY		
Effective portion of changes in fair value of cash flow hedge (gain/(loss))	**(2.6)**	(0.1)
Fair value of cash flow hedges transferred to income statement	**1.6**	2.7
Fair value of cash flow hedges transferred to net assets	**0.8**	(2.3)
Effective portion of change in fair value of net investment hedge	**46.2**	10.7
Foreign currency translation differences for foreign operations	**(100.9)**	(29.1)
Recognised in:		
Hedging reserve	**(0.2)**	0.3
Translation reserve	**(54.7)**	(18.4)

22. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

	Contract or underlying principal amount		Fair Value	
At 31 December 2022:	Assets	Liabilities	Assets $m	Liabilities $m
CURRENT:				
Interest rate swaps – cash flow hedges	**€120m/$50m**	**–**	**3.7**	**–**
Nickel swaps – cash flow hedges	**–**	**288MT**	**–**	**(2.6)**
Aluminium swaps – cash flow hedges	**2,580MT**	**1,380MT**	**0.1**	**(0.2)**
Cross currency swaps	**€100m/$110m**	**–**	**3.1**	**–**
Foreign exchange forwards	**€100m/$109m**	**–**	**–**	**(0.5)**
Swaptions	**$150m**	**–**	**3.8**	**–**
TOTAL			**10.7**	**(3.3)**
NON CURRENT:				
Nickel swaps – cash flow hedges	**216MT**	**720MT**	**1.3**	**(2.8)**
TOTAL			**1.3**	**(2.8)**

22. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES CONTINUED

At 31 December 2021:	Contract or underlying principal amount Assets	Liabilities	Fair Value Assets $m	Liabilities $m
CURRENT:				
Interest rate swaps – cash flow hedges	–	€120m / $100m	–	(0.9)
Nickel swaps – cash flow hedges	–	504 MT	–	(0.5)
Aluminium swaps – cash flow hedges	2,040 MT	1,620 MT	0.2	–
TOTAL			0.2	(1.4)
NON CURRENT:				
Cross currency swaps	–	$110m / €100m	–	(4.0)
TOTAL			–	(4.0)

HEDGING ACTIVITIES

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk, commodity price risk and interest rate risk.

The Group's risk management strategy is explained in Note 23.

DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS

COMMODITY PRICE RISK

The Group enters into commodity swap contracts to reduce the volatility attributable to price fluctuations of aluminium and nickel. To the extent they continue to meet the criteria for hedge accounting, the commodity forward contracts are accounted for as cash flow hedges. The weighted average strike price on outstanding aluminium hedges was $2,616.0 (2021: $3,577.0) and the weighted average strike price on outstanding nickel hedges was $29,453.4 (2021: $19,400.0).

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity swap contracts match the terms of the expected highly probable forecast transactions (i.e. notional amount and expected payment date). During the year ended 31 December 2022, the group recognised a gain of $0.5m within revenue in the consolidated income statement as a result on an ineffective nickel hedge. For all other commodity hedges, as all critical terms matched during the year, hedge ineffectiveness was immaterial. The hedge ratio is 1:1.

INTEREST RATE RISK

The Group enters into interest rate swaps to swap a portion of the interest arising from the Group's bank borrowings from floating to fixed. Interest payments are highly probable, the hedged risk is the change in the market interest rate. The hedged items are the interest rate cash flows on $50.0m of USD denominated debt and €120.0m of EUR denominated debt. The Group's total borrowings are shown in Note 19 to the financial statements.

The principal terms (notional, reset date, tenor) of the hedged items and the hedged instruments have been matched along with the contractual interest cash flows, therefore creating an exact offset for these transaction resulting in a net fixed interest payable. As the interest rate swaps and the hedged items are matched (equal and opposite terms of interest rate, date and maturity) this results in a designated hedge ratio of 1:1 or 100%.

Hedge ineffectiveness can arise from:

- Changes in timing of the hedged item
- A reduction in the amount of the hedged item considered to be highly probable
- A change in the credit risk of Elementis or the counterparty to the derivative contract
- Foreign currency basis spreads

The effect of cash flow hedges in the consolidated income statement and the consolidated statement of other comprehensive income is as follows:

	Total hedging (loss)/gain recognised in OCI $m	Amount reclassified from OCI to profit or loss $m	Amount reclassified from OCI to the Balance Sheet $m	Line item in the profit or loss statement or Balance Sheet $m
YEAR ENDED 31 DECEMBER 2022				
Interest rate swaps – cash flow hedges	**3.6**	**(0.1)**	**–**	**Finance costs**
Nickel forward contracts – cash flow hedges	**(5.4)**	**1.7**	**–**	**Revenue**
Aluminium forward contracts – cash flow hedges	**(0.8)**	**–**	**0.8**	**Inventory**
YEAR ENDED 31 DECEMBER 2021				
Interest rate swaps – cash flow hedges	(0.1)	2.4	–	Finance costs
Nickel forward contracts – cash flow hedges	(1.2)	0.3	–	Revenue
Aluminium forward contracts – cash flow hedges	1.2	–	(2.3)	Inventory

Amounts reclassified from other comprehensive income to profit or loss are due to the hedged item affecting profit or loss in the period. There were no instances of non-occurrence of hedged cashflows in either the current or comparative period.

HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS

The Group seeks to denominate the currency of its borrowings in euros and US dollars in order to match the currency of its cash flows, earnings and assets which are principally denominated in those currencies.

The euro and US dollar borrowings in Elementis Holdings Limited are designated as net investment hedges, as the company's functional currency is pounds sterling. The Group does not undertake derivative transactions to hedge the foreign currency translation exposures.

The Group analyses the euro and US dollar net assets by subsidiary, and the foreign currency borrowings in the name of Elementis Holdings Limited are allocated against certain tranches of net assets. The critical terms of the euro and US dollar borrowings and their corresponding hedged items are therefore the same.

The Group performs a qualitative assessment of effectiveness and it is expected that the value of the euro and US dollar borrowings in pounds sterling and the value of the corresponding hedged items in pounds sterling will systematically move in the opposite direction in response to movements in the underlying exchange rates.

The main source of ineffectiveness in these hedging relationships is the impact of a decline in the carrying value of the hedged item compared to the euro and US dollar borrowings, with the result that the value of the hedged item is less than the value of hedging instrument.

Foreign currency revaluation on the euro and US dollar borrowings in the name of Elementis Holdings Limited are recorded in other comprehensive income and deferred in the foreign currency translation reserve on the balance sheet as long as the hedge is effective. Any ineffectiveness is recognised in the income statement for that year.

The impact of the hedged items on the statement of comprehensive income is as follows:

	2022 Foreign currency translation reserve $m	2021 Foreign currency translation reserve $m
YEAR ENDED 31 DECEMBER		
Net investment in foreign subsidiaries	**(100.9)**	(29.1)

22. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES CONTINUED

IMPACT OF HEDGING ON EQUITY

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Cash flow hedge reserve $m	Foreign currency translation reserve $m
AT 1 JANUARY 2021	(8.9)	(48.9)
Effective portion of changes in fair value arising from:		
Derivative cash flow hedging instruments	(0.1)	–
Amount reclassified to profit or loss	2.7	(0.4)
Amount reclassified to net assets	(2.3)	–
Foreign currency revaluation of the net foreign operations	–	(29.1)
Foreign currency revaluation of borrowings	–	10.7
Foreign currency revaluation of pension scheme actuarial movements	–	–
AT 1 JANUARY 2022	**(8.6)**	**(67.7)**
Effective portion of changes in fair value arising from:		
Derivative cash flow hedging instruments	**(2.6)**	**–**
Amount reclassified to profit or loss	**1.6**	**–**
Amount reclassified to net assets	**0.8**	**–**
Transfer	**7.8**	**–**
Foreign currency revaluation of the net foreign operations	**–**	**(100.9)**
Foreign currency revaluation of borrowings	**–**	**46.2**
Transferred to assets/(liabilities) held for sale (see Note 32)	**–**	**–**
AT 31 DECEMBER 2022	**(1.0)**	**(122.4)**

23. FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT OBJECTIVES

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

TRADE AND OTHER RECEIVABLES

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less influence on credit risk. No single customer accounts for a significant proportion of the Group's revenue.

Each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board of Directors. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group applies the IFRS 9 simplified approach in establishing an allowance for expected credit losses (ECLs). The Group therefore does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is used to calculate lifetime ECLs which takes into account the Group's historical credit loss experience adjusted for historical conditions that are not relevant to future cashflows and forward looking factors specific to the debtor and economic environment.

INVESTMENTS

The Group limits its exposure to credit risk through a treasury policy that imposes graduated limits on the amount of funds that can be deposited with counterparties by reference to the counterparties' credit ratings, as defined by Standard & Poor's or Moody's. Management does not expect any counterparty to fail to meet its obligations.

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2022 $m	2021 $m
Trade receivables	**77.5**	110.6
Cash and cash equivalents	**54.9**	84.6
	132.4	195.2

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Carrying amount	
	2022 $m	2021 $m
North America	**25.5**	36.3
Europe	**27.2**	39.5
Rest of the World	**24.8**	34.8
	77.5	110.6

EXPECTED CREDIT LOSSES

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Gross 2022 $m	**Expected credit loss rate**	**Expected credit loss 2022 $m**	Gross 2021 $m	Expected credit loss rate	Expected credit loss 2021 $m
Not past due	**67.9**	**0.1%**	**(0.1)**	97.7	0.1%	(0.1)
Past due 0-30 days	**6.3**	**0.0%**	**–**	9.3	0.0%	–
Past due 31-120 days	**3.2**	**0.0%**	**–**	2.6	0.0%	–
Past due > 121 days	**1.6**	**87.5%**	**(1.4)**	2.6	62.0%	(1.6)
Total	**79.0**		**(1.5)**	112.2		(1.7)

The movement in the allowance for expected credit losses during the year was as follows:

	2022 $m	2021 $m
Balance at 1 January	**1.7**	1.8
Released to income statement – administrative expenses	**0.5**	–
Amounts written off	**(0.5)**	(0.1)
Transferred to assets held for sale (see Note 32)	**(0.2)**	–
Balance at 31 December	**1.5**	1.7

23. FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's funding policy is to have committed borrowings in place to cover at least 125% of the maximum forecast net borrowings for the next 12 month period.

The committed facilities at 31 December were as follows:

	Total committed facilities 2022 $m	Undrawn committed facilities 2022 $m	Drawn committed Facilities 2022 $m	Total committed facilities 2021 $m	Undrawn committed facilities 2021 $m	Drawn committed Facilities 2021 $m
US dollar term loan	**150.0**	**–**	**150.0**	200.0	–	200.0
Euro term loan	**152.5**	**–**	**152.5**	195.6	–	195.6
RCFs	**408.5**	**291.9**	**116.6**	375.0	285.0	90.0
Lines of credit	**22.4**	**22.4**	**–**	45.3	45.3	–
Total	**733.4**	**314.3**	**419.1**	815.9	330.3	485.6
of which expires after more than 1 year		**301.9**			295.0	

In addition, some suppliers have access to utilise the Group's supplier finance programmes, which are provided by Santander and US Bank. There is no cost to the Group for providing these programmes as the cost is borne by the suppliers. These programmes allow suppliers to choose whether they want to accelerate the payment of their invoices, by the financing banks, at a low interest cost. The amounts outstanding to the banks are presented within trade and other payables, and the cashflows are presented with cash flows from operating activities. At the end of the period, the total facility with Santander was $15.9m (2021 $14.9m) with the net balance outstanding of $nil (2021: $6.2m) and the total facility with US Bank was $1.5m (2021: $1.5m) with the net balance outstanding of $0.5m (2021: $0.6m).

EXPOSURE TO LIQUIDITY RISK

The maturity analyses for financial liabilities showing the anticipated remaining contractual undiscounted cash flows, including future interest payments, at current year exchange rates and assuming floating interest rates remain at the latest fixing rates are:

	31 December 2022				
	Within 1 year $m	**1 to 2 years $m**	**2 to 5 years $m**	**After 5 years $m**	**Total $m**
Bank overdrafts	**2.7**	**–**	**–**	**–**	**2.7**
Secured bank loan	**132.0**	**15.2**	**325.2**	**–**	**472.4**
Trade and other payables	**135.4**	**–**	**–**	**–**	**135.4**
Lease liabilities	**6.1**	**5.0**	**11.7**	**21.2**	**44.0**
TOTAL NON-DERIVATIVE FINANCIAL LIABILITIES	**276.2**	**20.2**	**336.9**	**21.2**	**654.5**
Interest rate swaps	**1.1**	**–**	**–**	**–**	**1.1**
Commodity swap contracts	**10.3**	**–**	**–**	**–**	**10.3**
Cross currency swaps – outflow	**106.7**	**–**	**–**	**–**	**106.7**
Cross currency swaps – inflow	**(109.8)**	**–**	**–**	**–**	**(109.8)**
Forward exchange contracts – outflow	**106.7**	**–**	**–**	**–**	**106.7**
Forward exchange contracts – inflow	**(108.9)**	**–**	**–**	**–**	**(108.9)**
TOTAL DERIVATIVE FINANCIAL LIABILITIES	**6.1**	**–**	**–**	**–**	**6.1**

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The Group uses derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Board.

MARKET RISK – CURRENCY RISK

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a foreign currency other than the respective functional currencies of Group entities, primarily the US dollar and the euro. The Group hedges up to 100% of current and forecast trade receivables and trade payables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, with a maturity of less than one year from the reporting date.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily US dollar, but also euro and pounds sterling. This provides an economic hedge in instances where hedging derivatives are not entered into. In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

The Group's net investment in overseas subsidiaries creates exposure to foreign exchange fluctuations. The risk is hedged by US dollar and euro denominated drawdowns under the syndicated facility designated as the hedged item in net investment hedge relationships. This mitigates the currency risk arising from the retranslation of a subsidiary's net assets into pounds sterling, the functional currency of the ultimate parent Elementis plc.

CURRENCY RISK SENSITIVITY ANALYSIS

The following table illustrates the effect on the income statement and items that are recognised directly in equity that would result from a 10% strengthening of US dollar against the following currencies, before the effect of tax. The analysis covers only financial assets and liabilities held at the balance sheet date and assumes that all other variables, in particular interest rates, remain constant.

	2022		2021	
	Income statement $m	**Equity $m**	Income statement $m	Equity $m
Gain from US Dollar strengthening 10% against Euro	**0.4**	**–**	0.3	0.2
Gain/(loss) from US Dollar strengthening 10% against Sterling	**0.8**	**(20.3)**	0.1	(26.4)

MARKET RISK – INTEREST RATE

The Group's policy is to borrow at both fixed and floating interest rates and to use interest rate swaps to generate the required interest profile. These interest swaps are designated within cashflow hedging relationships with the interest payments on the borrowings they are hedging. The risk being hedged is the exposure of the Group to market rate volatility on a portion of the core Group debt. The Group policy does not require that a specific proportion of the Group's borrowings are at fixed rates of interest.

INTEREST RATE SENSITIVITY ANALYSIS

A change of 100 basis points (1%) in interest rates would have impacted profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2022		2021	
	100bps increase $m	**100bps decrease $m**	100bps increase $m	100bps decrease $m
Variable rate instruments – gain/(loss)	**2.8**	**(2.0)**	(2.1)	4.9

MARKET RISK – COMMODITY PRICE RISK

The group is exposed to movements in the prices of commodities it purchases and sells such as aluminium and nickel. The volatility in the prices of these commodities has led to the decision to enter into commodity swap contracts. The swap contracts do not result in physical delivery, but are designated as cash flow hedges to offset the effect of price changes.

COMMODITY PRICE SENSITIVITY ANALYSIS

In 2022 and 2021 the Group's aluminium purchases were fully hedged and all aluminium swap derivatives achieved hedge accounting; there was no impact on profit or loss and no sensitivity is presented.

23. FINANCIAL RISK MANAGEMENT CONTINUED

OTHER MARKET PRICE RISK

Equity price risk arises from equity securities held within the Group's defined benefit pension obligations. In respect of the US schemes, management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise investment returns, without excessive risk taking, in order to meet partially the Group's unfunded benefit obligations; management is assisted by external advisers in this regard. In respect of the UK scheme, the investment strategy is set by the trustees and the Board is kept informed.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business and maximise shareholder value. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent comprising capital, reserves and retained earnings.

The Group utilises a mix of debt funding sources including term loans and revolving credit facilities (RCF) from the Group's syndicated borrowing facility with differing maturities to ensure continuity and provide flexibility. The group is subject to two financial covenants which apply to the Group's syndicated borrowing facilities. Following the refinancing on 1 July 2022 the Group is required to maintain a ratio of net debt/EBITDA (post IFRS 16) of less than 3.50x and a minimum net interest cover of 3.1x (in relation to earnings before net interest expense and tax). The post IFRS 16 net debt/EBITDA ratio stood at 2.3x times at 31 December 2022 (2021: 2.8x) and the directors anticipate the strong cash generation of the Group and the proceeds from the Chromium divestment will drive a material deleveraging profile going forwards, with leverage reducing to a net debt/EBITDA ratio of around 1.5x in the medium term. Net interest cover at 31 December 2022 was 6.6x (2021: 4.6x).

The Board monitors the adjusted return on operating capital employed (ROCE) both including and excluding goodwill, as defined on page 214.

The dividend policy is set out in the Chairman's statement on page 7.

24. LEASES

GROUP AS LESSEE

The Group has lease contracts for various items of property, plant, machinery, vehicles and other equipment used in its operations. Disclosures in relation to Right of Use Assets are included within Note 11 – Property, plant and equipment.

The Group also has certain leases with lease terms of 12 months or less and leases of low-value assets to which the Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions.

The weighted average incremental borrowing rate applied to lease liabilities is 3.6% (2021: 3%).

The following are the amounts recognised in profit or loss:

	2022 $m	2021 $m
Depreciation expense on right-of-use assets	**5.5**	5.0
Interest expense on lease liabilities	**1.4**	1.6
Expense related to short-term leases and low-value assets	**0.4**	0.8
Expense relating to variable lease payments not included in lease liabilities	**1.2**	0.9

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022 $m	2021 $m
AT 1 JANUARY	**40.2**	44.4
Additions	**5.5**	2.0
Disposals	**(2.2)**	(0.1)
Interest expense	**1.4**	1.6
Payments	**(7.1)**	(6.7)
Foreign exchange movements	**(1.1)**	(1.0)
Transferred to liabilities held for sale (see Note 32)	**(0.4)**	–
AT 31 DECEMBER	**36.3**	40.2

The maturity analysis of lease liabilities is as follows:

	2022 $m	2021 $m
Within one year	**6.1**	6.4
In the second to fifth years inclusive	**15.2**	15.2
After five years	**15.0**	18.6
	36.3	40.2

25. RETIREMENT BENEFIT OBLIGATIONS

The Group has a number of contributory and non-contributory post retirement benefit plans providing retirement benefits for the majority of employees and Executive Directors. At 31 December 2022 the main schemes in the UK and US were of the defined benefit type, the benefit being based on number of years of service and either the employee's final remuneration or the employee's average remuneration during a period of years before retirement. The assets of these schemes are held in separate trustee administered funds or are unfunded but provided for on the Group balance sheet.

The UK defined benefit scheme had a surplus under IAS 19 of $26.4m (2021: $56.6m). In accordance with the requirements of IFRIC 14 management have concluded that the unconditional right to a refund of any surplus under any winding up of the plan provides sufficient evidence that an asset ceiling does not exist and as such the full surplus has been recognised.

In addition the Group operates an unfunded post retirement medical benefit (PRMB) scheme in the US. The entitlement to these benefits is usually based on the employee remaining in service until retirement age and completion of a minimum service period.

Other employee benefit schemes included in the table overleaf relate to two unfunded pension schemes, a long term service award scheme in Germany and a special benefits programme for a small number of former employees of the Eaglescliffe plant. The Group also acquired two further unfunded pension schemes and two long term service award schemes all in Germany as part of the SummitReheis acquisition in 2017. These are included within this category.

The Group also operates a small number of defined contribution schemes and the contributions payable during the year are recognised as incurred. The pension charge for the defined contribution pension schemes for the year is $6.0m (2021: $6.2m).

NET DEFINED BENEFIT LIABILITY

The net liability was as follows:

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Other $m	Total $m
2022					
Total market value of assets	**462.8**	**91.6**	**–**	**–**	**554.4**
Present value of scheme liabilities	**(436.4)**	**(91.6)**	**(3.5)**	**(5.4)**	**(536.9)**
Net asset/(liability) recognised in the balance sheet	**26.4**	**–**	**(3.5)**	**(5.4)**	**17.5**

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Other $m	Total $m
2021					
Total market value of assets	774.9	130.1	–	–	905.0
Present value of scheme liabilities	(718.3)	(131.8)	(6.6)	(9.0)	(865.7)
Net asset/(liability) recognised in the balance sheet	56.6	(1.7)	(6.6)	(9.0)	39.3

Employer contributions in 2022 were $0.5m (2021: $0.7m) to the UK scheme and $1.2m (2021: $1.0m) to US schemes. Top up contributions to the UK scheme in 2023 will be $0.7m based on the 2020 triennial valuation.

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

MOVEMENT IN NET DEFINED BENEFIT LIABILITY

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components.

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Other $m	Total $m
2022					
Balance at 1 January	**56.6**	**(1.7)**	**(6.6)**	**(9.0)**	**39.3**
INCLUDED IN PROFIT OR LOSS					
Current service cost	**(0.5)**	**(0.6)**	**(0.1)**	**–**	**(1.2)**
Past service cost	**–**	**–**	**–**	**–**	**–**
Running costs	**(1.0)**	**(0.4)**	**–**	**–**	**(1.4)**
Net interest income/(expense)	**1.0**	**–**	**(0.3)**	**(0.1)**	**0.6**
	(0.5)	**(1.0)**	**(0.4)**	**(0.1)**	**(2.0)**
INCLUDED IN OTHER COMPREHENSIVE INCOME					
Re-measurements:					
Return on plan assets excluding interest income	**(200.4)**	**(26.1)**	**–**	**0.1**	**(226.4)**
Actuarial gains arising from demographic assumptions	**–**	**0.1**	**–**	**–**	**0.1**
Actuarial losses arising from financial assumptions	**191.3**	**26.1**	**1.2**	**2.8**	**221.4**
Actuarial (losses)/gains arising from experience adjustment	**(14.5)**	**1.3**	**–**	**(0.1)**	**(13.3)**
Exchange differences	**(6.6)**	**–**	**–**	**0.6**	**(6.0)**
	(30.2)	**1.4**	**1.2**	**3.4**	**(24.2)**
Contributions:					
Employers	**0.5**	**0.6**	**0.6**	**0.3**	**2.0**
Transferred to assets/(liabilities) held for sale (see Note 32)	**–**	**0.7**	**1.7**	**–**	**2.4**
SURPLUS / (DEFICIT) IN SCHEMES AT 31 DECEMBER	**26.4**	**–**	**(3.5)**	**(5.4)**	**17.5**

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Other $m	Total $m
2021					
Balance at 1 January	7.9	(11.8)	(6.5)	(9.8)	(20.2)
Liabilities assumed as part of the acquisition of ICL Laboratories	–	–	–	(0.7)	(0.7)
INCLUDED IN PROFIT OR LOSS					
Current service cost	(0.7)	(0.8)	(0.1)	(0.3)	(1.9)
Past service cost	–	–	–	–	–
Running costs	(1.7)	(0.4)	–	–	(2.1)
Net interest income/(expense)	0.1	(0.2)	(0.2)	(0.1)	(0.4)
	(2.3)	(1.4)	(0.3)	(0.4)	(4.4)
INCLUDED IN OTHER COMPREHENSIVE INCOME					
Re-measurements:					
Return on plan assets excluding interest income	24.9	4.4	–	–	29.3
Actuarial gains arising from demographic assumptions	11.1	(0.4)	–	–	10.7
Actuarial losses arising from financial assumptions	2.0	5.9	(0.5)	1.1	8.5
Actuarial (losses)/gains arising from experience adjustment	14.0	1.1	0.2	(0.2)	15.1
Exchange differences	(1.6)	–	–	0.7	(0.9)
	50.4	11.0	(0.3)	1.6	62.7
Contributions:					
Employers	0.6	0.5	0.5	0.3	1.9
SURPLUS / (DEFICIT) IN SCHEMES AT 31 DECEMBER	56.6	(1.7)	(6.6)	(9.0)	39.3

PLAN ASSETS

Plan assets comprise:

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Total $m
2022				
Equities	**80.2**	**26.4**	**–**	**106.6**
Bonds[1]	**316.3**	**53.2**	**–**	**369.5**
Cash/liquidity funds	**66.3**	**12.0**	**–**	**78.3**
	462.8	**91.6**	**–**	**554.4**

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Total $m
2021				
Equities	231.7	45.8	–	277.5
Bonds[1]	466.0	14.0	–	480.0
Cash/liquidity funds	77.2	70.3	–	147.5
	774.9	130.1	–	905.0

1 Including LDI repurchase agreement liabilities.

To reduce volatility risk a liability driven investment (LDI) strategy forms part of the Trustees' management of the UK defined benefit scheme's assets, including government bonds, corporate bonds and derivatives. The bond assets category in the table above includes gross assets of $566.8m (2021: $778.2m) and associated repurchase agreement liabilities of $250.5m (2021: $312.2m). Repurchase agreements are entered into with counterparties to better offset the scheme's exposure to interest and inflation rates, whilst remaining invested in assets of a similar risk profile. Interest rate and inflation rate derivatives are also employed to complement the use of fixed and indexed linked bonds in matching the profile of the scheme's liabilities.

All equities, bonds and liquidity funds have quoted prices in active markets. Other assets include insured annuities, an insurance fund and various swap products.

Within the UK pension scheme, the current asset allocation is approximately 48% in a liability matching fund consisting of gilts (fixed interest and index linked), bonds, cash and swaps, 24% in a buy and maintain fund and 28% in an investment fund that includes various equity and equity like funds. The aim of the trustees is to manage the risk relative to the liabilities associated with the scheme's investments through a combination of diversification, inflation protection and hedging of risk (currency, interest rate and inflation risk). The US scheme currently has approximately 29% of its asset value invested in a range of equity funds designed to target higher returns and thus reduce the pension deficit, with the balance invested in fixed income bonds and cash. The strategy is that as the deficit reduces, a greater proportion of investments will be made into liability matching funds. Changes in the fair value of plan assets for the major schemes are as follows:

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Total $m
2022				
Opening fair value of plan assets	**774.9**	**130.1**	**–**	**905.0**
Expected return	**12.6**	**3.3**	**–**	**15.9**
Running costs	**(1.0)**	**(0.4)**	**–**	**(1.4)**
Actuarial gains	**(200.4)**	**(26.1)**	**–**	**(226.5)**
Contributions by employer	**0.5**	**0.6**	**–**	**1.1**
Contributions by employees	**–**	**–**	**–**	**–**
Benefits paid	**(34.7)**	**(7.7)**	**–**	**(42.4)**
Exchange differences	**(89.1)**	**–**	**–**	**(89.1)**
Transferred to assets held for sale (see Note 32)	**–**	**(8.2)**	**–**	**(8.2)**
Closing fair value of plan assets	**462.8**	**91.6**	**–**	**554.4**

25. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

PLAN ASSETS CONTINUED

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Total $m
2021				
Opening fair value of plan assets	788.9	130.7	–	919.6
Expected return	10.1	2.8	–	12.9
Running costs	(1.7)	(0.4)	–	(2.1)
Actuarial gains	24.9	4.4	–	29.3
Contributions by employer	0.6	0.5	–	1.1
Contributions by employees	0.1	0.1	–	0.2
Benefits paid	(40.7)	(8.0)	–	(48.7)
Exchange differences	(7.3)	–	–	(7.3)
Closing fair value of plan assets	774.9	130.1	–	905.0

DEFINED BENEFIT OBLIGATION

Changes in the present value of the defined benefit obligation for the major schemes are as follows:

	UK pension scheme $m	**US pension schemes $m**	**US PRMB scheme $m**	**Total $m**
2022				
Opening defined benefit obligation	**(718.3)**	**(131.8)**	**(6.6)**	**(856.7)**
Service cost	**(0.5)**	**(0.6)**	**(0.1)**	**(1.2)**
Past service cost	**–**	**–**	**–**	**–**
Interest cost	**(11.6)**	**(3.3)**	**(0.3)**	**(15.2)**
Contributions by employees	**–**	**–**	**–**	**–**
Actuarial gains/(losses)				
– demographic assumptions	**–**	**0.1**	**–**	**0.1**
– financial assumptions	**191.3**	**26.1**	**1.2**	**218.6**
– experience adjustments	**(14.5)**	**1.3**	**–**	**(13.2)**
Benefits paid	**34.7**	**7.7**	**0.6**	**43.0**
Exchange differences	**82.5**	**–**	**–**	**82.5**
Transferred to liabilities held for sale (see Note 32)	**–**	**8.9**	**1.7**	**10.6**
Closing defined benefit obligation	**(436.4)**	**(91.6)**	**(3.5)**	**(531.5)**

	UK pension scheme $m	US pension schemes $m	US PRMB scheme $m	Total $m
2021				
Opening defined benefit obligation	(781.0)	(142.5)	(6.5)	(930.0)
Service cost	(0.7)	(0.8)	(0.1)	(1.6)
Past service cost	–	–	–	–
Interest cost	(10.0)	(3.0)	(0.2)	(13.2)
Contributions by employees	(0.1)	(0.1)	–	(0.2)
Actuarial gains/(losses)				
– demographic assumptions	11.1	(0.4)	–	10.7
– financial assumptions	2.0	5.9	(0.5)	7.4
– experience adjustments	14.0	1.1	0.2	15.3
Benefits paid	40.7	8.0	0.5	49.2
Exchange differences	5.7	–	–	5.7
Closing defined benefit obligation	(718.3)	(131.8)	(6.6)	(856.7)

ACTUARIAL ASSUMPTIONS

A full actuarial valuation was carried out on 30 September 2020 for the UK scheme and at 31 December 2015 for the US schemes.

The principal assumptions used by the actuaries for the major schemes have been updated by the actuaries at the balance sheet date and were as follows:

	UK %	US %
2022		
Rate of increase in salaries	**4.5**	**3.0**
Rate of increase in pensions in payment	**3.3**	**N/A**
Discount rate	**4.8**	**5.1**
Inflation	**3.5**	**2.4**
2021		
Rate of increase in salaries	4.6	3.0
Rate of increase in pensions in payment	3.4	N/A
Discount rate	1.8	2.6
Inflation	3.6	2.3

The assumed life expectancies on retirement are:

	UK		US	
	2022 years	2021 years	**2022 years**	2021 years
Retiring at 31 December				
Males	**22**	22	**21**	21
Females	**24**	24	**22**	22
Retiring in 20 years				
Males	**23**	23	**21**	21
Females	**26**	26	**23**	23

The main assumptions for the PRMB scheme are a discount rate of 5.1% (2021: 2.6%) per annum and a health care cost trend of 6.7% (2021: 5.7%) per annum for claims pre age 65, reducing to 4.2% per annum by 2032 (2021: 4.4%). Actuarial valuations of retirement benefit plans in other jurisdictions have either not been updated for IAS 19 purposes or disclosed separately because of the costs involved and the considerably smaller scheme sizes and numbers of employees involved.

At 31 December 2022, the weighted average duration of the defined benefit obligations for the major schemes was as follows:

UK: 10 years

US: 8 years.

SENSITIVITY ANALYSIS

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	**Change in assumption**	**Impact on UK scheme**	**Impact on US scheme**
Discount rate	Increased/decreased by 0.5%	Decreased/increased by 5%	Decreased/increased by 4%
Rate of inflation	Increased/decreased by 0.5%	Increased/decreased by 3%	Increased/decreased by 0%
Rate of salary growth	Increased/decreased by 0.5%	Increased/decreased by 0%	Increased/decreased by 0%
Rate of mortality	Increased by 1 year	Increased by 5%	Increased by 3%

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. These sensitivities have been calculated to show the movement of the defined obligation following a change in a particular assumption in isolation, assuming no other changes in market conditions.

26. SHARE BASED PAYMENTS

The Group maintains a number of active share option and award plans and schemes for its employees. These are as follows:

SAVINGS-RELATED OPTIONS

Options are granted under the tax-advantaged Save As You Earn (SAYE) share option scheme in the UK. The SAYE allows UK-based eligible employees to acquire options over the Company's shares at a discount of up to 20% of their market value at the date of grant. Options are normally exercisable during the six month period following either the third or fifth anniversary of the start of the relevant savings contract. Savings contracts are subject to the statutory savings limit of £500 per month.

US-based employees can enter into a similar share save scheme (Share Save). Employees can enter into two year savings contracts saving up to a maximum of $2,000 per month, allowing eligible employees to acquire options over the Company's shares at a discount of up to 15% of their market value at the date of grant.

LONG-TERM INCENTIVE PLAN (LTIP) AWARDS

The LTIP is a discretionary employee share scheme for Executive Directors and senior managers. The vesting of the awards are subject to performance conditions over a three year period at the discretion of the Remuneration Committee. The performance conditions of the LTIP are detailed in the Remuneration Report on pages 144 and 145. As approved at the 2018 AGM, restricted shares (i.e. shares that vest based on time only) are awarded to participants below Board level. Shadow LTIPs are in place for senior managers based in China and Malaysia.

DEFERRED SHARE BONUS PLAN (DSBP) AWARDS

The DSBP operates exclusively for the Executive Directors. Under this scheme, 50% of any cash bonus payable is awarded in shares and deferred for two years. There are no other performance conditions other than continued employment.

LEGACY SCHEMES

Prior to the introduction of the LTIP for senior managers, certain employees participated in the Executive Share Option Scheme ('ESOS'). The ESOS which, except for outstanding awards which will run their course, has been discontinued. The Company operated shadow ESOS for a number of senior managers, who were employed or based in China or Malaysia.

Share-based payment awards were valued (as shown in the table below) using the binomial option pricing model. The weighted fair value per award granted and the weighted average assumptions used in the calculations are as follows:

	2022	2021
Fair value per option (pence)	**95.2**	114.6
Expected volatility (%)	**44.0**	64.0
Risk free rate (%)	**3.3**	0.2
Expected dividend yield (%)	**3.0**	4.3

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of $3.1m for continuing operations (2021: $3.6m) with $3.4m recognised for total operations (2021: $5.1m) related to share based payment transactions during the year.

At 31 December 2022 the following options/awards to subscribe for ordinary shares were outstanding:

		Exercisable						
Year of grant	Exercise price (p)[1]	From	To	At 1 January 2022 '000	Granted '000	Exercised '000	Expired '000	At 31 December 2022 '000
UK SAVINGS RELATED SHARE OPTION SCHEME								
2018	163.91	01/01/22	01/07/22	**21**	**–**	**–**	**(21)**	**–**
2019	121.33	01/11/22	01/05/23	**18**	**–**	**–**	**(6)**	**12**
2020	58.00	01/11/23	01/05/24	**904**	**–**	**(72)**	**(43)**	**789**
2021	117.00	01/11/24	01/05/25	**70**	**–**	**–**	**(24)**	**46**
2022	88.00	01/11/25	01/05/26	**–**	**166**	**–**	**–**	**166**
2022	88.00	01/11/27	01/15/28	**–**	**34**	**–**	**–**	**34**
				1,013	**200**	**(72)**	**(94)**	**1,047**

US SAVINGS RELATED SHARE OPTION SCHEME								
2020	63.11	16/09/22	16/12/22	**1,280**	**–**	**(948)**	**(176)**	**156**
2021	133.71	15/09/23	15/12/23	**118**	**–**	**–**	**(35)**	**83**
2022	92.31	15/09/24	15/12/24	**–**	**921**	**–**	**(12)**	**909**
				1,398	**921**	**(948)**	**(223)**	**1,148**
EXECUTIVE SHARE OPTION SCHEMES/AWARDS GRANTED UNDER THE LTIP*								
2012+	177.81	27/06/15	27/06/22	**238**	**–**	**–**	**(238)**	**–**
2015	290.20	01/04/18	01/04/25	**16**	**–**	**–**	**–**	**16**
2015	Nil	27/04/18	27/04/25	**7**	**–**	**–**	**–**	**7**
2016	218.17	04/04/19	04/04/26	**21**	**–**	**–**	**–**	**21**
2017Δ	Nil	07/03/17	07/03/27	**92**	**–**	**–**	**–**	**92**
2017#	Nil	07/03/19	07/03/27	**7**	**–**	**–**	**–**	**7**
2017~	Nil	07/03/20	07/03/27	**17**	**–**	**–**	**–**	**17**
2017+	264.66	03/04/20	03/04/27	**31**	**–**	**–**	**–**	**31**
2018#	Nil	05/03/20	05/03/28	**73**	**–**	**–**	**–**	**73**
2019#	Nil	06/03/21	06/03/29	**49**	**–**	**–**	**–**	**49**
2019*?	Nil	01/04/22	01/04/29	**2,237**	**–**	**–**	**(2,237)**	**–**
2019*?	Nil	01/04/22	01/04/22	**1,009**	**–**	**(953)**	**(30)**	**26**
2019	Nil	01/04/22	01/04/22	**3**	**–**	**–**	**(3)**	**–**
2019	Nil	19/10/22	19/10/22	**16**	**–**	**(16)**	**–**	**–**
2020	Nil	04/01/23	04/01/23	**20**	**–**	**(20)**	**–**	**–**
2020□	Nil	05/03/23	05/03/23	**188**	**–**	**(188)**	**–**	**–**
2020#	Nil	05/03/23	05/03/30	**76**	**–**	**–**	**–**	**76**
2020*?	Nil	07/04/23	07/04/30	**4,856**	**–**	**–**	**(58)**	**4,798**
2020	Nil	07/04/22	07/04/22	**106**	**–**	**–**	**–**	**106**
2020*?	Nil	07/04/23	07/04/23	**2,460**	**–**	**–**	**(151)**	**2,309**
2020*?	Nil	03/08/23	03/08/23	**160**	**–**	**(30)**	**(9)**	**121**
2020	Nil	11/09/23	11/09/23	**16**	**–**	**–**	**–**	**16**
2020*?	Nil	30/12/23	30/12/23	**137**	**–**	**–**	**(10)**	**127**
2021*	Nil	06/04/24	06/04/31	**2,696**	**–**	**–**	**(75)**	**2,621**
2021*	Nil	06/04/24	06/04/31	**1,545**	**–**	**–**	**(84)**	**1,461**
2021	Nil	07/04/24	24/05/31	**13**	**–**	**–**	**–**	**13**
2021	Nil	06/04/24	16/08/31	**20**	**–**	**–**	**–**	**20**
2021	Nil	06/04/24	01/09/31	**9**	**–**	**–**	**–**	**9**
2021	Nil	06/04/24	13/09/31	**23**	**–**	**–**	**–**	**23**
2021*	Nil	06/04/24	01/10/31	**159**	**–**	**–**	**(8)**	**151**
2021	Nil	06/04/24	13/12/31	**84**	**–**	**–**	**–**	**84**
2022*	Nil	05/03/25	05/03/32	**–**	**213**	**–**	**–**	**213**
2022#	Nil	05/03/25	05/03/32	**–**	**490**	**–**	**–**	**490**
2022~	Nil	01/04/22	01/04/22	**–**	**52**	**(52)**	**–**	**–**
2022*?	Nil	04/04/25	04/04/32	**–**	**3,082**	**–**	**–**	**3,082**
2022*?	Nil	04/04/25	04/04/25	**–**	**1,286**	**–**	**–**	**1,286**
2022*	Nil	04/04/25	04/04/25	**–**	**450**	**–**	**–**	**450**
2022	Nil	11/04/22	11/04/22	**–**	**1**	**(1)**	**–**	**–**
2022*	Nil	04/04/25	04/04/25	**–**	**133**	**–**	**–**	**133**
2022	Nil	06/04/24	06/04/24	**–**	**16**	**–**	**–**	**16**
2022	Nil	04/04/25	04/04/25	**–**	**12**	**–**	**–**	**12**
2022	Nil	06/04/24	06/04/24	**–**	**13**	**–**	**–**	**13**
2022	Nil	04/04/25	04/04/25	**–**	**13**	**–**	**–**	**13**
2022	Nil	04/04/25	04/04/25	**–**	**18**	**–**	**–**	**18**
				16,384	**5,779**	**(1,260)**	**(2,903)**	**18,000**

Footnotes to table on page 210

26. SHARE BASED PAYMENTS CONTINUED

1 Where necessary option prices were adjusted for by a factor of 1.092715 to reflect the dilutive effects of the 2018 Rights Issue.
+ These options include cash settled shadow executive options granted to a number of executives on the same basis as the executive options (with the same performance conditions and exercise provisions). These shadow options are included in the calculation of the total expenses recognised by the Group related to share based payments. The closing balance of the 2011, 2012 and 2017 options shown above include no shadow options.
Δ Awards made as one-off agreements that borrow from the terms of the LTIP.
? These options include cash settled shadow LTIPs granted to a number of executives on the same basis as the LTIP (with the same performance conditions and exercise provisions). These shadow LTIPs are included in the calculation of the total expenses recognised by the Group related to share based payments.
Conditional share award under the Deferred Share Bonus Plan.
~ Awards made as one-off agreements under the Deferred Share Bonus Plan (nil cost options).
* The closing balance of 2019, 2020, 2021 and 2022 LTIPs shown above include approximately 26,386, 195,856, 130,995 and 282,174 shadow LTIPs respectively.
□ Conditional share award under the Deferred Share Bonus Plan (nil cost award, structured as restricted share units).

The weighted average remaining contractual life of the above shares outstanding at 31 December 2022 was 5.2 years (2021: 5.8 years).

The weighted average exercise prices of options disclosed in the previous table were as follows:

	2022 Average exercise price (p)	2021 Average exercise price (p)
At 1 January	**11.9**	17.6
Granted	**14.9**	–
Exercised	**30.6**	9.4
Expired	**20.4**	31.4
At 31 December	**9.6**	11.9
Exercisable at 31 December	**49.3**	111.1

The weighted average share price at the date of exercise of share options exercised during the year was 31.5 pence (2021: 118.9 pence). The number of exercisable options outstanding as at 31 December 2022 was 613,288 (2021: 551,857).

27. RELATED PARTY TRANSACTIONS

The Company is a guarantor to the UK pension scheme under which it guarantees all current and future obligations of UK subsidiaries currently participating in the pension scheme to make payments to the scheme, up to a specified maximum amount. The maximum amount of the guarantee is that which is needed (at the time the guarantee is called on) to bring the scheme's funding level up to 105% of its liabilities, calculated in accordance with section 179 of the Pensions Act 2004. This is also sometimes known as a Pension Protection Fund (PPF) guarantee, as having such a guarantee in place reduces the annual PPF levy on the scheme.

The Group consists of the Parent Company, Elementis plc, incorporated in the United Kingdom and its subsidiaries and associates. In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings, the country of incorporation and the effective percentage of equity owned as at 31 December 2022 is disclosed in Note 11 to the parent company financial statements.

The remuneration of key management personnel of the Group, which is defined as the Board of Directors, is shown below:

	2022 $m	2021 $m
Salaries and short term employee benefits	**3.7**	4.2
Other long term benefits	**0.4**	0.3
Share based payments	**0.4**	1.1
	4.5	5.6

Full details of all elements of the remuneration of Directors is set out in the Directors' Remuneration report on pages 124 to 151.

28. MOVEMENT IN NET BORROWINGS

	2022 $m	2021 $m
Change in net cash resulting from cash flows:		
(Decrease)/increase in cash and cash equivalents	**(27.8)**	(23.6)
(Increase)/decrease in borrowings repayable within one year	**(3.0)**	3.7
Decrease in borrowings repayable after one year	**54.6**	15.0
	23.8	(4.9)
Currency translation differences	**10.4**	12.0
Decrease in net borrowings	**34.2**	7.1
Net borrowings at beginning of year	**(401.0)**	(408.1)
NET BORROWINGS AT END OF YEAR	**(366.8)**	(401.0)

	Bank and other borrowings $m	Lease liabilities $m	Total financing liabilities $m	Cash and cash equivalents $m	Net debt and lease liabilities $m
AT 1 JANUARY 2021	(519.1)	(44.4)	(563.5)	111.0	(452.5)
Exchange rate adjustments	14.8	1.0	15.8	(2.8)	13.0
Business disposed (see Note 32)	–	–	–	0.5	0.5
Cash flows from financing activities	18.7	5.1	23.8	(25.3)	(1.5)
Other movements	–	(1.9)	(1.9)	1.2	(0.7)
AT 31 DECEMBER 2021	**(485.6)**	**(40.2)**	**(525.8)**	**84.6**	**(441.2)**
Exchange rate adjustments	**12.3**	**1.1**	**13.4**	**(2.0)**	**11.4**
Business disposed (see Note 32)	**–**	**–**	**–**	**–**	**–**
Cash flows from financing activities	**51.6**	**7.1**	**58.7**	**(57.8)**	**0.9**
Other movements	**–**	**(4.7)**	**(4.7)**	**30.1**	**25.4**
Transferred to liabilities held for sale (see Note 32)	**–**	**0.4**	**0.4**	**–**	**0.4**
AT 31 DECEMBER 2022	**(421.7)**	**(36.3)**	**(458.0)**	**54.9**	**(403.1)**

29. DIVIDENDS

An interim dividend was not paid in 2022 (2021: $nil) and the Group is not proposing a final dividend (2021: $nil) for the year ended 31 December 2022. The total dividend for the year is nil cents per share (2021: $nil).

30. CONTINGENT LIABILITIES

As is the case with other chemical companies, the Group occasionally receives notice of litigation relating to regulatory and legal matters. A provision is recognised when the Group believes it has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where it is deemed that an obligation is merely possible and that the probability of a material outflow is not remote, the Group would disclose a contingent liability.

The Group has not received any notice of litigation relating to events arising prior to the balance sheet date that is expected to lead to a material exposure.

In 2013 the UK Government (through HMRC) introduced the UK Finance Company Exemption ('FCE') regime. Elementis entered into the FCE regime during 2014. In October 2017 the European Commission opened a State Aid investigation into the regime. In April 2019 the European Commission concluded that the FCE regime constituted State Aid in circumstances where Groups had accessed the regime using a financing company with UK significant people functions; the European Commission therefore instructed the UK Government to collect any relevant State Aid amounts. The UK government and other UK based international companies, including Elementis, appealed to the General Court of the European Union against the decision in 2019.

In Spring 2020 HMRC requested that affected Groups submit their UK significant people function analysis. The deadline for submission of these analyses was delayed due to the impact of COVID-19 and Elementis submitted its analysis to HMRC in July 2020. In December 2020 the UK government introduced legislation to commence collection proceedings.

30. CONTINGENT LIABILITIES CONTINUED

Elementis received a charging notice from HMRC on 5 February 2021 which assessed for the maximum exposure of $19m (excluding interest). This was paid to HMRC on 5 March 2021. A charging notice for associated interest of $1m was received on 24 June 2021 and paid on 7 July 2021. Whilst Elementis lodged an appeal against the charging notices that did not defer the payment of the tax assessed.

The UK Government's appeal against the European Commission's decision was heard by the General Court of the European Union during October 2021 and on 8 June 2022 the General Court of the European Union ruled against the UK Government. The UK Government lodged a further appeal to the European Court of Justice during Q3 2022. As Elementis continues to consider that the appeal process will ultimately be successful, at 31 December 2022 an asset has been recorded within non-current assets in the expectation that the charge will be repaid in due course.

As part of an agreement entered into in 2002 on the acquisition of the Chromium operations at Castle Hayne, the Group would be liable for part of the cost of the closure of a quarry which is currently used for the deposit of solid, non-toxic, waste materials from its manufacturing operations in the event of such a closure. There are a number of potential options available to management to either extend the current life of the quarry or to effect closure of the quarry. The Group entered into a share purchase agreement with Yildirim Group during November 2022 to divest its Chromium operations; as part of that share purchase agreement the Yildirim Group will take on any future liability associated with the closure of the quarry. The transaction to divest the Chromium operations closed on 31 January 2023. Management's assessment is therefore that as at 31 December 2022 while there is a present obligation, there is not a probable outflow of resources associated with the closure of the quarry and even in the event of a probable outflow it is not possible to determine a reliable estimate.

In August 2022 the Brazilian tax authorities opened a tax audit into the Group's Brazilian entity. The audit is focused on the customs classification code used since 2017 for one of the entity's imported raw materials. The potential exposure is $3.1m. Management have obtained legal advice on the matter and, based on the advice received, management believes that the customs classification coding used is correct. Management therefore concluded that as at 31 December 2022 it is not probable that an outflow of economic resources will be required to settle the matter.

31. EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2023 the Talc and Coatings segments merged to form a new segment called Performance Specialities.

On 31 January 2023 the Group completed the sale of its Chromium business to the Yildirim Group for an enterprise value of $170m, of which total cash proceeds of $119m were received.

On 31 January 2023 the Group repaid $83m of its US dollar RCF borrowings and €31.4m of its euro RCF borrowings.

During February 2023 the Group was notified that the Administrative Court in Finland had revoked its permit for the expansion of mining operations at the Uutela mine located in Sotkamo, Finland. The permit was previously issued by the Finnish Safety and Chemicals Agency; the body empowered to issue such permits. The Group intends to appeal the decision. If the appeal were to be unsuccessful the impact would be to reduce the Talc ore available to the Group by approximately 6%.

There were no other significant events after the balance sheet date.

32. BUSINESS EXITS

2022 BUSINESS EXITS

During the period, the Board formally commenced a strategic review of the Chromium business and on 29 November 2022 the Group entered into a share purchase agreement to sell the Chromium business to Yildirim Group for an enterprise value of $170m. The sale completed on 31 January 2023. At 30 November 2022 the completion of the sale within the next 12 months was deemed to be highly probable and as such the Chromium business met the criteria to be classified as a held for sale asset and a discontinued operation.

The results of the discontinued operation, which have been included in the consolidated income statement within 'Profit from discontinued operations', were as follows:

	2022 $m	2021 $m
Revenue	**185.0**	170.7
Expenses	**(170.6)**	(157.4)
Profit before income tax	**14.4**	13.3
Tax	**(2.9)**	(2.9)
Profit from discontinued operations	**11.5**	10.4

Revenue includes $nil (2021: $nil) related to inter-segment sales.

Net assets classified as held for sale at 31 December 2022 were as follows:

	2022 $m
Goodwill	–
Intangible assets	1.0
Property, plant and equipment	70.3
Inventories	68.6
Trade and other receivables	21.0
Cash and bank balances	–
Total assets	**160.9**
Trade and other payables	(32.1)
Provisions	(20.5)
Pensions	(2.4)
Tax liabilities	(2.4)
Lease liabilities	(0.4)
Bank overdraft and loans	–
Total liabilities	**(57.8)**
Net assets	**103.1**

During 2022 the discontinued Chromium business contributed $6.4m to the Group's net operating cash flows (2021: $21.4m), paid $14.2m in respect of investing activitiesactivities (2021: $8.7m) and paid $nil in respect of financing activities (2021: $0.2m).

2021 BUSINESS EXITS

On 21 June 2021 the Group disposed of Eisenbacher Dentalwaren ED GmbH and Adentatec GmbH, the dental alloys businesses located in Wörth am Main, Germany for consideration of €4.6m ($5.7m).

The results of Eisenbacher Dentalwaren ED GmbH and Adentatec GmbH, which have been included in the consolidated income statement were as follows:

	Year ended 31 December 2021 $m
Revenue	3.1
Cost of sales	(2.0)
Gross profit	1.1
Distribution costs	–
Administrative expenses	(0.8)
Operating profit	0.3
Finance costs	–
Profit before tax	0.3
Attributable tax expense	–
Net profit	0.3

Revenue includes $nil related to inter-segment sales in 2021. Net cash outflow on disposal of $0.7m comprised consideration received of $5.7m less cash disposed of $3.4m and disposal costs of $1.6m.

The Group recognised a total loss on disposal of:

	Year ended 31 December 2021 $m
Consideration received	5.7
Net assets disposed of (see table below)	(6.2)
Disposal costs	(1.6)
Recycling of deferred foreign exchange gains	0.4
Loss on disposal	(1.7)

32. BUSINESS EXITS CONTINUED

2021 BUSINESS EXITS CONTINUED

Details of assets and liabilities at the date of disposal are provided in the following table:

	2021 $m
Goodwill	1.0
Property, plant and equipment	0.1
Inventory	1.5
Trade and other receivables	0.5
Cash and bank balances	3.4
Trade and other payables	(0.1)
Income tax payable	(0.2)
Total net assets disposed	6.2

33. ACQUISITIONS

On 1 October 2021 the Group acquired a quality assurance business and associated laboratory based in Ludwigshafen, Germany for consideration of €0.15m. The assets and liabilities acquired were as follows:

	Note	Book value at acquisition $m	Fair value adjustments $m	Fair value of assets/ (liabilities) acquired $m
Intangible assets	10	0.1	–	0.1
Property, plant and equipment	11	0.3	–	0.3
Retirement benefit obligations	25	(0.7)	–	(0.7)
Total identifiable net liabilities acquired		(0.3)	–	(0.3)
Goodwill				0.5
Total consideration				0.2
of which:				
Consideration paid, satisfied in cash				0.2

The consideration for the acquisition has been allocated against identified net assets with the remaining balance recorded as goodwill. The goodwill recognised on acquisition reflects both the capabilities of the acquired entity's personnel and the synergistic opportunities going forward, neither of which can be allocated to an identifiable intangible asset.

Company balance sheet
at 31 December 2022

	Note	2022 £m	2021 £m
NON-CURRENT ASSETS			
Investments	6	**782.7**	780.1
Debtors	7	**12.7**	12.6
TOTAL NON-CURRENT ASSETS		**795.4**	792.7
Debtors	7	**–**	–
Creditors: amounts falling due within one year			
Creditors	8	**(0.6)**	(0.6)
NET CURRENT ASSETS/(LIABILITIES)		**(0.6)**	(0.6)
TOTAL ASSETS LESS CURRENT LIABILITIES		**794.8**	792.1
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts due to subsidiary undertakings		**(190.9)**	(190.2)
NET ASSETS		**603.9**	601.9
CAPITAL AND RESERVES			
Called up share capital	9	**29.2**	29.1
Share premium account		**177.3**	176.6
Capital redemption reserve	9	**83.3**	83.3
Other reserves		**250.5**	250.5
Share option reserve	9	**25.6**	20.7
Profit and loss account		**38.0**	41.7
EQUITY SHAREHOLDERS' FUNDS		**603.9**	601.9

The Company recognised a loss for the financial year ended 31 December 2021 of £1.4m (2021: £2.1m).

The financial statements of Elementis plc, registered number 3299608, on pages 215 to 221 were approved by the Board on 6 March 2023 and signed on its behalf by:

Paul Waterman
CEO

Ralph Hewins
CFO

Company statement of changes in equity

for the year ended 31 December 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Share options reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2021	28.9	176.5	83.3	250.5	20.4	40.6	600.2
Comprehensive income							
Loss for the year	–	–	–	–	–	(2.1)	(2.1)
Total other comprehensive loss	–	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	(2.1)	(2.1)
Transactions with owners							
Issue of shares by the Company	0.2	0.1	–	–	–	(0.1)	0.2
Share based payments	–	–	–	–	3.6	–	3.6
Dividends received	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–
Transfer	–	–	–	–	(3.3)	3.3	–
Total transactions with owners	0.2	0.1	–	–	0.3	3.2	3.8
Balance at 31 December 2021	29.1	176.6	83.3	250.5	20.7	41.7	601.9
BALANCE AT 1 JANUARY 2022	**29.1**	**176.6**	**83.3**	**250.5**	**20.7**	**41.7**	**601.9**
Comprehensive income							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(1.4)**	**(1.4)**
Total other comprehensive loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(1.4)**	**(1.4)**
Transactions with owners							
Issue of shares by the Company	**0.1**	**0.7**	**–**	**–**	**–**	**–**	**0.8**
Share based payments	**–**	**–**	**–**	**–**	**2.6**	**–**	**2.6**
Dividends received	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer	**–**	**–**	**–**	**–**	**2.3**	**(2.3)**	**–**
Total transactions with owners	**0.1**	**0.7**	**–**	**–**	**4.9**	**(2.3)**	**3.4**
BALANCE AT 31 DECEMBER 2022	**29.2**	**177.3**	**83.3**	**250.5**	**25.6**	**38.0**	**603.9**

The Company's distributable reserves amount to £38.0m (2021: £39.4m) at the end of the period. The Company regularly reviews its distributable reserves and makes dividend recapitalisations as and when necessary to ensure it can make all expected dividend payments. The Company has sufficient subsidiary reserves to enable such recapitalisations in 2023 and going forward.

For more information on the dividend issued and the dividend per share please see Note 29 of the Group financial statements.

Notes to the company financial statements of Elementis plc

for the year ended 31 December 2022

1. GENERAL INFORMATION

Elementis plc is a public company limited by shares and is incorporated and domiciled in England. The address of its registered office is The Bindery, 5th Floor, 51-53 Hatton Garden, London, EC1N 8HN. The principal activity of the Company is to act as the ultimate holding company of the Elementis Group of companies.

2. BASIS OF PREPARATION

The Company's financial statements have been prepared under the historical cost convention, in compliance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 – 'Reduced Disclosure Framework – Disclosure exemptions from EU adopted IFRS for qualifying entities' (FRS 101), and with the Companies Act 2006. The Company has presented its results under FRS 101.

As a qualifying entity whose results are consolidated in the Elementis plc consolidated financial statements on pages 152 to 214, the Company has taken advantage of the exemption under FRS 101 from preparing a statement of cash flows and associated notes, the effects of new but not yet effective IFRSs, disclosures in respect of transactions and the capital management of wholly owned subsidiaries and key management personnel compensation disclosures.

As the consolidated financial statements include equivalent disclosures, the Company has also taken the disclosure exemptions under FRS 101 in respect of group settled share-based payments under IFRS 2 share based payment, IFRS 16 leases, disclosures required by IFRS 7 financial instruments disclosures and by IFRS 13 fair value measurement.

By virtue of section 408 of the Companies Act 2006 the company is exempt from presenting an income statement and disclosing employee numbers and staff costs.

As a consequence of the majority of the Company's assets, liabilities and expenses originating in pounds sterling, the Company has chosen pounds sterling as its reporting currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 101 in these financial statements.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

INVESTMENTS

Investments in subsidiaries are included in the balance sheet at cost less accumulated impairment losses.

Potential indicators of impairment, including the market capitalisation of the group dropping below the net assets of Elementis plc, have been considered. The recoverable amounts of cash generating units as determined for the impairment testing of goodwill also support the recoverable amounts of the parent Company's investments.

DIVIDENDS ON SHARES PRESENTED WITHIN SHAREHOLDERS' FUNDS

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Company participates in the Elementis Group defined benefit pension scheme. The assets of the scheme are held separately from those of the Company. Details of the latest actuarial valuation carried out in September 2020 can be found in the 2020 Elementis plc Annual Report and Accounts. Following the introduction of the revised reporting standard, any surplus or deficit in the Elementis Group defined benefit pension scheme is to be reported in the financial statements of Elementis UK Limited, which employs the majority of active members of the scheme and is responsible for making deficit contributions under the current funding plan.

TAXATION

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

There were no significant judgements or estimates necessary in 2022.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

Notes to the company financial statements of Elementis plc continued

for the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

SHARE BASED PAYMENTS

The fair value of share options granted to employees is recognised as an expense with a corresponding increase in equity. Where the Company grants options over its own shares to the employees of its subsidiaries it recognises in its individual financial statements an increase in the cost of investment in its subsidiaries equivalent to the equity settled share based payment charge recognised in its subsidiaries' financial statements, with the corresponding credit being recognised directly in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

CLASSIFICATION OF FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a. They include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company.
b. Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that the definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

RECLASSIFICAION IN STATEMENT OF CHANGES OF EQUITY

Elementis plc reclassified £2.3m from share premium to retained earnings as a result of an immaterial error that was made in 2021 and identified in 2022.

4. PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO SHAREHOLDERS

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account. A loss of £1.4m (2021: £2.1m loss) is dealt with in the financial statements of the Company.

5. DIRECTORS' REMUNERATION

Details of Directors' remuneration for the Company are included in the Directors' Remuneration report within the Elementis plc Annual Report and Accounts on pages 124-151.

6. INVESTMENTS

	Unlisted shares at cost £m	Unlisted loans £m	Capital contributions £m	Total £m
Cost at 1 January 2022	**0.1**	**759.0**	**21.0**	**780.1**
Additions	**–**	**–**	**2.6**	**2.6**
NET BOOK VALUE 31 DECEMBER 2022	**0.1**	**759.0**	**23.6**	**782.7**
Net book value 31 December 2021	0.1	759.0	21.0	780.1

The investment in unlisted loans is with Elementis Holdings Limited, an indirect wholly owned subsidiary. The investments in unlisted shares are in Elementis Group BV, Elementis Export Sales Inc, and Elementis Overseas Investments Limited, all wholly owned subsidiaries. Capital contributions relate to share-based payment awards made to employees of subsidiary companies.

The trading subsidiaries and associates of Elementis plc, all of which are wholly owned, excluding Alembic Manufacturing Limited, where the Group holds a 25% interest, are as follows:

Subsidiary undertakings		Country of incorporation and operation
Alembic Manufacturing Limited	Personal Care products	United Kingdom[1]
Deuchem Co., Limited	Additives and resins	Taiwan[2]
Deuchem (Shanghai) Chemical Co. Limited	Additives and resins	People's Republic of China[3]
Elementis Chromium Inc	Chromium chemicals	United States of America[4]
Elementis Chromium LLP	Chromium chemicals	United Kingdom[5]

Subsidiary undertakings		Country of incorporation and operation
Elementis (Shanghai) New Material Co. Limited	Additives and resins	People's Republic of China[3]
Elementis LTP Inc	Chromium chemicals	United States of America[4]
Elementis Minerals BV	Talc products	Netherlands[6]
Elementis Specialties (Anji) Limited	Organoclays	People's Republic of China[7]
Elementis Specialties do Brasil Quimica Ltda	Coatings additives	Brazil[8]
Elementis Specialties Inc	Rheological additives, colourants, waxes, other specialty additives	United States of America[4]
Elementis SRL Inc	Personal Care products	United States of America[4]
Elementis UK Limited trading as: Elementis Specialties	Rheological additives, colourants, waxes, other specialty additives	United Kingdom[5]
Elementis Pharma GmbH	Personal Care products	Germany[9]
Mondo Minerals Deutschland GmbH	Talc products	Germany[10]
Elementis Minerals Nickel Oy	Talc products	Finland[11]
Mondo Trading (Beijing) Company Limited	Talc products	People's Republic of China[12]

1 Registered office Unit 6 Wimbourne Buildings, Atlantic Way, Barry Docks, Barry, South Glamorgan CF63 3RA, UK.
2 Registered office 92, Kuang-Fu North Road, Hsinchu Industrial Park, Hukou, Hsinchu Taiwan, ROC.
3 Registered office 99 Lianyang Road, Songjiang Industrial Zone, Shanghai, China.
4 Registered office 1209 Orange Street, Wilmington, Delaware, 19801, US.
5 Registered office The Bindery, 5th Floor, 51-53 Hatton Garden, London EC1N 8HN, UK.
6 Registered office: Kajuitweg 8, 1041 AR, Amsterdam, Netherlands.
7 Registered office Huibutai, Majiadu Village, Dipu Town, Anji County, Huzhou City, Zhejiang Province, China.
8 Registered office Rodovia Nelson Leopoldino, SP 375, Km 13,8, s/n, Bairro Rural, Palmital, São Paulo, Brazil.
9 Registered office Giulinistr. 2, 67065 Ludwigshafen, Germany.
10 Registered office Friedrichsallee 14, 42117, Wuppertal, Germany.
11 Registered office Talkkitie 7, 83500, Outokumpu, Finland.
12 Registered office Nan Zhugan Hutong no.6, floor 9, 01-007, Dongcheng District, 100010, Beijing, China.

Non-trading and dormant subsidiaries of Elementis plc, all of which are wholly owned within the Group, are as follows:

Subsidiary undertakings		Country of incorporation and operation
Agrichrome Limited	Non-trading	United Kingdom[1]
American Chrome & Chemicals Inc	Dormant	United States of America[2]
Elementis America Shared Services Inc	Dormant	United States of America[2]
Elementis Australia Limited	Dormant	United Kingdom[1]
Elementis Catalysts Inc	Dormant	United States of America[2]
Elementis Chemicals Inc	Dormant	United States of America[2]
Elementis Chromium America Inc	Dormant	United States of America[2]
Elementis Export Sales Inc	Non-trading	United States of America[2]
Elementis Finance (Australia) Limited	Dormant	United Kingdom[1]
Elementis Finance (Europe) Limited	Non-trading	United Kingdom[1]
Elementis Finance (Germany) Limited	Non-trading	United Kingdom[1]
Elementis Finance (Ireland) Limited	Non-trading	Ireland[3]
Elementis Finance (Jersey) Limited	Non-trading	Jersey[4]
Elementis Finance (US) Limited	Non-trading	United Kingdom[1]
Elementis Germany GmbH	Non-trading	Germany[5]
Elementis Germany Limited	Dormant	United Kingdom[1]
Elementis Global LLC	Non-trading	United States of America[2]
Elementis GmbH	Non-trading	Germany[5]
Elementis Group (Finance) Limited	Non-trading	United Kingdom[1]
Elementis Group BV	Non-trading	Netherlands[6]
Elementis Group Limited	Dormant	United Kingdom[1]
Elementis Holdings Limited	Non-trading	United Kingdom[1]
Elementis London Limited	Dormant	United Kingdom[1]
Elementis Minerals Holding BV	Non-trading	Netherlands[6]
Elementis Nederlands BV	Non-trading	Netherlands[6]
Elementis New Zealand Limited	Dormant	United Kingdom[1]

Notes to the company financial statements of Elementis plc continued

for the year ended 31 December 2022

6. INVESTMENTS CONTINUED

Subsidiary undertakings		Country of incorporation and operation
Elementis NZ Limited	Non-trading	New Zealand[7]
Elementis Overseas Investments Limited	Non-trading	United Kingdom[1]
Elementis Pigments Inc	Dormant	United States of America[2]
Elementis S.E.A. (Malaysia) Sdn Bhd	Non-trading	Malaysia[8]
Elementis Securities Limited	Non-trading	United Kingdom[1]
Elementis Services GmbH	Non-trading	Germany[5]
Elementis Specialties (India) Private Limited	Non-trading	India[9]
Elementis US Holdings Inc	Non-trading	United States of America[2]
Elementis US Limited	Non-trading	United Kingdom[1]
H & C Acquisitions Limited	Dormant	United Kingdom[1]
H & C Lumber Inc	Dormant	United States of America[2]
Harcros Chemicals Canada Inc	Dormant	Canada[10]
Iron Oxides S.A. de CV	Dormant	Mexico[11]
Mondo Minerals International BV	Dormant	Netherlands[6]
NB Chrome Limited	Dormant	United Kingdom[1]
Reheis Inc	Non-trading	United States of America[2]
SRL Coöperatief U.A.	Non-trading	Netherlands[6]
SRLH Holdings Inc	Non-trading	United States of America[2]
SRL International Holdings LLC	Non-trading	United States of America[2]
Talc Holding Finance Oy	Non-trading	Finland[12]
Talc Holding Oy	Non-trading	Finland[12]
WBS Carbons Acquisitions Corp	Non-trading	United States of America[2]

1 Registered office: The Bindery, 5th Floor, 51-53 Hatton Garden, London EC1N 8HN, UK.
2 Registered office: 1209 Orange Street, Wilmington, Delaware, 19801, US.
3 Registered office: 8th Floor, Block E, Iveagh Court, Harcourt Road, Dublin 2, Ireland.
4 Registered office: 3rd Floor, 44 Esplanade, St Helier, Jersey, JE4 9WG.
5 Registered office: Stolberger Str.370, 50933, Köln, Germany.
6 Registered office: Kajuitweg 8, 1041 AR, Amsterdam, Netherlands.
7 Registered office: KPMG, P O Box 1584, 18 Viaduct Harbour Avenue, Maritime Square, Auckland, New Zealand.
8 Registered office: 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Malaysia.
9 Registered office: Unit-B, Ground Floor, Jaswanti Landmark, Mehra Industrial Estate, L.B.S. Marg, Vikhroli (W), Mumbai 400079, India.
10 Registered office: C/o Stewart McKelvey Stirling Scales,44 Chipman Hill, Suite 1000 ON E2L 4S6, Canada.
11 Registered office: Calle San Ignacio N 105, 22106 Tijuana, Baja California Mexico.
12 Registered office: Kajaanintie 54, 88620, Korholanmaki, Finland.

Notes:

- Other than Elementis Export Sales Inc, Elementis Group BV and Elementis Overseas Investments Ltd, none of the undertakings is held directly by the Company. Equity capital is in ordinary shares and voting rights equate to equity ownership.
- All undertakings listed above have accounting periods ending 31 December, with the exception of Elementis Specialties (India) Private Limited, for which the relevant date is 31 March.
- Undertakings operating in the United Kingdom are incorporated in England and Wales. In the case of corporate undertakings other than in the United Kingdom their country of operation is also their country of incorporation.
- All undertakings listed above have been included in the consolidated financial statements of the Group for the year.

7. DEBTORS

	2022 £m	2021 £m
DEBTORS: AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR		
Group relief receivable	**12.7**	12.6
DEBTORS: AMOUNT FALLING DUE WITHIN ONE YEAR		
Group relief receivable	**–**	–

8. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	2022 £m	2021 £m
Accruals	**0.6**	0.6

9. SHARE CAPITAL AND RESERVES

	2022 Number '000	2022 £m	2021 Number '000	2021 £m
CALLED-UP ALLOTTED AND FULLY PAID:				
Ordinary shares of 5 pence each				
At 1 January	**581,858**	**29.1**	580,801	28.9
Issue of shares	**2,159**	**0.1**	1,057	0.2
At 31 December	**584,017**	**29.2**	581,858	29.1

During the year a total of 2,159,389 ordinary shares with an aggregate nominal value of £107,969 were allotted and issued in accordance with the Group's share options and award plans and schemes to various employees, as well as shares that were redeemed for cash at subscription prices between 58 pence and 63 pence on the exercise of options under the Group's share option schemes. The total subscription monies received by the Company for these shares was £0.7m.

The Company can redeem shares by repaying the market value to the shareholder, whereupon the shares are cancelled. Redemption must be from distributable profits. The capital redemption reserve represents the nominal value of the shares redeemed.

The share options reserve comprises amounts accumulated in equity in respect of share options and awards granted to employees.

Details of the shared based payments in the year are set out in Note 26 to the Elementis plc consolidated financial statements.

10. RELATED PARTY TRANSACTIONS

The Company, which is the ultimate parent company of the Elementis Group, is a guarantor to the Elementis Group defined benefit pension scheme under which it guarantees all current and future obligations of UK subsidiaries currently participating in the pension scheme to make payments to the scheme, up to a specified maximum amount. The maximum amount of the guarantee is that which is needed (at the time the guarantee is called on) to bring the scheme's funding level up to 105% of its liabilities, calculated in accordance with section 179 of the Pensions Act 2004. This is also sometimes known as a Pension Protection Fund (PPF) guarantee, as having such a guarantee in place reduces the annual PPF levy on the scheme. Details of the UK pension schemes in the year are set out in Note 25 to the Elementis plc consolidated financial statements.

11. UK REGISTERED SUBSIDIARIES EXEMPT FROM AUDIT

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2022. Unless otherwise stated, the undertakings listed below are all 100% owned, either directly or indirectly, by Elementis plc. The Company will guarantee the debts and liabilities of the UK subsidiaries listed below at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Name	Proportion of shares held by the Company (%)	Proportion of shares held by subsidiary (%)	Company Number
Agrichrome Limited	100	–	2228826
Elementis Finance (Germany) Limited	100	–	5531634
Elementis Finance (US) Limited	100	–	9303101
Elementis Germany Limited	100	–	48664
Elementis Group (Finance) Limited	100	–	9303017
Elementis Group Limited	100	–	4048541
Elementis Overseas Investments Limited	100	–	8008981
Elementis Securities Limited	100	–	597303
Elementis US Limited	100	–	8005226
Elementis Finance (Europe) Limited	100	–	11717371

Alternative performance measures and unaudited information

ALTERNATIVE PERFORMANCE MEASURES

A reconciliation from reported profit for the year to adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) is provided to support understanding of the summarised cash flow included within the Finance Report on pages 76-81.

	2022 $m	2021 $m
(LOSS)/PROFIT FOR THE YEAR	**(51.1)**	2.5
Adjustments for		
Profit from discontinued operations	**(11.5)**	(10.4)
Finance income	**(9.9)**	(11.0)
Finance costs and other expenses	**22.9**	28.7
Tax charge	**7.8**	0.4
Depreciation and amortisation	**56.6**	58.3
Excluding intangibles arising on acquisition	**(14.9)**	(15.8)
Loss on disposal	**–**	1.7
Adjusting items before finance costs and depreciation	**141.9**	75.7
ADJUSTED EBITDA	**141.8**	130.1
Adjusted EBITDA from discontinued operations	**31.3**	28.4
ADJUSTED EBITDA FROM TOTAL OPERATIONS	**173.1**	158.5

There are also a number of key performance indicators (KPIs) on pages 32-33, the reconciliations to these are given below.

ADJUSTED OPERATING CASH FLOW

Adjusted operating cash flow is defined as the net cash flow from operating activities less net capital expenditure but excluding income taxes paid or received, interest paid or received, pension contributions net of current service cost and adjusting items.

	2022 $m	2021 $m
NET CASH FLOW FROM OPERATING ACTIVITIES	**77.0**	66.7
Less:		
Capital expenditure	**(47.1)**	(52.4)
Add:		
Income tax paid or received	**13.4**	30.9
Interest paid or received	**14.8**	23.5
Pension contributions net of current service cost	**1.0**	0.1
Adjusting items – non cash	**(0.1)**	(13.2)
Adjusting items – cash	**5.2**	20.4
ADJUSTED OPERATING CASH FLOW FROM TOTAL OPERATIONS	**64.2**	76.0

ADJUSTED OPERATING CASH CONVERSION

Adjusted operating cash conversion is defined as adjusted operating profit divided by adjusted operating cash flow plus provisions and share based payments.

	2022 $m	2021 $m
Adjusted operating profit/(loss) from total operations	**123.7**	106.6
Adjusted operating cash flow from total operations	**64.2**	76.0
Add:		
Provisions and share based payments	**3.6**	(1.9)
	67.8	74.1
ADJUSTED OPERATING CASH CONVERSION FROM TOTAL OPERATIONS	**55%**	70%

CONTRIBUTION MARGIN

The Group's contribution margin is defined as sales less all variable costs, divided by sales, and expressed as a percentage.

	2022 $m			2021 $m		
	Continuing Operations	Discontinued operations	Total operations	Continuing Operations	Discontinued operations	Total operations
REVENUE	**736.4**	**185.0**	**921.4**	709.4	170.7	880.1
Variable costs	**(388.3)**	**(100.8)**	**(489.1)**	(379.0)	(100.2)	(479.2)
Non variable costs	**(49.2)**	**(34.2)**	**(83.4)**	(41.4)	(24.6)	(66.0)
COST OF SALES	**(437.5)**	**(135.0)**	**(572.5)**	(420.4)	(124.8)	(545.2)

ADJUSTED GROUP PROFIT BEFORE TAX

Adjusted group profit before tax is defined as the adjusted profit for the year plus the tax on adjusting items.

RETURN ON OPERATING CAPITAL EMPLOYED

The return on operating capital employed (ROCE) is defined as adjusted operating profit from total operations divided by operating capital employed, expressed as a percentage. Operating capital employed comprises fixed assets (excluding goodwill), working capital and operating provisions. Operating provisions include self insurance and environmental provisions but exclude retirement benefit obligations.

	2022 $m	2021 $m
ADJUSTED OPERATING PROFIT FROM TOTAL OPERATIONS	**123.7**	106.6
Fixed assets excluding goodwill	**654.5**	722.1
Working capital	**231.9**	164.0
Operating provisions	**(48.7)**	(61.8)
Operating capital employed	**837.7**	824.3
RETURN ON CAPITAL EMPLOYED %	**15%**	13%

AVERAGE TRADE WORKING CAPITAL TO SALES RATIO

The trade working capital to sales ratio is defined as the 12 month average trade working capital divided by sales, expressed as a percentage. Trade working capital comprises inventories, trade receivables (net of provisions) and trade payables. It specifically excludes repayments, capital or interest related receivables or payables, changes due to currency movements and items classified as other receivables and other payables.

ADJUSTED OPERATING PROFIT/OPERATING MARGIN

Adjusted operating profit is the profit derived from the normal operations of the business. Adjusted operating margin is the ratio of adjusted operating profit to sales.

UNAUDITED INFORMATION

To support a full understanding of the performance of the Group, the information below provides the calculation of net debt/EBITDA on a pre-IFRS 16 basis.

	2022 $m	2021 $m
Revenue	**921.4**	880.1
Adjusted operating profit from total operations	**123.7**	106.6
Adjusted operating margin from total operations	**13.4%**	12.1%
Adjusted EBITDA from total operations	**173.1**	158.5
IFRS 16 adjustment	**(7.1)**	(6.8)
Adjusted EBITDA pre-IFRS 16	**166.0**	151.7
Net Debt[1]	**366.8**	401.0
Net Debt / EBITDA*	**2.2**	2.6

* Net debt/EBITDA, where EBITDA is the adjusted EBITDA on total operations of the Group on a pre-IFRS 16 basis.
1 See Note 28 – Net debt excludes lease liabilities.

Five year record

	2022 $m	2021 $m	2020 $m	2019 $m	2018 $m
TURNOVER					
Continuing operations	**736.4**	709.4	612.4	712.4	648.9
Discontinued operations	**185.0**	170.7	146.9	171.0	189.1
Total operations	**921.4**	880.1	759.3	883.4	838.0
ADJUSTED OPERATING PROFIT					
Total operations	**123.7**	106.6	81.6	123.0	132.0
Discontinued operations	**23.2**	18.6	10.4	22.3	36.4
Continuing operations	**100.5**	88.0	71.2	100.7	95.6
Adjusting items before interest	**(142.3)**	(76.1)	(106.5)	(22.0)	(39.4)
OPERATING (LOSS)/PROFIT	**(41.8)**	11.9	(35.3)	78.7	56.2
Other expenses	**(1.3)**	(3.7)	(1.2)	(10.4)	(1.5)
Net interest payable	**(11.7)**	(15.7)	(37.6)	(28.0)	(17.2)
(LOSS)/PROFIT BEFORE TAX	**(54.8)**	(7.5)	(74.1)	40.3	37.5
Tax	**(7.8)**	(0.4)	3.1	(10.2)	(10.0)
(Loss)/profit from continuing operations	**(62.6)**	(7.9)	(71.0)	30.1	27.5
Profit from discontinued operations	**11.5**	10.4	4.0	16.3	13.9
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(51.1)**	2.5	(67.0)	46.4	41.4

	2022 $m	2021 $m	2020 $m	2019 $m	2018 $m
CONTINUING OPERATIONS					
Basic (loss)/earnings per ordinary share (cents)	**(10.7)**	(1.4)	(12.2)	5.2	5.3
Basic earnings per ordinary share after adjusting items (cents)	**11.1**	8.4	5.5	9.7	11.6
Diluted (loss)/earnings per ordinary share (cents)	**(10.7)**	(1.4)	(12.2)	5.1	5.2
Diluted earnings per ordinary share after adjusting items (cents)	**10.9**	7.3	5.4	9.6	11.5
CONTINUING AND DISCONTINUED OPERATIONS					
Basic (loss)/earnings per ordinary share (cents)	**(8.8)**	0.4	(11.5)	8.0	7.9
Basic earnings per ordinary share after adjusting items (cents)	**14.2**	10.7	6.6	12.6	17.0
Diluted (loss)/earnings per ordinary share (cents)	**(8.8)**	0.4	(11.3)	7.9	7.9
Diluted earnings per ordinary share after adjusting items (cents)	**13.9**	10.6	6.5	12.4	16.9
DIVIDEND PER ORDINARY SHARE (CENTS)	**–**	–	–	8.55	8.65
DIVIDEND PER ORDINARY SHARE REBASED[2] (CENTS)	**–**	–	–	8.55	8.40
INTEREST COVER (TIMES)[1]	**7.0**	4.8	3.7	5.5	8.0
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**781.8**	901.0	860.4	906.2	915.6
NET DEBT	**(366.8)**	(401.0)	(408.1)	(454.2)	(498.1)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE DURING THE YEAR (MILLION)	**582.6**	581.0	580.1	579.6	520.9
WEIGHTED AVERAGE NUMBER OF ORDINARY AND POTENTIAL ORDINARY SHARES IN ISSUE DURING THE YEAR (MILLION)	**592.3**	588.8	593.7	588.5	526.3

1 Ratio of operating profit after adjusting items to interest on net borrowings.
2 Following the rights issue in October 2018, dividend per share for periods prior to this have been rebased to reflect the bonus element resulting from this rights issue.

Shareholder services

REGISTRARS

Enquiries concerning shares or shareholdings, such as the loss of a share certificate, consolidation of share certificates, amalgamation of holdings or dividend payments, should be addressed to the Company's registrars:

Equiniti Group Limited
Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA
Tel: +44 (0) 371 384 2379

For shareholders with hearing difficulties:

Tel: +44 (0) 371 384 2255

Please use the country code when calling from outside the UK. Lines are open between 8.30am and 5.30pm Monday to Friday (excluding public holidays in England and Wales).

In any correspondence with the registrars, please refer to Elementis plc and state clearly the registered name and address of the shareholder. Please notify the registrars promptly of any change of address.

WEBSITE

Our website (www.elementis.com) provides the following information:

- Company news and information
- Details of our strategy
- The Company's approach to sustainability and innovation
- A dedicated Investors section which contains up to date information for shareholders including:
  - Share price and index chart information
  - Financial results
  - History of dividend payment dates and amounts
  - Access to current and historical shareholder documents such as the Annual Report and Accounts

SHARE DEALING SERVICES

Equiniti provides a share dealing service that enables shares to be brought or sold by UK shareholders by telephone or over the internet. For telephone share dealing, please call +44 (0) 345 603 7037 between 8.30am and 4.30pm (lines are open until 6.00pm for enquiries), and for internet share dealing, please visit: www.shareview.co.uk/dealing.

ELECTRONIC COMMUNICATIONS

Shareholders can elect to receive shareholder documents electronically by registering with Shareview at www.shareview.co.uk. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent an email notification to say when shareholder documents are available on our website and you will be provided with a link to that information. When registering, you will need your shareholder reference number, which can be found on your share certificate or proxy form. Please contact Equiniti if you require any assistance or further information.

DUPLICATE DOCUMENTS

If you have more than one account on the Share Register and receive duplicate documentation from us as a result, please contact Equiniti to request that your accounts be combined.

SHARE FRAUD

Share or investment scams are often run from 'boiler rooms' where fraudsters cold call investors offering them worthless, overpriced or even non-existent shares, or offer to buy their shares in a company at a higher price than the market value. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the company. Even seasoned investors have been caught out by such fraudsters. The FCA has some helpful information.

REPORT A SCAM

If you are contacted by a cold caller, you should inform the Group General Counsel & Company Secretary by email and also the FCA by using its share fraud reporting form at www.fca.org.uk/scams or calling its Consumer Helpline on +44 (0) 800 111 6768.

If you have already paid money to a share fraudster, please contact Action Fraud on +44 (0) 300 123 2040 or www.actionfraud.police.uk.

Corporate information

FINANCIAL CALENDAR

26 April 2023	Annual General Meeting
26 April 2023	Q1 Trading Update
16 May 2023	Capital Markets Day
27 July 2023	Interim results announcement for the half year ending 30 June 2022
October 2023	Q3 Trading Update

ANNUAL GENERAL MEETING

The Annual General Meeting of Elementis plc will be held on 26 April 2023 at 10.00am at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD. Shareholders will also be able to attend the meeting online.

The Notice of Meeting is included in a separate document.

COMPANY SECRETARY

Anna Lawrence

REGISTERED NUMBER

03299608

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NUMIS

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London,
EC4Y 1AE

SOLICITORS

ALLEN & OVERY LLP

One Bishops Square
London
E1 6AD

EMAIL

company.secretariat@elementis.com

WEBSITE

www.elementis.com

GRI index

STATEMENT OF USE	ELEMENTIS PLC HAS REPORTED THE INFORMATION CITED IN THIS GRI CONTENT INDEX FOR THE PERIOD 1 JANUARY 2022 TO 31 DECEMBER 2022 WITH REFERENCE TO THE GRI STANDARDS.
GR1 USED	GRI 1: FOUNDATION 2021

GRI standard	Specific GRI Disclosure	Pages
GRI 2: GENERAL DISCLOSURES 2021	2-1 Organisational details	**1-5**
	2-2 Entities included in the organisation's sustainability reporting	**56, 218**
	2-3 Reporting period, frequency and contact point	**INSIDE FRONT COVER, 226**
	2-4 Restatements of information	**NONE**
	2-5 External assurance	**89, 123**
	2-6 Activities, value chain and other business relationships	**2, 18-19, 22-23**
	2-7 Employees	**63**
	2-8 Workers who are not employees	**NOT DISCLOSED**
	2-9 Governance structure and composition	**98-99, 103, 118**
	2-10 Nomination and selection of the highest governance body	**115-118**
	2-11 Chair of the highest governance body	**98, 111**
	2-12 Role of the highest governance body in overseeing the management of impacts	**37, 104-112**
	2-13 Delegation of responsibility for managing impacts	**37, 42**
	2-14 Role of the highest governance body in sustainability reporting	**37, 39, 42, 105**
	2-15 Conflicts of interest	**112, 116**
	2-16 Communication of critical concerns	**106, 110**
	2-17 Collective knowledge of the highest governance body	**118**
	2-18 Evaluation of the performance of the highest governance body	**113-114**
	2-19 Remuneration policies	**97, 124-151**
	2-20 Process to determine remuneration	**127-130**
	2-21 Annual total compensation ratio	**149**
	2-22 Statement on sustainable development strategy	**7, 9**
	2-23 Policy commitments	**71**
	2-24 Embedding policy commitments	**71, 123**
	2-25 Processes to remediate negative impacts	**69, 106, 123**
	2-26 Mechanisms for seeking advice and raising concerns	**69, 123**
	2-27 Compliance with laws and regulations	**68-70, 92**
	2-28 Membership associations	**38**
	2-29 Approach to stakeholder engagement	**72-73, 106**
	2-30 Collective bargaining agreements	**66**
GRI 3: MATERIAL TOPICS 2021	3-1 Process to determine material topics	**39**
	3-2 List of material topics	**40**
	3-3 Management of material topics	**41**
GRI 201: ECONOMIC PERFORMANCE 2016	201-2 Financial implications and other risks and opportunities due to climate change	**42-56**
	201-3 Defined benefit plan obligations and other retirement plans	**168, 203-207**
	201-4 Financial assistance received from government	**184**
GRI 205: ANTI-CORRUPTION 2016	205-2 Communication and training about anti-corruption policies and procedures	**68-69**
	205-3 Confirmed incidents of corruption and actions taken	**68**
GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	**68**
GRI 207: TAX 2019	207-1 Approach to tax	**70, 172-173**
	207-2 Tax governance, control, and risk management	**119-120**
	207-3 Stakeholder engagement and management of concerns related to tax	**183, 212**
	207-4 Country-by-country reporting	**182**
GRI 302: ENERGY 2016	302-1 Energy consumption within the organisation	**58**
	302-3 Energy intensity	**58**
	302-4 Reduction of energy consumption	**57**

GRI index continued

GRI 303: WATER AND EFFLUENTS 2018	303-3 Water withdrawal	**59**
	303-4 Water discharge	**CDP**
	303-5 Water consumption	**CDP**
GRI 304: BIODIVERSITY 2016	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	**60**
GRI 305: EMISSIONS 2016	305-1 Direct (Scope 1) GHG emissions	**52-54**
	305-2 Energy indirect (Scope 2) GHG emissions	**52-54**
	305-3 Other indirect (Scope 3) GHG emissions	**55-56**
	305-4 GHG emissions intensity	**52-54, 57**
	305-5 Reduction of GHG emissions	**53**
	305-7 Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	**60**
GRI 306: WASTE 2020	306-3 Waste generated	**59**
GRI 401: EMPLOYMENT 2016	401-1 New employee hires and employee turnover	**63, 66**
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1 Occupational health and safety management system	**61**
	403-2 Hazard identification, risk assessment, and incident investigation	**62**
	403-4 Worker participation, consultation, and communication on occupational health and safety	**62**
	403-5 Worker training on occupational health and safety	**61-62**
	403-6 Promotion of worker health	**61-63**
	403-8 Workers covered by an occupational health and safety management system	**62**
	403-9 Work-related injuries	**62**
	403-10 Work-related ill health	**62**
GRI 404: TRAINING AND EDUCATION 2016	404-1 Average hours of training per year per employee	**18, 66**
	404-2 Programme for upgrading employee skills and transition assistance programme	**66**
	404-3 Percentage of employees receiving regular performance and career development reviews	**67**
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1 Diversity of governance bodies and employees	**65**
	405-2 Ratio of basic salary and remuneration of women to men	**65**
GRI 406: NON-DISCRIMINATION 2016	406-1 Incidents of discrimination and corrective actions taken	**69, 154**
GRI 417: MARKETING AND LABELING 2016	417-1 Requirements for product and service information and labeling	**70**
GRI 418: CUSTOMER PRIVACY 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	**69**

Sustainability Accounting Standards Board (SASB) index

TOPIC	ACCOUNTING METRIC	SASB CODE	PAGE
GREENHOUSE GAS EMISSIONS	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	RT-CH-110a.1	**53**
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	RT-CH-110a.2	**42-56**
AIR QUALITY	Air emissions of the following pollutants: (1) NO_X (excluding N_2O), (2) SO_X, (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	RT-CH-120a.1	**60**
ENERGY MANAGEMENT	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	RT-CH-130a.1	**57-58**
WATER MANAGEMENT	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	RT-CH-140a.1	**59**
	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	RT-CH-140a.2	**NOT DISCLOSED**
	Description of water management risks and discussion of strategies and practices to mitigate those risks	RT-CH-140a.3	**50, 59**
HAZARDOUS WASTE MANAGEMENT	Amount of hazardous waste generated, percentage recycled	RT-CH-150a.1	**59**
COMMUNITY RELATIONS	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	**67, 73**
WORKFORCE HEALTH & SAFETY	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	RT-CH-320a.1	**62**
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	RT-CH-320a.2	**61-62**
PRODUCT DESIGN FOR USE-PHASE EFFICIENCY	Revenue from products designed for use phase resource efficiency	RT-CH-410a.1	**NOT DISCLOSED**
SAFETY & ENVIRONMENTAL STEWARDSHIP OF CHEMICALS	(1) Percentage of products that contain Globally Harmonized System of Classification and Labelling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	RT-CH-410b.1	**NOT DISCLOSED**
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	RT-CH-410b.2	**70**
GENETICALLY MODIFIED ORGANISMS	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-410c.1	**NOT DISCLOSED**
MANAGEMENT OF THE LEGAL & REGULATORY ENVIRONMENT	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	RT-CH-530a.1	**NOT DISCLOSED**
OPERATIONAL SAFETY, EMERGENCY PREPAREDNESS & RESPONSE	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	RT-CH-540a.1	**62**
	Number of transport incidents	RT-CH-540a.2	**NOT DISCLOSED**
ACTIVITY METRIC	Production by reportable segment	RT-CH-000.A	**53-54**

Glossary

ACT	Advance corporation tax
AGM	Annual General Meeting
AIB	Association of Issuing Bodies
AP	Anti-perspirant
API	American Petroleum Institute
ART	Annual Report team
AWC	Average working capital
Board	Board of Directors of Elementis plc
CDM	Clean Development Mechanism
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash generating unit
CHRO	Chief Human Resources Officer
CO_2	Carbon dioxide
CO_2eq	Carbon dioxide equivalent
Code	UK Corporate Governance Code
Company	Elementis plc
COSMOS	Cosmetic Organic and Natural Standard
COVID	Coronavirus pandemic
CP	Current Policies
Cr	Chromium
CSA	Climate scenario analysis
DE&I	Diversity, Equity and Inclusion
DEFRA	Department for Environment and Rural Affairs
DNED	Designated Non-Executive Director
DNZ	Divergent Net Zero
DPSC	The Data Protection Steering Committee
DSBP	Deferred Share Bonus Plan
E&C	Ethics & Compliance
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECC	Ethics and Compliance Council
ECLs	Expected credit losses
EEIO	Environmentally Extended Input Output
ELT	Executive Leadership team
EMEA	Europe, Middle East and Africa
EPS	Earnings per share
Eq	Equivalent
ERG	Employee resource group
ESC	Elementis Sustainability Council
ESG	Environmental, Social and Governance
ESOS	Executive Share Option Scheme
ESOT	Employee Share Ownership Trust
EU	European Union
EVP	Employee Value Proposition
FCA	Financial Conduct Authority
FCE	Finance Company Exemption
FLAG	Food, Land & Agriculture
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	Financial Times Stock Exchange
GAAP	Generally Accepted Accounting Principles
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GHG	Greenhouse gases
GJ	Gigajoule
GO	Guarantee of Origin
GRI	Global Reporting Initiative
Group	Elementis plc and its subsidiaries
H&S	Health and safety
HMRC	HM Revenue and Customs
HRP	Hazard Recognition plus
HSE	Health, Safety and Environment
IAS	Investment Association Standards
IASB	International Accounting Standards Board
ICDA	International Chromium Development Association
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMA	Industrial Mineral Association
IPCC	Intergovernmental Panel on Climate Change

IRP	Incident Response Plan
ISO	International Organisation for Standardisation
IUCN	International Union for Conservation of Nature
KPI	Key performance indicator
LGBTQ+	Lesbian, gay, bisexual, transgender, and queer (or questioning)
LCA	Life cycle analysis
LTA	Lost time accident
LTIP	Long term incentive plan
M^3	Cubic metres
M&A	Merger and acquisitions
MWh	Megawatt per hour
Mondo	Mondo Minerals Holdings B.V. and its subsidiaries
MT	Metric ton
NBO	New business opportunities
NED	Non-Executive Director
NGFS	Network for Greening the Financial Systems
NiSATs	Non-ionic associative thickeners
NZ	Net Zero 2050
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
OSHA	Occupational Safety and Health Administration
PBT	Profit before tax
PC	Personal Care
PHAs	Process Hazard Analyses
PPA	Power purchase agreement
PPF	Pension Protection Fund
PRMB	Post retirement medical benefit
PS	Performance Specialties
PwC	PricewaterhouseCoopers LLP
R&D	Research & Development
RCF	Revolving credit facility
REACH	Registration, Evaluation, Authorisation and restriction of Chemicals
REC	Renewable Energy Certificate
Rights Issue	A one to four Rights Issue that was undertaken by the Company in October 2018
ROCE	Return on capital employed
RP	Recommended Practice 754
RSPO	Roundtable on Sustainable Palm Oil
s.172	Section 172 of the Companies Act 2006
SASB	Sustainability Accounting Standards Board
SAYE	Save As You Earn
SBT	Science Based Target
SBTi	Science Based Targets initiative
SDG(s)	Sustainable Development Goal(s)
SDS	Safety Data Sheet
SID	Senior Independent Director
SKUs	Stock-keeping units
SRSOS	US Savings-Related Share Option Scheme
SummitReheis	SRLH Holdings, Inc. and its subsidiaries
SVCH	Substances of Very High Concern
SVP	Senior Vice President
TCFD	Task Force on Climate-related Financial Disclosures
TICPI	Transparency International Corruption Perception Index
TMC	Trademark Committee
TRIR	Total recordable incident rate
TSM	Towards Sustainable Mining
TSR	Total shareholder return
UFLPA	US Uyghur Forced Labor Prevention Act
UK	United Kingdom
UN	United Nations
UNGC	United Nations Global Compact
US	United States
VOC	Volatile organic compound
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute
y-o-y	year-on-year

Notes