



AN **INNOVATIVE** **WORLD LEADER** IN HIGH PERFORMANCE POLYMER SOLUTIONS

BRINGING **TRANSFORMATIONAL & SUSTAINABLE**
SOLUTIONS THAT ADDRESS WORLD MATERIAL
CHALLENGES EVERY DAY.

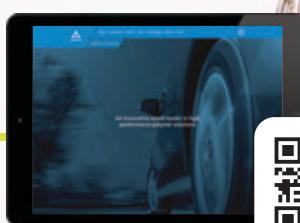
VICTREX PLC
ANNUAL REPORT 2021



POLYMER & PARTS:

Delivering on our strategy

Victrex is an innovative world leader in high performance polymer solutions, focused on the strategic markets of Automotive, Aerospace, Energy & Industrial, Electronics and Medical. Every day, millions of people rely on sustainable products and applications which contain our polymers and materials, from smartphones, aeroplanes and cars to oil & gas operations and medical devices. With over 40 years' experience, we develop world leading solutions in PEEK and PAEK based polymers, and selected semi-finished and finished parts which shape future performance for our customers and markets, bring environmental and societal benefits, and drive value for our shareholders.

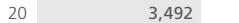
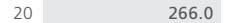
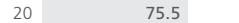
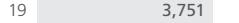
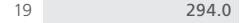
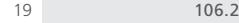
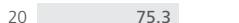
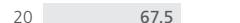
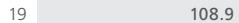
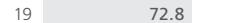
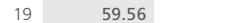


Visit www.victrexplc.com or scan with your QR code reader to visit our Group website



Solid & sustainable recovery: FY volumes +25%, strong cash generation & 50p/share special dividend

FINANCIAL HIGHLIGHTS

| Group sales volume tonnes | Group revenue £m | Underlying profit before tax ¹ £m |
|--|--|--|
| 4,373 +25% | 306.3 +15% | 91.7 +21% |
| 21  4,373 | 21  306.3 | 21  91.7 |
| 20  3,492 | 20  266.0 | 20  75.5 |
| 19  3,751 | 19  294.0 | 19  106.2 |
| Underlying earnings per share ¹ p | Available cash ¹ £m | Dividend per share p |
| 83.4 +11% | 99.9 +48% | 109.56 +137% |
| 21  83.4 | 21  99.9 | 21  59.56  50.00 |
| 20  75.3 | 20  67.5 | 20  46.14 |
| 19  108.9 | 19  72.8 | 19  59.56 |

■ Regular dividends only

■ Special dividend

HIGHLIGHTS:

Solid & sustainable recovery: FY volumes +25%

- FY sales volume up 25% driven by improving end markets
- Double-digit YoY growth in Electronics, Energy & Industrial, VAR
- Improvement in Automotive with volumes +18% despite Semiconductor challenges
- Medical revenue up 3% as elective surgeries gradually return
- 9% increase in new application targets

Underlying PBT up 21% driven by strong volume growth & cost management

- Underlying PBT up 21% at £91.7m; reported PBT up 46% at £92.5m
- Gross margin stable at 54.0% despite weaker sales mix, FX and inventory unwind

Further progress in 'mega-programme' growth pipeline & additional milestones

- Strong validation of PEEK technology through sale of Magma interest to TechnipFMC; opportunities in traditional & new energy including hydrogen transportation
- Good progress in PEEK Knee clinical trial; ten patients now implanted
- Meaningful revenue of c£1m in PEEK Gears
- Mega-programme potential for E-mobility, with 50% increase in development programmes
- Good progress in Trauma joint developments

Strong cash generation underpinning investment & returns; 50p special dividend

- FY 2021 available cash¹ of £99.9m** underpinning c£40m capex; further investment focused on China in FY 2022
- Operating cash conversion¹ 100%
- Civil construction progressing on plan for new PEEK facility in China; commissioning in 2022
- Post-Brexit inventory unwind benefiting cash flow; total inventory down £28m to £70m
- Dividends returned to pre-COVID-19 levels & special dividend of 50p/share

Further enhanced ESG strategy: products bringing environmental & societal benefits

- Signatory to Science Based Targets initiative ('SBTi'), reflecting 2030 net zero goal***
- New ESG criteria added to Executive remuneration

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¹ Alternative performance measures are defined in note 24.

** Excludes £12.5m of cash ring-fenced in the Group's Chinese subsidiaries and includes £37.5m in 95-day notice deposit accounts.

*** Scope 1 & 2 emissions.



Victrex at a glance

OUR STRATEGY: POLYMER & PARTS

Victrex is headquartered in the UK, with technical and support facilities across our major geographical markets, giving us global reach for our customers.



Victrex solutions are found across a range of applications.



AEROSPACE

20,000+
aircraft flying with
Victrex solutions



ENERGY & INDUSTRIAL

75m+
Victrex™ PEEK seal
rings in use today



AUTOMOTIVE

500m+
Victrex™ PEEK
applications in cars



MEDICAL

13m+
implanted devices



ELECTRONICS

4bn+
mobile devices using
Aptiv™ film

Note: Source data available on request.

1 Based on Scope 1 and 2 emissions, IATA 2018 metrics.

2 Alternative performance measures are defined in note 24.

OUR STRATEGIC ROADMAP



Our sustainability pillars



Our sustainable products provide clear environmental and societal benefits



→ Read more on page 42



Maximise resource efficiency across the value chain



→ Read more on page 42



Enhance inclusion and diversity, support local communities and inspire STEM based careers



→ Read more on page 42

Culture

Safety & accountability

Innovation

Service for customers

Delivering with speed



SIZEABLE AND SUSTAINABLE GROWTH OPPORTUNITIES

With long-term megatrends in our favour and sustainable products, we have a strong and diverse mix of growth opportunities across our key markets.

END MARKETS

MARKET OPPORTUNITY



39,000

new passenger and freight aircraft by 2040

Source: Airbus.

Aerospace



>100g

PEEK/car average (increase from current 10g over long term (Victrex internal aspiration))

Automotive



21bn+

internet of tomorrow devices by 2025

Source: Norton.

Electronics



1%

global increase every year in annual energy needs by 2040

Source: IEA.

Energy & Industrial



Vision to treat a patient with Invibio solutions every

15–20

seconds by 2027 (Victrex internal aspiration)

Medical



Visit www.victrexplc.com to see how we are shaping future performance in our markets

MEGATRENDS

CONSEQUENCES

OUR CHALLENGES AND OPPORTUNITIES

Fly lighter

- Lighter weight and CO₂ reduction trends with more efficient manufacturing using PEEK, PAEK and composites mean fuel saving – a strategic imperative for the Aerospace industry.
- Opportunities to support reduction of OEM backlogs through volume production/quicker processing.

Weight, cost reduction and fuel efficiency

- Weight, cost reduction and improved fuel efficiency are primary strategic drivers for the Aerospace industry.

Lightweight metal replacement

- Victrex™ PEEK helps Aerospace lightweighting via metal replacement and is a key part of driving improved fuel efficiency and reduced emissions.
- Our materials can also provide more efficient manufacturing.

CO₂ reduction and durability

- Fuel efficiency, CO₂ reduction, safety and reliability improvements resulting from consumer and regulatory trends. Transition from internal combustion engines ('ICE') to electric vehicles ('EVs').

Emissions reduction design challenges

- Energy efficiency, comfort, heat resistance and durability are primary strategic imperatives for the Automotive industry.

Lightweight metal replacement

- Victrex™ PEEK enables lightweighting and reliability via metal replacement and can support meeting the complex challenges of next generation Automotive powertrain technology.
- ABS braking systems, gears and transmission systems are key application areas. Next generation EVs offer an emerging opportunity.

Thinner, smaller, smarter

- The need for instant access to communication and information on the move is driving trends for mobile devices.

Energy and thermal management benefits

- Increased functionality and miniaturisation create challenges for mobile device performance as well as energy and thermal management.

High durability, thin film technology

- Victrex materials, such as PEEK resin, PEEK blends and our Aptiv™ acoustic film technology, create design opportunities by virtue of their durability in today's thinner, smaller, smarter mobile devices.

Natural resource depletion and cleaner energy

- Increasing demand for and depletion of existing resources drive exploration into uncharted territory.
- More efficient manufacturing processes create more data and connectivity requirements in Industrial end-markets.

Extreme environments

- Deeper, hotter, higher pressure and chemically aggressive wells must be tapped to reach new reserves, requiring more durable materials.
- Evaluation of higher performance materials in manufacturing, including in the food industry and in renewable energy.

Recover more

- Reliable and high yield operations are enabled using VICTREX™ PEEK based solutions in exploration and production tooling.
- Tailored solutions for industrial markets, including Victrex™ PEEK FG, a food grade polymer.

Ageing global population

- People are living longer and have a strong desire to maintain their quality of life in their later years.

Joint replacement and pain management

- Extended life expectancy results in an increasing need to replace worn out body parts or to alleviate pain in order to resume normal activities. Long-term demand for new solutions in core markets, such as Spine, and in emerging markets, such as Knee, Trauma and Dental, remains strong.

High performance solutions providing societal benefits

- Invibio provides solutions for the Medical market that can be used in a minimally invasive manner, helping to enhance clinical benefits. Our solutions are also being developed or are in early commercialisation for Dental, Trauma and Knee.



NAVIGATING THROUGH THE IMPACT OF COVID-19

As a global business, Victrex has navigated through COVID-19 proactively, with a solid and sustainable recovery following the impact seen in our 2020 financial year.

Throughout the COVID-19 pandemic, Victrex played a key role in many supply chains, for example in Medical, and to support local communities and health organisations across multiple geographies, particularly those close to where we operate. Whilst the COVID-19 situation varies by region, with Return to Site progressed for the majority of our global employees, we continue to maintain effective communication, guidance and support for our employees; regular dialogue with our customers and suppliers; engagement with our communities, regulators and governments; and a robust financial position.

SOLID RECOVERY FROM COVID-19:

- Trading performance: volumes +25% vs FY 2020
- Supply chain: >90% On Time In Full ('OTIF') delivery for customers through FY 2021
- Employee homeworking: c80% of global regions commenced Return to Site, supported by flexible working policy

OUR PEOPLE



- Safety, health and wellbeing our highest priority
- Vaccination and travel policies in place

- CEO bi-weekly guidance communications and Q&A sessions

OUR CUSTOMERS AND SUPPLIERS



- Continued strong service levels for customers (>90% OTIF throughout FY 2021)
- Appropriate global inventories, c10 weeks' sales stocks held

- Victrex is a signatory to the Prompt Payment Code for suppliers

OUR STAKEHOLDERS



- Multiple global community programmes with over 3,559 employee hours committed in FY 2021
- Significant PPE donated to hospitals and care organisations

- Peer group, regulator and governmental collaboration via Chemical Industry Association and UK and overseas governments

OUR FINANCIAL POSITION



- Strong cash generation with FY 2021 available cash £99.9m (FY 2020: £73.0m)
- Returned to pre-COVID-19 dividend levels
- Special dividend of 50p share declared
- Committed £20m RCF and £20m accordion

→ For further information on how we consider all stakeholder interests and engage with our stakeholders, see our section 172 statement on pages 18 to 20 and pages 78 and 79

Our investment case

STRONG LONG-TERM GROWTH OPPORTUNITIES

We bring transformational and sustainable solutions which address world material challenges every day.

An innovative world leader: building the PEEK/PAEK market

No.1

PEEK expert

→ Read more online www.victrexplc.com

Sustainable products

>70%

Group revenue from sustainable products with environmental and societal benefits by 2030

→ Financial review Pages 23 to 28

Proportion of R&D project based investment to support sustainable products bringing environmental & societal benefit

88%

(based on project based R&D expenditure)

→ Our markets and megatrends Pages 4 and 5

Strong pipeline of medium to long-term growth opportunities

7

mega-programmes

→ Our markets and megatrends Pages 4 and 5

Sector leading returns

c20%

5-year average return on capital employed ('ROCE')¹

→ Financial review Pages 23 to 28

Highly cash-generative business model

£99.9m

available cash

→ Our business model Pages 10 and 11

¹ Alternative performance measures are defined in note 24.



Chairman's review

Revenue from sustainable products by 2025

>50%

Carbon net zero goal

2030



With a solid and sustainable recovery from the impact of COVID-19, Victrex's long-term opportunities remain strong, with our transformational and sustainable solutions helping to address the world's material and environmental challenges.

Larry Pentz
Chairman



BRINGING TRANSFORMATIONAL & SUSTAINABLE SOLUTIONS WHICH ADDRESS THE WORLD'S MATERIAL CHALLENGES EVERY DAY

Following the impact on the Group during FY 2020 from COVID-19, I am pleased to inform shareholders that we have seen a solid and sustainable recovery during FY 2021 and our long-term growth opportunities remain strong.

The cost actions we implemented in FY 2020 helped establish a solid platform to navigate our business through the challenges of COVID-19, and consequently our high customer service levels and innovation for customers have resulted in a strong trading performance this year and strong cash generation.

Strategy

Our Polymer & Parts strategy and a focus on growth markets and long-term opportunities also remain strong. Our strategy involves differentiating against our competitors through being focused on existing and new applications in the PEEK & PAEK polymer space, through developing new polymer grades and product forms, including composites, and through building new markets in 'parts' alongside our core polymer offering. We will continue to assess how we can accelerate our strategy, to drive our long-term growth prospects, and to make us more resilient and more differentiated.

Our purpose

As a sustainable business bringing transformational and sustainable solutions which address the world's material and environmental challenges, Victrex works across its markets and with customers to

deliver solutions and performance benefits against incumbent materials, typically metal. As the no.1 PEEK expert, Victrex is pioneering the market for the use of PEEK & PAEK polymers. Whilst our current sales are still largely derived from core polymer materials or product forms, Victrex's differentiated offering to customers is built on much more than just having the capacity to manufacture polymers. Our technical service, application development capability, regulatory support, Research & Development and innovation credentials are key strengths which have served us well, and will continue to do so. Moving downstream into new and selected semi-finished and finished products ('parts'), and protecting our intellectual property through know-how and patents, will enable Victrex to capture a higher value share from each application and deliver continued strong returns for our shareholders.

Sustainability – products supporting environmental and societal benefits

Sustainability is integral to our business model and our purpose, with the lightweight, environmental and recycling credentials of our materials and alignment with global megatrends continuing to keep us well positioned to bring environmental and societal benefits to our customers and society, for example in supporting CO₂ reduction in Aerospace and Automotive, as well as clinical benefits for patients. This year we invested approximately 88% of our project based R&D investment on

sustainable products or programmes. As an example, based on long-term build forecasts from major Aerospace manufacturers, if all single aisle planes were built using >50% PEEK composites, a 50 million tonne CO₂ saving could be achieved over the next 15 years. Our sustainability strategy and focus on three main areas – sustainable solutions, resource efficiency and social responsibility – was enhanced last year, with a clear vision to become carbon net zero by 2030 and alignment to the UN Sustainable Development Goals. This includes targets around sustainable products, building on the recognition we already enjoy from the likes of FTSE Russell in its Green Revenues Index. We have also added further disclosures in our Sustainability report, with further detail on pages 42 to 63. This includes our commitment to SBTi – as part of our commitment to a science based emissions reduction target and our preparations for TCFD reporting, which will start in FY 2022.

Results

With a solid recovery evident from the first half year, Group revenue of £306.3m was 15% up on the prior year (FY 2020: £266.0m). Underlying Group profit before tax ('PBT') of £91.7m (FY 2020: £75.5m) was up 21%, with reported Group PBT of £92.5m (FY 2020: £63.5m) up 46%. Earnings per share of 84.3p was up 35% (FY 2020: 62.6p).



Investment for growth

Our investment in innovation and technical excellence remains a key differentiator for Victrex, with R&D expenditure of £15.5m (FY 2020: £16.7m) representing approximately 5% of Group revenue. Much of this investment is in development activity, helping to create new applications which use our PEEK polymers. M&A and partnerships remain key options for Victrex in supporting our growth programmes.

Our China manufacturing subsidiary remained the key focus for capital investment in FY 2021, following the formation – with our Chinese partner Yingkou Xingfu in FY 2020 – of a manufacturing subsidiary to support the development of a new PEEK manufacturing facility which will underpin significant growth opportunities in Greater China. The facility is on track to be commissioned by 2022, eventually being able to produce up to 1,500 tonnes of PEEK and PAEK, expanding our portfolio of grades. The total capital cost is expected to exceed our originally announced cost of £32m, primarily reflecting the limitations on engineering support accessibility into China during the COVID-19 pandemic. We also see some additional opportunity for investment in capability within China, enabling us to benefit from the 'Made in China 2025' initiative by the Chinese government. Overall capital expenditure for the Group was £41.9m (FY 2020: £24.9m).

Highly cash-generative business model

Our highly cash-generative business model supports investment for growth and appropriate returns to shareholders. With stronger trading and the unwind of inventories which supported the Brexit transition, the Group's available closing cash and cash equivalents balance reached £99.9m this year (FY 2020: £73.1m), with no debt. Operating cash conversion¹ was 100% (FY 2020: 101%).

Dividends

The Board's capital allocation policy focuses on growth investment – whether organic or through M&A – first, whilst supporting a regular dividend and the potential of incremental returns for shareholders via a special dividend. This retains our flexibility to invest in downstream manufacturing, M&A and polymer capacity expansion. Our intention is to grow the regular dividend in line with EPS, whilst also offering the opportunity of a special dividend where possible, subject to a minimum of 50p/share. We believe this policy offers good medium-term opportunities for shareholder returns. Our regular dividend seeks to maintain cover at or around 2x. With basic earnings per share up 35%, the Group is proposing to increase the final dividend to 46.14p/share. Total regular dividends for the year will be 59.56p/share (FY 2020: 46.14p). Underlying dividend cover¹ is at 1.4x (FY 2020: 1.6x). The Board has also proposed a special dividend of 50p/share with the Group's cash and cash equivalents balance at 30 September 2021

exceeding the £85m threshold, which reflects the Group's cash generation during a period of higher capital investment in additional capacity and capability.

Governance and the Board

Our Board composition remained stable this year. Ros Rivaz completed her first full financial year since joining the Board in May 2020 as Senior Independent Director. The search process for a new Chair and my successor was concluded with the announcement in September 2021 of Dr Vivienne Cox as Chair. As previously announced, I will step down from the Board after 13 years and as Chair after 7 years at the 2022 Annual General Meeting. It has been a privilege to serve as your Chair and as a non-executive Director for this great company and I look forward to seeing further progress in the years ahead. Our CFO, Richard Armitage, also announced his intention to depart for a role with Morgan Advanced Materials plc. A search process is underway and we wish him well.

Our governance at and below Board level remains strong. We also have a strong focus on diversity and inclusion. As an example, our Board is now 40% female. We are also targeting 40% of our leadership group (top two grades) to be female by 2030. During the year the executive Directors have managed the business with support from a broader range of senior managers as part of the Victrex Management Team ('VMT'), two of whom are female. We also saw several changes to our VMT during FY 2021. More detail about its members and how it operates is shown on pages 76 and 77.

Safety – our highest priority

Within our manufacturing operations and elsewhere across our business, we have an unwavering safety focus across our global teams, which continues to drive the market opportunities for our polymers, whether at commercial, marketing, technical or support services level. We are now aligned to US OSHA safety based metrics, with our recordable injury frequency rate improving to 0.71, better than the industry average of 1.9. Construction of our manufacturing subsidiary in China also recorded over 500,000 hours with no recordable injuries during the year. Our aspiration is for a Zero Accidents, Zero Incidents culture, with a number of employee campaigns supporting this goal.

People & stakeholders

The challenges of COVID-19 continued to impact on all of our global employees during the year. The ability of our employees, our teams and indeed our whole business to respond in support of our customers was extremely well received, with high service levels. On behalf of the Board I would like to thank each and every one of Victrex's employees for their continued contribution.

We saw a solid and sustainable recovery from the economic impact of COVID-19 and our employees will share in our All-Employee Bonus Scheme, an important tool in retention and recruitment.

Victrex continues to have an active stakeholder engagement programme, both internally with our employees and externally in the communities where we operate, including supporting STEM subjects to help those considering careers built on science and innovation. 49 apprentices are currently with us, demonstrating our support and commitment for the next generation of employees. Employee volunteering was strong again, with 3,559 employee hours supporting local communities this year, helping us exceed our original cumulative 10,000 hours by 2023 target. Our training investment has also yielded good results, supporting many of our employees in gaining awards and additional qualifications. We are also focused on diversity and inclusion through our Gender Pay and Group Inclusion, Diversity & Equal Opportunities Policy, details of which can be found on pages 59 to 61 of the Sustainability report. Our stakeholder engagement programme can be found on pages 18 and 19.

Values and culture

Our values of Passion, Innovation and Performance have, I believe, seen us respond well as individuals and as an organisation through these unprecedented times. Whilst our Return to Site in most global regions has started – supported by flexible working – we were able to use our values to do the right thing for ourselves, our teams and our Company. Our culture of innovation, service for customers and delivering with speed underpinned by safety and accountability is central to our ability to commercialise our future opportunities and sustain Victrex into the future.

Outlook

For FY 2022, at this early stage, our assumptions are for year on year progress in full year sales volumes, with several end markets expected to see further recovery, including in Medical, which will support our sales mix. In addition to a sizeable currency headwind, like most industrial companies, we are facing increased raw material and energy costs, which will impact us particularly in the first half, although mitigation plans are progressing. We will increase our investment in innovation, and will start to incur commissioning costs in relation to our new China facility, although better asset utilisation should support our margin. Overall, we plan to deliver year on year growth in FY 2022.

Larry Pentz

Chairman

6 December 2021

¹ Alternative performance measures are defined in note 24.



Our business model

Who we are

An innovative world leader in high performance polymer solutions, focused on the strategic markets of Automotive, Aerospace, Energy & Industrial, Electronics and Medical. Every day, millions of people use sustainable products and applications which contain our materials – from smartphones, aeroplanes and cars to oil & gas operations and medical devices.



Shaping future performance

PEEK polymers offer sustainable performance benefits across a broad range of customers and markets. To support growth, new differentiated applications and products are developed both through Research & Development ('R&D'), and teams focused on market opportunities where PEEK can provide a clear performance benefit. Beyond demanding technical requirements, many applications are subject to rigorous qualification processes.

Key to strategy

-  **Drive core business**
-  **Differentiate through innovation**
-  **Create and deliver future value**
-  **Underpin through safety, sustainability and capability**

OBJECTIVE

Focus on the megatrends



We employ a rigorous Strategic Market Assessment process to identify those markets with characteristics that support the opportunity for significant growth in the adoption of PEEK. Those megatrends can be environmental, economic, demographic or commercial and are set out on pages 4 and 5. The process then identifies specific sub-sectors where PEEK's unique characteristics will be valued, where there is an opportunity for both the customer and Victrex to enhance their respective shareholder value and where there is the potential for annual revenues of at least £50m to be earned. These are the mega-programmes.

Sustainable business



PEEK's unique characteristics noted above offer benefits of lightweighting, processability and recyclability that are particularly suitable to help customers meet the environmental and regulatory requirements of future transport and other markets. In Medical, PEEK solutions can help support improved clinical benefits for patients. Together with our goal of carbon net zero status in the coming years, we are confident in Victrex's future as a sustainable business. Our opportunity to support over 50 million tonnes of CO₂ saving in Aerospace if all new single aisle planes were built from >50% PEEK composites underlines the environmental benefits of our products.

Focused employees



All of our 800+ employees are solely focused on developing further opportunities for PEEK. This differentiates us from our competition which typically offers a range of materials with a broad range of value propositions. Innovation is at the heart of our culture with approximately 5%–6% of sales invested in R&D and other functions organised to provide the maximum support to customer programmes. All employees are rewarded with a profit growth driven bonus scheme, and share options are used extensively. We also invest in apprenticeships and training, supporting employees to gain additional awards and qualifications. We value our social responsibility, supporting many good causes and the local communities in which we operate, focusing on the 'next generation' of Victrex employees, in line with our sustainability targets.

Drive PEEK adoption



We primarily develop solutions that allow PEEK to replace metal. When developed into an application, PEEK can offer benefits of lighter weight, heat and chemical resistance and the ability to be processed much more easily and quickly than metal or thermoset plastics. When used in the human body, PEEK has similar attributes to bone, making it attractive for a range of medical applications. When used in vehicles, PEEK can achieve the lightweight, vibration and heat characteristics needed for the future development of next generation electric vehicles. Our approach is therefore to build new markets by creating differentiated applications and products, then demonstrate the 'burden of proof' using prototyping, clinical studies and key opinion leaders.

Manufacturing differentiation, global sales support and technical excellence



We have a unique PEEK manufacturing process, which is different to that of our competitors, and the ability to manufacture differentiated grades, product forms and parts ('Type 1' PEEK). We then support our customers with an extensive Sales and Technical Support team, which is unique in being solely focused on PEEK. This service is vital to our customers' long-term plans for using PEEK, both in existing applications and in the mega-programmes. We invest approximately 5%–6% of sales in global R&D, supporting our ability to partner with customers.

Capital and cost focus



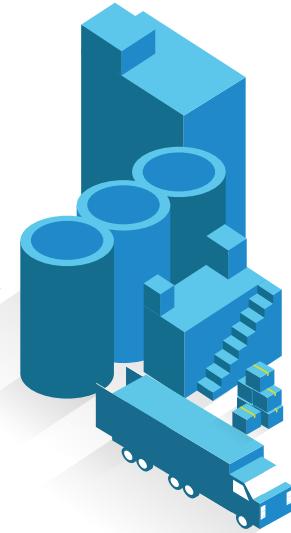
Victrex has invested ahead of demand with over £100m invested during the last five years in existing capacity and to support Polymer & Parts manufacture. This allows us to be able to commit to significant customer programmes as they arise. Whilst we will continue to do this, we would expect our utilisation of effective capacity to increase over time. Together with a steady focus on cost efficiency throughout the business, improving our operating leverage allows us to sustain our return on capital in the medium term.



| WHY THIS IS IMPORTANT | HOW WE DIFFERENTIATE TO ACHIEVE SUCCESS | OUTCOMES |
|--|---|--|
| <ul style="list-style-type: none"> → Supportive megatrends offer the opportunity to align with long-term global growth areas and create value for all our stakeholders → Targeting the right end markets enables us to develop a clear value proposition for PEEK | <ul style="list-style-type: none"> → We target segments which offer above average market growth opportunities → Identifying PEEK's value proposition helps us deliver a performance benefit and provide a competitive advantage | <ul style="list-style-type: none"> → Alignment with megatrends and developing selected products and applications which can support them to offer sustainable revenue opportunities across our markets → Rigorous and focused growth pipeline |
| <ul style="list-style-type: none"> → Increasing focus on sustainability of today's materials → Environmental and performance requirements in Automotive & Aerospace are increasing → Surgeons and medical device companies are focused on better patient outcomes | <ul style="list-style-type: none"> → Investment in Gears and Composites enables us to leverage more sustainable trends in Transport markets → Identifying specific applications in electric vehicles offers a long-term opportunity up to >100g/PEEK per vehicle → Building clinical evidence for our products in Spine, Dental, Trauma and Knee helps us in creating a long-term Medical portfolio | <ul style="list-style-type: none"> → Our customers, investors, suppliers and other key stakeholders are increasingly focusing on a clear sustainability strategy: ensuring our products (sustainable solutions), our processes (resource efficiency) and how we operate (social responsibility) can demonstrate a sustainable business model, with Victrex being a company they can invest in and conduct business with |
| <ul style="list-style-type: none"> → A sole focus on PEEK, PAEK and high performance materials means we operate as a solutions company, beyond simply manufacturing materials → Creating and developing new products and applications differentiates us from competitors → A performance-based culture ensures all our employees can share in our success | <ul style="list-style-type: none"> → Through our Sales, Technical and Marketing teams, we are market led, identifying customer needs → High investment in R&D and ensuring we have appropriate skills in this area help us bring leading-edge products to market | <ul style="list-style-type: none"> → As the no.1 PEEK expert, retaining a clear focus on our technology and our family of polymers, with a performance and innovation-based culture, helps us to remain market led, identifying and solving customer problems → High retention rate, with voluntary employee turnover 7% in FY 2021 |
| <ul style="list-style-type: none"> → PEEK competes on performance, with its unique combination of properties offering advantages over metal and other materials → Our customers require validation in critical applications | <ul style="list-style-type: none"> → Developing new applications or new polymer grades helps us to keep innovating and differentiating against competitors → Our technical and commercial capabilities mean we offer solutions rather than just materials | <ul style="list-style-type: none"> → Innovation in PEEK has delivered new and differentiated polymer grades including VICTREX FG (food grade), low-melt PEEK and 3D printed PEEK grade, supporting our ability to further drive adoption in our end markets based on customer and market need |
| <ul style="list-style-type: none"> → Our process patents and know-how help ensure we are the only type 1 PEEK producer → Global Sales and Customer Service teams are organised by market, ensuring we understand our customer needs → Investment in R&D supports our ability to accelerate adoption of new products | <ul style="list-style-type: none"> → With a unique manufacturing process, specification with customers for VICTREX™ PEEK creates a clear differentiator → Customers need us to understand their performance challenges, beyond what PEEK can deliver → With over 200 patents in place or pending, our global technical excellence helps to ensure constant innovation | <ul style="list-style-type: none"> → Our manufacturing differentiation, unique production process and technical support help to distinguish us from competitors, whereby if customers specify VICTREX™ PEEK, we can truly differentiate our product, to bring unique properties to an application, ultimately solving a problem for customers |
| <ul style="list-style-type: none"> → Product quality and cost efficiency are key drivers for us to remain competitive → Retaining customer confidence in our ability to supply is important → The ability to deliver economies of scale from our investments → Productivity improvement | <ul style="list-style-type: none"> → Investment in quality systems helps to retain customer confidence → Security of supply supports our customers' ability in using PEEK for new products → Cost efficiency and resource allocation offer us operating leverage opportunities → Measuring productivity through Right First Time ('RFT') process improvement | <ul style="list-style-type: none"> → Deploying capital appropriately helps ensure we retain strong return on capital metrics, by making selective investments which support future growth → Maintain strong margins |



POLYMER



1. Drive core business

- PEEK and PAEK polymers
- Core applications
- No.1 upstream manufacturing capacity of 7,150 tonnes (nameplate capacity)
- Cost efficiency
- Quality

2. Differentiate through innovation

- Core application development pipeline
- Invent and develop new grades
- Increase differentiation

3. Create and deliver...

- Selected product forms (semi-finished)
- Downstream manufacturing
- Pipes, film and composites



DELIVERING THE

& PARTS

...future value

- Selected parts (semi-finished and finished)
- Downstream manufacturing
- Deliver mega-programmes¹
- Polymer to parts



'BURDEN OF PROOF'

4. Underpin

- Safety, health and wellbeing
- Sustainable business with sustainable products
- Talent strategy



ENERGY & INDUSTRIAL



AUTOMOTIVE



AEROSPACE



MEDICAL



ELECTRONICS

¹ Pipeline programmes offering >£50m annual revenue potential in peak sales year.



Overview of strategy

Revenue invested in R&D

5%–6%

The average weight reduction vs metal applications by using Victrex™ PEEK (supporting CO₂ reduction)

60%–70%

“

Our focus is to catalyse adoption of our high performance polymers that can have a positive impact on the reduction of environmental footprint, and bring patient benefit for our medical products.

Jakob Sigurdsson
Chief Executive Officer



POLYMER & PARTS – TRANSFORMATIONAL & SUSTAINABLE PRODUCTS BRINGING ENVIRONMENTAL & SOCIETAL BENEFIT

Dear shareholders,

With the solid and sustainable recovery during FY 2021, following the impact of COVID-19 on our business during FY 2020, our long-term growth opportunities remain strong – despite some impact on timings of a limited number of our growth programmes. More than ever, the alignment of our strategy to move more downstream into selected semi-finished products (parts), allied to our core polymer business and in particular our purpose to bring transformational and sustainable products which bring environmental and societal benefit, means Victrex is well placed for the coming years. Our move downstream is a way to deliver a proof of concept, and develop markets and applications driving adoption of our technology. Our focus is to catalyse adoption of our high performance polymers that can have a positive impact on the reduction of environmental footprint in any given industry, and bring patient benefits as they relate to our medical products.

Long-term growth opportunities from metal replacement across our end markets are supported by megatrends driving the use of alternative materials, including high performance polymers like Victrex™ PEEK, and increasingly thermoplastic composite materials. The properties of Victrex™ PEEK that drive this usage include opportunities for CO₂ reduction with lighter parts, biocompatibility, faster manufacturing, durability, waste reduction, recyclability, dielectric properties, chemical and wear resistance or other performance benefits.

As a sustainable business with sustainable products, we are motivated by playing our part to bring transformational and sustainable solutions that address world material challenges every day. With six key growth markets and seven mega-programmes as part of our new product pipeline (each estimated to offer the opportunity of £50m+ revenue in its peak sales year), the diversity of our portfolio keeps us well positioned. We also continue to assess complementary technologies that could further support our growth.

Polymer & Parts strategy

Our strategy seeks to catalyse adoption of PAEK/PEEK and related technology, as well as capture increased value from each application opportunity, for example not only by supplying polymer, but by developing selected product forms and parts which can replace metal and offer a total solution to our customers, for example in PEEK Gears within Automotive. We are continuing to invest to support our strategy, particularly in innovation, including Research & Development ('R&D'), as well as utilising Continuous Improvement and Integrated Business Planning processes, which are helping us become more efficient in our operations and elsewhere, as well as providing responsiveness – speed and service – in our various interactions with our customers. Whilst PAEK/PEEK remains the focus, we remain mindful of opportunities for collaboration or other investment

opportunities within similar or related technologies if they can help support our strategy, accelerate adoption and retain a strong financial profile.

Our competitive advantage & differentiation

Our core polymer business continues to be and will remain integral to Victrex in the future, but our emerging parts business offers significant opportunities to deliver future end market requirements in specific applications, typically where no supply chain or capability exists, but where there is an opportunity to solve a problem for our customers and our markets. In addition to creating the market for our polymers, this will help us access new revenue and margin streams and differentiate against our competitors. Whilst the risk profile from moving further 'downstream' into manufacturing selected parts increases, our quality management systems, our enhanced skills and capability in this area, and our ability to protect our intellectual property ('IP') through patents or know-how, keep us in a good position. Today, over three quarters of our revenue is from polymer, with 'product forms' and 'parts' making up the remainder, with the opportunity to grow the latter over the years ahead.

Our differentiation is also focused on our unique manufacturing process, application know-how and technical support, which helps us retain a strong competitive advantage.



Sustainable products

Whilst Victrex is already a sustainable business, recognised by FTSE Russell's Green Revenues Index, and with a Gold sustainability rating from EcoVadis, which places us in the top 5% of companies assessed, helping to deliver lighter products which can support the trend of CO₂ reduction, particularly in Automotive and Aerospace, our Sustainability strategy is now aligned directly to the UN Sustainable Development Goals 2030. Post COVID-19, our vision is to become carbon net zero by 2030, but importantly to exceed 50% of Group revenue from products with positive environmental and societal benefits by 2025. PEEK already has the potential for recyclability in applications and we will be seeking to increase the percentage of our revenues from products containing recycled materials. As an example of our potential positive impact on society, if all new single aisle planes were made from at least 50% PEEK composites over the next 15 years, over 50 million tonnes of CO₂ could be saved based on an average weight saving per application of 60%. Our solutions in Medical are also proven to bring clinical benefits and with the clinical trial progressing well in our Knee programme, the long-term opportunity to deliver environmental, societal and patient specific benefits are strong. We also committed to SBTi at the end of 2021, which is recognition of our science based carbon net zero target. We are also assessing process improvement including raw material usage and the feasibility of the hydrogen supply chain to support reduction of our own CO₂ footprint.

Opportunity for shareholder returns

Growth will remain the priority for our investment plans. 2022 will see the completion of a new manufacturing facility in China, and some additional capability, which, together with a number of other opportunities, will help to underpin the anticipated growth in Greater China over the years ahead. Capital expenditure in FY 2022 is expected to be the highest for

several years as we complete our China investments, with some spillover from investment in FY 2021.

Liquidity remained strong right through the COVID-19 pandemic, which benefited our ability to invest. We remain highly cash generative and have been able to reinstate dividends to pre-COVID-19 levels. We also proposed a special dividend in our FY 2021 financial results.

Considering the needs of all our stakeholders, including new and existing customers, employees and investors, we believe that shareholders have good medium-term opportunities for returns via both regular and special dividends.

Safety, values & culture

The safety, health and wellbeing of our employees remains our highest priority. The reporting standard to the US OSHA criteria means we saw a good safety performance during FY 2021 and our recordable injury rate of 0.71 remains better than the industry average of 1.9. We also saw over 500,000 hours without a recordable injury during construction of our China manufacturing subsidiary. Our SHE strategy is for a zero accidents and zero incidents culture and it has been very clear to me that our values of Passion, Innovation and Performance have helped us as individuals, as a team and as an organisation through these unprecedented times and navigating COVID-19. Whilst our empowering culture, built on innovation, already enabled some flexible working, our Return to Site in many of our locations – supported by our Global Flexible Working policy – enables us to further enhance our global talent base and ensure we have a high performing team that has service for customers and delivering with speed and a sense of urgency as central planks in commercialising our future growth opportunities and sustaining Victrex into the future.

Diversity & inclusion has been a growing consideration across our employee base.

It is also a key consideration at Board level (our Board is now 40% female and we are targeting 40% of our leadership group to be female by 2030) and I am pleased to note that we have further enhanced our focus on diversity & inclusion, not only as part of our 2030 sustainability goals, but in specific activities across the organisation (further detail can be found in the Sustainability report on page 42). A number of workshops and workstreams are underway at a global level.

Beyond our employees, consideration for all of our stakeholders, internal and external, remains strong. This includes high levels of community support – with over 3,500 employee hours committed to local communities during the year – as has been evidenced globally throughout the challenges from COVID-19 and as societies emerge from the pandemic.

Delivering our strategy

Through our four strategic imperatives (as presented on pages 16 and 17), we continue to make good progress in our Polymer & Parts strategy, both in our core polymer business and our emerging parts business. With over 800 people waking up every day focused on making a difference to our customers and our markets, we are the no.1 PEEK expert, with a consideration for complementary technologies that could further support our growth. Our absolute focus is how we can deliver our opportunities with greater speed, shaping future performance for our customers and markets with sustainable products which provide environmental and societal benefits, and deliver growth and returns for our shareholders.

The Strategic report on pages 1 to 63 was approved by the Board and signed on its behalf by the Chief Executive Officer.

Jakob Sigurdsson
Chief Executive Officer
6 December 2021



Overview of strategy continued

OUR STRATEGIC IMPERATIVES



DRIVE CORE BUSINESS

- Execute on key growth programmes in six strategic markets
- Drive growth in emerging geographies
- Continuous improvement, cost efficiency and quality

Strategic highlights in 2021

- FY volume growth +25%
- Double-digit growth in Electronics, Automotive and VAR
- Growth in Medical as post-COVID-19 surgeries return



DIFFERENTIATE THROUGH INNOVATION

- Market-led innovation
- Investment in R&D
- Move further downstream: new applications, new forms, new materials and new product launches

Strategic highlights in 2021

- Clinical trial for PEEK Knee, 1st implant (10 implants to date)
- E-mobility: 50% increase in development agreements



CREATE & DELIVER FUTURE VALUE

- Strong new product pipeline
- M&A/JVs and partnerships
- Downstream manufacturing capability
- Drive adoption: 'burden of proof'

Strategic highlights in 2021

- Supply partnership following TechnipFMC acquisition of Magma*
- Support for TechnipFMC in Magma thermoplastic composite pipe qualification programme
- Construction progressing of new China manufacturing facility



UNDERPIN THROUGH SAFETY, SUSTAINABILITY AND CAPABILITY

- Safety, health and wellbeing
- Sustainable business with sustainable products
- Talent strategy

Strategic highlights in 2021

- OSHA recordable injury rate 0.71 (down 45%)
- Over 3,500 employee hours supporting local communities

* Acquisition completed in October 2021.



KEY STAKEHOLDERS

Why we engage

Victrex's Polymer & Parts strategy focuses on being a world leader in value creation through high performance PEEK and PAEK polymers. As a sustainable business with sustainable products, we bring transformational and sustainable solutions that address world material challenges every day. Our culture of innovation and our values of Passion, Innovation and Performance ensure that we place the needs of all our stakeholders high on our daily agenda, both internal and external.

As a global business, we engage with a range of key stakeholders to ensure we listen and understand the interests and concerns of all our stakeholder groups, as well as seeking to deliver sustainable value for them. We have a high level of investor communication through our financial calendar activity, through investor roadshows, our AGM, site visits and conferences, in the UK, Europe and the US, reflecting the increasing diversity of our shareholder base. We continue to be collaborative with all stakeholder groups including customers, investors, employees, suppliers and regulators, listening to feedback and being open to change. With the increased emphasis on being a sustainable business with sustainable products, which support CO₂ reduction and bring societal benefits, Victrex also seeks to ensure our sustainability strategy and focus on carbon net zero, as well the recyclability potential of our products, are recognised by all of our stakeholder groups.

STAKEHOLDER

Employees



Customers



Investors



Suppliers



Communities and environment



Regulators and government



FOCUS AREAS

- Safety focus
- Innovative culture
- Focus on sustainability
- Highly motivated and talented employees
- High retention rate and appropriate reward
- High level of share ownership
- Diversity and inclusion agenda

- Solutions-driven culture
- Sustainable products supporting CO₂ reduction
- Quality and regulatory support
- Technical service offering
- Collaboration across the supply chain

- A clear and understandable Polymer & Parts strategy
- Invest in sustainable growth
- Strong ESG agenda and long-term goals
- Alignment with shareholder interests
- Capital allocation and dividends
- Retain sector leading returns

- Security of supply
- Global supply chain
- Fast lead times
- Compliance and quality
- Reliability and flexibility

- Sustainability agenda
- Sustainable solutions: environmental benefits
- Resource efficiency: maximise resources
- Social responsibility: inspire future talent

- Safety agenda
- Employee welfare
- Product quality
- Innovation
- Sustainability agenda



Key to strategy



Drive core business



Create and deliver future value



Differentiate through innovation



Underpin through safety, sustainability and capability

→ **Strategy and KPIs**
Pages 21 and 22

HOW WE ENGAGE

- Safety campaigns and employee survey
- Global staff briefings (quarterly) and COVID-19 'Keep in touch' sessions
- 'Ask Jakob' and other intranet forums
- Development and succession planning
- Performance-based reward
- STEM activities supporting tomorrow's talent
- All-Employee Bonus and Share Ownership Schemes

ENGAGEMENT OUTCOMES

- Victrex Management Team fully established
- 49 employees on Victrex apprenticeships
- >90 Above & Beyond awards
- Safety guidance through COVID-19 pandemic and risk assessments for Return to Site employees
- New workforce engagement non-executive Director programme of activity delivered to understand 'employee voice'

- New applications across end markets
- Direct Sales and On Demand teams
- Build strategic relationships
- Quality and Regulatory teams
- Supply and development contracts

- >90% On Time In Full ('OTIF') delivery through COVID-19 pandemic
- Core development pipeline +9% vs FY 2020 ('MAR')
- Further growth in non-Spine Medical
- Unwind of Brexit 'contingency' inventory to support customer demand
- Further progress in China manufacturing subsidiary and additional investment in capability

- Financial calendar events
- Proactive investor relations function
- Global roadshows
- AGM, site visits and conferences
- Enhanced investor website
- ESG strategy feedback

- Strong returns maintained (ROCE c20% five-year average)
- 180+ meetings hosted (virtual & face to face)
- Virtual roadshows: UK, US and Europe
- Six investor conferences
- Stable North American investor base, c30% of shareholding
- Further ESG dialogue with shareholders

- Supply chain risk management
- Regular supplier engagement programme
- Handbook of standards and ethical audits
- Business continuity planning
- Payment on time, typically c30 days

- Increased percentage of critical raw materials dual sourced
- Improved performance of third-party manufacturers
- Long-term agreements on raw materials
- Agreed charter on supplier management framework
- Robust risk management of critical suppliers

- Engagement with customers and suppliers
- Solutions for supporting CO₂ reduction
- Waste impact and improvement plans
- STEM ambassadors, schools and colleges
- Business in the Community

- >c87% of electricity from renewable sources
- FTSE Russell Green Revenues Index and EcoVadis Gold rating for Sustainability performance
- Positive Carbon Disclosure Project score (B-)
- Enhanced Sustainability strategy and carbon net zero aspiration
- Significant support for global communities including >3,500 employee hours committed

- Via industry regulators, e.g. HSE
- Public health organisations
- Certified bodies and trade organisations
- Cross-industry collaborations
- Environment Agency and NGOs

- Licence to operate
- Safe operation through COVID-19 and improved SHE performance
- Differentiated products
- 3D printing alliances and government funded projects
- Reduction in resources, e.g. water usage 17% lower since 2017



Stakeholder engagement and section 172 continued

SECTION 172

Statement by the Directors in performance of their statutory duties in accordance with section 172(1) of the Companies Act 2006

During the year ended 30 September 2021, the Board of Victrex plc considers, as individuals and collectively, that it has acted in a way it considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, by having regard, among other matters, to the:

- likely long-term consequences of any decision;
- interests of the Company's employees;
- need to foster the Company's relationships with its customers, suppliers and others;

- impact of the Company's operations on the community and the environment;
- desirability of the Company maintaining its reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

The Board considers the interests of a range of stakeholders impacted by our business and recognises that valuable stakeholder engagement underpins our ability to achieve our purpose and strategic aims.

Key stakeholder relationships are regularly reviewed, including how we engage with them and whether any improvements can be made. Further detail is on pages 78 and 79 of the Corporate governance report.

The relevance of each stakeholder group will depend on the particular matter requiring Board decision. All decisions we make will unfortunately not benefit all stakeholders; by taking a consistent approach to decision making and being guided by our purpose and our strategic aims, we hope that our decisions are understandable.

For details on how the Board operates and makes decisions, please see pages 73 to 77 of the Corporate governance report. The matters we have discussed and debated during the year are set out on pages 75 and 76 of the Corporate governance report.

Selected examples of how the Directors have had regard to the interests of stakeholders and the matters set out in section 172 of the Companies Act 2006 in their decision making are:

COVID-19 RECOVERY

Further detail on page 6

The Chief Executive Officer continued to provide regular updates to the Board on how the Group was seeing a solid and sustainable recovery from the COVID-19 pandemic, as well as key considerations for all of our stakeholders: our people, our customers, our suppliers, our investors and our local communities.

- The Board oversaw the continued COVID-19 controls put in place to meet, and in some cases exceed, government requirements, promoting the safety and wellbeing of our on-site workforce to ensure our manufacturing facilities could remain open. This included manufacturing schedules, minimising on-site presence, increasing hygiene facilities and implementing new ways of working
- With the differing regional impact of COVID-19 including vaccination rates, the Board carefully considered management's Return to Site proposals for employees, with most regions now having returned to site, initially China, then the US, Europe, the UK and Korea & Japan. The Group continued to navigate with caution throughout, with phased returns supported by the Global Flexible Working Policy and appropriate controls in place including a Global Vaccination Policy
- Consideration was made for employees' wellbeing, including those on site throughout the pandemic, those working flexibly or at home, and those who felt challenged by Return to Site. Resource was approved to increase the profile and importance of wellbeing for all employees, including weekly seminars and materials, virtual drop-in sessions, and other tools
- Financial considerations remained key, in continuing to preserve cash and control costs, and continuing to assess a range of extreme but conceivable scenarios to test the potential impact of the COVID-19 pandemic on our focus industries, and therefore our business
- We have continued to support smaller suppliers by paying within agreed terms, which are typically 30 days or less and better than industry average, to help alleviate the impact of the COVID 19 pandemic

SUSTAINABILITY STRATEGY

Further detail on pages 42 to 63

- Following the launch of our enhanced sustainability vision last year, including our carbon net zero 2030 aspiration (aligned to the UN Sustainable Development Goals 2030), the Board has assessed stakeholder feedback and the actions required to deliver our goals. Our investment to support our sustainability agenda includes approximately 88% of our annual project based R&D expenditure in support of products which bring environmental and societal benefits.
- The Board assessed the feedback to our sustainability vision from investors, customers and suppliers, as well as employees, to ensure that we can be in a strong position for delivery. We also engaged with external parties such as CDP, MSCI, SEDEX and EcoVadis to identify opportunities for refinement
- The Board has further reviewed the existing targets, KPIs and plans. These have been expanded to include carbon intensity reduction targets towards our net zero goal, with Victrex also signing up to SBTi, as part of our science based target for our 2030 carbon net zero aspiration
- Consideration for executive remuneration targets linked to our sustainability agenda took place during the year (for FY 2022 and beyond), and specifically in order to address the climate impacts from our operational (Scope 1 and 2) emissions
- Consideration of the needs of our customers, suppliers and investors also continue, with additional disclosures this year, specifically NOx emissions. Consideration of lifecycle analysis for specific products has also created a programme of work as well as work to further assess our Scope 3 impacts

REINSTATEMENT OF DIVIDENDS

Following the material impact on the Group from COVID-19 during FY 2020, the Group was faced with some tough decisions, including a specific focus on cash conservation, headcount and capital and cost management. After a cancelled interim dividend during FY 2020, full dividends were reinstated during FY 2021 to pre-COVID-19 levels.

- The Board focused on assessing the Company's liquidity position, monitoring trading performance and trends and scenario planning for the potential impact on our business and the businesses of our direct and end customers across our focus industries
- A number of downside scenarios were considered by the Board, reflecting a potential negative impact on trading as a result of any deterioration in end markets
- Consideration was made for our cash flow requirements through FY 2021, particularly in support of maintaining an effective supply chain, and significant capital expenditure for our China manufacturing subsidiary
- With improving end markets and trading in the early months of FY 2021, consideration for all the Group's stakeholders and the Group's liquidity position led to a reinstatement of dividends, with FY 2021 dividends totalling 59.56p/share (excludes 50p/share special dividend) being at pre-COVID-19 levels
- Consideration of employee share ownership was also considered
- The Group's income fund investors were also considered in requiring an attractive dividend yield to maintain their shareholding
- With trading performance exceeding the Board's expectations during the year and reflecting a better than anticipated cash position, the Board also declared a special dividend of 50p/share for FY 2021



Strategy and key performance indicators

Key to KPIs

Financial KPI

Non-financial KPI

Remuneration

Linked to bonus objectives

Linked to Long Term Incentive Plan ('LTIP') objectives

→ Principal risks
Pages 35 to 38



DRIVE CORE BUSINESS

How we performed in FY 2021

- Sustainable recovery, volume +25%
- Driving growth in Electronics, Automotive and VAR
- Cost management actions to address margin

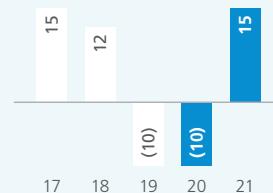
Focus for FY 2022

- Good constant currency revenue growth in FY 2022
- Continued cost and capital management
- Improved margin and returns

Link to risks

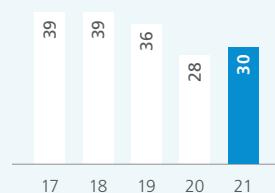
Revenue growth (reported) %

15%



Return on sales % (underlying PBT/revenue)

30%



Definition

The year on year percentage change in total sales for the Group, in live currency.

Why it's important

Revenue growth is the measure chosen to reflect the structural growth opportunities for PEEK across our markets, with above-market growth being the medium-term focus.

Profit before tax and exceptions as a percentage of total sales.

Why it's important

Return on sales assesses the overall profitability of the Group. The measure reflects our discipline in seeking growth opportunities which maintain our sector leading returns.



DIFFERENTIATE THROUGH INNOVATION

How we performed in FY 2021

- First PEEK Knee implanted
- E-mobility: development programmes in place
- Prototype 3D printed Spinal cages in development
- Progression of long-term development collaboration with Airbus for larger composite parts
- First 'parts that fly' for Aerospace composite parts

Focus for FY 2022

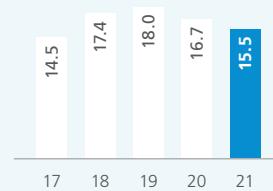
- Grow new product sales above 5% of revenues

Link to risks

R&D spend £m

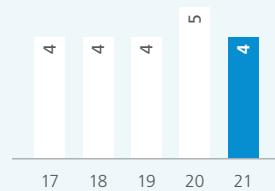
£15.5m

5% of Group revenue



New products as a % of Group sales¹ %

4%



Definition

The total Research & Development spend that the Group has incurred.

Why it's important

Research & Development spend at 5%–6% of sales underpins our ability to innovate into new applications, supporting our future growth.

Definition

Proportion of Group sales generated from mega-programmes, new differentiated polymers and other pipeline products that were not sold before FY 2014.

Why it's important

New product sales (Vitality Index) is a measure of how successful we are in driving adoption of our new product pipeline.



Strategy and key performance indicators continued

Key to KPIs

Financial KPI

Non-financial KPI

Remuneration

Linked to bonus objectives

Linked to Long Term Incentive Plan ('LTIP') objectives

→ Principal risks
Pages 35 to 38



CREATE AND DELIVER FUTURE VALUE

How we performed in FY 2021

- Supply agreement for TechnipFMC following acquisition of Magma Global (completed in October 2021)
- Magma qualification programme with TechnipFMC for Brazil
- PEEK Knee clinical trial in progress
- Construction of China manufacturing facility to underpin future growth
- Earnings per share up +35% (reported)

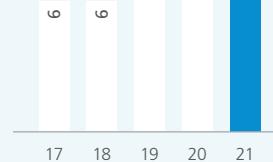
Focus for FY 2022

- PEEK Gears revenue >£1m
- Additional E-mobility agreements
- Grow prototype revenues from Aerospace Structures Programme
- Grow earnings per share

Link to risks 5 9

Pipeline mega-programmes

7



Definition

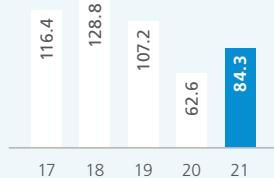
Number of pipeline projects offering >£50m annual revenue potential in peak sales years as communicated from FY 2015 onwards.

Why it's important

Our new product pipeline is key to differentiating our business, and supporting new revenue and margin streams.

Reported earnings per share p

84.3p



Definition

Profit after tax divided by the basic weighted average number of shares. This includes the impact of exceptional items.

Why it's important

Earnings per share measures the overall profitability of the Group and demonstrates how we convert our top-line revenue opportunities into profitable growth for our shareholders.



UNDERPIN THROUGH SAFETY, SUSTAINABILITY AND CAPABILITY

How we performed in FY 2021

- 0.71 OSHA recordable injury frequency rate
- Over 25% of revenues defined as 'green' by FTSE Russell, Gold Sustainability rating from EcoVadis and enhanced Sustainability agenda
- 87% of electricity sourced from renewables

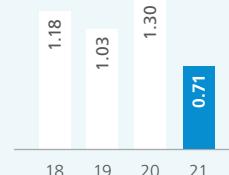
Focus for FY 2022

- Zero accidents and zero incidents culture
- Progress towards carbon net zero by 2030

Link to risks 2 4 6 7 8

OSHA recordable injury rate

0.71



Definition

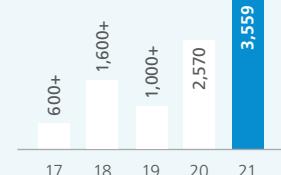
US Occupational Safety and Health Administration ('OSHA') is the industry standard for recordable injuries. The injury rate is based on total number of recordable injuries x 200,000/total number of hours worked (employee and contractor). Victrex continues to be better than the industry standard after adopting this reporting for FY 2020.

Why it's important

A safe and sustainable business is the highest priority for Victrex.

Hours worked in the community

3,559



Definition

Total number of hours that Victrex employees have volunteered in community activities.

Why it's important

Our social responsibility strategy is key to giving something back to the communities where we operate, and to supporting our talent strategy in recruiting the employees of tomorrow.

Financial review

Group revenue

£306.3m
+15% vs FY 2020

Cash

£99.9m
(available cash)
+48% vs FY 2020

FF

Group sales volume of 4,373 tonnes was 25% up on the prior year (FY 2020: 3,492 tonnes), reflecting a solid and sustainable recovery across most end markets, principally driven by Automotive, Electronics and Value Added Resellers ('VAR'). We also enjoyed double-digit volume growth within Energy & Industrial, with Industrial reflecting new applications and the strength of the global recovery. VAR also benefited from some level of restocking through the year, as global economies reopened, although we do not anticipate a repeat of this during FY 2022. In the more challenging end market of Aerospace, H2 2021 volumes grew 8% on H1 2021, although full year volumes remained 20% lower than the prior year, reflecting a strong performance in Aerospace prior to the initial impact from COVID-19.

FY sales volume up 25%

Group sales volume of 4,373 tonnes was 25% up on the prior year (FY 2020: 3,492 tonnes), reflecting a solid and sustainable recovery across most end markets, principally driven by Automotive, Electronics and Value Added Resellers ('VAR'). We also enjoyed double-digit volume growth within Energy & Industrial, with Industrial reflecting new applications and the strength of the global recovery. VAR also benefited from some level of restocking through the year, as global economies reopened, although we do not anticipate a repeat of this during FY 2022. In the more challenging end market of Aerospace, H2 2021 volumes grew 8% on H1 2021, although full year volumes remained 20% lower than the prior year, reflecting a strong performance in Aerospace prior to the initial impact from COVID-19.

H2 2021 sales volume of 2,287 tonnes was 52% ahead of H2 2020 (H2 2020: 1,500 tonnes) and 10% ahead sequentially, compared to the first half. As anticipated, our final quarter remained strong but was slightly lower than prior quarters due to the restocking impact being seen earlier in our financial year.

Good growth in new application targets

We saw a 9% increase in our target application pipeline.

Group revenue up 15%, with gradual Medical recovery

Group revenue was £306.3m, up 15% on the prior year (FY 2020: £266.0m), reflecting a strong performance in most Industrial end markets and a more gradual improvement in Medical, as elective surgeries take longer to return, following COVID-19 related lockdowns.

Group revenue in constant currency¹ was 20% up on the prior year (FY 2020: £255.4m in constant currency).

ASP down 8% due to sales mix

Our average selling price ('ASP') of £70/kg was 8% lower than the prior year (FY 2020: £76/kg), principally reflecting a weaker sales mix and the faster growth in Industrial end markets compared to our Medical division. Currency also impacted us at the revenue level as Sterling strengthened. With Medical set to continue improving as surgery rates increase globally, offset by a sizeable currency headwind of approximately £8m–£11m, our expectations are that FY 2022 ASP will be slightly ahead of FY 2021.

Strong performance in Industrial; Medical improvement in H2 2021

Our Industrial division reported revenues of £255.2m, 18% up on the prior year (FY 2020: £216.3m), with Electronics remaining strong as homeworking and the demand for a range of smart devices supported use of our materials, as well as a recovering Semiconductor sector. We also benefited from an improvement in VAR, with Automotive and Energy & Industrial also ahead compared to the prior year. As noted,



Richard Armitage
Chief Financial Officer

A SOLID AND SUSTAINABLE RECOVERY

Aerospace improved in the second half vs the first half, but remained lower than FY 2020 on a full year basis, primarily reflecting a strong H1 2020, prior to the impact of COVID-19 on trading within this end market.

Medical revenues were £51.1m, up 3% on the prior year (FY 2020: £49.7m) and 9% ahead in constant currency¹. We continued to see recovery in this end market through the year, although we were still faced with a strong comparative from H1 2020, due to a strong Medical performance prior to COVID-19 related lockdowns. Whilst surgery rates in China and parts of Asia returned to more normalised levels, surgeries in the US have not yet returned to pre-COVID-19 levels, although they are expected to continue improving through FY 2022. We continue to benefit from growth in non-Spine through applications in Trauma, Arthroscopy and Cranio-Maxillo Facial ('CMF') applications, with non-Spine now representing 45% of Medical revenues.



Financial review continued



Gains & losses on foreign currency net hedging

Fair value gains and losses on foreign currency contracts, where net hedging is applied on cash flow hedges, are required to be separately disclosed on the face of the income statement. In FY 2021, a gain of £4.9m (FY 2020: loss of £1.5m) has been recognised accordingly, largely from USD contracts where the deal rate obtained (placed up to twelve months in advance in accordance with the Group's hedging policy) was favourable to the average exchange rate prevailing at the date of the related hedged transactions.

Gross margin stable

Group gross margin of 54.0% improved slightly compared to FY 2020 (FY 2020: 53.5%). We saw some improvement from increased PEEK production volumes and the benefit from our cost savings plan announced in FY 2020, but these were offset by our monomer production, where we carried out a period of extended maintenance. A weaker sales mix – as our Medical business was slower to recover from the impact of COVID-19 than Industrial – a small degree of price erosion, and an increase in supply chain costs also held back margin.

With Brexit contingency inventories now unwound, we anticipate that FY 2022 will see production volume more aligned to sales volume, as well as an improved sales mix. This should result in a recovery in gross margin, although it will be offset by currency and commissioning costs associated with our new Chinese facility, as well as raw material and energy inflation.

Inventory unwind

Inventory built up ahead of Brexit provided us with the ability to respond flexibly to customer demand and maintain high service levels throughout the pandemic. With the significant inventory unwind during FY 2021, our closing inventory position of £70.3m (FY 2020: £98.5m) benefited cash flow. With some uncertainties in global supply chains, we expect total inventory in FY 2022 to fluctuate between £70m and £80m as we build contingency stocks from time to time.

With the commissioning of our China manufacturing subsidiary expected during 2022, we also anticipate holding a slightly higher level of raw material inventory.

Cost savings drive reduced overheads, excluding bonus

Operating overheads¹ excluding bonus were 2% lower, primarily reflecting the benefit of cost savings announced in FY 2020, partly offset by an increase in innovation investment. Operating overheads of £72.7m (FY 2020: £66.4m) were 9% ahead of the prior year, which includes the effect of the Group's All Employee Bonus Scheme. Including both the annual incentive and long-term incentive programmes, the year on year incremental reward totalled approximately £9m.

As communicated in FY 2020, the All-Employee Bonus Scheme is no longer based primarily on profit growth, but is based on actual performance versus a budget-based target, with a cap in place. We envisage this will reduce the volatility of bonus payout year on year. Executives will also now be incentivised on targets linked to our ESG goals (from FY 2022), with further detail in the Directors' remuneration report.

Our 'front-end' functions of Sales, Marketing and R&D support existing business growth and our mega-programmes. With some investment in these areas deferred during FY 2020, we anticipate a modestly higher level of overhead investment in FY 2022, with accrual for the All-Employee Bonus Scheme expected to be slightly lower. R&D investment of £15.5m (FY 2020: £16.7m) represented approximately 5% of revenues¹. Of total R&D investment focused on individual projects, approximately 88% of this is aligned to programmes supporting sustainable products.

Underlying PBT up 21%

Underlying PBT of £91.7m was up 21.5% on the prior year (FY 2020: £75.5m), reflecting a strong operating performance. Reported PBT of £92.5m was up 45.7% on the prior year (FY 2020: £63.5m). The exceptional credit in FY 2021 related to more favourable settlements than assumed, primarily in non-UK regions, when making the restructuring charge in FY 2020.

Earnings per share up 35%

Basic earnings per share of 84.3p was 34.7% up on the prior year (FY 2020: 62.6p per share) as a result of the exceptional items in FY 2020, partly offset by a higher tax charge. The effective tax rate was 21.3%, materially higher than the prior year (FY 2020: 14.6%) which is mainly due to the restatement of deferred tax balances in FY 2021 following the announcement the UK Corporation tax rate would increase to 25% from April 2023. Whilst the UK corporation tax rate is currently 19%, because of the availability of the reduced rate on profits taxed under Patent Box, our mid-term guidance at this stage remains for an effective tax rate of approximately 12%–15%, although we continue to assess global taxation developments which may see this rate slightly increase.

Currency headwind

Currency was a modest headwind of £4m at PBT level, reflecting the strengthening of Sterling since the end of FY 2020. With Sterling having re-rated through FY 2021, the impact of which was partially deferred by our hedging policy, we note the implications for FY 2022, which is now approximately £8m–£11m headwind at PBT level, with over 80% of hedging cover in place for US Dollar and Euro exposure.

Our hedging policy seeks to substantially protect our cash flows from currency volatility on a rolling twelve-month basis. The policy requires that at least 80% of our US Dollar and Euro cash flow exposure is hedged for the first six months, then at least 75% for the second six months of any twelve-month period. The implementation of the policy is overseen by an Executive Currency Committee which approves all transactions and monitors the policy's effectiveness.

Proactive actions on COVID-19

The health, safety and wellbeing of Victrex employees and supporting our customers continued to be our highest priorities during FY 2021. Our COVID-19 committee, established at the start of 2020, remains in place, with a proactive approach despite a Return to Site for approximately 80% of our global regions, supported by our Global Flexible Working Policy. Our approach has been focused on several key areas:

People

A range of contingency plans were implemented, with a focus on the health, safety and wellbeing of our people. We continue to follow governmental or state guidance wherever we operate. Beyond our UK and US manufacturing operations, approximately 80% of our global regions have now seen a Return to Site, backed by our Global Flexible Working Policy. Broadly, our UK, US, Europe, China and Korea regions are back in office locations, with a flexible approach. Our UK Return to Site commenced in October 2021, although we continue to maintain some specific COVID-19 controls such as face coverings and room occupancy levels.

Essential industry and serving customers

The UK government defined Chemicals as an essential industry with essential workers, with Victrex also having a long-standing history in supporting many critical and 'life-sustaining' applications for our customers, particularly in Medical. This meant we continued to have a manufacturing, warehousing and quality control presence throughout the pandemic. In the US, we continued to operate on an ongoing modified basis, defined as being a 'life-sustaining' organisation in several states.

Despite supply chain challenges during FY 2021, we continued to deliver strong service levels for our customers, although we did incur some additional costs including air-freighting. Our service levels for customers remained above 90%.

Dividends

With a highly cash-generative business model, a solid recovery and the benefit of inventory unwind on our cash flow, the Group reinstated dividends back to pre-COVID-19 levels, following the cancellation of the H1 2020 interim dividend.

Strong financial position

Overall, our financial position remains strong, including an available cash position of £99.9m on 30 September 2021 and a committed undrawn RCF of £20m, and a £20m accordion, to October 2024. We are in regular engagement with our banks, with options available to access other capital, should this be required.

Brexit

Following implementation of the Brexit trade agreement on 31 January 2021, the Group saw no material impact on trade from the UK to the EU, reflecting our proactive stock build and EU warehousing. We continued to hold Brexit steering meetings for a period after the Brexit trade agreement, to assess any immediate concerns through the transition period. As noted earlier, supply chain and logistics challenges were seen during FY 2021, although these did not materially impact on service levels to our customers.

Investment in capacity and to support downstream strategy

Cash capital expenditure was £41.9m (FY 2020: £24.9m), slightly lower than our guidance as some investment, principally for our China manufacturing subsidiary, was phased into FY 2022. We also expect to see a multi-year investment to support the efficiency improvement of our UK manufacturing assets, a project which was deferred during the pandemic. We anticipate this will be approximately £15m, spread over the next four financial years and built into the annual capital budget.



The 'topping' completion at our PVYX facility in China.



Financial review continued



Investment in capacity and to support downstream strategy continued

This investment in capacity is being developed in a more tailored way than historical investments, with smaller increments providing an overall return on investment similar to current Group return on capital employed ('ROCE'). Following these investments, we do not anticipate any material large scale capacity investment for several years.

Our China investment is progressing well, with commissioning anticipated to be during 2022. With the challenge of managing some of the engineering work remotely – due to COVID-19 restrictions on in-country access – we have had to source additional regional engineering support and other facilities at an increased cost. We achieved over 500,000 hours without a recordable injury, with the investment reflecting continued

growth in China across end markets, and the opportunities we see to support our customers in country and with a quality PEEK offering.

As a consequence of some capital being phased into FY 2022, we now anticipate capital expenditure for the year could exceed £60m. This also reflects some additional capability we are planning to invest in, to support our growth opportunities in China.

Mega-programme progress

To date, we have seen limited evidence of any material slowdown in our overall growth portfolio of mega-programmes. Although individual timelines remain subject to change, the long-term prospects in each programme continue to be attractive. Our Knee programme has been the key area where timing towards commercialisation has been impacted by COVID-19, following the

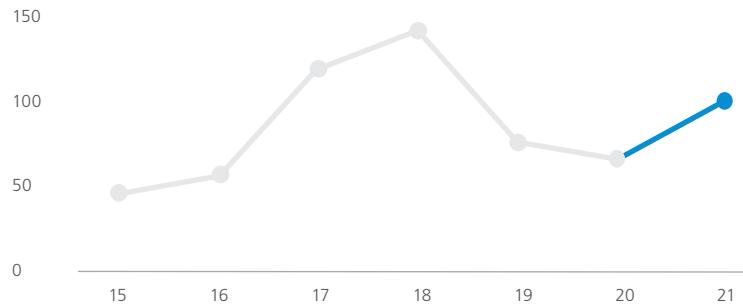
pausing of the clinical trial last year, which subsequently restarted with trial sites in India, Italy and Belgium. Pleasingly, this programme has now moved forward with ten patients implanted in India and Belgium, with no issues reported at the six-month follow up stage. We also envisage we may require less than the original plan for 30 patients. Those patients now implanted will be progressing through the trial over the next two years.

Our Aerospace Loaded Brackets programme – which successfully secured over £1m of meaningful revenue in FY 2020 – increased commercial revenues above £2m in FY 2021, despite this end market remaining subdued. Although timing for some milestones has slipped as a result of the impact of COVID-19, we continue to see good long-term opportunities, with megatrends aligned to light-weighting, CO₂ reduction and faster processing supporting the use of our PEEK based composite materials. We also



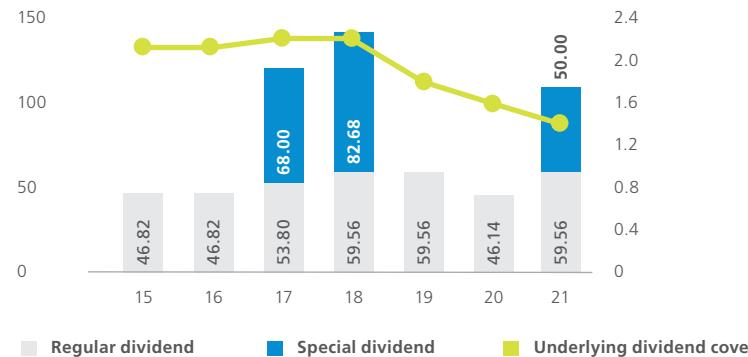
Available cash

£m



Dividend per ordinary share

Pence



continue to explore opportunities in electric vertical take-off and landing ('eVTOL') which could support medium to long-term growth.

In PEEK Gears, which now have several initial contracts 'on the road' following a first supply agreement in 2018, we secured meaningful revenue of approximately £1m in FY 2021. We also have over 20 development programmes with tier 1 suppliers or original equipment manufacturers ('OEMs'). Gears continue to have application uses across both traditional internal combustion engines ('ICEs') and electric vehicles ('EVs') and we have recent opportunities progressing in both the US and Asia.

Within Aerospace Structures which links to our development alliance with Airbus, we are now delivering prototype revenue via large scale test parts. The alliance will support the development and commercialisation of thermoplastic composites in Aerospace,

with a focus on both larger primary and secondary Aerospace structures, such as wings and fuselage parts. A long-term agreement was also signed to support the use of our composite materials which underpins the opportunity. Aerospace Structures remains incremental to Victrex's Aerospace Loaded Brackets programme, with our AETM250 composites grade being integral to both of these opportunities.

In our Magma composite pipe programme, our minority equity interest in Magma Global Limited was sold to TechnipFMC in October 2021, with a gain of £0.9m from our initial investment of £10m in 2016 (our initial shareholding was subsequently diluted in 2018 when TechnipFMC first acquired a shareholding). TechnipFMC is seeking to accelerate the significant opportunities for thermoplastic composite pipe, which is clear validation of the technology, which is based on VictrexTM PEEK polymer and Victrex's

composite tape. Victrex will continue to work in close collaboration with TechnipFMC as a strategic supply partner, with multi-year supply agreements in place and industry qualifications based on VictrexTM PEEK. TechnipFMC has indicated its intention to accelerate the use of this technology and scale up manufacturing in Brazil as required, to support use in traditional energy applications. It has also indicated the potential to further develop the technology for use in carbon capture and storage, and hydrogen transportation. Separately, Victrex has made a small investment to form Enoflex, a combination and collaboration of previous shareholders in Magma Global Limited, which seeks to utilise this technology, based on VictrexTM PEEK, and broaden its use for the 'energy transition'. This will include targeting a wider number of industry players involved in hydrogen and other new energy opportunities.



Financial review continued

Mega-programme progress continued

Pre-qualification work as part of TechnipFMC's bid programmes in Brazilian oil & gas fields continues, based on the Hybrid Flexible Pipe ('HFP') model. We expect to see continued development revenues as the 6 inch qualification pipe progresses – extruded by Victrex – through the supply chain in the short term, with TechnipFMC's significant commitment offering the potential for revenues to begin stepping up over the medium term. The high technical and subsea engineering requirements in Brazil and elsewhere continue to support the proposition, including lightweighting, durability, CO₂ and chemical resistance.

Our E-mobility programme, which focuses on applications across electric vehicles, in particular for high voltage next generation programmes, is expected to achieve commercial success over the medium term. PEEK will be used in specific applications where durability, heat resistance and lightweighting are all key. We saw a 50% increase in development programmes, with FY 2022 and FY 2023 expected to see greater commercialisation. Our assessment of the PEEK content per vehicle has also been increased to more than 100g (from approximately 10g today), as we focus on the high performance needs of next generation electric vehicles. E-mobility is now a mega-programme.

In Medical, following good progress in our next generation PEEK-OPTIMATTM HA Enhanced product for Spine during FY 2020 to £2m, revenues were lower (but remained above £1m) due to the challenges of lower elective surgeries and new product launches, as a result of COVID-19. However, with elective surgeries expected to gradually increase through FY 2022, we anticipate seeing some improvement. During the year, we secured first US FDA approval for this product in ankle wedge systems, complementing other extremity applications such as hammertoe. We also continue to innovate within Medical to secure revenues in non-Spine, which are now 45% of Medical revenues. These include Cranio-Maxillo Facial ('CMF'), European regulatory approval for a total PEEK heart application and sternal devices. We are also making good progress in our Porous PEEK offering thanks to our investment in Bond 3D and the 3D printing opportunities that offers.

Our Trauma pipeline continues to build, following the agreement with US based In2Bones for composite plating, and we also secured our first Asia customer product launch for FY 2022.

Our focus to grow our non-Spine business in Dental continues to be slower than we anticipated, with COVID-19 disruption being particularly notable in this end market.

Whilst the technical proposition remains strong, like other participants or competitors in this market, we are focused on commercialisation through partnerships or other vehicles. Clinical data, including infection rates compared to metal prosthetics, remains positive. Strategically, we have also reined back on resource commitments in this area, to reflect the adoption challenge and prioritisation elsewhere. Dental is now no longer a mega-programme, but continues to offer a sizeable revenue opportunity.

Strong balance sheet

Our strong balance sheet underpins our ability to invest and support security of supply for customers. Net assets at 30 September 2021 totalled £511.7m (FY 2020: £481.0m). Inventories reduced to £70.3m (FY 2020: £98.5m), which reflects sales inventory being unwound at pace after Brexit. With the expected commissioning of our China facility during FY 2022, our expectation is that raw material inventory will increase, meaning total full year inventory is expected to be slightly higher than FY 2021.

Robust cash generation

Cash generated from operations was £135.5m (FY 2020: £86.6m), an operating cash conversion¹ of 100% (FY 2020: 101%). Cash and other financial assets (with no debt) at 30 September 2021 was £112.4m (FY 2020: £73.1m). This includes £12.5m ring-fenced in our China subsidiaries and other financial assets of £37.5m, representing cash which was held on 95-day deposit at 30 September 2021; therefore, the Group had £99.9m available cash¹ as at the year-end date. In February 2021 we paid the 2020 full year final dividend of 46.14p/share and following reinstatement of the interim dividend, we paid the H1 2021 interim dividend of 13.42p/share in July 2021.

We are in the final stages of securing a RMB300m borrowing facility (£34.5m equivalent translated at the FY 2021 year-end rate of 8.7) in China in support of our investments there.

Taxation

The Group's effective tax rate reflects the associated benefit from Victrex filing patents as part of its unique chemistry and IP, through the UK government's Patent Box scheme. The effective tax rate was 21.3% (FY 2020: 14.6%), higher than the prior year period to reflect the increase in the future UK corporation tax rate, resulting in a one-off deferred tax charge in the region of £6.1m which has increased the effective tax rate for FY 2021 by approximately 7 percentage points, and adversely impacts earnings per share for the financial year. Our anticipated effective tax rate in the medium term is expected to be in the 12%–15%

range, although we continue to assess tax policies which may see this rate slightly increase. This includes an allowance for the increase in the UK corporation tax rate over the coming years, and reflects our continued use of the Patent Box scheme which promotes investment in UK Research & Development and intellectual property ('IP').

Dividends

With positive cash generation and a strong trading performance, the Group has seen dividends return to pre-COVID-19 levels. We have proposed a final dividend of 46.14p/share (FY 2020: final dividend 46.14p/share) taking the full year dividend to 59.56p (FY 2020: 46.14p) which reflects the expectation of growth in FY 2022, despite the significant currency and inflation headwinds.

As a result of the Group's available cash¹ and cash equivalents balance exceeding the £85m threshold set out in our capital allocation policy for additional returns to shareholders, we are also proposing a 50p/share special dividend.

Outlook

For FY 2022, at this early stage, our assumptions are for year on year progress in full year sales volumes, with several end markets expected to see further recovery, including in Medical, which will support our sales mix. In addition to a sizeable currency headwind, like most industrial companies, we are facing increased raw material and energy costs, which will impact us particularly in the first half, although mitigation plans are progressing. We will increase our investment in innovation, and will start to incur commissioning costs in relation to our new China facility, although better asset utilisation should support our margin. Overall, we plan to deliver year on year growth in FY 2022.

With an attractive portfolio of short, medium and long-term growth opportunities, a strong ESG agenda, including alignment to global megatrends and sustainable products which help CO₂ reduction and support environmental and societal benefits, and a highly cash-generative business model, the Group remains well placed for the medium to long term.

Richard Armitage
Chief Financial Officer

6 December 2021

¹ Alternative performance measures are defined in note 24.

Chief Commercial Officer's report

Industrial revenue

£255.2m

+18% vs FY 2020
+22%* vs FY 2020



Our products continue to bring environmental and societal benefits in several end markets.

Martin Court

Chief Commercial Officer

Industrial gross profit

£119.7m

+21% vs FY 2020
+25%* vs FY 2020

* Constant currency.



INDUSTRIAL

Group performance is reported through the Industrial and Medical divisions although we continue to provide a market-based summary of our performance and growth opportunities. The Industrial division includes the markets of Energy & Industrial, Value Added Resellers ('VAR'), Transport (Automotive and Aerospace) and Electronics.

Our Industrial business delivered revenue of £255.2m (FY 2020: £216.3m), 18% up on the prior year, reflecting a strong performance across most end markets, with Automotive, Electronics, Energy & Industrial and VAR being the standout performers. Revenue in constant currency was up 22%. Gross margin improved slightly to 46.9% (FY 2020: 45.9%), primarily reflecting the impact of higher production volumes. Electronics and VAR were the notable drivers of growth, with volumes 33% and 39% ahead in these end markets respectively, supported by an extension of applications including for Semiconductor and 5G applications.

Energy & Industrial

Our Energy & Industrial segment includes volumes for Oil & Gas and new Energy applications, including renewables, and an array of applications across General Industrial. These include in food processing, machinery and robotics. Energy & Industrial saw sales volume of 760 tonnes, which was up 22% on the prior year (FY 2020: 622 tonnes), with Oil & Gas up 11% overall. H2 2021 saw an acceleration in this end market as activity levels started to return. Our

products continue to offer durability and performance in many demanding applications including in both exploration and processing, where the reliability of PEEK can mean less intervention or downtime, thereby supporting efficiency of operation.

Industrial focuses on new or incremental applications in fluid handling, food contact materials and manufacturing equipment applications, including the emerging opportunities in compressors where metal replacement requirements are increasing. Application growth in this end market helped drive volume growth of 47% compared to the prior year.

Value Added Resellers ('VAR')

Full clarity on the exact route to market for all of our polymer business is not always possible; however, our analysis suggests that VAR shows a similar alignment to our Industrial end markets, with the exception of Aerospace, where sales volumes and largely direct to OEMs or tier suppliers.

PEEK materials are used for parts or component manufacturing specified by end users and OEMs to processors and compounding specialists, as the 'pull' from Industrial markets using Victrex™ PEEK continues to grow. VAR remains an important part of our Industrial division and enjoyed strong growth this year as societies emerged from the worst impact of the pandemic. Sales volume of 1,900 tonnes was 39% up on the prior year (FY 2020:

1,368 tonnes), principally reflecting the macro-improvement, as well as good growth in end markets such as Electronics, Automotive, Energy & Industrial.

The VAR channel also typically sees greater levels of restocking and destocking as processors or compounders typically reduce inventories in higher value materials when end market demand drops and do the opposite when it increases. Our second and third quarters benefited from the restocking effect as societies began to open up, with demand normalising in our final quarter. We do not expect this restocking effect to repeat in FY 2022.

Transport (Automotive & Aerospace)

Emerging from the worst impact of COVID-19, structural megatrends including lightweighting, CO₂ reduction, durability, comfort, electrification and heat resistance remain strong.

Following a strong performance for both Automotive and Aerospace in H1 2020 (prior to the impact of COVID-19), Automotive saw a good recovery as societies began to open up, whilst Aerospace remained subdued, with most industry data suggesting a multi-year recovery. Semiconductor shortages weighed on Automotive in the second half, slightly slowing momentum, although we recorded growth on a full year basis.



Chief Commercial Officer's report continued

Transport (Automotive & Aerospace) continued

In Aerospace, long-term trends remain supportive and we note that OEM forecast build rates have only marginally reduced over the next 15–20 years (Airbus forecasts 39,000 new or replacement planes by 2040).

Overall Transport sales volume grew 8% to 926 tonnes (FY 2020: 858 tonnes), with Automotive volumes up 18% and Aerospace volumes down 20%, reflecting the strong comparative for the first half of FY 2020.

Automotive

Performance was strong through FY 2021, with some impact in the second half from the Semiconductor chip shortage. Core applications include braking systems, bushings & bearings and transmission equipment, with increasing opportunities in electric vehicles including impending E-mobility business.

In PEEK Gears, we delivered meaningful revenue of approximately £1m for the first time in this mega-programme, with over 20 programmes we are seeking to commercialise over the next three years. PEEK Gears based on Victrex™ HPG PEEK can offer up to a 50% performance and noise vibration and harshness ('NVH') benefit compared to metal gears, as well as contributing to the trend for minimising CO₂ emissions through weight and inertia reduction, and quicker manufacturing compared to metal. A PEEK Gear offers the potential of approximately 20g per application.

In E-mobility, our focus on next generation high voltage vehicles is expected to deliver initial revenues in FY 2022. PEEK remains well placed for internal combustion engines, hybrids and electric vehicles ('EVs').

Aerospace

Aerospace volumes were down 20%, reflecting the significant impact on plane build through COVID-19. Whilst 2020 was recognised as having the sharpest decline in aviation history with demand (revenue passenger kilometres or RPKs) down by 66% on the prior year, 2021 to date has seen some limited recovery as build rates have recovered across several models.

Sequentially, Aerospace volumes were up 8% in the second half as we progressed from trough levels, although we note the current industry challenges and expected multi-year recovery.

Long-term trends remain strong, however. Our Loaded Brackets and Aerospace Structures mega-programmes both grew revenues over the year, with Loaded Brackets exceeding £2m revenue as the use of composites and differentiated products remain in demand. These include interior structural components, and we anticipate a continuation of revenue build in both of these programmes, reflecting their niche and differentiated offering. Lightweighting, recyclability and the ability to reduce manufacturing cycle time by up to 40% remains a key selling point for our PEEK and PAEK polymers. The ability to support CO₂ reduction through PEEK materials which are typically 60% lighter than metals also remains strong, with our assessment that over 50 million tonnes of CO₂ could be saved over the next 15 years if all new single aisle planes were produced with over 50% PEEK composite content. These attractions play to our Aerospace Structures mega-programme, working with Airbus to support their Clean Sky 2 and Wing/Fuselage of Tomorrow programmes.

Electronics

Electronics volumes rebounded strongly, up 33% at 602 tonnes (FY 2020: 454 tonnes). With Asia being a key geography for much of this end market, the COVID-19 recovery in Asia and return to operations for many countries in the region provided support, alongside application growth.

Semiconductor chip demand – driven by Internet of Things, 5G applications, cloud computing and Automotive – supported our growth, with core applications like CMP rings and other extended application areas growing, including a new PEEK nut application. We also benefited from greater implementation of 5G alongside the greater homeworking trend during the pandemic. This provided good momentum for our Aptiv™ film business and small space acoustic applications and we continue to see a positive outlook for this end market into FY 2022.

Sales of home appliances and our impeller application business in high-end brands are also performing well across a number of product areas, including vacuum cleaners and hairdryers.

Regional trends

As Asian economies gradually opened up first, with a recovery from COVID-19, sales volume in that region saw the greatest improvement, with Asia-Pacific up 19% at 1,134 tonnes (FY 2020: 953 tonnes). Asia is now larger than the US as a geographic market, reflected in our investments in China to support growth over the coming years.

Europe was up 30%, with 2,432 tonnes (FY 2020: 1,876 tonnes), reflecting improvement in Automotive and the strong performance in VAR. US volumes were up 22% at 807 tonnes (FY 2020: 663 tonnes) as Energy saw a steady recovery, although Aerospace remained subdued.



Medical revenue

£51.1m**+3% vs FY 2020****+9%* vs FY 2020**

Our Medical business continues to diversify, with continued good growth in non-Spine and geographically.

Martin Court

Chief Commercial Officer

Medical gross profit

£45.6m**+6% vs FY 2020****+8%* vs FY 2020**

* Constant currency.

MEDICAL

Revenue in Medical was up 3% at £51.1m (FY 2020: £49.7m) as we saw a gradual but steady return to elective surgeries in most regions, principally Asia-Pacific. The US – which represents 53% of divisional revenues – remained slower in the return of patient surgeries compared to Asia-Pacific, with the latest data indicating the turn of the calendar year 2021/22 will see surgery rates return to pre-COVID-19 levels. This data supports our assumption of an improved sales mix in FY 2022.

In constant currency, Medical revenue was up 9%. Gross profit was £45.6m (FY 2020: £43.1m) and gross margin was up at 89.2% (FY 2020: 86.7%) reflecting a slightly better sales mix within this division. Overall Medical volume (implantable and non-implantable) was down 3%, reflecting the demand for non-implantable business in ventilators and related equipment during FY 2020.

In the prior year period, the strong comparative in H1 2020 should be noted, as the supply chain and a number of major customers pre-bought product ahead of COVID-19 related lockdowns. Geographically, Asia-Pacific revenues were up 10% year on year, with Medical revenues in the US flat and Europe up 4%. Asia-Pacific continues to reflect revenues in Spine, as new approvals are secured, and non-Spine areas such as Cranio-Maxillo Facial ('CMF'), Arthroscopy and Sports Medicine, as well as emerging or incremental opportunities in heart components.



On a medium-term view, we continue to target high single-digit million revenue from each of our non-Spine areas, for example CMF, Cardio. Non-Spine overall now represents 45% of divisional revenues.

Medical market overview

Spine is our historical end market which, whilst it has become more mature in recent years, is one we continue to diversify through focusing on emerging geographies and new innovative products. Our premium and differentiated PEEK-OPTIMA™ HA Enhanced, for example in ankle wedge systems where we gained US FDA approval, which complements other extremity applications such as hammertoe.

Spine procedures – is one part of our strategy to grow our Medical business. Following good growth during FY 2020, the decrease in elective surgeries impacted revenues during H1 2021, although we saw improvement in the second half. Full year revenues were lower than the £2m seen in the prior year. We are also innovating within the application uses for PEEK-OPTIMA™ HA Enhanced, for example in ankle wedge systems where we gained US FDA approval, which complements other extremity applications such as hammertoe.



Chief Commercial Officer's report continued



Medical market overview continued

Our Porous PEEK opportunity, where the benefit of bone-in growth is added to bone-on growth for Spinal applications, is moving forward on plan thanks to our Bond 3D investment, where our ability to 3D print spinal cages will be important. Following successful feasibility work, we entered into a joint development agreement with a Medical Devices customer to progress development of the first FDA approved Porous PEEK additive manufactured spinal cage, for projected launch in 2022. A number of other customer discussions are ongoing.

Progress in our non-Spine business continues to be impressive, with non-Spine revenues now 45% of the division. A number of emerging opportunities made good progress during FY 2021; these include one of our customers gaining regulatory approval in Europe (CE mark) for the first PEEK total artificial heart. We also saw the first FDA approval of a PEEK based cervical disc and developed new products in sternal applications. Cranio-Maxillo Facial ('CMF') continues to be a growth opportunity and we saw 25% growth compared to FY 2020.

Mega-programmes

In Knee, we saw positive progress through the year, with the first patients implanted in India as part of the clinical trial and a total of 10 implants now having successfully passed the six-month follow up phase. Clinical trials are now operating in Belgium, India and Italy, although the European trials remain slower to emerge from the impact of COVID-19 than the trial in India.

Although the Knee programme has shifted its timeline backwards by approximately twelve months due to the impact of COVID-19, the long-term opportunity – in what is a \$10bn global market – remains attractive. Further news flow is expected during FY 2022 and we anticipate the trial sites will run for approximately two years.

As previously communicated, the focus for our Invibio Dental (Juvora™) branded products is for adoption to be driven by partners and industry players – similar to other competitor products – with Invibio continuing to support and build on existing clinical data, including that through the Malo Clinic, which further validates our Dental proposition. Adoption in this end market has remained challenging, and our resources have been tailored appropriately. Strategically, we are prioritising our investment and resources in other programmes.

Our emphasis remains on the prosthetic Dental market – frames, bridges and partials – rather than the full jaw-based implant, with the Invibio Dental offering focused on improving quality of life and clinical outcomes for patients, whilst offering manufacturing efficiency benefits.

In Trauma, we announced an agreement during the year with US based In2Bones for composite plating in higher and lower extremities and concluded our first Asia customer product launch plan, scheduled for FY 2022.

Our PEEK composite Trauma plates offer the potential for 50 times better fatigue resistance compared to a metal plate, with awareness of composites as a viable metal alternative growing. Whilst we have the manufacturing capability to meet initial demand, we may also choose to consider partnerships to support scale up, particularly for geographies in Asia-Pacific and China specifically.

Martin Court
Chief Commercial Officer
6 December 2021



Risk management

RISK MANAGEMENT

Risk management is embedded in Victrex's culture, ensuring that we assess risks as part of delivering our strategy.



1 RISK AGENDA

Why do we undertake risk management?

Risk objectives

The Board is responsible for determining the Company's risk appetite in delivering Victrex's strategy as set out on pages 14 and 15. Victrex undertakes risk management with the objective of facilitating better decision making, resilience and sustainability to continually improve the performance of our business and provide relevant information to shareholders and potential shareholders.

This is particularly important as the business continues to move downstream into semi-finished products, finished products and components and as it supports market adoption and stimulates demand for the mega-programmes.

We believe that Victrex is well placed to meet the demands of the rapidly emerging ESG agenda but must also consider the risks associated with meeting stricter emissions, lifecycle and other requirements.

Risk strategy

The Board is responsible for creating the framework for the Group's risk management to operate effectively and for ensuring risk management activities are embedded in Victrex's processes. The Board is also responsible for ensuring that appropriate and proportionate resources are allocated to risk management activities.

2 RISK ASSESSMENT

How do we assess and record risks?

When assessing risk, management considers in detail:

- **external factors**, including environmental, social and governance ('ESG') factors arising from the environment in which we operate; and
- **internal factors** arising from the nature of our business, internal controls and processes.

Analysis and recording of risks

Appropriate managers at all levels of the business perform risk assessments starting at site and functional levels. They then take ownership of specific business risks. The likely causes and consequences of each risk are recorded. Each risk is evaluated based on its likelihood of occurrence and severity of impact on strategy, profit, regulatory compliance, reputation and/or people. Risks are evaluated at both a gross and net level, i.e. before and after the effect of mitigation. All risks are positioned on a risk-ranking matrix. This approach allows the identification and consistent evaluation of significant risks, as well as consideration of the effect of current lines of defence in mitigation.

The three lines of defence model is used:

1st: The day-to-day controls and processes put in place by management.

2nd: Activities to advise and oversee first-line controls and processes and risk management processes, often at least one step removed from first-line direct management.

3rd: Independent business assurance – provided by both third parties and in-house internal audit over the effectiveness of the Group's system of internal controls and processes in the first and second lines of defence.

In the past year we have conducted a thorough review of our three lines of defence framework and found it to be suitable and sufficient but have also found areas for future improvement to meet emerging business risks.



Risk management continued

3 RISK RESPONSE

The risk registers are regularly reviewed, challenged and debated to keep them up to date and relevant to our strategy. Risks are escalated as appropriate.

For each risk, we decide whether to eliminate the exposure, mitigate it through further controls, transfer it (e.g. through insurance) or tolerate any remaining immaterial risk.

We continually challenge the efficiency and effectiveness of existing internal controls and always seek to improve our risk management framework. The corporate risk register ensures that improvement activity is recorded.

4 RISK COMMUNICATION

Effective communication

At Victrex, our risk management structure is as follows:

Victrex plc Board

The Board is responsible for approving the risk management policy and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board considers the continued effectiveness of risk management processes, controls and culture, changes to principal risks and their management, and the quality of our public reporting process.

Twice yearly, the Board carries out a comprehensive assessment of the principal risks.

The corporate risk register is consolidated from registers within business functions and projects. The corporate risk register tracks the status ratings against each line of defence and the action plan, therefore allowing it to be used effectively as a record of the completion of risk improvement actions and their revised likelihood and impact.

Audit Committee

The responsibilities of the Audit Committee are explained on page 84. These responsibilities include reviewing the Company's risk management systems to provide assurance of operational effectiveness, ensure compliance with laws, regulations and contracts and provide against material misstatement or loss.

The Risk & Compliance function supports the Audit Committee in its review of the effectiveness of the system of internal control, as do the external auditors on matters identified during the course of their statutory audit work.

Executive Risk Management Committee

The Executive Risk Management Committee, chaired by the Chief Financial Officer, reviews the corporate risk register at least half yearly to ensure it remains appropriate and effective. During the year feedback from these reviews was provided directly to the Audit Committee and the Board by the Director of Risk & Compliance. The Executive Risk Management Committee comprises the executive Directors (CEO, CFO and CCO), Chief Operating Officer, Group HR Director, General Counsel & Company Secretary and Director of Risk & Compliance.

Risk management subcommittees

Risk management subcommittees exist at all functional levels, with particular focus on Transport (Automotive and Aerospace) and Medical due to current business activity. These meet and report to the Executive Risk Management Committee at least half yearly via their respective Chairs, who are Executive Risk Management Committee members.

Risk management is also an integral aspect of functional and key programme governance, including the Safety, Health and Environment Steering Committee and Quality Steering Committee, which meet quarterly, and the ESG Steering Group, which meets twice a year.

Projects

Where it is appropriate, projects have a project-specific risk register which is reported to the relevant business unit.

5 RISK GOVERNANCE

How do we evaluate and provide assurance over our management of risks?

The following processes are in place to provide effective risk governance:

- The Board reviews the Company's principal risks twice annually, ensuring they remain appropriate, and monitors risk mitigation and actions.
- The Chair of each risk management subcommittee communicates significant output, activities and emerging and evolving risks to the Executive Risk Management Committee. The three lines of defence model is integrated into the corporate risk register to ensure that controls and assurance are clearly defined and their effectiveness can be monitored.
- The Group's internal audit function conducts a programme of audit each year, focused on the principal risks and those risks identified by the Audit Committee.
- The Victrex Bi-Monthly Risk and Compliance review meeting provides oversight for the risks, controls and assurance activity across the business including Legal, Regulatory, SHE, Quality, Security and Internal Audit. The group comprises the CEO, CFO, CCO, COO alongside a number of other senior leaders.

Emerging risks

The Board has identified and assessed emerging risks as part of the established risk management and strategic planning processes. The key emerging risk areas identified were:

- climate change and environment – including the potential impact of water availability and rising sea levels and our role in minimising emissions and protecting the environment. Resource efficiency was also considered – including ways of adjusting our manufacturing processes to reduce usage of fossil fuels;
- raw materials including potential issues with their continued availability has been evaluated as an area to be closely monitored;
- new legal and regulatory aspects – resulting from the changing business footprint, complexity and evolving regulatory environment; and
- future of end markets – redirecting focus and resources to sustainable end markets and products with environmental and societal benefits in line with global megatrends.

These emerging risks have been recorded and will be continually monitored through the ongoing corporate risk management process so that their potential impact can be understood and mitigated. They will also be considered as an integral part of the strategic planning process.

Principal risks

MANAGING OUR RISKS

The Group's strategic objectives can only be achieved if certain risks are taken and managed effectively. We have listed below the most significant risks that may affect our business, although there are other risks that may occur and impact the Group's performance.

Key to strategy



RISK HEATMAP



Note: Following the latest Board Risk Management review, the Foreign Currency risk is no longer viewed as one of the principal risks for the business. It is retained in the Corporate risk register and will continue to be monitored and reviewed through the Risk Management process.

1. COVID-19 PANDEMIC
2. SAFETY, HEALTH AND ENVIRONMENT
3. BUSINESS GROWTH
4. RECRUITMENT AND RETENTION OF THE RIGHT PEOPLE
5. BUSINESS CONTINUITY OF SUPPLY CHAIN
6. NETWORK AND IT SYSTEMS AND SECURITY
7. PRODUCT LIABILITY
8. CONTRACTS, ETHICS AND REGULATORY COMPLIANCE
9. STRATEGY EXECUTION

COVID-19 PANDEMIC

Risk area and description

COVID-19 and its impact on society and global end markets continues to present a significant risk factor for Victrex, as it does for peer companies. It still has the potential to impact several existing principal risks:

- safety, health and environment, due to the potential for harm to Victrex employees;
- continuity of supply chain, due to potential disruption of operations, key material suppliers or the ability to transport stock to meet demand; and
- business growth, due to reduced demand in some end markets (for example in Automotive, Aerospace and Energy and Industrial).

Mitigation

Risk assessments, control procedures and physical controls that align to national guidance as a minimum have remained in place at all locations.

Our contingency planning, scenario modelling and ongoing monitoring have proved effective with high levels of customers sustained throughout the pandemic.

Whilst the Aerospace market remains subdued, other markets are recovering rapidly. Overall, we are not expecting to see any damage to our growth prospects as a result of the pandemic, and Victrex remains very well positioned to exploit the opportunities presented by a number of megatrends, including the growing need for sustainable solutions.

Further details of the ongoing COVID-19 response are provided on page 6.

Change

Risk reduced

Viability statement links

Risk considered

Risk focused on in sensitivity analysis



Principal risks continued

| SAFETY, HEALTH AND ENVIRONMENT | BUSINESS GROWTH | RECRUITMENT AND RETENTION OF THE RIGHT PEOPLE |
|---|--|--|
| Primary link to strategy | Primary link to strategy | Primary link to strategy |
| Risk area and description <p>Delivery of our strategy is dependent on us conducting our business safely. Given the nature of our various manufacturing facilities, a significant operational disruption could adversely affect the safety of people on or close to our sites. Disruption could also impact our ability to make and supply products.</p> <p>The environment in which Victrex operates is subject to numerous legislative and regulatory requirements. A failure to comply could adversely impact the local environment, our employees, our manufacturing capability, or the attractiveness of our business or products to various stakeholders.</p> <p>Climate change represents an emerging risk to the business. Minimising our impact is a fundamental objective.</p> | Risk area and description <p>The growth of our existing business is driven by innovation in our core product range, the quality of our technical service offering and continuous improvement activity in our operations. A failure to maintain our investment in these areas could lead to competitive pressure, as well as the loss of business to competitors and/or competing materials.</p> <p>Growth can be impacted by the performance (growth, stability or turbulence) in the end markets that we serve. Challenging market conditions could lead to a fall in customer demand.</p> <p>Growth could also be impacted by the emergence of lower cost competition or lower cost alternatives to our high quality PEEK.</p> | Risk area and description <p>Our success depends on recruiting and retaining the right people in all areas of our business. Victrex relies on the skills, knowledge and intellectual property ('IP'), experience and competence of our people in order to: comply with internal procedures and external regulations, drive business growth, deliver our strategy, operate our manufacturing assets safely and with a strong regard to the environment, and successfully execute our downstream strategy.</p> |
| Mitigation <p>We employ a proactive and dedicated Safety, Health and Environment ('SHE') department to assist line management and to provide expert guidance.</p> <p>We have policies and procedures to manage all our operations; protect the safety and health of our employees, contractors and visitors; and manage our environmental responsibility by reducing emissions to continually improve our resource efficiency.</p> <p>Any events that do occur are investigated and action plans are put in place to prevent re-occurrence.</p> <p>As our manufacturing facilities are regulated, we are subject to close review, for example by the Environment Agency and the Health and Safety Executive.</p> <p>Further detail is contained in the Sustainability report on pages 42 to 63.</p> | Mitigation <p>We address price pressure by being focused on cost efficiency and continuous improvement in our operations, by having an appropriate pricing policy and by offering a strong value proposition as a solutions company – unique chemistry, specification of products with end users, quality and technical service, the performance benefits of our products and the ability to develop new applications.</p> <p>We keep abreast of technological changes to materials and potential challenges for PEEK and PAEK polymers by developing new grades with differing properties, as well as creating new markets for PEEK/PAEK polymers.</p> <p>Although certain end markets remain unsettled as the world emerges from the COVID-19 pandemic, the accelerating sustainability agenda is creating even more opportunities for the adoption of PEEK. Our strategy and the mitigation measures noted above remain valid in these new conditions. In the longer term, principal mitigation for weak market conditions will be increased penetration in less cyclical segments of our target end markets.</p> | Mitigation <p>We have strategies in place to determine our future resourcing needs and attract and retain the best talent.</p> <p>Our employees have clear objectives, aligned to our strategy, personal development plans and regular reviews to assess their performance and support their development.</p> <p>We have succession plans in place for key roles and develop our future leaders so that we are able to promote internally as well as bringing in new talent from the outside.</p> <p>Where necessary, we supplement the skills of our own employees with those of third parties in order to deliver our downstream strategy.</p> <p>We operate equal opportunities and flexible working policies and aim to continually enhance the diversity of our workforce. We regard this as a commitment to make full use of the talents and resources of all our employees.</p> <p>As our employees return to our sites following COVID-19, we are making full use of our flexible working policies to provide the best working environment for our existing employees and expand our reach when recruiting externally.</p> |
| Change Risk decreased as the potential impact from COVID-19 has reduced | Change Risk decreased on the potential impact from COVID-19 on end markets | Change No change |
| Viability statement links Risk considered Risk focused on in sensitivity analysis | Viability statement links Risk considered Risk focused on in sensitivity analysis | Viability statement links Risk considered |

**Key to strategy****Create and deliver****Differentiate****Underpin****BUSINESS CONTINUITY OF SUPPLY CHAIN****5****Primary link to strategy****Risk area and description**

Failure to maintain a secure supply of high quality products to our customers caused by, for example, incapacity of our production facilities, quality failure or restricted access to raw material supplies or transport links could lead to insufficient inventory and capacity, loss of earnings and damage to reputation.

Mitigation

It is our policy to keep capacity ahead of demand by continual investment in our supply chain so that our customers can be confident that we can meet their requirements today and in the future.

Supply chain management policies and processes are in place. Increases in demand are anticipated by and consistent supply is maintained through integrated business planning ('IBP') for which we have now been awarded Class A Standard.

Strategic supplier development and performance management to maintain the quality and security of supply of key raw materials.

During the period of Brexit and COVID-19 our expanded global warehousing capacity allowed us to maintain excellent customer service. We are now focused on supply risks as the world emerges from COVID-19 and taking similar proactive measures.

Change

No change

Viability statement links

Risk considered



Risk focused on in sensitivity analysis

NETWORK AND IT SYSTEMS AND SECURITY**6****Primary link to strategy****Risk area and description**

Significant failure or interruption to our IT systems could lead to business process disruption interrupting key business services.

Cyber-attack breach could result in the theft, manipulation or destruction of confidential and sensitive information and severely disrupt business operations.

Increased homeworking as a consequence of COVID-19 could lead to an increased risk of a breach.

Mitigation

Victrex operates a multi-layered approach to providing IT system continuity and to protecting information assets.

Continued enhancements to IT infrastructure and defences are carried out, including using best of breed storage, firewall and machine learning anti-virus technologies. A project to improve network segregation and security of plant control systems has also been recently implemented.

Independent external experts are engaged to conduct assessments, including penetration testing, cyber health and awareness.

We align to the nationally recognised ISO 27001 standard for Information Security and have dedicated information security resource in place. We have also achieved Cyber Essentials Plus certified by MASS. We have mandatory training on information security, security policies and best practices.

We continuously review the latest threats and trends in information security and governance to ensure our protection is always current and effective. These measures have been further enhanced to improve protection during a period of extensive homeworking.

Change

No change

Viability statement links

Risk considered

PRODUCT LIABILITY**7****Primary link to strategy****Risk area and description**

Selling into highly demanding end-use applications and regulated markets means a failure to supply in accordance with the agreed specification has the potential to lead to consumer harm or a potential product liability claim. This in turn could lead to a loss of business and reputational damage.

Mitigation

Robust regulatory standards and accredited quality management systems are in place relevant to our markets, including Medical Devices, Automotive and Aerospace.

Warranty Committees established to enhance risk management/mitigation processes for key programme activity in Automotive and Aerospace business units.

Use of external experts to support with complex contract matters.

Supply contract terms and conditions, including agreed specifications and manufacturing to verified and validated standards and processes. In addition, the Group maintains appropriate levels of product liability insurance.

A Management of Change process is in place to ensure that supply and quality are consistent and any change in use is appropriately validated.

In the past year we have strengthened the product regulatory team with the appointment of a Head of Regulatory and Product Stewardship, overseeing compliance across all markets.

Change

No change

Viability statement links

Risk considered



Risk focused on in sensitivity analysis



Principal risks continued

| CONTRACTS, ETHICS AND REGULATORY COMPLIANCE | 8 |
|--|---|
| <p>Primary link to strategy</p>  <p>Risk area and description We are required to adhere to all applicable laws, regulations and ethical standards including those covering:</p> <ul style="list-style-type: none"> → anti-bribery and corruption; → exports and sanctions; → competition; → data protection; and → human rights, modern slavery and labour. <p>Any failure to comply with contractual commitments and ethical and regulatory compliance standards has the potential to result in loss of earnings, civil or criminal legal exposure, or reputational damage, and could affect our ability to achieve the business strategy.</p> <p>Our future opportunities in Automotive, Aerospace and Medical, and activity in new geographies will bring new regulatory challenges and contractual requirements to meet.</p> | |

| |
|---|
| Mitigation Compliance policies and procedures are in place for all key regulatory compliance risks. Our Code of Conduct is in place, which is regularly reviewed, and mandatory training is provided. Compliance is monitored and reported to the Executive Risk Management Committee. We continue to use internal and external subject matter experts to support risk identification, set standards and policies and provide advice and training. Commercial contracts and our pricing strategy are reviewed by our Legal and Product Management teams. As our business activities expand, for instance into China, appropriate policies and procedures are put in place to manage the associated regulatory requirements. |
|---|

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|--|
| Change  No change |
|--|

| |
|--|
| Viability statement links  Risk considered  Risk focused on in sensitivity analysis |
|--|

| STRATEGY EXECUTION | 9 |
|---|---|
| <p>Primary link to strategy</p>  <p>Risk area and description The success of our future business growth will depend on the effective implementation of our Polymer & Parts strategy. This risk considers the potential failure to execute the strategy effectively and generate value. It also focuses on the timing of projects and the need for rigorous project management to ensure our growth programmes, including mega-programmes, do not slip. Key elements include the failure to: gain market deployment through delays in programmes and due to the disruptive nature of the portfolio; protect our intellectual property ('IP'); develop scalable manufacturing solutions; and develop the Group's infrastructure to be able to support more complex operations.</p> <p>Our UK asset improvement plans will be delivered over the coming years in order to be able to ensure continued security of supply to our customers.</p> <p>The risk has shifted from one of innovation and product capability to one of gaining market adoption.</p> | |

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|--|
| Mitigation The Group has a well-established and clear business strategy which is subject to a robust review process to ensure its continued effectiveness. The Board monitors KPIs that measure progress in implementing the strategy at each Board meeting. A dedicated IP team is in place to consider the management of our intellectual property, whether this be through know-how or our patent estate. A Project Management team is in place to manage each growth programme as a clearly defined project. Governance is achieved through a Portfolio Steering Committee which tracks milestone achievement. In the past year we have taken steps to improve the effectiveness of our strategy planning capabilities through the implementation of a detailed plan deployment framework. In addition, we have undertaken a review process with third-party specialists who have critically assessed our strategy, confirmed its appropriateness, and suggested areas for improvement in its implementation. They also confirmed that our strategy will enable us to exploit new opportunities presented by an increased focus on sustainability. |
|--|

| |
|--|
| Change  No change |
|--|



Whilst the risk profile from moving further 'downstream' into manufacturing selected parts increases, our quality management systems, enhanced skills and capability in this area, and our ability to protect our intellectual property ('IP') through patents or know-how, keep us in a good position.

Richard Armitage
Chief Financial Officer

Going concern and viability statement

Going concern

The Directors have performed a robust going concern assessment including a detailed review of the business' 24-month rolling forecast and consideration of the principal risks faced by the Group and the Company, as detailed on pages 39 to 41. This assessment has paid particular attention to the impact of the ongoing global economic challenges on the aforementioned forecasts.

An update on the Group's proactive approach to managing the challenges of COVID-19 is detailed on page 6 with the specific impact of COVID-19 on the Company's going concern assessment detailed below.

The Company has maintained a strong balance sheet throughout the past two years despite seeing a significant impact from COVID-19, particularly during the second half of the year ended 30 September 2020. The combined cash and other financial assets balance at 30 September 2021 was £112.4m, having increased from £79.6m at 31 March 2021. Of the £112.4m, £12.5m is held in the Group's subsidiaries in China for the sole purpose of funding the construction of our new manufacturing facilities. Of the remaining £99.9m, approximately 90% is held in the UK, where the Company incurs the majority of its expenditure. All funds are held either in instant access or deposit accounts with less than 95 days' notice. The Group has no debt and has unutilised banking facilities of £40m through to October 2024, of which £20m is committed and immediately available and £20m is available subject to lender approval.

COVID-19 had a material impact on second half performance of the year ended 30 September 2020 with sales volumes down 19% on the same period in 2019 and 25% down on the first half; revenue was down 23% and 24% respectively. Quarter 4 was the weakest with revenue in July 2020 the low point of the year and volume averaging c.230 tonnes per month. Demand for the Company's products has recovered through the FY 2021 with the second half being the strongest in the Company's history in volume terms. Full year volumes are up 25% on FY 2020 and 52% up on the heavily COVID-19 impacted second half of 2020. As with the drop off in demand during the second half of FY 2020 the timing and speed of recovery has been felt differently across our markets and geographies with further detail provided in the Financial review on pages 23 to 28.

The 24-month rolling forecast is derived from the Company's Integrated Business Planning ('IBP') process which runs monthly. Each area of the business provides revised forecasts which consider a number of external data sources, triangulating with customer conversations, trends in market and country indices, as well as forward-looking industry forecasts. For example, forecast aircraft build rates from the two major manufacturers for Aerospace and analysing IHS Markit data for the Automotive market through previous downturns, current trends and the latest 2022 and 2023 forecasts.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which focused on one key question: Is the recovery during 2021 and the increasing economic confidence, derived from falling COVID-19 cases and the ongoing vaccination programme, sustainable, or will either the recovery run out of momentum in the face of further waves of new, vaccine immune, variants of COVID-19 or will the global economy be pushed back into contraction by supply chain issues, inflationary pressures or labour shortages?

The Company's manufacturing assets remain operational, as they have done throughout the past 24 months, with revised procedures remaining in place to ensure social distancing is maintained along with proactive measures to protect employees such as offering the facility to conduct temperature checks each day before commencing work. Non-manufacturing staff have continued to work from home in the majority of our regions throughout FY 2021 as we continue

with a safety first approach. A carefully managed Return to Site commenced in the UK in October 2021 in line with government recommendations. Other regions have started to move in line with local government guidance.

Using the IBP data and the key question noted above, along with consideration of the outputs from the longer-term viability assessment (noted below), management has created two scenarios to model the effect of reductions to revenue at regional/market level and aggregated levels on the Company's profits and cash generation through to January 2023.

Scenario 1 – the global economy contracts again with sales returning to the low levels seen in quarter 4 of FY 2020, at c230 tonnes per month, from March 2022 (i.e. the first period post payment of the final and special dividends, therefore representing the cash low point of the year) for a period of six months (to mirror the length of the downturn in 2020) before a partial recovery to c280 tonnes per month for the remainder of the going concern period.

Scenario 2 – in line with scenario 1, c230 tonnes per month from March 2022, however, the economic contraction lasts for a full twelve months, i.e. throughout the remainder of the going concern period. This would give an annual volume of c2,760 tonnes, a level not seen since the financial crisis which impacted 2008 and 2009 (and lasted approximately twelve months). The Group considers scenario 2 to be a severe but plausible scenario.

Before any mitigating actions the sensitised cash flows show the Company has significantly reduced cash headroom. Under scenario 2 there is minimal cash generation through the going concern period and there is potential that the committed facility, for which the covenants would be met, would be required to manage intra-month cash flows. However, the Company has a number of mitigating actions which are readily available in order to generate significant headroom. These include:

- Use of committed facility – £20m could be drawn at short notice. Conversations with our banking partner indicate that the £20m accordion could also be readily accessed. The covenants of the facility have been successfully tested under each of the scenarios;
- Deferral of capital expenditure – the base case for financial year 2022 includes significant capital investment (£60m+) as major projects are completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects, deferring all other projects into 2023, with the exception of completing the manufacturing facilities in China which are committed and continue as planned;
- Reduction in discretionary overheads – costs would be limited to prioritise and support customer related activity; and
- Deferral/cancellation of dividends – the dividend payable in June 2022 could be deferred or cancelled. The Company's intention is to continue payment of dividends where cash reserves facilitate but it remains a key lever in downside scenario mitigation.

Reverse stress testing was performed to identify the level that sales would need to drop by in order for the Group to run out of cash by the end of the going concern assessment period. Sales volumes would need to consistently drop materially below the low point in scenario 2 which is not considered plausible. As a result of this detailed assessment and with reference to the Company's strong balance sheet, existing committed facilities and the cash preserving levers at the Company's disposal, but also acknowledging the inherent economic uncertainty as the global economy emerges from the COVID-19 pandemic and faces a number of new challenges, the Board has concluded that the Company has sufficient liquidity to meet its obligations when they fall due for a period of at least twelve months after approval of this report. For this reason, it continues to adopt the going concern basis for preparing the financial statements.



Going concern and viability statement continued

Viability statement

1. Assessment of prospects

The Directors have assessed the Group's longer-term prospects, primarily with reference to the results of the Board-approved five-year strategic plan. This is driven by the Group's business model (detailed on pages 10 and 11) and strategy (detailed on pages 14 and 15), which are fundamental to understanding the future direction of the business, while factoring in the Group's principal risks (detailed on pages 35 to 38). The Directors continue to consider the ongoing challenges to the global economy and the uncertainty this creates, particularly in the early years of the strategic plan. The Directors have also considered the Group's ability to maintain a strong financial position throughout FY 2020 and FY 2021, including the level of available cash at 30 September 2021, and retains the strength to generate cash.

The strategic planning process is undertaken annually, and includes analyses of profit performance (including our core business and new product pipeline and 'mega-programmes'), cash flow, investment programmes (including manufacturing capacity increases and our acquisition pipeline) and returns to shareholders. Completion of the strategic plan is a Group-wide process engaging employees throughout the business, including all senior management in their respective areas. The strategy was reviewed and approved by the Board in March 2021 (covering the five years to September 2026). The strategy is built market by market, geography by geography recognising the differing dynamics in each market, including the impact of and speed of recovery from COVID-19 and the longer-term impact of achieving net zero carbon. The Company also operates a more short-term rolling 24-month forecast, predicated on the IBP process, which forms the basis for the FY 2022 budget and key operational decisions over this shorter timeframe. The first two years of the strategy align to the rolling forecast.

The Board considers five years to be an appropriate time horizon for our strategic plan, being the period over which the Group actively focuses on its development pipeline and resulting capital investment programme. As part of our longer-term considerations, to support capacity planning and assessment of projects which will take longer to reach meaningful revenue, the Group does prepare forecasts for a period of more than five years; however, a period greater than five years is considered too long for the strategic plan given the inherent uncertainties involved.

2. Viability period

The Directors have assessed the viability of the Group over the five-year period to September 2026, being the period covered by the Group's Board-approved strategic plan.

3. Assessment of viability

To make their assessment of viability, the Directors have tested a number of additional scenarios on the base case position of the five-year strategic plan. These scenarios encompass key trading assumptions combined with the potential impact of crystallisation of one or more of the principal risks over the five-year period. Whilst each of the principal risks has a potential impact, the scenario analysis has been focused on those considered to have the most significant financial impact, primarily to the revenue growth of the Group. The risks have been assessed for their potential impact on the Group's business model, future trading and funding structure.

The continuing progress in the mega-programmes is forecast to have a material impact on the Company's revenue over the strategic period. The business case behind each of these programmes remains robust, and in some cases enhanced, by both changing market dynamics caused by COVID-19 and the acceleration of the sustainability agenda and achieving net zero carbon, over the past twelve months. To date there has been limited evidence of any material slowdown in the overall mega-programme portfolio. COVID-19 has, however, presented challenges to several programmes hitting milestones and driving customer adoption in the short term, predominantly those which rely on medical trials. The Directors have incorporated this into scenario 3 described on page 41.

The impact on the strategy of achieving net zero carbon has been considered by the Group for several years but with more clarity on timings and targets (for example, net zero by 2030) over the past twelve months a far more detailed assessment has commenced ahead of the 2022 strategy review. The alignment of the strategy to sustainability goals is detailed in the Sustainability report on pages 42 to 63. This report outlines the numerous benefits PEEK applications can deliver in a sustainable world, with our assessment that this will have a positive impact on future revenue generation. The risk in the short term remains the cost base, with the manufacturing process involving use of electricity, gas, water and generating hazardous waste, all of which will potentially attract higher taxes/levies as governments push industry towards net zero carbon targets. This risk of a higher cost base is incorporated in scenario 4.



The downside scenarios applied to the strategic plan are as follows:

| Scenario modelled | Link to principal risk |
|--|---|
| 1. General competitive pressure in the marketplace resulting in a decrease of Industrial and Medical revenue for both core and mega-programmes. Annual volume reduction between 10% and 25% in each year of the strategy. | Business growth Strategy execution |
| 2. A natural or other event impairing key manufacturing assets resulting in supply disruption for c2 years, with associated reputational damage. Annual volume reduction of 25% for two years followed by 10%. | Business continuity of supply chain |
| 3. Mega-programmes not achieving all milestones set or investment/adoption is delayed, for example by economic conditions, therefore delaying the time to meaningful revenue (>£1m). | Business growth Strategy execution COVID-19 pandemic |
| 4. Increase to direct cost base potentially arising from: <ul style="list-style-type: none"> a. additional regulatory compliance, environmental or otherwise; b. increase in duty and tariffs; c. product liability issues; d. increases in tax/levies on utility or waste usage to support net zero carbon; or e. increase in raw material and/or other input prices. Operating costs increased 10% over the base case in each year of the strategy. | Contracts, ethics and regulatory compliance Safety, health and environment Product liability COVID-19 pandemic |
| 5. A sudden period of economic contraction (in line with scenario 2 for going concern) caused by further waves of COVID-19 or other factors, resulting in a contraction in 2022 before returning to strategy growth rates thereafter. Annual volume reduction between 8% and 22% in each year of the strategy. | Business growth Strategy execution COVID-19 pandemic |
| 6. All of the above*, with an associated reduction in the overhead cost base and capital expenditure. Annual volume reduction between 20% and 40% in each year of the strategy (averaging 30% over the five years). | Business growth Strategy execution COVID-19 pandemic |

* Where two or more scenarios impact the same revenue stream in the same period, the lower outcome is taken.

The scenarios tested were carefully considered by the Directors, factoring in the potential impact, probability of occurrence and effectiveness of the mitigating actions. In addition, whilst considered implausible, a combined scenario (scenario 6) was also tested, which contained an aggregation of all scenarios considered.

Further to the risk mitigation plans, the Group's two distinct segments, both with diverse geographic markets, assist in reducing the risk of regional economic challenges and sector-specific issues. This diversity has been evidenced through the COVID-19 pandemic where the impact of and recovery from COVID-19 differed between business units, with Medical Implantable particularly impacted with the cancellation of elective surgery and a prolonged period where hospitals have been focused on COVID-19 patients, contrasting to, for example, Electronics within the Industrial segment, which has seen a sharp recovery as consumer spending habits have changed in its favour. Geographically the impact was much lower and shorter in length across Asia where demand quickly returned to pre-pandemic levels, compared to a later, deeper and longer impact in US markets which only returned to pre-pandemic levels in the second half of 2021. The strategy of partnering closely with customers to develop the right applications and our existing and growing list of specified products are also important mitigants.

The mitigation assessment also considered the Group's ability to manage its cost base and raise new finance and the possibility of delaying capital programmes and/or restricting shareholder returns over the viability period if required.

The results of this stress testing showed that the Group would be able to remain solvent and maintain liquidity over the assessment period. The Group is profitable under all scenarios, including scenario 6. The lowest cash and cash equivalents balance was in scenario 6, in which the cash and cash equivalents balance remains positive albeit at a level where working capital will have to be carefully controlled or the RCF (available until 2024 with covenant compliance tested under scenario 6) will be required to manage intra-month flows, whilst maintaining the regular dividend. Due to the severity and implausibility of scenario 6 and an outcome that may require limited use of the RCF, this is considered akin to a reverse stress test.

4. Viability statement

Based on the results of this detailed analysis the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to September 2026. This is predicated on the assumption that an unforeseen event outside of the Group's control (for example, an event of nature or terror) does not inhibit the Company's ability to manufacture for a sustained period.



SUSTAINABILITY REPORT

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With a carbon net zero goal by 2030, our own aspirations to reduce our environmental footprint by saving water, energy and waste are clear.

Yet Victrex could have an even bigger role in bringing environmental and societal benefits, through products which support the lightweighting trend and consequently CO₂ reduction in Aerospace and Automotive, and the need for clinical benefits in the Medical industry.

The likes of EcoVadis and FTSE Russell already recognise us for this, with all of our revenues from Transport (Automotive & Aerospace) included in their assessment of products defined as part of their Green Revenues Index. This equates to approximately 25% of our revenues.



BRINGING ENVIRONMENTAL & SOCIETAL BENEFITS

How our products support CO₂ reduction in society

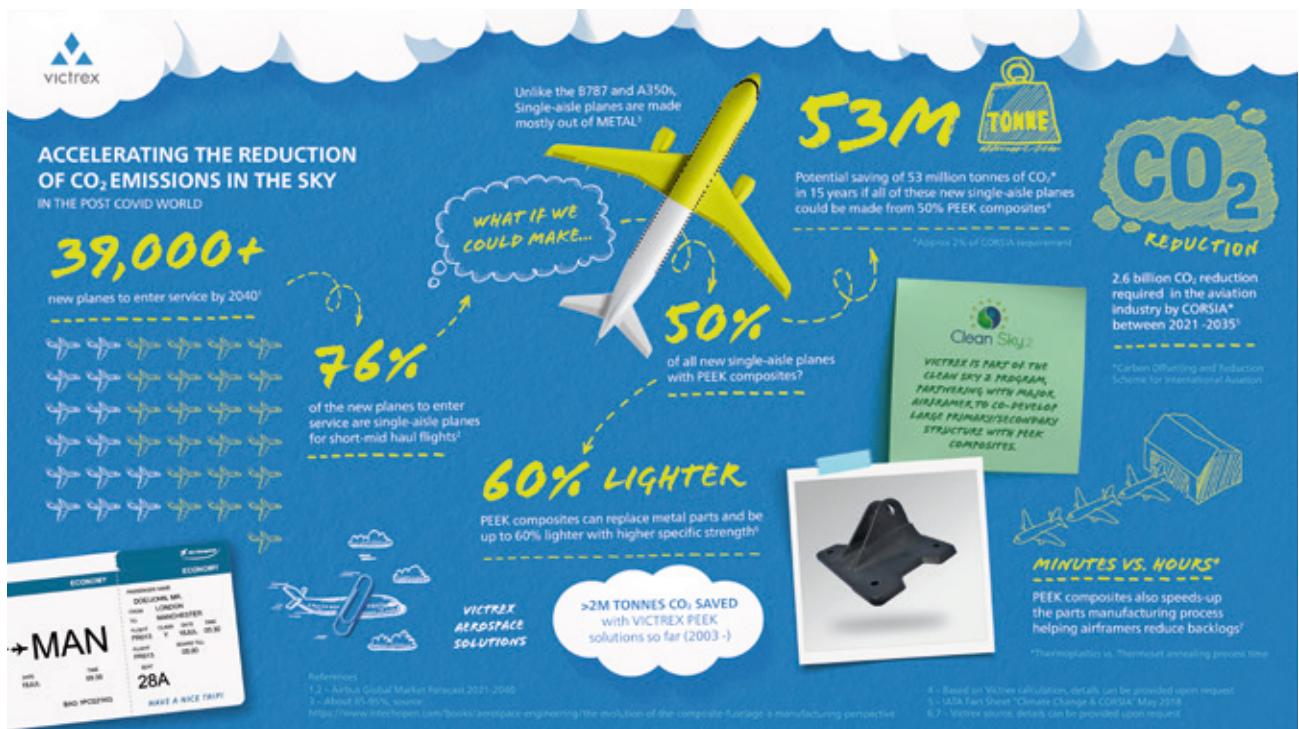
Our own assessment of products bringing environmental and societal benefits adds up to over 40% of revenues from products we define as sustainable. Our target is to exceed 50% by 2025 and we have now added a new target: 70% by 2030. This includes products for the Medical Devices industry, where clinical benefits in terms of enhanced union rates for the likes of Trauma plates, or patient satisfaction from alternatives to metal are supporting surgeons globally. Today, over 13 million people have PEEK within an implant in their body, mostly in Spine, but increasingly in applications for Arthroscopy, Dental and Trauma. The clinical trial for a PEEK Knee is also progressing well, with no issues reported at the six-month clinical follow up stage.

As examples of how our products bring environmental and societal benefits:

→ Applications in Aerospace and Automotive using PEEK polymer offer typical 60%–70% weight reduction compared to metal equivalents. We also have applications tailored for the next generation of electric vehicles ('EVs').

- PEEK polymer typically processes faster than metal parts, saving time and energy in the manufacturing cycle time.
- Even just a 10kg reduction in weight using PEEK polymer can help to save 4 tonnes of CO₂ per year, per plane*.
- Based on the Aerospace industry's forecast of plane build over the next 15 years, if all single aisle planes were built from over 50% PEEK composites, a 50 million tonne CO₂ saving could be realised (based on an average weight saving per application of 60%).
- In the Medical Devices industry, higher fusion rates post-surgery have been achieved in Spine and in Trauma using PEEK based solutions.
- Finally, our typical sales to Aerospace alone help support CO₂ savings 3x our own annual CO₂ footprint (based on Scope 1 and 2 emissions).

* IATA carbon reduction and climate change 2018.





OUR SUSTAINABILITY VISION AND GOALS

Following the launch of our 2030 sustainability goals last year, we have now embedded our sustainability goals into the core of our strategy, with additional milestones set.

SDGs

Sustainability pillars



SUSTAINABLE SOLUTIONS AND RESOURCE EFFICIENCY

Our sustainable products support CO₂ reduction, as well as offering recyclability, whilst we focus on minimising resources (energy, waste and water)



SOCIAL RESPONSIBILITY

Further inspire our employees and communities to positively impact sustainability development



OUR KEY IMPERATIVES:

- ACHIEVE CARBON NET ZERO
- INCREASE REVENUES FROM OUR SUSTAINABLE PRODUCTS WHICH BRING ENVIRONMENTAL AND SOCIETAL BENEFITS
- MINIMISE RESOURCES (ENERGY, WASTE AND WATER) USED IN OUR OWN OPERATIONS
- ENHANCE OUR INCLUSION AND DIVERSITY AGENDA

2030 goals



Milestone targets

- **Achieve net zero carbon emissions** by 2030 in our own operations¹
- **Increase recycling rates** of PEEK/PAEK in the supply chain
- **Increase revenue** from our sustainable products with positive environmental and societal benefits (currently c40%)
- **Sustained reduction in resources** (carbon, waste and water) per unit tonne by 2030

- **Victrex using 100% renewable electricity within three years**²
- **Increase % revenue** from recycled products or materials
- **Exceed 50% of Group revenue** from sustainable products with environmental and societal benefits by 2025
- **Commitment to a science based emissions target**³

- **Deliver a zero accidents and zero incidents culture**
- **Grow** global STEM programme
- **Increase community activity** across our global locations
- **Focus** on supporting gender equality/diversity and inclusion

- **Improved safety metrics, based on OSHA standard**
- **STEM Ambassadors** in every region
- **Commit >500 employee hours** to global community activity annually
- **Embed inclusion and diversity** across global employee base

1 Scope 1 and 2 emissions and science based target.

2 For all countries where the market exists.

3 Includes quantifying Scope 3 emissions in our supply chain and establishing a reduction target.



Sustainability report continued

“

As a sustainable business with sustainable products, we are motivated by playing our part to bring transformational and sustainable solutions that address world material challenges every day. For example, our annual sales to Aerospace currently support 3x the CO₂ savings we emit in our own operations.

Jakob Sigurdsson
Chief Executive Officer



Introduction from the Chief Executive Officer – Jakob Sigurdsson

Our sustainability vision launched last year builds on the progress we have made in recent years and the focus now is on delivery of our carbon net zero strategy. We have also enhanced our disclosure this year including our position on the Task Force on Climate-related Financial Disclosures ('TCFD'), which we welcome, ahead of reporting in FY 2022. One of the big features of Victrex's sustainability strategy, and indeed our purpose, is how our transformational and sustainable solutions bring environmental benefits to society. Our sustainable products help bring lightweight alternatives in high performance applications, supporting the reduction of CO₂ in Aerospace and Automotive markets, as well as offering recyclability potential. Beyond our products playing a role in a better society, we also have clear goals to improve our resource efficiency, including reductions in energy, waste and water usage metrics, and a strong focus on our social responsibility.

Our 2030 goals build on our previous targets, several of which we have now completed. Areas of focus include increasing re-use and recycling rates of our PEEK polymers in applications and the future possibilities from a circular economy and re-use of materials, as well as our desire to exceed 50% of Group revenue from products with positive environmental and societal benefits by the middle of this decade (from approximately 40% today). This includes Medical, where, with COVID-19, many of our applications were designated as 'life sustaining' such as ventilator equipment, as well as our implantable material for devices such as Spine, Arthroscopy and Trauma, with over 13 million patients now implanted using PEEK-OPTIMA™ as a replacement for metal. To underpin this goal we will also be developing more detail on product impact through lifecycle analysis.

Our vision is clear: through increasing the use of our sustainable and recyclable products which support CO₂ removal, offsetting and minimising resources – carbon, waste and water – used in our operations, by 2030 Victrex seeks to become carbon net zero. This vision is underpinned by science based targets and indeed we have now committed to the Science Based Targets initiative ('SBTi'). Whilst we do not specifically seek recognition for our sustainability performance, we note that Victrex continues to be part of the FTSE Russell Green Revenues Index, reflecting our sales into transport markets, where our lightweight materials support the trend of CO₂ reduction. Our performance as ranked by the Carbon Disclosure Project ('CDP') also remains a key priority and we have seen gradual improvement over recent years, with our score a B- this year, above the regional European average and a creditworthy achievement given our initial E grade in 2013. Additionally, Victrex was awarded a Gold sustainability rating by EcoVadis, a leading provider of sustainability ratings, placing us among the top 5% of companies assessed by them. We also saw several notable efficiency improvements in our manufacturing plants, which helped reduce waste and water usage, with a focus on a sustained reduction per tonne going forward. As one example, our water usage per unit of revenue has decreased by around 17% in five years. We are also exploring the potential of the hydrogen supply chain to support our CO₂ footprint, as well as assessing raw material usage.

Social responsibility continues to be a key plank of our sustainability strategy. Safety and wellbeing goals will seek to achieve a working culture with zero accidents and zero incidents and enhanced inclusion and diversity and, externally, increasing our community activity, including continued support of science, technology, engineering and mathematics ('STEM') learning. Through supporting STEM activities in schools, as well as supporting 49 apprentices this year – 9 of whom are female – we have now exceeded our original 2023

target of 10,000 employee hours in the community, with 3,559 hours committed in FY 2021 alone. Indeed, through employee volunteering, equipment and PPE donations (including 3D printed mask ear covers) we provided significant support to care and health organisations globally. Internally, we also have a strong diversity and inclusion agenda and have increased our activities this year to embed diversity & inclusion at a global level, with further detail on page 61. Brendan Connolly, our workforce engagement non-executive Director, also contributed to the diversity & inclusion agenda through a number of virtual activities and global forums through the year, where he was able to engage and listen to the employee voice and culture across the organisation.

Sustainability remains an integral part of our business model, and our investment case, as well as demonstrating our approach as a responsible business. With our Polymer & Parts strategy focused on moving further downstream to supply semi-finished products and components – beyond manufacturing polymers – we have an opportunity to deliver further benefits to our customers, our markets and ultimately society. Whether it be in Aerospace and Automotive, where CO₂ reduction, electrification and lightweighting are key themes, or in Medical, where our polymers are delivering real performance benefits to patients, sustainability remains key to supporting our customers, differentiating our business and ultimately bringing tangible benefits to society and the environment.

Our journey to carbon net zero will continue to evolve and I look forward to sharing the detail of this over the coming years.

Jakob Sigurdsson
Chief Executive Officer
6 December 2021



OUR SUSTAINABILITY PROGRESS SO FAR – AND FUTURE GOALS

Our original 2023 vision (timed to mark the 30th anniversary of Victrex's formation) has helped deliver real progress on our sustainability journey so far, with a number of milestones already achieved.

Our 2030 goals – launched last year – are now our primary focus, aligned to the UN Sustainable Development Goals 2030. This year, we have added further measures over the medium and long term, as well as committing to SBTi as part of our science based target for net zero emissions.

As part of our Sustainability strategy, we are also investing a large proportion of our Research & Development expenditure in sustainable products. In FY 2021 alone, 88% of our project based R&D investment was aligned to sustainable products or programmes. These include all of our Aerospace mega-programmes, our programmes supporting high performance materials in E-mobility and Automotive Gears, and all of our Medical mega-programmes which underpin clinical benefits, for example in addressing improved patient outcomes in Trauma, Dental and Knee.

| AREA OF FOCUS | PROGRESS TO DATE | 2030 GOALS | 2030 MILESTONE TARGETS (INTRODUCED IN FY 2020) | ENHANCED 2030 MILESTONE TARGETS (INTRODUCED IN FY 2021) |
|----------------------------------|--|---|---|--|
| Sustainable solutions | <ul style="list-style-type: none"> → >2 million tonnes of CO₂ saved in Aerospace applications → Independently reviewed method of measuring CO₂ savings in Transport → Societal benefits through improved patient outcomes in Medical: >13 million patients implanted using PEEK-OPTIMA™ | <ul style="list-style-type: none"> → Increase recycling rates in the supply chain → Increase revenue from our sustainable products with positive environmental and societal benefits (currently c40%) | <ul style="list-style-type: none"> → Increase recycling rates in the supply chain by 2025 → Exceed 50% of Group revenue from sustainable products with environmental and societal benefits by 2025 | <ul style="list-style-type: none"> → Increase % revenue from recycled products or materials → Exceed 70% of Group revenue from sustainable products by 2030 |
| Resource efficiency | <ul style="list-style-type: none"> → >87% renewable electricity sourced → Sustained reduction in water and waste per tonne (25% reduction in water per £ revenue since 2017) | <ul style="list-style-type: none"> → Achieve net zero carbon emissions by 2030 in our own operations (Scope 1 & 2 emissions & science based target) → Sustained reduction in resources (carbon, waste and water) per unit/tonne by 2030 | <ul style="list-style-type: none"> → Victrex using 100% renewable electricity by 2024 → Commitment to a science based emissions target (Scope 1 & 2) | <ul style="list-style-type: none"> → 100% renewable backed electricity by 2023 → Commitment to SBTi by end of 2021 |
| Social responsibility | <ul style="list-style-type: none"> → Improved OSHA standard in FY 2021 of 0.71 → Over 10,000 employee hours spent supporting community activity since 2013 → 44 global STEM Ambassadors in place | <ul style="list-style-type: none"> → Deliver a zero accidents and zero incidents culture → Increase community activity across our global locations → Grow global STEM programme → Focus on supporting gender equality/diversity & inclusion | <ul style="list-style-type: none"> → Improved safety metrics based on OSHA standard → STEM Ambassadors in every region → Commit >500 employee hours to global community activity annually → Embed inclusion & diversity across the employee base | <ul style="list-style-type: none"> → STEM contact programme >2,500 young people by Victrex employees → Cumulative employee hours supporting local communities >10,000 hours (2020–2030) → 40% of females in leadership group (top two grades) by 2030 (FY 2021: 10%) |

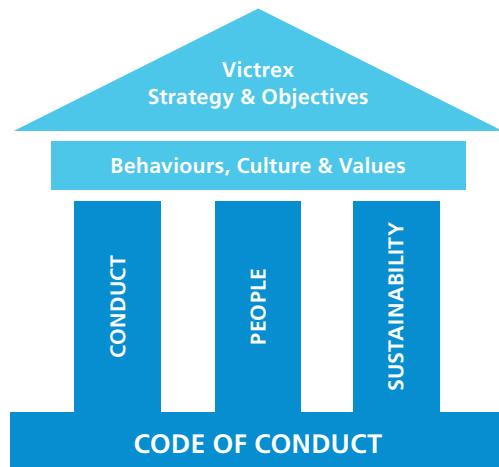


Sustainability report continued

OUR CODE OF CONDUCT – DOING THE RIGHT THING

Our values of Passion, Innovation and Performance underpin the way we do business and treat one another. Our Code of Conduct sets the foundations of how we act personally, with others and in our communities. Our continued success as a business rests on maintaining these principles and ensuring we strive to always do the right thing.

Our Code of Conduct is supported by policies on each of the Conduct, People and Sustainability pillars shown in the table below.



| Doing the right thing in our CONDUCT | Doing the right thing for our PEOPLE | Doing the right thing for SUSTAINABILITY |
|--|---|--|
| <ul style="list-style-type: none"> → We are open and honest → We comply with all applicable laws and regulations → We do not engage in anti-competitive activity, bribery or corruption → We protect our Company information and confidential information shared with us → We protect the personal data we hold about our employees and third parties → We follow good standards of corporate governance and do not abuse market regulations | <ul style="list-style-type: none"> → We treat people with fairness and respect, and hold ourselves and each other to account → We do not discriminate → We provide a safe and healthy workplace and ensure our activities do not harm our employees, the public or the environment | <ul style="list-style-type: none"> → We deliver sustainable polymer solutions → We work to minimise the environmental impact of our business operations → We contribute to the wellbeing of our local communities → We seek to inspire the next generation |



All of our employees, officers and Board members are responsible for following our Code of Conduct and its supporting policies. There is annual recertification of the Code of Conduct through mandatory awareness learning for employees, with additional training on specific supporting policies for targeted employees, and this programme continues to develop. In September 2021 the completion rate was 95%. The Code is available in five languages, viewable on www.victrexplc.com.

We encourage employees and our stakeholders to speak up if they have concerns that our Code of Conduct or its supporting policies are not being followed and our Global Whistleblowing Policy gives help on how to do this.

Sustainability matters

We recognise that some of our operations can impact on the safety and wellbeing of our people and those in the communities around us. This is reflected in our principal risks on pages 35 to 38. Our Safety, Health and Environment Policy promotes our continuous improvement in this area.

Our employees

Our employees are a valued asset to us and we continue to seek to retain and develop our teams as well as recruiting talent when opportunities arise and this too is reflected as a principal risk on page 36. Ensuring we recognise the positive contribution of a diverse workforce and hold ourselves to account for delivering it is paramount. Our policies and procedures are reviewed from time to time to ensure they remain fit for purpose and continue to enhance our employee experience, whilst also serving to support recruitment processes to ensure we attract the highest quality talent possible.

Our employees can easily access employment policies and key work related information through one click into our HR intranet site. Our Group Inclusion, Diversity & Equal Opportunities Policy has been updated to strengthen focus on inclusion as well as diversity. Several inclusion and diversity initiatives have been launched in FY 2021 including the roll out of a Global Flexible Working Policy, with good initial take up rates.

We have continued to develop and progress action plans relating to our engagement survey, including further developments in areas that did not score as highly as we would have liked in our last employee survey. We will be running this bi-annual Employee Engagement Survey in FY 2022.

Our gender pay gap report was published this year, details of which can be found on pages 59 and 60 and on www.victrexplc.com. In cases where the National Minimum Wage or National Living Wage applies, the Company complies in full with its obligations.

Respect for human rights

We recognise the importance of treating the people around us, and those we may impact, with respect but also acknowledge there are practices globally that seek to threaten human rights. Victrex does not tolerate these practices.

In relation to our supply chain activities we have focused policies on Modern Slavery, Conflict Minerals and Anti-bribery & Corruption. Before any vendor can become an approved supplier to Victrex, they must acceptably pass through our due diligence process which involves:

- site-specific audits where appropriate;
- detailed responses to a robust on-boarding process that examines all relevant areas of the business operation, with special focus on issues pertinent to legislation and CSR factors; and
- acknowledgement and acceptance of the Victrex Supplier Standards Handbook.

The process is cyclical, to ensure the appropriate focus is maintained on those vendors deemed as strategically important or as high risk to Victrex.

Our Modern slavery statement is available on www.victrexplc.com reaffirming our policy commitment and our ongoing actions in this area.

We continue to operate a Global Data Protection Policy (and a suite of supporting procedures and arrangements) to ensure compliance with applicable data protection legislation including the EU GDPR and UK GDPR and Data Protection Act. This policy was refreshed and updated in FY 2020, and continues to be available on the Company's intranet on a dedicated Group Policies page. Employees who handle personal data continue to be required to complete mandatory annual training, including through e-learning. Revisions to the policy are considered as appropriate as data protection legislation in the countries in which we conduct business evolves (for example China). Enhancements continue to be implemented generally with respect to information security, including with the supply chain, and these support the continuing protection of personal data. As at September 2021 96% of required trainees had completed their annual data protection training.



Sustainability report continued



Compliance including anti-bribery and corruption

In conducting business on behalf of Victrex, our employees and representatives must follow our Code of Conduct. This is a commitment to being open and honest and following all relevant laws and regulations. This commitment is supported by underlying policies and processes including with respect to Fraud, Anti-bribery & Corruption, Financial Crime, Gifts & Hospitality, Share Dealing (Market Abuse), Data Protection, Competition Law and Export Controls & Sanction Compliance, and is reflected in our principal risks on page 38. Our focus on Doing the Right Thing extends beyond the letter of the law to ensure we act ethically and openly, treating others fairly and how we would want to be treated. The desired outcome of our Code of Conduct, including the policies and procedures which underpin it (including the Anti-bribery & Corruption Policy), is to ensure we act responsibly in all our dealings and foster a sustainable business.

The Company is committed to a zero-tolerance position with regard to bribery, made explicit through its Anti-bribery & Corruption Policy and supporting policies/guidance on gifts and hospitality, interactions with politically exposed persons and healthcare professionals. In FY 2021 we produced a manual for the management of Anti-Bribery and Corruption risk. The purpose of the manual is to provide a process for assessing risk and to ensure compliance with the Victrex Code of Conduct, the Anti-bribery & Corruption Policy, applicable laws and regulations in the countries in which Victrex conducts business and the preservation and promotion of the Victrex brand and corporate reputation. The manual considers the business activities that could make Victrex vulnerable to bribery, risk factors,

key recommended controls, a three lines of defence controls assessment and an action plan for implementation of further enhancements to existing measures. This manual is dynamic and will be reviewed annually. The policies and procedures are published on the Company's intranet on a dedicated Group Policies page. The risk of bribery and corruption is considered a key aspect of the ethics and regulatory compliance principal risk on page 38 and a number of mitigations are in place which are reviewed regularly. In addition to ensuring compliance with export controls and sanctions, the Company conducts enhanced due diligence on individuals or organisations where there is a perceived or actual increased risk of bribery (for example, where the Company is engaging with a politically exposed person), or the Company is conducting due diligence for a potential joint arrangement or acquisition. All employees are required to complete Code of Conduct e-learning on commencement of employment and thereafter annually. This contains a section

on anti-bribery and corruption matters. We keep our training materials under regular review and specific e-learning modules for anti-bribery and corruption and gifts and hospitality, to supplement classroom-based training sessions, are available. We continue to ensure appropriate anti-bribery and corruption clauses are included in relevant contracts. The Company maintains a register of employee interests (where there are actual or possible conflicts of interest) and a record of gifts and hospitality given and received above certain thresholds in the form of a Giving & Receiving Register. A review of the Company's anti-bribery and corruption arrangements is featured on the Board's programme of business and the internal audit review programme includes a review of the adequacy of the Company's procedures in relation to anti-bribery controls and procedures. Further information on our approach to anti-bribery and corruption matters is contained on page 69.



Non-financial information statement

This section of the Strategic report constitutes Victrex plc's non-financial information statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters, and where the relevant information is located in this report.

| Reporting requirement | Material policies and standards that govern our approach | Key risks relating to these matters (pages 35 to 38) | Read more |
|---|--|---|--|
| Environmental matters | <ul style="list-style-type: none"> → Safety, Health & Environment ('SHE') Policy → Environmental Policy (ISO system) → Code of Conduct* | <ul style="list-style-type: none"> → Safety, health and environment → Ethics and regulatory compliance | <ul style="list-style-type: none"> → Sustainability report – Sustainable solutions and Resource efficiency, pages 53 to 57 |
| Employees | <ul style="list-style-type: none"> → Group Inclusion, Diversity & Equal Opportunities Policy → Disciplinary Policy & Procedure → Grievance Policy & Procedure → Global Flexible Working Policy → Employee Handbook → Global Whistleblowing Policy → Share Dealing Codes → Code of Conduct → Prevention of Bullying & Harassment Policy | <ul style="list-style-type: none"> → Recruitment and retention of the right people → Ethics and regulatory compliance | <ul style="list-style-type: none"> → Sustainability report – Our Code of Conduct, pages 48 to 51 → Sustainability report – Social responsibility, pages 59 to 63 → Gender pay report – pages 59 and 60 |
| Respect for human rights | <ul style="list-style-type: none"> → Modern Slavery & Human Trafficking Policy → Modern slavery statement* → Conflict minerals statement* → Data Protection Policy → Code of Conduct* | <ul style="list-style-type: none"> → Ethics and regulatory compliance | <ul style="list-style-type: none"> → Sustainability report – Our Code of Conduct, pages 48 to 51 → Modern slavery, human trafficking and conflict minerals statements – see www.victrexplc.com |
| Social matters | <ul style="list-style-type: none"> → Sustainability Policy → Code of Conduct* | <ul style="list-style-type: none"> → Recruitment and retention of the right people | <ul style="list-style-type: none"> → Sustainability report – Social responsibility, pages 59 to 63 |
| Anti-corruption and anti-bribery | <ul style="list-style-type: none"> → Anti-bribery & Corruption Policy → Fraud Policy → Conflict of Interests Policy → Gifts & Hospitality Policy → Financial Crime Policy → Policy on Interaction with Healthcare Professionals → Procedure on Interaction with Politically Exposed People → Export Controls & Sanctions Policy → Competition & Anti-Trust Policy → Code of Conduct* | <ul style="list-style-type: none"> → Ethics and regulatory compliance | <ul style="list-style-type: none"> → Sustainability report – Our Code of Conduct, pages 48 to 51 |
| Description of the business model | | <ul style="list-style-type: none"> → All principal risks | <ul style="list-style-type: none"> → Business model, pages 10 and 11 |
| Non-financial key performance indicators | | <ul style="list-style-type: none"> → All principal risks | <ul style="list-style-type: none"> → Non-financial key performance indicators, pages 21 and 22 |

* These policies are published on www.victrexplc.com, along with being available to employees via the Group intranet. All other policies listed are available to employees via the Group intranet.



Sustainability report continued

OUR POSITION ON TCFD

Victrex welcomes the introduction of the Task Force on Climate-related Financial Disclosures ('TCFD') and recognises the impetus this will provide for companies and stakeholders to understand relevant climate-related risks and to also ensure appropriate risk mitigation processes are in place.

Victrex looks forward to sharing our first full disclosure in next year's Annual Report (FY 2022).

We have been developing our understanding of the Group's exposure to climate change risk, completing a 'gap analysis' to full TCFD alignment, and creating a clear plan to take us towards a complete and comprehensive TCFD disclosure. This initial review highlighted that the Group already fulfils many of the TCFD's recommendations. Further work will be implemented during the year ahead.

Summary of key focus areas

GOVERNANCE

- The CEO has overall responsibility for our sustainability strategy including climate related issues
- The Victrex Board is responsible for reviewing and guiding strategy and is committed to sustainability as part of the Victrex Polymer & Parts strategy
- The Sustainability Steering Team and sub-committees monitor and review performance against key performance indicators

STRATEGY

- Climate change related risks and opportunities have been identified including those involving our products and solutions benefiting society, carbon intensity from our operations, the potential impact of rising sea levels and potential issues in the wider supply chain
- The potential climate-related benefits that our products offer present a strong business opportunity, bringing measurable environmental and societal benefits
- Victrex will be looking at a science based target and a decarbonisation plan to deliver its part of a 1.5°C trajectory
- In FY 2022 we will conduct scenario analysis to assess the impacts of climate risks and opportunities. Our scenario analysis will be based on two scenarios: a 1.5°C Paris-aligned 'low carbon transition' scenario; and a 4°C 'business as usual' scenario, covering the period to 2050 (based on underlying temperature pathways from the Intergovernmental Panel on Climate Change ('IPCC'))

RISK MANAGEMENT

- Business risks (including climate-related risks) are identified and addressed using the corporate risk process (see page 89)
- Each risk is thoroughly evaluated based on the likelihood of occurrence and severity of impact. This is completed at both a gross and a net risk level (i.e. before and after the effect of risk controls and mitigation are taken into account)
- Risk registers are regularly reviewed and risks escalated as appropriate. This approach is used to risk assess all business risks evaluated through the corporate risk management process
- Corporate risks are reviewed by the Board and Executive Risk Committee every six months

METRICS

- Victrex's 2030 goals are shown on pages 44 to 47
- We calculate and track our Scope 1, 2 and 3 GHG emissions, including our absolute carbon and measures of intensity according to the GHG Protocol Corporate Standard
- We have established longer-term aspirational goals with associated near-term milestone targets related to climate change; this includes our aspiration to achieve carbon net zero for our own operations by 2030
- We have also committed to the SBTi to start the process of establishing a science based target in line with the global accord to minimise global warming to 1.5°C

What is Victrex doing on TCFD?

The Victrex Management Team (chaired by the CEO) is responsible for reviewing and guiding major plans of action to achieve the sustainability strategy. Climate change aspects have been reviewed through the sustainability planning and steering process. The corporate 'Sustainability Road Map' specifically addresses climate change impacts from carbon emissions. Further work to support SBTi includes a lifecycle analysis of our products and a more detailed assessment of Scope 3 impacts.

Below the Board and the Victrex Management Team, the highest level committee with responsibility for climate-related issues is the Sustainability Steering Team and associated workstream groups. The team monitors and reviews performance against the corporate sustainability policy. The policy was established following a materiality review that helped to prioritise climate change risks and opportunities. The policy focuses on climate change risks and opportunities including resource efficiency and sustainable solutions.

The Sustainability Steering Team and sub-committees monitor and review performance against key performance indicators. Key performance indicators are reported annually in the Annual Report. We also engage with external assessments such as DJSI, MSCI, SEDEX and EcoVadis to systematically assess our Sustainability and climate-related programmes and identify opportunities to continually improve.

Victrex Board

The Board has reviewed the proposed 2030 goals and plans and will continue to challenge how they are embedded, whilst ensuring sustainability remains at the core of our purpose, values and strategy

Victrex Management Team ('VMT')

The VMT embeds sustainability strategy target reviews into the regular performance reviews they undertake with their respective teams

Sustainable solutions | Resource efficiency | Social responsibility | Safety, health and wellbeing

Key working groups led by a relevant VMT member



SUSTAINABLE SOLUTIONS: SUPPORTING CO₂ REDUCTION THROUGH ELECTRIC VEHICLES²

PEEK has been a material of choice for many OEMs and tier 1s across some of the most demanding automotive, under-the-hood applications for those looking to increase efficiency, reduce weight and system cost through functional integration or enhance component reliability and vehicle safety. The thermoplastic is known for its unique combination of material properties which often makes it an alternative to metals and other polymers.

We believe a key differentiator for PEEK is its support towards lowering CO₂ emissions globally. We will be refining our baseline data on the impact of our products in order to support our goal of increasing revenues from those with the most environmental and societal benefits.

More recently with electrified and electric vehicles ('EVs') come new and different challenges for car manufacturers, and new application areas for PEEK polymer solutions.

From traditional combustion engines to EVs on the roads

EVs offer a compelling proposition to improve automotive sustainability, motivated by legislation and government subsidies. EVs are shown to be better for the environment than petrol or diesel cars, emitting fewer greenhouse gases and air pollutants, leading to a reduction in CO₂ emissions.

For PEEK, the material can help enable Zero Emission Vehicles ('ZEVs') deal with the increasing performance needs required to deliver extended range, fast charging and powertrain efficiency to reduce cost.

The lightweight benefits of replacing metal and dynamic wear performance of PEEK also contribute significantly to ICE and hybrid CO₂ improvements. Lightweighting and performance from PEEK, even in a few applications such as vacuum pumps and thrust washers, help to save approximately 80,000 tonnes of CO₂, using European annual mileage for passenger cars (source data on file at Victrex).

The outstanding material properties of PEEK polymers offer advantages in electric powertrain and dynamic applications. For example, in the production of Victrex HPG™ (High Performance Gears) products, capable of replacing metal frictional components with Victrex™ PEEK polymer options that enable improved fuel efficiency through a reduction in frictional losses. Simultaneously, Noise, Vibration and Harshness ('NVH') is reduced by up to 50%.

Powertrain transformation

Solutions developed within the complex processes of EV include improvements in e-motors. Enhanced motor technology can help OEMs to meet emissions targets with cost effective powertrain solutions that do not compromise on durability and time to market.

Victrex recently launched the VICTREX XPI™ product family. These high performing PEEK polymers are specifically designed for improved melt extrusion processing in the manufacturing of high performance magnet wire and meet a combination of demanding properties, such as excellent electrical,

mechanical and chemical resistance and high temperature performance, for e-motor magnet wire. These new VICTREX XPI™ products offer OEMs and e-motor manufacturers improvements in thermal efficiency in high performance electric machines that help address EV challenges and enable range extension and an enhanced driving experience. From a current 9g of PEEK per average car globally, we can see a long-term opportunity of 100g and above with greater adoption of EVs using high performance materials, particularly those requiring higher voltage batteries and applications supporting them. The opportunity for Victrex to continue contributing to CO₂ reduction through our sustainable products remains strong.





Sustainability report continued



RESOURCE EFFICIENCY

Resource efficiency

Alongside our sustainability vision (see pages 44 and 45) to become carbon net zero by 2030, our products already offer recyclability potential and support for a circular economy. With lighter materials which can support CO₂ savings, we have clear sustainable benefits to society, but also have an impact on the environment through the resources that we use to make our products and the processes that we operate. We focus on controlling these impacts and, as we grow, are committed to continual improvement. Our priorities remain the efficient use of energy and water and waste minimisation and we are proactively focusing on improvement in these areas.

The business-wide impact of COVID-19 limited the extent to which resource efficiency projects could be implemented over the past year; however, the following examples demonstrate our commitment to ensuring that the momentum for such improvements is maintained:

- Reduction in caustic usage at our UK Seal Sands site through optimisation projects;
- Reduction in water use on scrubber systems and electricity consumption with the polymer plants at our UK Hillhouse site;
- Production areas within our Melt Filtration facility (UK Hillhouse) have been upgraded to more efficient LED lighting, reducing electricity usage; and
- Within the Films production plant, there has been an increase in the quantity of standard PEEK reclaimed and the introduction of reclaimed material from 97.5% to 99.99%.

Principal environmental impacts

The Group's main environmental impacts are set out in the charts on page 55 and are different from the Group's overall greenhouse gas ('GHG') emissions (on pages 56 and 57). These show energy use, water use and waste from our main UK polymer production sites. These production sites have the biggest potential environmental impact (consuming 98% of energy for the Group); the impact from our US Gears facility, our UK Fibres plant and our overseas technical and office facilities is not material at this stage and is not included.

We have reported data per unit of revenue to best align our indicators with our Polymer & Parts strategy as we move downstream into more specialised manufacturing with a varied product mix, along with absolute data to demonstrate our total impact. Encouragingly, targeted improvement projects resulted in lower energy and water efficiencies per unit of plant output. Environmental indicators benefited from lower sales volumes.

Our GHG report (updated in line with the UK government's new policy on Streamlined Energy and Carbon Reporting ('SECR')) includes our corporate CO₂ emissions by emission type (Scope 1 emissions generated by the direct combustion of gas; Scope 2 emissions from purchased electricity and steam; total energy used; and Scope 3 emissions from other sources, for example distribution). Absolute emissions data is reported along with Scope 1 and 2 emissions per unit revenue.

Our participation in the Carbon Disclosure Project ('CDP'), which benchmarks global companies, has recognised our efforts in this area. CDP measures companies in their efforts to reduce carbon, and during the year we were pleased to maintain our score of a B- grade, higher than the European regional average. Due to our polymer operations being located in the North West of England, an area of high rainfall and low water stress, we did not participate in the CDP water disclosure but would note that our water usage has decreased in absolute terms by approximately 17% over the last five years, principally as a result of operational improvements to our process

and a focus on water and resource efficiency. Additionally, water reduction – through process improvement – remains one of our 2030 goals as set out in our sustainability vision last year.

Compliance

Proactively staying well ahead of environmental standards is part of Victrex's philosophy across our operations. When we design and build new assets we work closely with global regulatory authorities to make sure that the best available techniques to protect the environment are adopted. Our UK chemical production plants are regulated under Environmental Permitting Regulations and, as such, are subject to close regulatory review by the UK Environment Agency. We carry out extensive routine monitoring, with over 2,000 tests per year, to proactively make sure our plants are well controlled with no notifiable permit breaches during the year.

In conjunction with increased demand for PEEK over the past six months, the Hillhouse site re-applied for a Greenhouse Gas Permit to allow the operation of its boiler plant to its full capacity. This was granted by the UK Environment Agency using a fast-track effort and by working closely with the regulatory authority to meet the required target date of 1 August 2021.

Victrex has an effective system for reporting and investigating incidents and near misses. In the period there were no reportable incidents.

We have well established systems and procedures in place to manage environmental performance and to achieve continuous improvement.

During the year we successfully retained our ISO 14001:2015 accreditation for the environmental management system on all our polymer manufacturing plants, melt filtration, compounding, film, tape, pipe, dispersion and innovation plants, validating our high level of commitment to environmental improvement.



Energy use (UK operations)

In line with previous reporting, energy use is reported for our UK manufacturing sites.

Energy data is based on meter readings and/or invoices.

Absolute energy was similar to FY 2020 as a result of higher production output and inventories being unwound this year.

Primary energy per unit revenue has decreased due to inventory supplementing our sales volume.

Primary energy Thousands GJ

| | |
|------|------------|
| 2021 | 684 |
| 2020 | 657 |
| 2019 | 794 |
| 2018 | 847 |
| 2017 | 764 |

Primary energy per unit revenue Thousands GJ/£m

| | |
|------|------------|
| 2021 | 2.2 |
| 2020 | 2.5 |
| 2019 | 2.7 |
| 2018 | 2.6 |
| 2017 | 2.6 |

Water (UK operations)

Absolute total water usage has increased due to higher production output.

Water usage per unit revenue has remained similar as a result of higher volumes produced and process improvement.

Water usage Thousands m³

| | |
|------|------------|
| 2021 | 467 |
| 2020 | 396 |
| 2019 | 499 |
| 2018 | 605 |
| 2017 | 566 |

Water usage per unit revenue Thousands m³/£m

| | |
|------|------------|
| 2021 | 1.5 |
| 2020 | 1.5 |
| 2019 | 1.7 |
| 2018 | 1.9 |
| 2017 | 2.0 |

Waste (UK operations)

Whilst our manufacturing process generates hazardous waste, we work closely with licensed waste service providers to ensure that it is recovered, recycled or disposed of with minimal environmental impact. Waste generation is based on consignment note records.

Total hazardous waste decreased this year driven by lower volumes manufactured in our upstream monomer facilities and unwinding of inventory post-Brexit.

During the past year we have started to develop and implement a waste reporting portal which has led to the improved reporting of waste volumes and enabled our efforts to be targeted around waste contractor management, compliance and extracting accurate and timely data. It is planned that the Waste Portal will be extended in the near future to include a dashboard interface to allow trends and points of waste generation to be more accurately identified and analysed.

Hazardous waste produced Tonnes

| | |
|------|---------------|
| 2021 | 11,914 |
| 2020 | 27,430 |
| 2019 | 30,311 |
| 2018 | 33,910 |
| 2017 | 33,416 |

Hazardous waste produced per unit revenue Tonnes/£m

| | |
|------|-----------|
| 2021 | 39 |
| 2020 | 103 |
| 2019 | 103 |
| 2018 | 104 |
| 2017 | 115 |

Hazardous waste disposed to landfill (after treatment) Tonnes

| | |
|------|----------|
| 2021 | 1 |
| 2020 | 12 |
| 2019 | 15 |
| 2018 | 7 |
| 2017 | 19 |

Hazardous waste disposed to landfill (after treatment) per unit revenue Tonnes/£m

| | |
|------|--------------|
| 2021 | 0.003 |
| 2020 | 0.05 |
| 2019 | 0.05 |
| 2018 | 0.02 |
| 2017 | 0.07 |



RESOURCE EFFICIENCY CONTINUED

Greenhouse gas ('GHG') emissions

Our GHG report has been updated in line with the UK government regulations on Streamlined Energy and Carbon Reporting introduced in 2019.

Emissions have been calculated based on the GHG Protocol Corporate Standard. Emissions reported correspond with our financial year. We have included emissions from both our owned and leased assets for which we are responsible in the UK and overseas. This includes our manufacturing plants, technical centres and offices. No material Scope 1 or Scope 2 emissions are omitted. National and regional emission conversion factors have been used.

Indicative Scope 3 emissions have been included in our report for greater transparency including indirect emissions from business flights and international air and shipping goods freight.

Our GHG emissions are predominantly from gas combustion and electricity use on our chemical production plants in the UK. We continue to improve our proportion of renewable energy, with over 87% (up from 85% in FY 2020) of our global electricity needs now from renewable sources. Emissions from our Gears facility in the US and Fibres facility in the UK are now included but are relatively immaterial. Additionally, emissions from our overseas technical facilities and offices are small

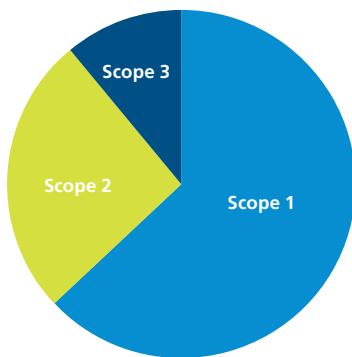
compared to production activities, which explains our focus on production site environmental reporting metrics.

Direct emissions from fuel combustion (Scope 1) increased due to higher production volumes compared to FY 2020. Indirect emissions (Scope 2) from electricity purchased reduced due to lower production volumes of upstream manufacturing facilities and the benefit of a lower CO₂e conversion factor for UK electricity in FY 2021.

Other indicative indirect emissions (Scope 3) from transport of goods and employees have increased markedly, primarily due to global freighting and short-term customer demand requiring air-freighting, offset by reduced business travel due to COVID-19.

Victrex GHG emissions 2021 based on Victrex financial year 2020/21

Tonnes of CO₂e equivalent 2021 from PEEK manufacture and downstream products.



SCOPE 1

Direct emissions resulting from combustion of fuels Tonnes CO₂e

| | |
|------|--------|
| 2021 | 20,161 |
| 2020 | 18,241 |
| 2019 | 23,820 |
| 2018 | 25,499 |
| 2017 | 22,684 |

SCOPE 2

Indirect emissions resulting from electricity and steam purchased (location-based method) Tonnes CO₂e

| | |
|------|--------|
| 2021 | 8,293 |
| 2020 | 9,212 |
| 2019 | 11,065 |
| 2018 | 12,722 |
| 2017 | 13,707 |

SCOPE 3

Other indirect emissions from related activities such as transport of goods and employee business travel Tonnes CO₂e

| | |
|------|-------|
| 2021 | 3,437 |
| 2020 | 1,612 |
| 2019 | 2,536 |
| 2018 | 8,197 |
| 2017 | 8,136 |

INTENSITY MEASUREMENT (SCOPE 1 AND 2)

Tonnes CO₂e/£m revenue

| | |
|------|-----|
| 2021 | 90 |
| 2020 | 103 |
| 2019 | 119 |
| 2018 | 117 |
| 2017 | 125 |



Global GHG emissions and energy use data

| | 2020 | 2021 |
|--|---------|----------------|
| Scope 1/tCO₂e | | |
| Global | 18,241 | 20,161 |
| UK | 18,035 | 19,953 |
| Global (excluding UK) | 207 | 208 |
| Scope 2 (location based)/tCO₂e | | |
| Global | 9,212 | 8,293 |
| UK | 8,501 | 7,511 |
| Global (excluding UK) | 710 | 782 |
| Scope 2 (market based)/tCO₂e | | |
| Global | 2,442 | 1,980 |
| UK | 1,614 | 1,088 |
| Global (excluding UK) | 828 | 892 |
| Gross Scope 1 and Scope 2 (location based)/tCO₂e | | |
| Global | 27,453 | 28,454 |
| UK | 26,536 | 27,464 |
| Global (excluding UK) | 917 | 990 |
| Energy consumption/MWh | | |
| Global | 131,954 | 140,843 |
| UK | 130,033 | 138,676 |
| Global (excluding UK) | 1,921 | 2,167 |
| Intensity ratio/tCO₂e | | |
| Gross Scope 1 and Scope 2/£m revenue | | |
| Global | 103 | 90 |
| Methodology | | |
| Based on GHG Protocol Corporate Standard | | |

* This year's data includes emissions from our South Korea office and business travel by car.

Environmental management – continued improvements

In order to drive improvement a further range of energy efficiency projects have been implemented during the year.

We understand that the capture and collation of data is fundamental to managing our environmental impact. Our approach has been an 'if we can't measure it, we can't manage it' principle and as such a global reporting portal covering energy consumption has been constructed over the past year in partnership with our service provider, covering our Scope 1 and Scope 2 emissions. The key steps involved in developing the Victrex Energy Portal have been:

- The establishment of standardised data capture profiles at site and Company level;
- Assignment of responsibility for compliance requirements, operating and emission limits, and record keeping requirements;
- Defining trends and analysing volumes at site and Company level;
- Defining and monitoring targets; and
- Generating reports to meet regulatory requirements and internal reporting needs.

The overall objective for the Victrex Energy Portal is to develop a Company-wide energy dashboard with the capability of providing energy information such that we can identify key consumers and leakages and intelligently target improvements and capital to deliver our 2030 net zero vision.

NOx (Oxides of Nitrogen reporting)

Pleasingly, our operations emit around 50% below the threshold levels of approximately 100 tonnes per annum required for external reporting.

During the past 12 months, 52.6 tonnes of NOx (expressed as NO₂) was generated from our principal manufacturing sites directly in the manufacture of PEEK. This was calculated using monitoring data and assumptions around plant availability and actual operational periods. The reduction in inventory has contributed to an overall reduction of NOx from the production of PEEK compared to previous years.

REACH

Following the UK's withdrawal from the EU and the subsequent transition period, the EU REACH Regulation has been brought into UK law under the European Union (Withdrawal) Act 2018. REACH, and related legislation, has been replicated in the UK with the necessary changes to make it operable in a domestic context. The key principles of the EU REACH Regulation have been retained. The new domestic regime is known as UK REACH.

UK REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals regulations) is a well-established regulatory regime for the chemical industry and Victrex has well-established processes in place to comply with it. We regularly monitor and review to ensure that raw materials involved in our manufacturing process are compliant and that REACH will not adversely impact on security of supply, which is important both for Victrex and for our customers who are focusing on long-term demand.



Sustainability report continued



SAFETY, HEALTH & ENVIRONMENT

Occupational safety, health and environment ('SHE')

The occupational safety and health of all our employees, along with contractors and visitors to our sites, remains the highest priority for Victrex.

This year we have continued to protect our people from the COVID-19 pandemic by acting swiftly based upon our learnings in the last twelve months whilst always following local and national guidance and ensuring that robust controls are in place within each Victrex location.

The pandemic has continued to delay some SHE proactive improvement activities; however, during this period we have continued to operate safely and to continuously improve our SHE systems and procedures.

FY 2021 saw the continuation of our **zero accidents and zero incidents** SHE culture improvement programme and we have: completed our first global SHE survey, which resulted in a culture engagement score of 79% from a 60% response; created our first SHE golden rules; launched an SHE accountability framework; and created an SHE Leadership masterclass workshop with 140 global leaders taking part.

We have also initiated a process safety management improvement programme and are updating the Victrex SHE safety management system in line with the ISO 45001 standard, making good progress with both workstreams.

SHE KPIs

Our SHE KPIs are now reported in line with the OSHA criteria.

Our FY 2021 performance pleasingly shows a reduction in both our recordable injury frequency rate ('RIFR') and our lost time frequency rate ('LTFR'). We remain well below the OSHA industry standard RIFR rate (1.9) and LTFR rate (0.6).

Our recordable frequency rate has reduced by 45% from 1.30 to 0.71 and our injury related RIDDORs have reduced by 50% (to 1).

Our aspiration is to achieve a **zero incident and accident culture** and delivering our aspiration will rely on us keeping a mindset where we all behave in the right way, do the right thing, make the right decisions and act quickly when it comes to taking care of each other and the environment.

| Recordable injury frequency rate | FY 2019 | FY 2020 | FY 2021 |
|---------------------------------------|-----------|-----------|------------------|
| Total number of recordable injuries | 9 | 12 | 6 |
| Total hours (employee and contractor) | 1,746,332 | 1,854,529 | 1,690,374 |
| Frequency rate | 1.03 | 1.30 | 0.71 |
| OSHA benchmark | | 1.7 | 1.9 |

Frequency rate = total number of recordable injuries x 200,000/total number of hours worked (employee and contractor).

| Lost time injury frequency rate | FY 2019 | FY 2020 | FY 2021 |
|------------------------------------|-----------|-----------|------------------|
| Total number of lost time injuries | 4 | 7 | 4 |
| Frequency rate | 0.46 | 0.75 | 0.47 |
| Employee hours – injury rate | 1,746,332 | 1,854,529 | 1,690,374 |
| OSHA benchmark | | 0.6 | 0.6 |

Frequency rate = total number of lost time injuries x 200,000/total number of hours worked (employee and contractor).



Our goal is to be an organisation where whoever we are and whatever we are doing the three questions at the forefront of our mind are always: Am I taking care? Is it safe? Am I doing the right thing?

China

Our China manufacturing subsidiary in Panjin ('PVYX') also recorded 500,000 hours with no recordable injuries. A subsequent recordable injury did occur off site. Data on performance during construction is shown opposite.

| PVYX employees | |
|--------------------------|--------|
| Hours worked | 67,504 |
| Recordable injuries | 0 |
| Total RIFR | 0 |
| Reportable environmental | 0 |
| High potential incidents | 0 |

| PVYX project | |
|--------------------------|---------|
| Hours worked | 752,948 |
| Recordable injuries | 1 |
| Total RIFR | 0.27 |
| Reportable environmental | 0 |
| High potential incidents | n/a |

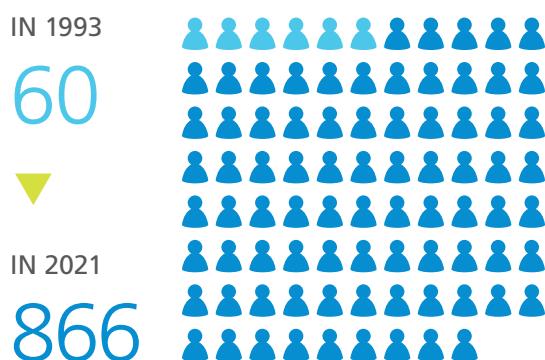


SOCIAL RESPONSIBILITY

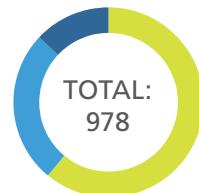
Our social responsibility area focuses on inspiring our employees and communities to positively impact our chosen UN Sustainable Development Goals:

- Good health and wellbeing
- Gender equality/diversity and inclusion
- Quality education/STEM

Permanent employees (as at year end)



Average number of people employed during the year (including Directors), by category



IN 2020

| | |
|--------------------------|-----|
| Make | 596 |
| Develop, market and sell | 250 |
| Support | 132 |



IN 2021

| | |
|--------------------------|-----|
| Make | 541 |
| Develop, market and sell | 224 |
| Support | 130 |

Gender pay

For Victrex, inclusion and diversity is central to our 2030 sustainability strategy which we launched in last year's Annual Report, with our target to embed inclusion and diversity across our global employee base.

Diversity reflects differences in ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking style, experience and education. Put simply, we are all equal and we treat each other in the same way that we would expect to be treated ourselves.

By having a diverse workforce, we are able to draw on a wealth of skills, experience and talent to improve teamwork, drive innovation and successfully deliver our strategy and Company priorities.

Gender diversity and pay

Each year, following the introduction of the Gender Pay Regulations in 2017, we are required to publish information about our gender pay gap. The UK government defines this as:

'The difference in the average earnings of men and women, expressed relative to men's earnings.'

For example, women earn 15% less than men per hour.¹

This is different from 'equal pay', which can be defined as men and women being paid the same for the same work. Victrex is fully compliant with equal pay legislation.

For gender pay gap reporting purposes, we took our 'snapshot' of Victrex Manufacturing Limited at 5 April 2021.

Snapshot headlines

Employees

- There were 612 relevant people employed on full pay.
- 80% were male and 20% female.
- 79% worked within STEM (science, technology, engineering, maths) functions, and 86% of this group were male.
- 100% of our Executive Leadership Team members (executive Directors) were male.
- The proportion of male vs female employees in each of our pay bands was split as follows:
- Lower quartile – 65.16% male vs 34.84% female.

→ Lower middle quartile – 90.13% male vs 9.87% female.

→ Upper middle quartile – 87.50% male vs 12.50% female.

→ Upper quartile – 78.43% male vs 21.57% female.

Pay

- The mean hourly rate of pay for males was 10.98% higher than females.
- The median hourly rate of pay for males was 6.93% higher than females.
- 64.50% of males were paid a bonus, compared with 30.00% of females.
- The mean bonus payment for males was 5.15% lower than females.
- The median bonus payment for males was 28.30% higher than females.
- 37% of our employees were paid a shift premium and 97% of them were male.



Sustainability report continued



SOCIAL RESPONSIBILITY CONTINUED

Gender pay continued

Analysis and action

Analysis

The quartile figures are broadly similar to FY 2020 but there are some differences in the percentages.

Actual pay after salary sacrifice

Victrex operates salary sacrifice schemes for pensions, childcare vouchers, cycle to work and share incentive plans. Employees take advantage of these benefits through personal choice. However, the gender pay statistics are calculated after salary sacrifice; therefore, these personal elections are impactful on our statistics.

Mean & Median hourly rate

Shift premiums are paid to reflect different working patterns in our manufacturing operation, where the majority of employees are male. This continues to directly impact our hourly rate of pay.

In April 2021, we paid a one-off payment of £500 to our manufacturing employees as part of the annual salary review process. Awards were paid to 240 male employees and 6 female employees. Under the gender pay calculations, bonuses paid in April are included in the hourly rate calculation (as the cut-off for bonuses is 30 March). This has had a small detrimental effect on the average pay calculation (0.37%). If this award payment was excluded from the calculation, the mean hourly rate would reduce from 10.98% (2020) to 10.56% (2021).

Although still higher for males, we continue to see positive year on year trends. For example, we continue to see positive trends in female progression through both formal schemes such as apprenticeships and via internal promotion. Victrex is currently supporting 49 apprenticeships, with the majority predominantly in manufacturing roles.

Quartiles

The proportion of female employees in each of our pay bands has increased versus the prior year. This is in part due to the cost saving programme undertaken in 2020, where a higher proportion of males than females left the business through voluntary redundancy and retirement.

Bonuses

For the calculations in this report we have included:

- the taxable gain on the sale of share options – where employees decided to sell for whatever reason, e.g. share price, personal financial circumstances, etc. (eligible to all);
- sign-on bonuses – payable to new starters, usually in niche or critical skills roles, as an incentive to join the Company;
- functional awards – which form part of our Award & Recognition programme (eligible to all); and
- COVID-19 awards – paid to those employees categorised as key workers who have been required to work on site during the COVID-19 pandemic.

Our annual All-Employee Bonus Scheme was not triggered in the 2020 financial year. The bonus data reported this year is therefore comparable to FY 2019 although it is not truly reflective of earlier years, when the bonus has been triggered.

Action

I have sponsored inclusion and diversity ('I&D') personally, with support from our Head of Learning and Inclusion, as part of the Human Resources Leadership Team. We continue to focus our efforts to ensure that our pay and bonus plans are inclusive globally, and our total reward offering is competitive for both male and female employees. We continue to have equitable policies and processes, regardless of gender.

We have also:

- Implemented a new All-Employee Bonus Scheme aligned to the achievement of budgeted profit before tax ('PBT'). This aligns all employees, including all executive Directors, under the same targets;
- Rolled out the LinkedIn Learning platform for our global employees and have made a suite of equality, inclusion and diversity learning materials available;
- Implemented a Global Flexible Working policy as well as the opportunity to buy additional annual leave;

- Introduced Gender Engagement networks globally and mentoring for inclusion for a number of women;
- Introduced a target of 40% of our leadership group (top two grades) being female by 2030, from 10% in FY 2021; and
- Continued to drive a business-wide objective focused around 'working together', designed to encourage greater awareness and support for I&D. Employees globally are focusing on this objective through individual performance appraisals. This effort is driving ownership to ensure that all managers and leaders are aware of our commitments and their responsibilities to help meet them.

Over time, we are confident that these initiatives, alongside our other inclusive policies, will have an impact on the balance of male vs female employees at all levels in the organisation and support our 2030 Sustainability goals.

Summary

This is our fifth year of reporting on gender pay. The VMT and I remain committed to taking sustainable, positive, proactive actions to improve our statistics and to close the gender pay gap.

Whilst we still have more work to do, we strongly believe that the actions we're taking will deliver benefits and I am pleased with the steady progress we continue to report year on year.

COVID-19

Based on the learnings from our employees on their experiences of working during COVID-19 we launched an updated Flexible Working Policy, which has been enabled by our 'work anywhere' IT strategy.

We are extremely proud of how our employees responded to the challenges of COVID-19, demonstrating resilience and cohesion, proving we can face future challenges in the same way.

Jakob Sigurdsson
Chief Executive Officer



Inclusion and diversity

As an inclusive employer we continue to be fully supportive in our engagement of current and prospective employees regardless of gender, age, disability, ethnicity, etc. We have continued to ensure all our recruitment and selection processes support an inclusive approach at every stage of the process. This has included working with external recruitment agencies on supplying us with diverse shortlists as a critical part of our agreement with them.

We continue to give full and fair consideration in our recruitment and selection process to any applicant with a disability. For disabled persons employed by Victrex, be that upon commencement or whom become disabled during their employment, Victrex is committed to ensuring equality of opportunity for training, career development and promotion opportunities. We are registered with the UK government's 'Disability Confident' scheme and demonstrate this commitment globally.

FY 2021 has seen a step change in our approach to inclusion and diversity with more invigorated activities with an initial focus on gender and STEM.

Our focus for FY 2021 has seen the:

- Contribution to the Inquiry into APPG equity in the STEM workforce – July 2021 (all-party parliamentary group in the UK);
- Contribution to the Science Industry Partnership report on equality, diversity and inclusion within STEM workforce;
- Establishment of a global strategic inclusion network. The network aims to review the strategic gaps in the inclusion agenda and identify the focus for the inclusion groups (employee resource groups);
- Establishment of Gender Engagement Networks globally. Whilst all our networks have the same strategic goals the regional nature of the groups enables the agendas to be reviewed through a regional-specific lens ensuring that the focused activities support the local requirements. The US group has been focusing on how men and women manage workloads differently including the focus on household activities;
- Launch of a mentoring programme which focuses on support for people who are under represented in the Company. Training was provided to all involved ensuring a consistent understanding of the programme and outcomes;

- Flexible Working Policy further enhanced and rolled out globally to all employees; and
- Increasing influence of the Race4equality group. Whilst operating out of the US the group has played a critical role in driving race messages across the Company in FY 2021. This has included the creation of two subgroups – one with a focus on education and the other on action.

We continue to focus on developing a future diverse workforce including consideration of greater ethnicity. Activities this year have seen:

- The development and delivery of a two-day virtual work experience programme which focused on BAME and female students and reached 38 participants.
- As part of our International Day of Women and Girls in Science we ran an empowering women event which was aimed at encouraging women into STEM careers. The session was run with Leeds College in the UK and focused on myth busting about jobs in science. Whilst this was a live event the recording has since been shared with multiple students.
- We have developed an 'Inspiring the Next Generation' playlist on YouTube which shows us showcasing case studies of women in Victrex talking about their job roles.

At the end of FY 2021, 67% of our Board were male and 33% were female. 33% of our senior managers were female*. In the grouping of senior managers and their direct reports, 53% were male and 47% were female. Of the rest of our employees 77% were male and 23% were female.

As at 30 September 2021:

| | Male | Female | Grand total |
|--|------------|------------|-------------|
| Board of Directors | 6 | 3 | 9 |
| Senior managers* | 4 | 2 | 6 |
| Senior manager and direct reports | 17 | 15 | 32 |
| Rest of employees | 654 | 197 | 851 |
| Grand total (permanent employees) | 664 | 202 | 866 |

* Defined as VMT members excluding the Board executive Directors. VMT members are listed on page 77.



40% – target for females in our leadership group by 2030.

We continue to be proud of our recognition programmes, celebrating the achievements of our employees through 'instant' and 'functional' awards, our annual CEO Awards which recognise the global talent across Victrex and our Professional Development Awards celebrating those of our employees completing further education to gain a qualification.

In FY 2021, there were 90 Above & Beyond Awards, 140 functional awards, 70 CEO Awards and 48 Professional Development Awards.

Involvement and culture

We continue to offer a range of communication channels, both formal and informal, allowing us to ensure that our employees remain informed of business updates and two-way discussions take place:

- Running our quarterly staff briefings virtually again this year due to COVID-19 restrictions, which allow our employees to 'stay in touch' with our leadership team and hear about business updates. Our leadership team has also been running specific employee sessions which have covered topics including 'how we can make our meetings more effective' and 'improving speed and agility'.
- Brendan Connolly, our workforce engagement non-executive Director, has been virtually meeting with our employees globally to listen to employee voice, explore views and drive employee engagement.
- Following our 2020 Employee Engagement Survey we have been focused on driving improvements in the last twelve months. 64% of our employees feel that we have listened to their views in relation to improvements and 66% of employees believe that we will take action on making improvements. We established a specific group – Victrex Engagement Steering Team ('VEST') to drive progress and action.

Next year will see a continuation of our engagement activity including the latest bi-annual Employee Engagement Survey, to continue to ensure employee voice is embedded within our culture, built on innovation and delivering with speed and service.



Sustainability report continued



SOCIAL RESPONSIBILITY CONTINUED

Development

Employee development is always a focus and this year saw us embracing digital learning in a more active way by introducing a much more comprehensive e-learning and digital learning solution. This has been very well received and shows our employees increasing their volume of digital learning by a total of 705 hours specific to the new digital learning. Seminar based development has been limited for many employees this year due to homeworking and COVID-19. In our Operations area, it has continued to be of importance with 96% taking part in learning. Our ongoing focus on safety has seen 140 managers attend SHE Safety masterclasses and then workshops rolled out to all employees. 98% of employees have attended SHE sessions to date.

In FY 2021 we had 49 (40M:9F) employees on apprenticeship programmes including 5 (3M:2F) employees completing their qualifications. Employees across Victrex have completed 16,247 hours of learning in FY 2021.

Wellbeing

With many of our employees working from home through the majority of FY 2021, or in restricted operating conditions, due to COVID-19 the Safety, Health & Wellbeing of our employees has been our number one priority. A recent culture survey carried out reported that 67% of employees felt that Victrex is genuinely interested in their wellbeing, which is a 3% increase on the previous year. We introduced a number of initiatives over the last twelve months such as 'Wellbeing Wednesday' which focuses on a different topic each week such as menopause, mental health, etc. and provides employees with the opportunity to share personal stories. We held a dedicated virtual 'Wellbeing Week' which focused on topics such as nutrition, exercise, mind and health and fun activities. In November 2020, a number of employees took part in 'Movember' drawing support across our global community with a total of 37 marathons completed and over £8,500 raised.

Our annual Global SHE Day took place in line with the 'World Day for Safety and Health at Work 2021' in April, with our employees being given time to focus on healthy body, healthy mind and healthy eating. We held virtual workshops such as 'Posture Principles', 'Positive Wellbeing

Strategies in the Workplace' and 'What the Body Needs'. An employee shared their experiences and delivered virtual presentations on 'How to Avoid Burnout'. For our employees on site, socially distanced workshops were held and the day was a great success.

In addition to these initiatives, we also continue to provide occupational health, private medical and employee assistance programme services to all our employees. We are committed to improving employee wellbeing and engagement with a healthier and more inclusive culture and aim to continue building on the foundations from this year to ensure the Safety, Health and Wellbeing of all our employees.

Community volunteering

Inspiring the next generation of talent continues to be a key focus for Victrex. Throughout FY 2021 we have adapted our strategy to enable us to continue to support the communities where we operate. This includes consulting and discussing with these communities on the long-term benefits from partnering with Victrex and where our support can be most valued. We have established a global network of Social Responsibility Ambassadors aimed at increasing community volunteering (and consultation) across each region, as well as engaging our global workforce in our community agenda.

As part of our adapted approach, we developed a two-day virtual work experience programme aimed at 14–16-year-old students across the UK, with a focus on BAME and female students. This programme provided 38 young people with a total of over 380 hours of work experience, giving them insights across a range of careers including science and engineering to help prepare them for entering the world of work.

This programme was supported by our team of STEM Ambassadors which continues to increase year on year with 44 employees now engaged in the STEM Ambassador programme. During FY 2021 alone our educational activities impacted over 1,600 young people across 70 activities with a total of 320+ hours focused on inspiring the next generation in STEM.

In addition, our employees have donated 3,559 hours to the communities where they live and work, bringing us to a total of 10,575 cumulative hours to the community since 2013. Our target of 10,000 hours by 2023 has been exceeded two years ahead of target.

Throughout FY 2021 we have continued to support community initiatives including:

- UK government led National Apprenticeship Week 2021 – Victrex ran six 'Careers Workshops' over five days and developed several virtual resources to celebrate our existing apprentices and help educate young people in various career options available in their local area;
- Virtual Field Trip with over 70+ Materials Science students from the University of Manchester – adapting our usual on-site offering to provide insights into industry;
- UK Enterprise Advisor Programme focused on engaging with local schools to help develop their career programme offerings as part of our Cornerstone Employer membership (currently three advisors);
- Completion of BiTC's Responsible Business Tracker – a measurement tool to assess our performance as a responsible business. Built around the UN Sustainable Development Goals ('SDGs') – highlighting our commitment to responsible business improvement;
- Continued membership with Business in the Community ('BiTC') including 'Pride of Place' – focused on developing the Blackpool (UK) area to provide more opportunities for the community;
- New and continued relationships, to develop our STEM outreach offering, with organisations such as STEM Learning, Speakers for Schools, Careers & Enterprise Company, SIP and Catalyst Science Discovery Centre;
- Collaboration with Speakers for Schools, SIP and STEM Learning to support a range of UK-wide networking groups aimed at inspiring local businesses to play an active role in supporting career outreach programmes, including additional sessions with local schools, colleges and universities to provide ongoing support and solutions to career outreach programmes throughout the pandemic;

- Supporting employees, through our partnership with Science Industry Partnership ('SIP'), by upskilling some of our STEM Ambassadors to enable them to deliver impactful outreach programmes virtually;
- Launched a dedicated YouTube playlist focused on 'Inspiring the Next Generation' with a focus on gender inclusion across our business; and
- Supporting employees taking part in a range of online initiatives to help grow the STEM workforce – opportunities have included 'I'm a Scientist, Get Me out of Here!', 'Virtual Career Day' events, a range of online virtual case studies and more.

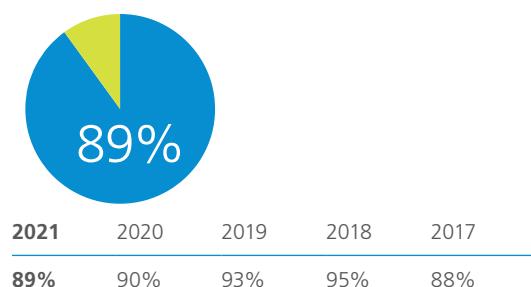
Community volunteering in action

Our global, employee-led, charity and community teams have continued to support the local communities where we work throughout FY 2021. Our key focus has been regenerating our local areas, global foodbank donations and a wide range of other community led initiatives aimed at giving something back.

Victrex also remains active in the UK National Business Response Network (established by BiTC) – aimed at providing support for local businesses and charities throughout the COVID-19 pandemic.

In addition, Victrex has supported a range of charitable donations totalling £88,178 (FY 2020: £118,659).

Participation in employee share schemes



Note: Excludes employees with a tenure less than a year.

As a business we continue to focus on:

- the safety, health and wellbeing of our employees being our highest priority;
- promoting our values of Passion, Innovation and Performance and a culture of innovation, service for customers and delivering with speed;
- ensuring an inclusive and diverse workforce with appropriate policies;
- being socially responsible to the communities where we operate and being aligned to the UN Sustainable Development Goals, including increasing our sustainable products;
- providing appropriate remuneration for work carried out and equal opportunities for development and career advancement; and
- being intolerant of any unacceptable working practices such as any form of discrimination, bullying or harassment.

7%

Voluntary employee turnover

| 2021 | 2020 | 2019 | 2018 | 2017 |
|------|------|------|------|------|
| 7% | 4% | 5% | 5% | 3% |



Introduction from the Chairman

FY 2021 highlights

- Managing COVID-19
- Continued focus on health, safety and wellbeing
- Succession planning – new Chair search
- Progressing mega-programme milestones
- Keeping under review developments in corporate governance and evolving investor and sustainability expectations, actioning changes where appropriate
- Arranging 'virtual' Board visit to some of our Asia sites, which took place in October 2021

FY 2022 priorities

- Greater Return to Site as part of living with COVID-19
- Continuing to prioritise health, safety and wellbeing of our people
- Continued focus on meeting our mega-programme milestones
- Further progress and additional disclosures in our ESG agenda
- Smooth transition for incoming Chair
- Appointment of a new Chief Financial Officer
- Reviewing the results of the FY 2022 Employee Engagement Survey



INTRODUCTION FROM THE CHAIRMAN

Dear shareholders,

With a solid and sustainable recovery following the impact of COVID-19 in the previous year, it has been pleasing to see a strong response from our people, support to meet the needs of our customers, continued involvement with local communities, and a robust financial profile – including strong cash generation – being maintained. Overall, the Group is well positioned for the future coming out of the pandemic and our long-term growth opportunities and ESG credentials remain strong. Further details of how we responded to COVID-19 are set out on page 6.

The Board and its Committees met regularly using video conferencing technology ensuring continued strong governance. It was pleasing to hold our Board and Committee meetings in September 2021 in person whilst observing our COVID-19 control measures to prioritise health and safety. An outline of topics covered by the Board in the year is set out on pages 75 and 76.

We have continued to enhance our stakeholder engagement and have continued to place stakeholder interests at the centre of our considerations as we strive to meet our purpose and strategic aims. The second report from our non-executive Director, Brendan Connolly, who has embraced his responsibility for workforce engagement, as well as details of engagement with shareholders and other key stakeholders can be found on pages 79 and 80. Our section 172 statement is set out on pages 18 to 20. We anticipate undertaking investor roadshows in the UK, Europe and US during FY 2022.

The monitoring of our culture continues to be a key priority for the Board and we will be conducting an Employee Engagement Survey again in 2022, building on the high engagement score of 73% achieved in 2020.

We continue to drive the long-term sustainability of Victrex and opportunities to underpin growth. This year, we approved further investments in our manufacturing capabilities and monitored the progress of our manufacturing subsidiary with Yingkou Xingfu, an existing supplier, in establishing a PEEK manufacturing facility in China which is due to become operational during calendar year 2022.

We received positive feedback from major investors following the launch of our 2030 sustainability goals last year, with an enhanced approach aligned with the UN Sustainable Development Goals 2030, thereby being in step with our purpose and where Victrex could have the most impact for our employees, for our customers and suppliers, for our communities and for our investors. With our sustainable business model and sustainable products already recognised by several ESG reporting agencies – for example, in supporting the lightweighting trend and the ability of our products to support CO₂ reduction in Transport markets, as well as bringing clinical benefit in Medical, we took the opportunity to set out longer-term goals as well as clear measures behind these. We have also added new disclosures this year and set out our position on the Task Force on Climate-related Financial Disclosures ('TCFD'), which we will report on next year. Additionally, alignment of executive remuneration with sustainability targets has been introduced this year. See pages 102 and 103 for more information.

Led by our Senior Independent Director, Dr Ros Rivaz, during FY 2021 a search process was conducted for a new Chair, recognising I have served longer than the recommended nine years in role. The Board was delighted to announce the appointment of Dr Vivienne Cox as non-executive Director with effect from 1 December 2021, becoming Chair designate on 1 January 2022 and taking over from me as Chair with effect from the end of the Annual General Meeting in February 2022. It has been a privilege and honour to serve Victrex and I look forward to following the Company's progress over the years ahead. I also look forward to working with Vivienne to ensure a smooth transition. More details about the search process are provided on page 82 and Vivienne's biographical details can be found on page 67.

Board effectiveness has been reviewed during the year through an internal process using confidential questionnaires developed by each Committee Chair, the Company Secretary and me. I am pleased to confirm that the review found that the Board and its Committees continue to perform effectively. Further details can be found on pages 71 and 78. As at year end we continued to have 33% female representation on our Board and as at the date of this report this has increased to 40%. Below the Board, we have two women on our Victrex Management Team ('VMT') which, excluding the executive Directors, means there is 33% female representation at senior management level. As at 30 September 2021, 15 of the 32 people who comprise the Group senior management and their direct reports excluding Board Directors were women (47% female representation at this level). A description of the VMT, its



With a solid and sustainable recovery following the impact of COVID-19 in the previous year, it has been pleasing to see a strong response from our people, support to meet the needs of our customers, continued involvement with local communities, and a robust financial profile – including strong cash generation – being maintained.

Larry Pentz
Chairman

members and the key below Board meetings which support the Chief Executive Officer is set out on pages 74 to 77. To further promote diversity at and below Board level, we plan to focus on enhancing data capture, and reporting of progress on inclusion and diversity initiatives is underway.

Regarding arrangements for our Annual General Meeting in February 2022, following the removal of all outstanding legal restrictions on social contact in July 2021, we hope to welcome the maximum number of shareholders that we are able, within safety constraints and in accordance with government guidelines and recommendations. Please see page 110 for more information.

Notwithstanding the lifting of restrictions, we would strongly urge you to consider carefully the latest public health advice when deciding whether to travel and attend on the day. Attendees will be expected to adhere to any special arrangements and measures that the Company or the Annual General Meeting venue put in place on the day due to the pandemic.

Whether or not you propose to attend the Annual General Meeting in person, you are encouraged to vote on each of the resolutions set out in the Notice of Annual General Meeting by appointing a proxy to act on your behalf. You are strongly encouraged to appoint the Chair of the meeting as your proxy. This will ensure that your vote will be counted if you (or any other proxy you may otherwise choose to appoint) are not able to attend the Annual General Meeting for any reason. If you appoint the Chair of the meeting as proxy, the Chair will vote in accordance with your instructions. If the Chair is given discretion as to how to vote, he will vote in favour of

each of the resolutions in the Notice of Annual General Meeting. All proposed resolutions in the Notice of Annual General Meeting will, once again, be put to the vote on a poll.

If you have any questions for the Board on the business of the meeting, please send them in advance of the Annual General Meeting to ir@victrex.com. We will aim to respond to all questions as quickly as possible. A summary and key themes of the questions and answers will be posted on our website www.victrexplc.com on the morning of the Annual General Meeting.

The Board recognises the need to remain vigilant as we continue to transition to life without restrictions and will continue to monitor developments and the latest government guidance over the coming weeks to ensure that we are able to adapt our arrangements efficiently to respond to any changes in circumstances. We would, therefore, ask shareholders to monitor the Company's website and regulatory news for any updates to Annual General Meeting arrangements.

Larry Pentz
Chairman
6 December 2021



CORPORATE GOVERNANCE

Board of Directors

All Directors listed below were Directors during FY 2021 with the exception of Dr Vivienne Cox who was appointed as a Director with effect from 1 December 2021.

1. LARRY PENTZ

Chairman

Qualifications: BS ChE MBA **Nationality:** US

Appointed to the Board: July 2008 (appointed Chairman on October 2014)

Independent: On appointment

Skills and experience: Larry has a strong record in M&A, strategy implementation and leading international growth businesses in the chemicals industry, as well as extensive operational and general management experience.

Previous roles: Larry was an executive director of Johnson Matthey Plc from 2003 to 2016 and has over 30 years' service within multi-national businesses in a variety of operational and general management positions. He was non-executive chairman of Scapa Group plc from 2017 to 2020.

Other significant appointments: None.



4. JANET ASHDOWN

Non-executive Director



Qualifications: BSc (Hons) **Nationality:** British

Appointed to the Board: February 2018

Independent: Yes

Skills and experience: Janet has over 30 years' experience in the international energy sector working across the value chain from customer facing through to manufacturing in increasingly senior roles with an additional 10+ years as a non-executive director.

Previous roles: Janet had a distinguished career working for BP plc for 30 years where her last role was head of the UK Fuels Business Unit. She was CEO of Harvest Energy, an international private equity backed business, from 2010 to 2012. She was previously non-executive director at SIG plc, Coventry Building Society and Marshalls plc.

Other significant appointments: Janet is a non-executive director, chair of the remuneration committee and chair of the corporate sustainability committee of RHI Magnesita NV, senior independent director and chair of the Environment Safety and Security Committee and Sustainability & Governance Committee of the Nuclear Decommissioning Authority and she is also non-executive director of Stolt-Nielsen Norway AS.

2. DR ROS RIVAZ

Senior Independent Director



Qualifications: BSc (Hons) Honorary DSC **Nationality:** British

Appointed to the Board: May 2020

Independent: Yes

Skills and experience: Ros holds a Bachelor of Science (Honours) degree in chemistry and an honorary doctorate from Southampton University, and has deep international experience in the areas of supply chain management, logistics, manufacturing, IT, procurement and systems in the engineering, manufacturing and chemicals industries.

Previous roles: Ros' executive career spans nearly 30 years. She held senior executive roles at Exxon Chemical Corporation, Tate & Lyle, ICI, Diageo and Premier Foods. Ros served as global chief operating officer for Smith & Nephew from 2011 to 2014. She was non-executive director at Convatec plc, RPC Group plc, Boparan Holdings Limited, Rxam plc and CEVA Logistics AG.

Other significant appointments: Ros is currently senior independent director, employee engagement director and chair of the remuneration committee of Computacenter plc. She is lead independent director of Aperam SA. She is chair of the Nuclear Decommissioning Authority and non-executive director at the Ministry of Defence Equipment and Support board.

Specific contribution to the Company's long-term success: Janet has extensive international executive and non-executive experience. She has experience of chairing remuneration committees across different sectors for over six years and has now been chairing sustainability committees for two to three years.



5. DAVID THOMAS

Non-executive Director



Qualifications: MA FCA **Nationality:** British

Appointed to the Board: May 2018

Independent: Yes

Skills and experience: David has deep experience in a broad range of finance activities within listed companies as both a senior executive and as an audit professional.

Previous roles: David was CFO at Invensys plc from 2011 until his retirement in 2014, having held senior roles across the business since 2002. Prior to joining Invensys, he was a senior partner in Ernst & Young specialising in long-term industrial contracting business and was a member of the Auditing Standards Board.

Other significant appointments: David is senior independent director and chair of the audit committee at Dialight plc.

Specific contribution to the Company's long-term success:

David contributes his expertise in finance and his understanding of the investment community and regulators as both a Board member and Chair of the Audit Committee, as well as his industry knowledge to enhance the risk lens for Board decision making.

3. JANE TOOGOOD

Non-executive Director



Qualifications: MA Hons **Nationality:** British

Appointed to the Board: September 2015

Independent: Yes

Skills and experience: Jane has a wealth of experience across a number of business management, senior commercial and business development roles within the global chemicals industry. Jane holds an MA in natural sciences (chemistry) from the University of Oxford.

Previous roles: Jane held senior roles at Borealis, ICI and Uniqema. She was non-executive director of NHS Harrogate and District Foundation Trust.

Other significant appointments: Jane is the sector chief executive, efficient natural resources at Johnson Matthey Plc.

6. BRENDAN CONNOLLY

Non-executive Director



Qualifications: BSc **Nationality:** British

Appointed to the Board: February 2018

Independent: Yes

Skills and expertise: Brendan has over 35 years' experience in the international oil and gas industry serving in a number of senior executive roles.

Previous roles: Until 2013, Brendan was a senior executive at Intertek Group plc and had previously been CEO of Moody International (acquired by Moody in 2011). Prior to Moody, Brendan was managing director of Atos Origin UK and spent more than 25 years of his career with Schlumberger in senior international roles over three continents.

Other significant appointments: Brendan is senior independent director and chair of the remuneration committee of Synthomer plc, is a non-executive director of Pepco Group NV and also independent director to the Board of Applus Services, S.A. as well as a member of its Environment, Social and Governance Committee and the Appointments and Compensations Committee. Brendan is also on two private equity boards, one of which he chairs.

Specific contribution to the Company's long-term success: With extensive executive and non-executive experience, Brendan brings operational, commercial and strategic expertise and insights; his role as the designated non-executive director for workforce engagement enhances the Board's understanding of the views of employees and the culture of the Company.

**Key to Committees**

Audit

Remuneration

Nominations

Committee Chair

7. JAKOB SIGURDSSON**Executive Director – Chief Executive Officer****Qualifications:** BSc MBA **Nationality:** Icelandic**Appointed to the Board:** October 2017**Independent:** No**Skills and experience:** Jakob holds a BSc in chemistry from the University of Iceland and an MBA from Northwestern University in the US. His executive responsibilities have spanned marketing, supply chain, business development, strategy and M&A, with particular emphasis on growth in new or developing markets.**Previous roles:** Jakob has more than 20 years' experience in large multinational companies, both listed and private, including nine years with Rohm & Haas (now part of Dow Chemical) in the US. He was chief executive at Alfescia, Promens and Vis.**Other significant appointments:** Non-executive director of Coats Group plc.**Specific contribution to the Company's long-term success:** Jakob brings his diverse and international background in chemicals coupled with wider business, executive and non-executive experience to inspire and lead the Group.**8. DR MARTIN COURT****Executive Director – Chief Commercial Officer****Qualifications:** BSc (Eng) PhD **Nationality:** British**Appointed to the Board:** April 2015**Independent:** No**Skills and experience:** Martin is an INSEAD alumnus and holds a doctorate in the field of surface chemistry and fracture mechanics and a BSc (Eng) in mineral technology from the Imperial College of Science and Technology. He has broad international experience in strategy, innovation-driven growth and organisational change in high performance materials and chemical industries, having held both senior commercial and technical leadership roles.**Previous roles:** Martin joined Victrex in 2013 as Managing Director of Invibio from Cytec Industries where he served as VP in process separation and VP R&D, previously having held senior leadership roles in UCB S.A. and ICI.**Other significant appointments:** Martin is a non-executive Director at James Cropper plc.**Specific contribution to the Company's long-term success:** Martin's significant diverse international experience and focus on value creation and achieving business growth through innovation and geographic expansion enable him to drive Victrex's commercial and innovation strategies ensuring an appropriate balance between disruptive and non-disruptive change.**9. RICHARD ARMITAGE****Executive Director – Chief Financial Officer****Qualifications:** FCMA **Nationality:** British**Appointed to the Board:** May 2018**Independent:** No**Skills and experience:** Richard has broad experience including financial management, investor relations, capital markets, M&A and commercial management, gained through roles in a number of listed and privately owned chemicals and consumer goods companies.**Previous roles:** Richard was CFO at Samworth Brothers from 2014 to 2018 and CFO of McBride plc from 2009 to 2014. Prior to that, Richard held senior finance roles in Courtaulds plc, ICI plc and Premier Foods plc.**Other significant appointments:** Richard is a non-executive director and chair of the audit committee at NWF Group plc.**Specific contribution to the Company's long-term success:** Richard contributes his financial leadership capability, combined with commercial experience, as the Company continues its profitable growth, and business development experience as the Company expands its footprint.**10. DR VIVIENNE COX CBE****Non-executive Director – Chair designate from 1 January 2022 and Chair from the Company's AGM in February 2022****Qualifications:** MA (Hons) **Nationality:** British**Appointed to the Board:** December 2021**Independent:** Yes**Skills and experience:** Vivienne has a wealth of experience in executive and non-executive roles over more than 40 years, with a particular focus on sustainability, innovation and alternative energy. Vivienne was appointed Commander of the Order of the British Empire ('CBE') in 2016 for services to the economy and sustainability. Vivienne holds an MA (Honours) in Chemistry from Oxford University, an MBA from INSEAD and honorary doctorates from the University of Hull and the University of Hertfordshire.**Previous roles:** Vivienne's previous non-executive roles include serving on the boards of Eurotunnel plc, BG Group plc and Rio Tinto plc, as senior independent director of Pearson plc and as the lead non-executive director for the UK Department for International Development. She also chaired Climate Change Capital, a private asset management and advisory group developing solutions for climate change and resource depletion. Until recently she was chair of Vallourec SA, a global manufacturing company providing solutions to the energy and industrial sectors.**Other significant appointments:** Vivienne is currently a non-executive director of GlaxoSmithKline plc and Stena AB in Sweden, chair of the Rosalind Franklin Institute, and deputy chair of the Said Business School in Oxford.**JANE BRISLEY****Company Secretary**



Statement of corporate governance

This section contains details of how we have applied the principles of the 2018 UK Corporate Governance Code. The Code can be found on www.frc.org.uk. For the year ended 30 September 2021, we are pleased to report that we have applied the principles and complied with the provisions of the Code except as described below.

- We have provided an explanation for not meeting Provision 19 of the Code as Chairman tenure exceeds the recommended nine years – please see page 82.
- Regarding pension provision for executive Directors and Provision 38 of the Code, the executive Directors are currently eligible to receive Company pension benefits of 12% of salary up to a pre-set earnings cap and then 25% of salary above this earnings cap. This is a legacy structure and executive Directors will be aligned with the typical Company rate of pension provided to the wider workforce with effect from 1 October 2022 at 14% of salary – please see page 101.

1. Board leadership and Company purpose

| | | |
|---|---|---|
| A. Role of the Board | <p>The Board performs its role to promote the long-term sustainable success of the Company and is considered to be effective in its approach. An explanation of how the Board operates can be found on pages 73 to 76. The action plan following the 2021 internal Board and Committee effectiveness evaluation is contained on page 78.</p> | For a description of the business model and a description of strategy, please see pages 10 to 17. |
| B. Purpose, values, strategy and culture | <p>The Board endorses the Company's purpose which informs our strategy, our values and our culture and inspires our people. The Board reviews workforce culture and employee engagement through a range of touchpoints throughout the year. We have developed a dashboard of cultural indicators which is reviewed formally twice each year, with any actions to address any areas of concern being monitored more frequently. In addition, the Audit Committee has reviewed the results of internal audits which provide insights into the culture of the Group and individual areas of the business. Following a detailed review of culture which included consideration of the Group's values, the behavioural framework and employee insights from our non-executive Director with designated responsibility for workplace engagement, in conjunction with the annual review of purpose and strategy undertaken, the Board confirmed the alignment between purpose, strategy, values and desired culture.</p> | For more information on our purpose, strategy, values and culture, please see page 78. |
| C. Resources and controls | <p>The Board ensures that the necessary resources are in place for the Company to meet its objectives and measures performance against them. The Board has a framework of controls which enables risk to be assessed and managed. The Group has established an Executive Risk Management Committee which manages risks and establishes and monitors controls in place.</p> | <p>For more information about the risks faced by the Company and the associated governance framework, see pages 33 to 38. See the Audit Committee report on page 89 for information about controls.</p> |
| D. Engagement with shareholders and stakeholders | <p>Victrex has multiple stakeholders who are all important to our business. We are aware that our actions and decisions impact our stakeholders and the communities in which we operate. We recognise that valuable stakeholder engagement underpins our ability to achieve our purpose and strategic aims. The Board regularly reviews and considers our key stakeholder relationships, including how we engage with them and whether any improvements can be made. The Board maintains regular direct and indirect engagement with shareholders and other key stakeholders. Where engagement is not direct, it takes place via feedback from individual Directors and members of management.</p> <p>The relevance of each stakeholder group will depend on the particular presentation or matter requiring Board decision; we also have regard to any other key factors including the interests or requirements of applicable regulators. All decisions we make will unfortunately not benefit all stakeholders; by taking a consistent approach to decision making and being guided by our purpose and our strategic aims, we hope that our decisions are understandable.</p> <p>The matters we have discussed and debated during the year are set out on pages 75 and 76.</p> | <p>For more information about shareholder engagement, please see page 79 of this section and page 90 of the Remuneration Committee report.</p> <p>For more information about engagement with other stakeholders including the second report from our non-executive Director with designated responsibility for workforce engagement, please see pages 78 to 80. Our section 172 statement is contained on pages 18 to 20 of the Strategic report.</p> |



1. Board leadership and Company purpose continued

E. Workforce policies and practices

Our Code of Conduct sets out the standards of behaviour we expect from everyone at Victrex and those who work with us. We encourage people to raise any matters of concern through our Global Whistleblowing Policy, where genuine concerns may be reported and investigated without reprisals for whistleblowers.

The Group operates an independently provided confidential reporting telephone helpline for employees to raise any matters of concern. Alternatively, such matters could be raised with the line manager, the HR business partner or, as detailed in the Global Whistleblowing Policy, the Director of Risk & Compliance, the Group HR Director or the Chair of the Audit Committee. Employees can remain anonymous if they wish. All concerns are investigated fully, regardless of how they are raised.

During the year, the Board was kept fully apprised of the number of cases. The Board would also be informed about how cases were being investigated and remedial actions taken. A number of employees have been selected and received specialist training in order to conduct investigations of cases of whistleblowing.

The Group operates an Anti-bribery & Corruption Policy to prevent bribery being committed on its behalf. All employees must follow it and there are processes in place to monitor compliance. As part of the programme, employees are required to comply with the Group's Gifts & Hospitality Policy. This permits employees to give and accept proportionate and reasonable hospitality for legitimate business purposes only. Our suppliers must comply with our Supplier Code of Conduct which explains we will not tolerate corruption, bribery or anti-competitive actions and expect suppliers to comply with applicable laws.

A copy of the Group's Anti-bribery & Corruption Policy is available on request.

For more information about this and our approach to ethics and compliance, please see pages 48 to 50.

Conflicts of interest

The Board has a formal system in place to declare an actual or potential conflict of interest. A statement of Directors' interests in Company shares is set out on page 106.

Please see page 111 for further information.

2. Division of responsibilities

F. Role of the Chair

Our Senior Independent Director, Dr Ros Rivaz, led the annual performance review of our Chairman, Larry Pentz. The outcome of that process found Larry to be an effective Chair.

For more information, see page 83 of the Nominations Committee report.

G. Composition and responsibilities

As at 30 September 2021, there are nine members of our Board: the Chairman, five independent non-executive Directors (one of whom is Senior Independent Director) and three executive Directors. Our Chairman was independent on appointment. Whilst the tenure of our Chairman has exceeded the recommended nine years, we have provided an explanation on page 82. Details of the Chair succession planning process conducted during the year can be found on page 82. All other non-executive Directors have less than nine years' service.

Information about our individual Directors is set out on pages 66 and 67. Details about our Board and its Committees are set out on page 73.

Details of the distinct roles and responsibilities of the Chair, the Senior Independent Director and the Chief Executive Officer are summarised on page 73, with full details set out on our website.



Statement of corporate governance continued

2. Division of responsibilities continued

H. Role of the non-executive Director

The role of the non-executive Director is to provide constructive challenge and strategic guidance, offer specialist advice and hold management to account. The results of our Board and Committee evaluation supported this. At the end of most Board meetings, the Chairman holds a meeting without the executive Directors present to provide feedback on papers presented, and consider and discuss any matters that have arisen during the meeting. The Chairs of the Audit and Remuneration Committees also hold regular meetings without the executive Directors and management present. The Chief Executive Officer holds meetings with the Chairman and the non-executive Directors to ensure they remain up to date on business matters in months when there are no scheduled Board meetings.

Independence of non-executive Directors is reviewed against the circumstances which are likely to impair, or could appear to impair, a non-executive Director's independence set out in the Code. Following assessment, all of the Company's non-executive Directors are considered independent. The Chairman was considered independent on appointment. A chart showing the independence of the Board is contained on page 74.

It is vital that Directors have sufficient time to devote to and fulfil their duties. Non-executive Directors are expected to devote the time needed to fulfil the role and manage their diaries accordingly although the Company's historical practice has been to specify an expected time commitment range in their letter of appointment. The Board is satisfied that none of its Directors are overcommitted and unable to fulfil their duties to Victrex. Each individual's circumstances are different, as is their ability to take on the responsibilities of a non-executive directorship role. If a Director was unable to attend meetings on a regular basis, or was not preparing for or contributing appropriately to Board discussions, the Chair would be responsible for discussing the matter with them and agreeing a course of action. The Nominations Committee also reviewed the time required from each non-executive Director and any other significant commitments of the Chairman. The 2021 review found the non-executive Directors' time commitments to be sufficient to discharge their responsibilities effectively.

Prior to the Board approving a Board member taking on any new external appointment or significant commitment, he or she is required to confirm sufficient time remains available to discharge his or her responsibilities to Victrex.

A summary of the roles and responsibilities of the Chairman and the non-executive Directors (including that of the Senior Independent Director) is contained on page 73. Other significant appointments of each individual Director are included in the Board biographies on pages 66 and 67.

For more information on meeting attendance in FY 2021, please see page 74.

I. Effective and efficient Board function

The General Counsel & Company Secretary supports the Board to ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. All Directors have access to the advice of the General Counsel & Company Secretary, as well as independent advice at the Company's expense.

Appropriate levels of insurance cover are obtained for all Directors and Officers of the Company. Further information on Directors' indemnities and insurance cover is given in the Directors' report on page 111.

3. Composition, succession and evaluation

J. Board succession planning

The Nominations Committee leads the process for Board appointments, and ensures plans are in place for orderly succession to both the Board and senior management positions. It also oversees the development of a diverse pipeline for succession. The Committee also recommends candidates for appointment. It operates a formal, rigorous and transparent procedure which focuses on finding the right candidate having regard to the strategic aims of the Company, desired skills and experience, with due regard for promoting diversity. Details of how this was applied to the recent search for a new Company Chair, facilitated by an external search consultancy resulting in the appointment of Dr Vivienne Cox, is explained on page 82. There are written succession plans in place for the executive Directors, non-executive Directors and senior management which are reviewed by the Committee. The Board maintains a Diversity & Inclusion Policy. Each Director seeks re-election on an annual basis and all Directors will seek re-election (or election in the case of Dr Vivienne Cox) at the forthcoming Annual General Meeting.

The Nominations Committee report on pages 81 to 83 describes its work including an explanation of its use of external search consultancies and its succession plans. The Board's Diversity & Inclusion Policy is set out on page 83 and on our website.

Details of the specific reasons why the contribution of each individual Director is and continues to be important to the Company's long-term sustainable success are set out in the Director biographies on pages 66 and 67, as well as in the notes accompanying the resolutions to re-elect (or elect as the case may be) each Director.



3. Composition, succession and evaluation continued

| | | |
|---|--|--|
| K. Skills, experience, knowledge and refreshment | Using a Board skills matrix, the Nominations Committee ensures that the combination of skills, experience and knowledge on the Board and its Committees is relevant to assisting the Company in delivering its purpose and strategic aims, as well as sufficient to discharge their governance and oversight responsibilities. | For more details on the skills and experience of the Board, see the individual Director biographies on pages 66 and 67, and pages 82 and 83 of the Nominations Committee report. |
| L. Board evaluation | In FY 2021, an internally facilitated Board and Committee evaluation took place. Using the findings, an action plan was devised for focus during FY 2022. Details of how the Board has actioned areas identified by the internal Board evaluation conducted in 2020 are set out on page 78. | For more information on the Board and Committee evaluation, please see pages 77, 78 and 83. |
| Induction and Board development | <p>The Group has enhanced its induction programme for newly appointed Directors which is capable of being personalised according to that individual's proposed role, skills and experience.</p> <p>Board Directors regularly receive updates to improve their knowledge and understanding about the business and are encouraged to identify any knowledge or skills gaps they would like to address.</p> <p>During the year, the Board has received legal and governance briefings from the General Counsel & Company Secretary and Addleshaw Goddard (ESG governance and audit reform consultation), Korn Ferry (remuneration) and PwC (governance changes relating to audit).</p> <p>Due to travel restrictions due to COVID-19, the Board did not conduct any site visits during the year. The Board arranged a 'virtual' visit to some locations in Asia which took place in October 2021 which included some site tours as well as customer meetings.</p> | See page 82 for a description of the induction programme. |

4. Audit, risk and internal control

| | | |
|---|---|---|
| M. Independence and effectiveness of internal and external audit | The Audit Committee meets composition requirements set out in the Code as it comprises five non-executive Directors, the Chairman is not a member, at least one member has recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. The Audit Committee assesses and assures the Board of the independence and effectiveness of the Group's internal audit function and the external auditors, PwC. The Audit Committee operates a policy for non-audit services which PwC are permitted to conduct. | An explanation of how the Audit Committee has assessed the effectiveness of the external audit process can be found on page 88. Further information on the work of the Audit Committee, internal audit and the external auditors, PwC, is set out on pages 84 to 89. |
| N. Fair, balanced and understandable assessment | The Audit Committee reviews financial and narrative statements set out in the Group's annual and half-year results and reports its findings and makes recommendations to the Board. The entire Board considers the recommendations of the Audit Committee, representations made by management and the views of internal audit and the external auditors. This process is applied so that the Board can satisfy itself on the integrity of financial and narrative statements and to determine whether, when taken together, they represent a fair, balanced and understandable assessment of the Company's position and performance, business model and strategy. | See pages 87 to 89 for a description of the significant issues that the Audit Committee considered in relation to the financial statements and how these were addressed, having regard to the matters communicated to it by the external audit team. |
| O. Risk management and internal controls | The Audit Committee monitors the internal control framework and receives regular reports on its effectiveness, reporting its findings to the Board. At least twice in each year, the Board reviews the principal and emerging risks which apply to the Group to ensure that they remain up to date. The Board also reviews the controls and mitigations in place (including financial, operational and compliance controls) to manage those risks to ensure that they are aligned to the risk appetite determined appropriate by the Board to achieve the long-term strategic aims of the Group. | Please see page 114 for the statement that the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's financial position and performance. |



Statement of corporate governance continued

5. Remuneration

| | | |
|---|---|--|
| P. Remuneration policy and practices | <p>The Remuneration Committee is responsible for determining remuneration policies and practices which support the strategy and promote the long-term sustainable success of the Company. When setting executive pay, the Committee takes into account workforce remuneration and related policies as well as the alignment of incentives and rewards with culture. The Remuneration Committee meets composition requirements set out in the Code as it comprises five non-executive Directors, the Chairman is not a member and the Chair has served on a remuneration committee for longer than twelve months. The remuneration of non-executive Directors is determined by the Board, reflecting time commitment and responsibilities of the individual role.</p> <p>The Company's remuneration advisor is Korn Ferry. Details of the engagement are contained on page 99.</p> | <p>The work of the Remuneration Committee is summarised on page 91. For more details of remuneration policy, please see pages 92 to 99.</p> |
| Q. Executive remuneration | <p>During the year, the Remuneration Committee reviewed and affirmed that the remuneration policy continued to align with corporate governance best practice which enables the attraction and retention of executive talent to achieve the Group's strategic aims and promote the delivery of the long-term sustainable strategy. No Director is involved in deciding their own remuneration outcome.</p> <p>Please see page 91 for details of the Company's plan to align executive Director pension contributions with those available to the workforce.</p> | <p>Future policy table and notes, performance scenario charts and remuneration obligations in service contracts are set out on pages 92 to 99.</p> <p>Please see the Directors' remuneration report for policy implementation (pages 91, 92, 108 and 109), remuneration paid to service advisors (page 99), single total figure tables (page 100), Chief Executive Officer total remuneration (page 107), CEO pay ratio (page 108), alignment of Directors' remuneration (including pension contributions) with the workforce's (page 108) and relative importance of spend on pay (page 107). Please see the Remuneration Committee report for Directors' shareholdings (page 106) and variable pay awarded in the year (page 109).</p> |
| R. Judgement and discretion | <p>The Remuneration Committee determines remuneration outcomes for Directors and senior management and in doing so exercises independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, as well as wider circumstances. Details of the Committee's discretionary powers, specifically relating to malus and clawback, bonuses and LTIPs can be found in the remuneration policy from page 94. The Committee did not use discretion in relation to adjusting incentive outcomes for FY 2020/21.</p> | <p>For more information on remuneration outcomes, please see the Directors' remuneration report from page 100.</p> |



Leadership – Our governance framework as at 30 September 2021

| | | |
|---|--|--|
| <p>Chief Executive Jakob Sigurdsson</p> <p>Key responsibilities:</p> <ul style="list-style-type: none"> → Day-to-day running of the Group → Recommending to the Board and implementing agreed strategy → Executing Board decisions <p>Matters not reserved for Board decision are delegated to the CEO</p> | <p>Chairman Larry Pentz</p> <p>Key responsibilities:</p> <ul style="list-style-type: none"> → Leading the Board → Creating the right Board dynamic → Ensuring Board effectiveness, including contribution and challenge from all Directors → Ensuring effective engagement with shareholders | <p>Board</p> <p>1 Chairman (independent on appointment) 5 independent non-executive Directors 3 executive Directors</p> <p>Key responsibilities:</p> <ul style="list-style-type: none"> → Providing entrepreneurial leadership → Setting the Company's purpose and strategic aims → Being collectively responsible and accountable to shareholders for the long-term sustainable success of the Group and for the responsible operation of the Group in delivering its strategic objectives → Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives → Ensuring a sound system of risk management and internal controls which enables risk to be assessed and managed is in place → Reviewing management performance and the operating and financial performance of the Group → Setting the Company's culture, values and behaviours → Ensuring good corporate governance <p>How the Company generates value for shareholders and other stakeholders and contributes to wider society is set out on pages 8 to 17</p> |
| <p>Executive Directors Jakob Sigurdsson, Richard Armitage, Martin Court</p> <p>Key responsibilities:</p> <ul style="list-style-type: none"> → Performing designated executive responsibilities → Discharging duties in respect of the Group as a whole | <p>Independent non-executive Directors Janet Ashdown, Brendan Connolly, Ros Rivaz, David Thomas, Jane Toogood</p> <p>Key responsibilities:</p> <ul style="list-style-type: none"> → Exercising independent and objective judgement in decision making → Helping to develop corporate strategy → Scrutinising and constructively challenging senior management | <p>Board Committees</p> <p>Audit Committee members: 5 independent non-executive Directors</p> <p>Role:</p> <ul style="list-style-type: none"> → Assisting the Board in its oversight of financial reporting, internal controls and risk management → Managing the relationship with the Group's external auditors <p>See the Audit Committee report from page 84 for more information</p> <p>Nominations Committee members: Company Chairman and 5 independent non-executive Directors</p> <p>Role:</p> <ul style="list-style-type: none"> → Reviewing Board structure, size, composition and succession planning → Overseeing senior management succession <p>See the Nominations Committee report from page 81 for more information</p> |
| <p>General Counsel & Company Secretary Jane Brisley</p> <p>Key responsibilities:</p> <ul style="list-style-type: none"> → Acting as secretary to the Board and its Committees → Keeping the Board up to date on all legislative, regulatory and governance matters → Reviewing the efficacy of and compliance with Board procedures → Facilitating information flows between management and the Board | <p>Senior Independent Director Ros Rivaz</p> <p>Key responsibilities:</p> <ul style="list-style-type: none"> → Acting as a sounding board to the Chairman → Serving as an intermediary for other Directors when necessary → Being available to meet with shareholders should they have any concerns, where contact through the normal channels may be inappropriate → Leading the review of the Chairman's performance | <p>Disclosure Committee members: Whole Board</p> <p>Role:</p> <ul style="list-style-type: none"> → Ensuring timely and accurate disclosure of information to comply with applicable laws and regulations where it is impractical for the Board (or any other Board Committee with delegated responsibility) → Making disclosures on behalf of the Board → Taking advice from the Company's broker, external auditors and legal advisors, on the form and content of any disclosure under consideration <p>Remuneration Committee members: 5 independent non-executive Directors</p> <p>Role:</p> <ul style="list-style-type: none"> → Setting remuneration policy for executive Directors, senior management and the Chairman → Determining the application of remuneration policy <p>See the Directors' remuneration report from page 90 for more information</p> |
| <p> Audit Committee report pages 84 to 89</p> <p> Directors' remuneration report pages 90 to 109</p> <p> Nominations Committee report pages 81 to 83</p> | | <p>Chair: Larry Pentz, David Thomas, Jakob Sigurdsson or Richard Armitage (in that order)</p> <p>Quorum: Two of Larry Pentz, David Thomas, Jakob Sigurdsson and Richard Armitage</p> |



Statement of corporate governance continued

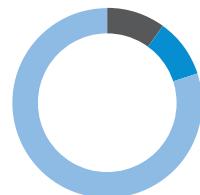
As at the date of this Annual Report

Roles and gender



| | |
|--------------------------------|---|
| Male Chair | 1 |
| Male executive Directors | 3 |
| Male non-executive Directors | 2 |
| Female non-executive Directors | 4 |

Nationality



| | |
|-----------|---|
| American | 1 |
| Icelandic | 1 |
| British | 8 |

Tenure

| | | |
|-------------------|--|-------------|
| Up to 3 years | | 20% |
| 3–6 years | | 50% |
| 6–9 years | | 20% |
| More than 9 years | | 10% (Chair) |

Independence

| | | |
|---------------------|--|---|
| Chairman | | 1 |
| Independent NEDs | | 6 |
| Executive Directors | | 3 |

Diversity

Our Board believes that diversity is important for Board effectiveness. The merits of gender diversity at Board level are recognised and female representation on the Board as at the date of this Annual Report is 40%. The Board also recognises the importance of gender diversity amongst the workforce and is committed to ensuring an appropriate level of gender diversity, in particular at senior management level. We

have 33% female representation at senior management level (two of the six members of the VMT excluding the executive Directors are female) and 47% of senior management and their direct reports (15 of 32) are female. The VMT is described on pages 76 and 77. The current ethnic composition of our Board is 100% White, with a breakdown of nationalities provided above. The Board recognises the value of diversity in its widest sense, including

ethnicity, and will continue to focus on broadening the diversity of the Board and senior management. Further details, including the Board Diversity & Inclusion Policy, can be found in the Nominations Committee report on page 83. Details of the Group's Inclusion, Diversity & Equal Opportunities Policy can be found on page 49.

Attendance at meetings

The Directors' attendance record at the Annual General Meeting ('AGM') and scheduled Board and Board Committee meetings for the year ended 30 September 2021 is set out below. Attendance is shown as the number of meetings attended out of the number that each Director was eligible to attend.

| | AGM | Board | Audit Committee | Remuneration Committee | Nominations Committee | Disclosure Committee |
|--------------------------------|-----|-------|-----------------|------------------------|-----------------------|----------------------|
| Number of meetings | 1 | 7 | 3 | 4 | 3 | 1 |
| Chairman | | | | | | |
| L C Pentz | ✓ | 7/7 | 3/3* | 4/4* | 3/3 | 1/1 |
| Executive Directors | | | | | | |
| J O Sigurdsson | ✓ | 7/7 | 3/3* | 4/4* | 3/3* | 1/1 |
| R J Armitage | ✓ | 7/7 | 3/3* | — | — | 1/1 |
| M L Court | ✓ | 7/7 | 3/3* | — | — | 1/1 |
| Non-executive Directors | | | | | | |
| J E Ashdown | ✓ | 7/7 | 3/3 | 4/4 | 3/3 | 1/1 |
| B W D Connolly | ✓ | 7/7 | 3/3 | 4/4 | 3/3 | 1/1 |
| D Thomas | ✓ | 7/7 | 3/3 | 4/4 | 3/3 | 1/1 |
| J E Toogood | ✓ | 7/7 | 3/3 | 4/4 | 3/3 | 1/1 |
| R Rivaz | ✓ | 7/7 | 3/3 | 4/4 | 3/3 | 1/1 |

Notes

* Although not a Committee member, attended the Committee meetings by invitation.

A summary of Board activity in 2020/21 and strategic outcomes is on pages 75 and 76. In undertaking these activities, the Board considers its legal duties and the interests of principal impacted stakeholders. The section 172 statement is located on pages 18 to 20.



SUMMARY OF BOARD ACTIVITY IN 2020/21

STRATEGIC OUTCOMES

Strategy

- Held the annual strategy review at which the Group's strategy was reviewed in detail
- Reviewed and approved the Group's purpose and strategy
- Reviewed performance against strategy
- Reviewed the Group's innovation portfolio
- Reviewed business development activities
- Conducted deep dives into strategic business unit and key functional strategy

- Strategy updated to reflect five-year financial plan and enhanced sustainability agenda
- ESG strategy enhanced including additional disclosures (emissions), preparation for TCFD reporting in FY 2022 and additional 2030 goals
- Company purpose updated to reflect the focus on transformational and sustainable solutions

Financial, operations and risk

- Reviewed operational performance
- Approved the budget and monitored financial performance
- Reviewed and approved the half and full-year results and associated announcements
- Reviewed and approved the going concern and viability statement
- Reviewed and approved the Group's 2021/22 UK tax strategy
- Reviewed and approved the Group's treasury policies
- Reviewed and debated the risk profile of the Group, and in particular the principal risks and our risk appetite
- Reviewed the impact of Brexit
- Reviewed the effectiveness of the risk management and internal control systems including bribery prevention arrangements and Group whistleblowing policies and processes
- Reviewed annual insurance arrangements

- Approval of the final dividend
- Effective Brexit contingency measures in place including increased global inventory

Shareholder relations

- Received regular updates and discussed feedback from roadshows, presentations and meetings between the Chief Executive Officer, the Chief Financial Officer and/or the Director of Investor Relations & Corporate Communications and other engagement with large investors, prospective investors and analysts
- Engagement with key shareholders regarding Chair succession planning

- Enhanced engagement and clear understanding of investor views

Leadership and employees

- Reviewed health and safety activities, considered health and safety incidents impacting employees and contractors and received an update on the progress of developing and implementing an enhanced health and safety culture
- Considered Board succession planning in light of the tenure of Larry Pentz
- Approved the appointment of Dr Vivienne Cox to the Board with effect from 1 December 2021
- Reviewed and discussed executive Director and senior management succession plans and monitored progress on key aspects of talent and development plans, identifying general management and functional leadership potential, and developing our employee value proposition and aspiration for a diverse workforce
- Reviewed the Board Diversity & Inclusion Policy
- Received reports on workforce engagement from Brendan Connolly as the non-executive Director with designated responsibility for workforce engagement
- Reviewed dashboard of workforce composition and conditions
- Monitored culture using a combination of formal and informal methods including a dashboard of cultural indicators
- Reviewed whistleblowing arrangements
- Conducted annual review of stakeholder engagement arrangements

- Enhanced insight into employee engagement
- Increased Nominations and Remuneration Committee activity due to changes in senior management/VMT and search process for new Chair



Statement of corporate governance continued

SUMMARY OF BOARD ACTIVITY IN 2020/21

STRATEGIC OUTCOMES

Governance

- Reviewed the governance framework and the Terms of Reference for each Board Committee and received post-meeting reports from the Chairs of each Committee summarising discussions, decisions and actions
- Reviewed the role of the designated non-executive Director for workforce engagement
- Reviewed six-monthly updates on changes and developments in corporate governance and best practice
- Received update in relation to audit reforms and ESG governance
- Implemented actions from the FY 2020 evaluation of Board performance
- Agreed the approach to the FY 2021 internal evaluation of Board performance
- Determined independence of the non-executive Directors
- Reviewed the performance of the external auditors and recommendation for re-appointment
- Reviewed and updated the Modern Slavery Policy, reviewed the approach and progress of work to identify areas where there is any risk of modern slavery occurring in our supply chain and approved the 2021/22 modern slavery and human trafficking statement

- FY 2022 action plan agreed following 2021 Board and Committee internal evaluation
- Updated Modern Slavery Policy approved together with approval of modern slavery and human trafficking statement

Whilst the Group saw a solid recovery from the impact of COVID-19 seen in FY 2020, the requirement to navigate with caution for our employees was clear. As at the date of this report approximately 80% of our global regions had commenced a Return to Site, with some form of hybrid working for many, to reflect our Global Flexible Working Policy. In each case, a clear risk assessment for each location was conducted, with approval by the COVID-19 Committee, chaired by the Chief Commercial Officer.

With strong cash generation as trading recovered and inventories were unwound, the Board was able to support key investments to support and underpin future growth; these included continued investment in our manufacturing subsidiary in China, as well as additional capability, and projects supporting efficiency in UK production assets. Whilst careful cost and cash management was maintained, the Board was able to reinstate dividends to shareholders at pre-COVID-19 levels.

Strong governance has remained a key focus, as well as support for all of our stakeholders, and we have been pleased to see a good response to employee wellbeing programmes, as well as employee support for local communities, with our hours in the community exceeding our cumulative 10,000-hour target two years ahead of schedule.

Below Board support for the Chief Executive Officer to discharge his responsibilities

The Victrex Management Team ('VMT')

Representing all business functions, individual members of the VMT advise the Chief Executive Officer and the other executive Directors of the interests of all the Group's principal stakeholders and how they are likely to be impacted by how Victrex operates. They do this during VMT meetings which are chaired by the Chief Executive Officer and held twice each month or when they participate in other management meetings or Committees which have been established to assist the Chief Executive Officer in the operational management of the business – more information is set out below. The VMT works to nurture the culture, maximise employee engagement, support the business units in delivering profitable growth, ensure consistent and appropriate communications both internally and externally, and drive faster execution of business and functional activities and plans which rely on cross-functional dependencies. More details on the members of the VMT and their individual roles and responsibilities are set out on page 77.

A number of meetings are in operation to support the Chief Executive Officer to run the business of the Group on a day-to-day basis. Key meetings are described below.

Victrex Performance Day: Each month, the Chief Financial Officer chairs the Performance Day which reviews operational business performance covering supply, demand, financial and business unit performance. This meeting is attended by the Chief Executive Officer, the Chief Commercial Officer, the Chief Operating Officer and the Group Customer Experience

Director, with VMT members and other senior leaders attending relevant sessions based on their area of responsibility.

Executive Risk Management Meeting: At least twice each year, the Chief Financial Officer chairs the Executive Risk Management Meeting which reviews the Group's corporate and emerging risks, associated mitigations and controls. This meeting is attended by the Chief Executive Officer, the Chief Commercial Officer, the Chief Operating Officer, the General Counsel & Company Secretary, the Group HR Director and the Director of Risk & Compliance.

VMT Risk & Compliance Meeting: Meeting six times each year, the Chief Financial Officer chairs the Executive Risk & Compliance Meeting which reviews legal compliance matters, internal audit matters, and performance in SHE, quality and regulatory matters. This meeting is attended by the Chief Executive Officer, the Chief Commercial Officer, the Chief Operating Officer, the Director of Global Manufacturing, the General Counsel & Company Secretary, the Group HR Director and the Director of Risk & Compliance. The Group Head of SHE, Internal Audit Manager, R&D Director, Head of Regulatory Affairs and Product Stewardship and IT Security Operations Manager participate in relevant sessions. Industry-based risk committees meet three times a year and are chaired by the Chief Commercial Officer with support from the Director of Risk & Compliance.

The SHE Steering Committee meets quarterly and is chaired by the Chief Operating Officer. A description of how risk management is conducted by the Group can be found in the Strategic report on pages 33 to 38.



Below Board support for the Chief Executive Officer to discharge his responsibilities continued

Currency Committee: The Board has ultimate responsibility for the annual approval of the Treasury and Cash Management Policy and continues to be supported in its work by the management-led Currency Committee. The Currency Committee is chaired by the Chief Financial Officer and meets monthly to manage the application of the policy. Further details on this policy and the activities of the Currency Committee are included in note 15 to the financial statements.

Innovation Portfolio Review: Meeting three times a year and chaired by the Chief Commercial Officer, the Innovation Portfolio Review meeting reviews and manages the balance of the innovation portfolio, as well as ensuring the appropriate and effective allocation of resources to projects. This meeting is attended by the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and those in senior positions in R&D and marketing with other subject matter experts attending as necessary.

Portfolio Steering Committee: Meeting six times each year, the Marketing Director chairs the Portfolio Steering Committee which monitors project progress and oversight of resources with a focus on Horizon 2 projects.

This meeting is attended by the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer, the General Counsel & Company Secretary, the Group HR Director, the Chief Operating Officer, the Group Customer Experience Director and the Director of Investor Relations & Corporate Communications, as well as those in senior positions in R&D and marketing with other subject matter experts attending as necessary.

IP Committee: Chaired by the Chief Commercial Officer and attended by the Head of IP, the Marketing Director, the R&D Director and the Chief Scientist, as well as those in senior positions in R&D. The IP Committee manages the Group's IP portfolio.

VMT MEMBERS' ROLES AND RESPONSIBILITIES

Jakob Sigurdsson¹

Chief Executive Officer
(see page 73)

Richard Armitage¹

Chief Financial Officer
→ Responsible for financial control
→ Leads the Finance, Procurement, IT and Legal teams

Martin Court¹

Chief Commercial Officer
→ Responsible for strategic and divisional commercial performance
→ Oversees all science and innovation functions

Jeff Versterre¹

Chief Operating Officer
→ Responsible for overall performance and development of the integrated supply chain
→ Leads the Procurement, SHE and Supply Chain teams

Jilly Atherton²

Group HR Director
→ People strategy
→ Leads the Human Resources and Business Administration teams

Barry Andrew¹

Group Customer Experience Director
→ Customer experience
→ Leads the Sales, Customer and Technical Service teams

Andrew Hanson¹

Director of Investor Relations & Corporate Communications
→ Investor relations, internal communications and corporate communications
→ Leads the IR & Communications team

James Simmonite¹

Director of Global Manufacturing
→ Responsible for manufacturing performance
→ Leads and develops the global Victrex site manufacturing and engineering teams

Jane Brisley²

General Counsel & Company Secretary
→ Legal, governance and company secretarial matters
→ Leads the Legal, Governance and Executive PA teams

1 Male.

2 Female.

The VMT (excluding the executive Directors) is treated as senior management for the purposes of the Corporate Governance Code. The VMT (excluding the executive Directors) is treated as senior managers for the purposes of section 414C(8) of the Companies Act 2006. Only the executive Directors are treated as key management personnel for the purposes of IAS 24.



Statement of corporate governance continued

Performance evaluation

The FY 2021 performance evaluation was conducted internally this year and assessed the performance of the Board, its Committees and the Chairman. Questionnaires produced sought input on how the Board, its Committees and the Chairman performed against current best practice corporate governance principles. Progress against areas identified for focus in the FY 2020 internal performance evaluation was also assessed. Please see page 83 about the effectiveness evaluations of each of the Committees and of individual Directors conducted this year.

Following the Board's discussion of the outcome of the FY 2021 internal Board evaluation, an action plan was agreed with the following key features:

| Topic | Action/recommendation |
|---|--|
| Board papers and presentations | Further consideration of structure and content of papers to ensure they are focused and provide enhanced opportunities for insightful Board discussion |
| Interaction outside of Board meetings | Increase opportunities for Board members to meet with members of management outside of scheduled meetings |
| ESG and inclusion and diversity | Enable regular focus on these key areas |
| Meetings of the non-executive Directors | Continue regular meetings of the non-executive Directors |

Review of the Chairman's performance

The Chairman's performance is crucial. Taking into account feedback from the internal Board evaluation, Dr Ros Rivaz, as the Senior Independent Director and in discussion with the other non-executive Directors, led the review of the Chairman's performance. The outcome was subsequently reported that Larry Pentz's leadership of the Board was effective.

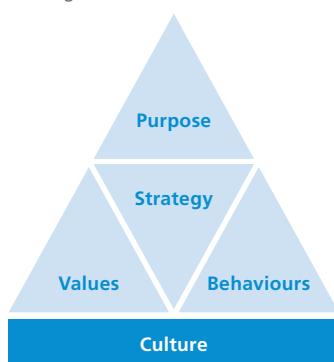
Review of the individual Directors' performance

The Chairman reviewed the performance of the individual Directors. Each of the Directors was found to be effective in discharging their responsibilities and to be making a valuable and effective contribution to the Board.

All Directors are subject to annual election at the AGM in February 2022. The Board recommends that shareholders vote in favour of those standing at the forthcoming AGM, as they will be doing in respect of their individual shareholdings. The papers accompanying the resolutions to elect each Director contain the specific reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success.

Company purpose, values, strategy and culture

The Board has established the Company's purpose, values and strategy and monitors Company culture to ensure that these are aligned.



- Our purpose is to bring transformational and sustainable solutions that address world material challenges every day.
- Our strategy is to drive core business and create and deliver future value through Polymer & Parts. We will do this by innovating in high performance polymer solutions to focus on its key strategic markets of Automotive, Aerospace, Energy & Industrial, Electronics and Medical. This is with the aim of shaping future performance for our customers and creating long-term value for our shareholders, enabled by differentiation through innovation and underpinned by safety, sustainability and capability.
- Our long-term values of Passion, Innovation and Performance shape our culture and drive responsible business conduct in line with our Code of Conduct. You can find more on our Code of Conduct on pages 48 to 50.
- Our entire workforce (including our Directors) are reviewed against our core behaviours of driving results, working together, doing the right thing, continuously improving and focusing on our customers.
- Throughout its annual programme of business and meeting with employees, the Board gains an insight into the culture of Victrex. A formal review of corporate culture is conducted by the Board twice a year, using the dashboard of cultural indicators which has been developed.

Our cultural dashboard has a behavioural focus tracking cultural insights in the following areas:

| | |
|-----------------------|--|
| Safety | Employee engagement, inclusion and diversity |
| Doing the right thing | Service for customers |
| Innovation | Sustainable business practices |

Stakeholder engagement

It is important to the Board that we develop strong and positive relationships with our employees, customers, suppliers and investors, as well as government and regulators. We also strive to make a positive contribution to the environment and local communities in which we operate. A summary of how we engage is set out on pages 18 and 19. The Board conducts a formal review of the Group's stakeholder engagement programme annually, considering other touchpoints throughout the year. Details of how the Board is informed about stakeholder engagement are outlined below. Our section 172 statement is set out on pages 18 to 20 and outlines examples of how the Board has considered the interests of stakeholders in decision making.



Stakeholder engagement continued

| | |
|------------------------------------|---|
| Employees | Attracting and retaining a skilled, talented, experienced and engaged workforce is key to supporting the Group in achieving our strategy. The Board promotes effective engagement with the Group's workforce. The Board programme of business typically schedules visits to one or more of the Group's sites. This year, due to the impact of COVID-19 on travel, the Board has not conducted any site visits. Arrangements for a 'virtual' Board visit to some Asia sites was arranged and took place in October 2021 which included presentations by some of the Group's employees. Board dinners with senior management have taken place where practicable. The Board reviews the results of engagement surveys and receives regular 'people' updates throughout the year. The Group has operated a range of measures to facilitate workforce engagement including works councils, employee forums, staff briefings and anonymous communication channels. The Board has continued to enhance its engagement with the workforce through the role of Brendan Connolly as the non-executive Director with designated responsibility for workforce engagement. The workforce engagement statement is set out on page 80. Usual channels have supported the regular communication of information and guidance which has taken place with employees throughout the COVID-19 pandemic supplemented by regular emails, a dedicated intranet site and Q&A sessions. Working groups established at the outset of the pandemic have continued to operate to review, revise and implement updated policies and practices to provide a safe working environment for our workforce who could not work from home. We have encouraged employees to be vaccinated when available and have offered testing facilities and kits for employees as appropriate. In the final months of FY 2021 Return to Site plans, including risk assessments, were considered in detail and implemented, always with the health, safety and wellbeing of employees being at the forefront of plans and taking into account feedback from our employees. As COVID-19 levels permit, employees are returning to office locations, supported by our Global Flexible Working Policy, and we continue to respond and adapt to COVID-19 as appropriate based on regional risk profiles. |
| Customers | The Board engages with customers indirectly through the executive Directors who provide information about key customer relationships. The Board receives information on key customer interactions. During the year, the Board has reviewed the programme of activities designed around touchpoints with customers to enhance our customers' experience and customer satisfaction; material customer contracts have also been reviewed and approved. Our Chief Executive Officer and our Chief Commercial Officer have remained in close contact directly and indirectly with key customers to understand their concerns and support their needs, minimising any potential disruption from the COVID-19 pandemic. Service levels to customers remained strong through FY 2021, despite well publicised supply chain challenges. |
| Suppliers | Information about key suppliers is provided to the Board by the executive Directors when relevant to Board deliberations. The Board is committed to fair treatment and payment of suppliers and the Company is a signatory to the government's Prompt Payment Code. Following a review of arrangements in place, the Board approved updates to the Modern Slavery Policy as well as approving the Group's modern slavery and human trafficking statement, which can be found on our website, www.victrexplc.com . We have continued to support smaller suppliers by paying within agreed terms, which are typically 30 days or less and below industry average, to help alleviate the impact of the COVID-19 pandemic. |
| Investors | The Board receives monthly reports on investor engagement and sentiment, prepared by the Company's Investor Relations team which frequently interacts with key investors and investor groups. The Chief Executive Officer, the Chief Financial Officer and the Director of Investor Relations & Corporate Communications regularly meet shareholders, prospective shareholders and analysts. This year, over 180 virtual meetings or calls were hosted with institutional investors or prospective investors. Two major UK roadshows were held and there were two major US roadshows and one in Europe. Five investor conferences were attended by our Director of Investor Relations & Corporate Communications with three selected 'Company Overview' Q&A sessions with North American prospective investors. The Chairman remains available to meet institutional shareholders to discuss governance or other matters. The Senior Independent Director and other non-executive Directors attend meetings with major shareholders, where requested. The Board receives reports from sector analysts to ensure that it maintains an understanding of investor priorities. The Board believes that appropriate steps have been taken during the year so that all members of the Board and, in particular, the non-executive Directors, have an understanding of the views of major shareholders. |
| Communities and environment | The Board recognises its impact on local communities and its responsibility to the environment and society as a whole. The Group has a busy engagement programme with local communities which is described on pages 62 and 63. The Board receives information on key community activities. During the year the Board has refreshed the Group's sustainability strategy, targets and plans. Sustainability metrics have been developed aligned to the UN Sustainable Development Goals. See pages 42 to 63 for more information. |
| Government and regulators | The Board engages directly and indirectly with a wide range of government bodies and regulators. The Health and Safety Executive and the Environment Agency monitor compliance by the Group's UK sites with environmental, health and safety legislation. The Board receives regular updates on safety, health and environmental performance and material interaction with regulators. From time to time the Group receives some government funding associated with its innovation agenda. During the COVID-19 pandemic and subsequent recovery, the Company was actively involved in dialogue with the UK government through its position on the Chemical Industry Association, in relation to the status of the chemical sector as essential industry. |



Statement of corporate governance continued

Workforce engagement statement – hearing the employee voice

Brendan Connolly was appointed the designated non-executive Director for workforce engagement with effect from 1 October 2019 (the 'Workforce Engagement NED'). This statement summarises the second year of the 'employee voice' programme.

Objectives and role

The Workforce Engagement NED is responsible for the following matters to support the Directors' collective responsibility to consider a wide range of stakeholder perspectives when arriving at Board decisions:

- Understand the concerns of the workforce and articulate those views and concerns in Board meetings on an ongoing basis.
- Ensure that the Board, and particularly the executive Directors, take appropriate steps to evaluate the impact of proposals and developments on the workforce.
- Where relevant and appropriate, provide feedback to the workforce on Board decisions and direction during the engagement process.
- Primarily use existing engagement mechanisms, including the employee survey, quarterly staff briefings, works council meetings, union meetings, regional forums and Q&A sessions, to gather the relevant feedback from the workforce.
- Ensure that feedback is obtained from all levels of the workforce in multi-locations.
- Organise bespoke events for additional feedback where required.

The Workforce Engagement NED is not expected to take on responsibilities that are those of an executive Director or of the HR team or act as a proxy for those teams.

During the year the role of the Workforce Engagement NED was reviewed and updated by the Board in order to build in the soliciting of employee views about executive remuneration and share feedback obtained with the Remuneration Committee.

Second year highlights

The Workforce Engagement NED had interactions with over 30% of all the employees representing every level and region in the organisation which, due to the impact

of COVID-19 pandemic restrictions during the year, were conducted virtually in the main. Separate sessions were held at the end of routine regional employee forums without management and the Workforce Engagement NED held a bespoke virtual session attended by over 150 employees which included an overview of executive director pay with the opportunity for employees to raise questions about this. The various Q&A sessions explored themes such as:

- The Group's approach to Inclusion & Diversity.
- How to enhance engagement at Victrex.
- What could we do to improve quality and safety.
- How the COVID-19 pandemic was handled.
- The strength of our leadership, management and brand.

The questions were generated primarily by employees and most sessions were flexible to allow those participating to ask the questions they wanted.

Examples of feedback provided by employees on the topics discussed included:

- On Inclusion & Diversity – "that we are at the start of that journey, progress is being made but we have some way to go".
- On engagement – "that they had enough opportunities to engage currently but need to return to face to face post-COVID restrictions".
- On safety and quality – "that there was always more to do".
- On COVID-19 – "this was managed well and with the employees always in mind".
- On our brand – "our brand and reputation are strong".

Employees also provided feedback on the engagement sessions, including:

- "Excellent session, well managed, enjoyed the content, builds trust and gives insights".
- "Really informative. Hopefully have more similar sessions in the future".
- "I really enjoyed that session, very informative. I hope we plan to feedback and do more of them".
- "Thank you very much, great session, interesting, honest and informative, really enjoyed the format and way of facilitating too".

The Workforce Engagement NED also had engagement with a major shareholder to discuss employee engagement and ethnic diversity.

The focus for FY 2022 will be continuing regular dialogue with the workforce, ideally face to face, adding a workforce impact statement to relevant Board papers, driving progress on those opportunities identified for improvement, involving other non-executive Directors in employee engagement initiatives where possible and to feed back to employees on matters raised and actions taken.

Relations with shareholders

Annual General Meetings

The Annual General Meeting ('AGM') is an important part of effective communication with shareholders. The forthcoming AGM will be held at 11am on 11 February 2022. All shareholders will have the opportunity to ask questions at the AGM. The Chairs of the Audit, Nominations and Remuneration Committees will be available to answer questions at that meeting. The details of the 2022 AGM are summarised in the Chairman's introduction on page 65 and in the Notice of Annual General Meeting from page 163. If there are any queries, please contact cosec@victrex.com.

The Notice of Annual General Meeting, together with an explanation of the resolutions to be considered, is set out on pages 163 to 170 and sent out in a circular to shareholders. Proxy votes lodged on each resolution will be announced at the AGM, published on the Company's website and announced via the Regulatory Information Service.

Outcome of the February 2021 Annual General Meeting

At the 2021 Annual General Meeting, votes were cast in relation to approximately 85.7% of the issued share capital. All 21 resolutions were passed by the required majority. Votes were cast in favour of the re-appointment (or, in the case of Ros Rivaz, appointment) of the following Board Directors as follows:

- Larry Pentz: 98.08%
- Jane Toogood: 99.88%
- Janet Ashdown: 99.88%
- Brendan Connolly: 99.88%
- David Thomas: 99.88%
- Jakob Sigurdsson: 99.08%
- Martin Court: 99.93%
- Richard Armitage: 98.49%
- Ros Rivaz: 92.61%

Share capital

Details of the Company's share capital, including the rights and obligations attached to the shares, are set out in the Directors' report on page 112.



In my second year as Workforce Engagement Director we have focused on ensuring that as many employees as possible could ask the questions they wanted, which I believe we achieved. The sessions have been productive and frank, and it is encouraging that the employees are engaged in this process and look forward to continuing this dialogue and feeding back on the points raised in 2022.

Brendan Connolly



Nominations Committee report

FY 2021 highlights

- Search for new Chair
- Enhanced focus on Group's inclusion and diversity activities
- Review of talent development and succession planning
- Review of senior management composition and overseeing appointment of the Group's first Chief Operating Officer

FY 2022 priorities

- Maintaining focus on development of a diverse pipeline for appointments to the Board and senior management
- Monitoring progress in inclusion and diversity initiatives
- Overseeing a full induction programme for incoming Chair, Dr Vivienne Cox
- Conduct search process for new Chief Financial Officer



Main responsibilities of Committee

- Leading the process for Board appointments and making recommendations to the Board about proposed appointments to the Board, including the Company Secretary
- Evaluating the skills, experience and knowledge of the Board
- Overseeing the development of a diverse pipeline for succession to Board and senior management positions
- Working with management in relation to inclusion and diversity strategies and monitoring the impact of initiatives

Terms of Reference for all Board Committees can be found on www.victrexplc.com

Terms of Reference for the Nominations Committee can be found on www.victrexplc.com

Dear shareholders,

On behalf of the Nominations Committee, I would like to present its report for the year ended 30 September 2021.

This year, the focus for the Nominations Committee has been on conducting a search for a new Chair, deepening activity regarding inclusion and diversity and ensuring the effectiveness of the Board as a whole.

New Chair search

During the year, Dr Ros Rivaz, the Senior Independent Director, jointly with members of the Nominations Committee (excluding me as Chairman), conducted a search process for the recruitment of a new Chair assisted by Korn Ferry. The Committee recommended the appointment of Dr Vivienne Cox and this recommendation was approved by the Board. Further details can be found on page 82.

Focus on inclusion and diversity

The Committee conducted a detailed review of the Group's inclusion and diversity initiatives, further details of which can be found on page 83. The Committee reviewed its Board Diversity & Inclusion Policy which can be found on page 83.

Board effectiveness

This year's Board and Committee evaluation was conducted internally for the second year in a row and concluded that the Board and each Committee continued to operate effectively. Further details can be found on pages 77, 78 and 83.

The following Nominations Committee report was approved by the Committee at its meeting held on 2 December 2021.

Larry Pentz

Chair of the Nominations Committee
6 December 2021



Nominations Committee report continued

The Committee held three scheduled meetings during 2020/21 and has a programme of business reflecting its Terms of Reference.

| Committee member | Meeting attendance |
|--------------------|--------------------|
| L C Pentz (Chair)* | 3/3 |
| J E Ashdown | 3/3 |
| B W D Connolly | 3/3 |
| D Thomas | 3/3 |
| J E Toogood | 3/3 |
| R Rivaz | 3/3 |

* Dr Ros Rivaz acted as Chair when Chair succession planning was discussed.

Secretary: Jane Brisley

Other attendees:

→ The Chief Executive Officer is not a member of the Committee but is invited to attend.

- The Group HR Director regularly attends meetings.
- From time to time the Chief Commercial Officer and Chief Financial Officer may be invited to attend Committee meetings in order to support and participate in discussions regarding inclusion and diversity initiatives.

All members of the Committee are independent, thus fulfilling the Code requirement that a 'majority of members of the nomination committee should be independent non-executive directors'.

The Chairman would not chair or otherwise participate in the Committee when it is dealing with the appointment of his successor.

No Director would participate in the Committee when it is dealing with the appointment of his or her successor.

The Chairman's other significant commitments are set out in his biography on page 66.

The Committee's agenda in 2020/21

Our principal activities during the year, and up to the date of approval of this Annual Report, were as follows:

- search for new Chair led by Dr Ros Rivaz, the Senior Independent Director;
- Board and senior management composition;
- overseeing changes to senior management including appointment of the Chief Operating Officer, Jeff Versterre, who is part of the VMT. Details of the composition of the VMT are set out on page 77;

- Board and senior management succession planning;
- talent management framework and pipeline development;
- approval of the Nominations Committee report in the Annual Report and Accounts;
- reviewing Victrex's diversity profile and enterprise-wide activities to promote inclusion and diversity;
- reviewing and recommending the Board Diversity & Inclusion Policy for approval; and
- reviewing the Committee Terms of Reference and the Committee's annual programme of business.

Succession planning

During the year, the Committee conducted its formal review of succession planning for the Board and senior management over the short and medium term, as well as contingency plans for emergency situations. The Committee aims to ensure that the Board and senior management have the appropriate balance of skills and experience to support the Group's strategic objectives. The Board uses a succession planning tool which includes consideration of diversity and use of the Board skills matrix to help assess the Board's composition and identify any opportunities for enhancement. Together with the written succession plan, the succession planning toolkit facilitates Committee deliberations. The Committee holds regular Board succession planning discussions, taking into account potential timing for changes to key Board positions, the likely evolution of the business and its strategic needs. The Committee is mindful of current Director tenure and the importance of an orderly refreshment of the Board which factors in the Company's strategy, its current performance and its focus on enhancing diversity.

To provide ongoing stability and continuity as the Company emerges from the COVID-19 pandemic, it is proposed that the Chairman remains in role until the Company's next

AGM in February 2022, from which time Dr Vivienne Cox will become Chair. The Committee considers that the Chairman continues to demonstrate objectivity and that he promotes constructive challenge amongst the other Board members.

Board appointments including appointment of Chair designate

The Committee assesses the balance, skills, experience, diversity, knowledge and independence on the Board to identify any gaps and consider the need for refreshment. The Committee developed a candidate profile for the new Chair and engaged Korn Ferry, a professional search agency. A separate team in Korn Ferry advises the Remuneration Committee on remuneration matters. There is no personal connection between Korn Ferry and any individual Director. Potential candidates were interviewed by Committee members, excluding the Chairman. The candidates were assessed against the agreed candidate profile which included the desired experience, skills, characteristics and traits for the role. After careful consideration, the Committee made a recommendation to the Board to appoint Dr Vivienne Cox. This recommendation was accepted by the Board and Dr Cox was appointed a non-executive Director from

1 December 2021, becoming Chair designate on 1 January 2022 and Chair with effect from the Company's next AGM in February 2022. Vivienne has a wealth of experience in executive and non-executive roles over more than 40 years, with a particular focus on sustainability, innovation and alternative energy, and her biography can be found on page 67.

The Company's CFO Richard Armitage has announced his intention to depart for a role with Morgan Advanced Materials and the Committee is overseeing a search process for his successor.

Any new Directors appointed by the Board must be elected at the next AGM to continue in office. All existing Directors retire by rotation every year.

Board induction, development and business engagement

A formal induction programme is in place for new Board members. This includes meeting with members of senior management and certain employees identified as talent individually and visiting a number of operations and sites. A full induction programme is underway for Dr Vivienne Cox to support her smooth transition to Chair.

Board induction, development and business engagement continued

All Directors are encouraged to keep up to date with relevant legal and governance matters, best practice and evolving areas of risk. The Board receives training and updates on relevant topics as appropriate, taking into account individual qualifications and relevant experience. The Directors are supported to undertake any other professional development identified as necessary or desirable.

VMT members, other senior leaders and those designated as talent are invited, as appropriate, to deliver presentations at Board meetings on their areas of responsibility. It is the Company's usual policy for all Directors to attend the AGM.

Board diversity

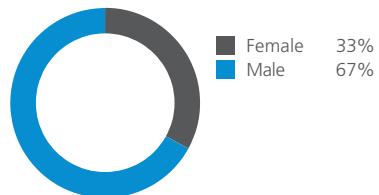
The Company is committed to diversity, inclusive practices and equality of opportunity amongst its employees and its Board members. The Company acknowledges the value of diversity in its widest sense and its contribution towards effective Board operations and decisions as different perspectives drive a broader and more detailed debate. The Group operates a Global Inclusion, Diversity & Equal Opportunities Policy which is reviewed each year and provides the framework for productive working relationships.

Our Board Diversity & Inclusion Policy is set out in the blue box to the right. It is also contained on our corporate website – www.victrexplc.com. The Board Diversity & Inclusion Policy will remain under review to ensure it drives diversity in its broadest sense, including diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths.

There is continued focus on several key initiatives designed to promote inclusion and diversity across the business. Read more about this on pages 49 and 59 to 62 which includes our new target of 40% of females in the Leadership group (comprising the top two grades) by 2030 (FY 2021: 10%).

The Board has not set express gender, ethnic or other related diversity quotas or measurable objectives for the Board's composition. The Board and the Committee seek to encourage applications from a diverse range of candidates, subject to the selection criteria being met.

Board diversity – gender (during FY 2021)



Board Diversity & Inclusion Policy

Taking account of its changing strategic needs, the Board will ensure:

1. it and its Committees have the appropriate balance, composition and mix of skills, experience, independence and knowledge to ensure their continued effectiveness, having regard to external guidance on diversity;
2. a pipeline is maintained promoting diversity for succession to the Board and senior management positions;
3. only executive search consultants which have signed up to the voluntary code of conduct for executive search firms on gender diversity on corporate boards are engaged when seeking appointments to the Board so that the selection processes provide access to a diverse range of candidates;
4. appointments to the Board are made on the basis of merit, with regard for suitability for the role, Board balance and composition and the required mix of skills, background and experience – diversity will be a consideration;
5. policies adopted by the Group promote diversity in the broadest sense;
6. adequate and appropriate disclosure of:
 - a. this policy and diversity initiatives the Group has in place and the steps it is taking to promote diversity at Board level and across the Company including a description of progress made;
 - b. the composition and structure of the Board;
 - c. the gender balance of those in senior management and their direct reports; and
 - d. the process for appointments to the Board; and
7. this policy is reviewed from time to time to monitor progress being made to assess its effectiveness.

The current ethnic composition of our Board is 100% White, with a breakdown of nationalities provided on page 74. The Board will continue to consider the various diversity factors set out in the Corporate Governance Code and the recommendations of the Hampton-Alexander and Parker Reports.

The Board strives to broaden the diversity of the Board and senior management and pipelines. With Dr Vivienne Cox joining the Board with effect from 1 December 2021, as at the date of approval of this Annual Report, we have four women on our Board, representing 40% (FY 2020: 33%). Two members of the VMT (excluding the executive Directors) are women (33%) and 47% of senior management and their direct reports are women (17 men, 15 women). In accordance with the Corporate Governance Code, senior management is defined as the VMT (excluding the Chief Executive, the Chief Financial Officer and the Chief Commercial Officer). See page 77 for a list of members of the VMT. For further details on inclusion and diversity across Victrex, including our Global Inclusion, Diversity & Equal Opportunities Policy, see pages 49, 61 and 62.

Board, Committee and individual Director effectiveness

The Board and its Committees carry out a formal review of effectiveness each year. An external evaluation was conducted in 2019 by Equity Communications and for the second year in a row, this year's review was facilitated internally via questionnaires developed by the Company Chairman, the Chairs of each Committee and the General

Counsel & Company Secretary. The Board and each Committee reviewed the output and determined the priorities for the 2022 financial year. The Board actions and recommendations agreed following the review are set out on page 78.

The reviews of the Audit, Nominations and Remuneration Committees confirmed that these Committees continue to provide effective support to the Board.

Each Director receives a formal performance review process. The Chairman, Larry Pentz, led the review of each non-executive Director. The annual performance review of the Chairman is led by the Senior Independent Director, Dr Ros Rivaz. The Nominations Committee reviewed the performance of the Chief Executive Officer, the Chief Financial Officer and the Chief Commercial Officer. These reviews confirmed that each Director continues to make a valuable personal contribution to the Board.

Individual contributions are summarised in the biographies on pages 66 and 67. All non-executive Directors are considered to have sufficient time to perform their duties at the Company. Where an executive Director has an external appointment, the time commitment involved is kept under review and the Board is satisfied the executive Directors devote sufficient time to discharging their responsibilities to the Company. Details of individual executive Director appointments are included in the biographies on pages 66 and 67.



Audit Committee report

FY 2021 highlights

- Assessing the medium-term impact of COVID-19 and the corresponding economic consequences on going concern, viability (including the appropriateness and level of scenarios and stress testing performed) and impairment assessments
- Reviewing project controls including those applicable to mega-programmes and the new PEEK plant in China
- Reviewing the internal audit function
- Consideration of BEIS consultation, 'Restoring Trust in Audit and Corporate Governance', and review of the Company's response

FY 2022 priorities

- Assessment of the final BEIS reforms, when published, along with the Company's proposed response to meeting the revised requirements
- Supporting the Company in addressing the requirements of the Task Force on Climate-related Financial Disclosures
- Continuing focus on operations in China
- Reviewing the process for identification and reporting of risks and the Company's control environment
- Continuing focus on inventory valuation as production volumes return to pre-COVID-19 levels and new manufacturing facilities come on stream



Main responsibilities of Committee

- Reviewing financial statements and announcements relating to the financial performance of the Company, including reporting to the Board on the significant issues considered by the Committee in relation to the financial statements, how these were addressed, and whether the financial statements are fair, balanced and understandable
- Reviewing the scope and results of the annual external audit and reporting to the Board on the effectiveness of the audit process and how the independence and objectivity of the auditors have been safeguarded
- Reviewing the scope, remit and effectiveness of the internal audit function and the Group's internal control and risk management systems
- Reviewing significant legal and regulatory matters
- Reviewing matters associated with the appointment, terms, remuneration, independence, objectivity and effectiveness of the external audit process and reviewing the scope and results of the audit
- Reporting to the Board on how the Committee has discharged its responsibilities

Terms of Reference for all Board Committees can be found on www.victrexplc.com

Terms of Reference for the Audit Committee can be found on www.victrexplc.com

Dear shareholders,

I am pleased to present the report of the Audit Committee for the year ended 30 September 2021. The Directors' responsibility statement in respect of the Annual Report can be found on page 114.

The Committee has maintained its focus on the robustness of financial forecasts used by management in assessing going concern, viability and carrying value of assets and the associated disclosures. The Committee has challenged management's assumptions and judgements made in the preparation of the forecasts, their correlation with outputs from the Integrated Business Planning process used to run the business and the potential range of outcomes under scenario and sensitivity cognisant of the ongoing impact of COVID-19 on the global economy. The Committee also challenged management's annual review of the Group's risks in light of COVID-19 and its potential long-term impact on the global economy and key trends associated with the Group's growth markets.

The Committee has continued to play a key role within the Group's governance framework to support the Board in matters relating to financial reporting, internal control and risk management. It has worked closely with our external auditors, PricewaterhouseCoopers ('PwC'), over the last twelve months. It has focused on ensuring that the interests of stakeholders are properly protected in relation to the Group's financial reporting and internal control arrangements and providing challenge to the decisions and approach taken by management relating to the content and disclosures within the Company's financial reports. The Corporate Governance Code calls for the Board to 'present a fair, balanced and understandable assessment of the

Company's position and prospects'. The Board asks the Audit Committee to advise on whether the Annual Report, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee receives from management regular reports covering the key areas of estimation and judgement underpinning the financial statements. The Committee's role is to ensure that management's disclosures reflect the supporting information or challenge them to explain and justify their interpretation. The Committee is supported in this role by the external auditors, which, in the course of the statutory audit, review the accounting records kept by the Company to test whether information is being recorded in line with agreed accounting practices. The external auditors present their findings to the shareholders and their report is set out in the Independent auditors' report. The Committee reports its findings and makes recommendations to the Board accordingly.

The Committee is responsible for ensuring that the relationship between the Committee, the external auditors and management is appropriate. The external auditors must be independent of the Company. Information on how the Committee assesses the independence of the external auditors is set out in the Audit Committee report.

Following the publication of the FRC's Audit Quality Inspection Reports of the big four firms, PwC presented their programme to continue their improving trend in results towards the FRC's target. The Committee challenged PwC on their response to the three key findings, all of which were relevant



to their audit of the Company. Through the Committee's programme to monitor audit quality and effectiveness, evidence has already been seen in PwC's revised audit approach over the evaluation of management's impairment and going concern assessments. The Committee welcomes this commitment to improve and reviewed further evidence of the enhancements and specific reporting from PwC at the final Committee meeting as part of the overall assessment of auditor effectiveness.

We continue to be committed to providing meaningful disclosure of the Committee's activities as well as ensuring the Committee's agenda is kept under review and that we

maintain an awareness of relevant developments. Details of the annual evaluation process of the Committee's performance can be found in the Corporate governance report.

The following Audit Committee report was approved by the Committee at its meeting held on 2 December 2021.

The Committee has reflected upon the FRC Guidance on Audit Committees and was satisfied that the principles concerning internal audit are reflected in the responsibilities and function of the internal audit department.

I will be available to answer any questions in relation to this Audit Committee report before the Annual General Meeting. Please email your queries to ir@victrex.com.

David Thomas
Chair of the Audit Committee
6 December 2021

In accordance with the requirements of the 2018 UK Corporate Governance Code and supporting guidance issued by the Financial Reporting Guidance, in the following sections we explain how the Committee fulfils its responsibilities and highlight matters which have been addressed during the course of the year.

The Committee met three times during 2020/21 and has a programme of business reflecting the Committee's Terms of Reference.

| Committee member | Meeting attendance |
|------------------|--------------------|
| D Thomas (Chair) | 3/3 |
| J E Ashdown | 3/3 |
| B W D Connolly | 3/3 |
| J E Toogood | 3/3 |
| R Rivaz | 3/3 |

Secretary: Jane Brisley

The following other attendees regularly attend meetings:

- the Chairman and executive Directors;
- the Director of Risk & Compliance;
- the Group Financial Controller; and
- representatives from the external auditors, PwC.

Other members of the management team may also be asked to attend meetings for discussion on specific issues. The Committee also meets with the external auditors at least twice each year without management being present.

The Chair meets with members of the executive and management teams and PwC outside of formal Committee meetings to discuss matters which fall within the Committee's Terms of Reference. These have included a meeting with the Group Financial Controller and the Group's Director of Risk & Compliance in addition to meetings with the General Counsel & Company Secretary as part of reviewing relevant matters and forward planning on the business of the Committee.

The Committee is authorised to seek outside legal or other independent professional advice as it sees fit but has not done so during the year.

The qualifications of Committee members are outlined in the Directors' biographies on pages 66 and 67. The members of the Committee are all independent non-executive Directors. The Board is satisfied that the Committee as a whole has competence relevant to the sectors in which the Group operates and its members have an appropriate level of experience in corporate and financial matters and are financially literate. The effectiveness of the Committee in fulfilling its remit was considered as part of the most recent evaluation of performance which was completed in the summer of 2021 and subsequently reported to the Board. The Chair is a member of the Institute of Chartered Accountants of England and Wales. He previously served as chief financial officer of Invensys plc. Prior to this, he was a senior partner at Ernst & Young and is a former member of the Auditing Practices Board. The Board is satisfied that he has recent and relevant financial experience as required by the Code.

How did the Committee assess whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position on performance, business model and strategy?

The Committee made this assessment by:

- reviewing key messages proposed for the Annual Report;

- reviewing copies of the Annual Report at various stages during the drafting process to ensure the key messages were being followed and were aligned with the Company's position, performance and strategy being pursued and that the narrative sections of the Annual Report were consistent with the financial statements;
- ensuring that all key events and issues which had been reported to the Board in the executive Board reports during the year had been appropriately referenced or reflected within the Annual Report;
- reviewing how alternative performance measures were used in the Annual Report, ensuring completeness and accuracy of definitions, consistency of use, relevance to users of the Annual Report and balance with statutory metrics; and
- considering reports produced by both management and the external auditors on principal matters and judgements in areas underpinning the financial statements.



Audit Committee report continued

The Committee's agenda in 2020/21

- Negotiated and agreed PwC's engagement letter and the statutory audit fee for the year ended 30 September 2021.
- Reviewed the results of the Committee's assessment of the effectiveness of the 2019/20 external audit along with receiving a presentation from PwC on the proposals for their programme to enhance audit quality.
- Reviewed PwC's proposed audit strategy and plan for the 2020/21 statutory audit, including the level of materiality applied by PwC, the final audit report from PwC on the financial statements and the areas of particular focus for the 2020/21 audit.
- Confirmed the independence of the external auditors and recommended to the Board the re-appointment of PwC as the external auditors at the upcoming AGM.
- Reviewed the basis of preparation of the financial statements as a going concern (prior to making a recommendation to the Board) as set out in the accounting policies.
- Reviewed and discussed reports on the financial statements and considered management's significant accounting judgements and the policies being applied, and how the statutory audit contributed to the integrity of the financial reporting.
- Reviewed the long-term viability statement, prior to making a recommendation to the Board.
- Reviewed the 2020/21 Annual Report and recommended to the Board that it complied with the Code principle to be 'fair, balanced and understandable'.
- Approved the strategic internal audit planning approach and reviewed reports on the work of the internal audit function from the Director of Risk & Compliance.
- Considered the findings brought to the Committee's attention by internal audit and satisfied itself that management has resolved or is in the process of resolving any outstanding issues or concerns.
- Reviewed and approved the approach and internal audit plan for 2021/22.
- Reviewed the effectiveness of the risk management and internal control systems prior to making a recommendation to the Board.
- Reviewed the conclusions of the Committee's annual evaluation. It was concluded that the Committee continued to be effective.

How did we assess auditor independence?

- Written assurances were received from the external auditors that all partners and staff involved with the audit are independent of any links to Victrex.
- PwC confirmed all partners and staff complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standard.
- PwC are required to disclose at the planning stage of the audit any significant relationships and matters that may reasonably be thought to have an impact on their objectivity and independence and that of the lead partner and audit team – no such matters were disclosed.
- PwC operate a policy requiring the change in lead audit partner every five years, with other senior audit staff rotating at regular intervals.
- The Committee is responsible for maintaining an appropriate policy on non-audit services and associated fees that are paid to PwC.

To further safeguard the independence and objectivity of the external auditors, non-audit services provided by the external auditors are considered and where appropriate authorised by the Committee in accordance with a non-audit services policy. The policy is outlined in an appendix to the Committee's Terms of Reference, which are published on our investor website – www.victrexplc.com. This policy limits the amount and type of services undertaken by our auditors – for the year ended 30 September 2021 and thereafter the auditors will not be asked to carry out

non-audit work with the exception of the half-year review and regulatory and bank required reporting. When awarding non-audit work to PwC, the Committee is cognisant of the FRC Revised Ethical Standard 2019, paragraph 4.15, including the limit on non-audit fees of 70% of the audit fee based on a rolling three-year average.

Non-audit fees for the year ended 30 September 2021 were £35,000 representing 9% of the audit fee (2020: £22,000 representing 8% of the audit fee). The non-audit fees in both years relate to the interim review performed at the half year. PwC provide tax filing preparation services to the US-based Chairman through a direct engagement with the Chairman. In the prior year this was reimbursed by the Group and disclosed as a benefit in kind in the FY 2020 Directors' remuneration report on page 95 (note 2). In the current financial year no reimbursement has been made; instead, the Chairman receives an allowance from the Group to independently procure such tax services. The Chairman continues to engage PwC; however, these services are not considered to meet the definition of non-audit fees in relation to the Group.

Over a three-year rolling period, the level of non-audit fees has averaged 9% of the audit fee. No further non-audit fees, with the exception of the interim review, are expected to be incurred with PwC due to their revised general approach to not provide such services to listed audit clients.

Taking into account our findings in relation to the effectiveness of the audit process and in relation to the independence of PwC, the Committee is satisfied that PwC continue to be independent and free from conflicting interests with the Group.

External auditor re-appointment

We last undertook a formal tender process in compliance with the CMA Order 2014 for statutory audit services in 2017. PwC commenced their appointment as auditors and presented their first report to shareholders for the year ended 30 September 2018. Ian Morrison has completed his fourth year as the lead audit partner.

In the 2020 Annual Report we disclosed that PwC had proposed a significant fee increase, to be staged over two years, which would take the fee from £191,000 in 2019 to £330,000 in 2021, an increase of 73%. This increase is attributed to external factors in the audit market resulting in an increase in cost of delivery. Key factors, predicated on regulatory changes and responses to AQRT findings, include the separation of the audit practice from other service lines, additional investment in training and technology and investment in improved risk and quality. The Committee approved the proposed fee for FY 2020 with the commitment from PwC to work with management to identify efficiencies in the audit approach to reduce the increase for FY 2021. During FY 2021 PwC returned with a further fee increase to £380,000 representing a doubling of the fee from 2019. The further increase has been attributed to the finalisation of PwC's approach to the updated ISA standards: ISA 540 (revised) – Auditing Accounting Estimates and Related Disclosures; and ISA 570 – Going Concern. The Committee recognises the changing regulatory environment and the unfortunate consequence that companies, such as Victrex, are ultimately paying the price for the profession moving away from risk-based auditing. Subsequent to the finalisation of the FY 2020 Annual report PwC charged an additional audit fee due to the impact of COVID-19 on 2020 year end reporting.

External auditor re-appointment continued

This has been included in the current year audit fee in note 4 to the financial statements, increasing it from the £380,000 noted above to £403,000.

The Committee recommended to the Board that PwC be proposed for re-appointment at the forthcoming AGM in February 2022. There are no contractual obligations that restrict the Committee's choice of external auditors, the recommendation is free from third-party influence and no auditor liability agreement, in accordance with sections 534–538 of the Companies Act 2006, has been entered into.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditors, and report to the Board the appropriateness of, the annual and half-year financial statements, considering amongst other matters:

Clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements

Areas in which significant judgements have been applied, including discussions on such matters undertaken with the external auditors

Whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The statement incorporating the conclusion of this assessment is included on page 114

Any correspondence from regulators in relation to our financial reporting

In addition to the above, the Committee supports the Board in completing its assessment of the adoption of the going concern basis of preparing the financial statements. In addition, as part of the Committee's responsibility to provide advice to the Board on the long-term viability statement, the Committee performed a robust review of the process and underlying assessment of the Group's longer-term prospects made by management, including:

- the review period and its alignment with the Group's five-year strategic plan;
- the assessment of the prospects of the Group after consideration of the Group's principal risks, current financial position, available banking facility and ability to generate cash;

- the modelling of the financial impact of additional key scenarios which encompass the potential impact of crystallisation of one or more of the principal risks, including the ongoing impact of the economic uncertainty created by the COVID-19 pandemic;
- the consideration of the impact of climate change on the Group's strategic plan; and
- ensuring transparent and enhanced disclosures, as best practice emerges, in the Annual Report as to why the viability period selected was appropriate, including what the key scenarios tested were and how the analysis was performed.

As a result of that review, the Committee was satisfied that the approach adopted was appropriate. The viability statement for the 2020/21 financial year was prepared on a consistent basis with that reported in previous years and is on pages 40 and 41. The Committee also supported the Board in its consideration of the potential medium and longer term impacts of Brexit along with the associated disclosures in this Annual Report.

Significant issues considered by the Committee in relation to the financial statements and how these were addressed

In the preparation and final approval of the financial statements, the Committee discussed with management the key sources of estimation and critical accounting judgements outlined in note 1. The significant areas of focus considered and assessed by the Committee in relation to the 2021 financial statements and how these have been addressed are set out below. In concluding that these represented the primary areas of judgement, or a high degree of estimation, the Audit Committee considered reports by management which referenced both quantitative and qualitative judgement factors across each significant account balance, assessing the impact on the user of the financial statements.

This assessment includes consideration of both long-term and short-term factors and over the past two years has considered the economic impact of COVID-19 on the Group's key sources of estimation and critical accounting judgements. Other than in the recurring areas of inventory valuation and defined benefit accounting, detailed below, the primary impact is on those areas of accounting which rely on the use of future financial forecasts. This includes the carrying value of both tangible and intangible assets and the going concern and viability assessments. The Audit Committee's work on viability and going concern, including with reference to the impact of COVID-19, is detailed above with the disclosure included on pages 39 to 41. The annual impairment review performed on the Company's tangible and intangible assets is

also reviewed by the Audit Committee, including the level of sensitivity analysis performed. In the cases of both carrying value of assets and going concern the level of headroom, albeit reduced by the current economic situation, remained at a level where, even under sensitivity, reasonable changes to the key sources of estimation would not cause a different outcome. PwC's report to the Committee came to the same conclusion.

The classification of costs as exceptional is inherently a judgemental area. There were no new exceptional costs in the current year, with the only item being recorded as exceptional being a credit for restructuring costs provided in the prior year but not required following a change in circumstance. The Committee reviewed the disclosure of the credit as exceptional, concurring with management that this provided consistency and clarity to the disclosures in the Annual Report. In the prior year acquisition costs and restructuring costs were classified as exceptional. The Committee considered papers prepared by management on the rationale for such treatment and the clarity of disclosure in the Annual Report and discussed with PwC the consistency of such treatment with the approach adopted by other companies.

The areas of inventory valuation and defined benefit accounting are areas of higher audit risk and, accordingly, PwC were asked to focus on and report to the Committee on, and the Audit Committee discussed and assessed, these judgements and estimates. During the meeting of the Committee which considered the draft of the Annual Report, the matters raised by PwC in their report were discussed with management, including how such analysis related to management's own assessment and the appropriateness of the form of disclosure provided by the Company in the Annual Report. In particular, the Committee considered the following recurring matters:

- **Valuation of inventory:** the Committee reviews the nature of the costs absorbed into inventory, the level of production over which these costs are absorbed, the variances, including in respect of material usage and purchase price, between standard cost and actual cost, and the reasons for movements in inventory value period to period. The level of production over which costs were absorbed remained below historical levels reflecting the impact of COVID-19, operational challenges which required an extended shutdown and the unwinding of inventory held through the Brexit transition. As in 2020, management absorbed overheads into inventory at a 'normal' level of production which was above actual production. Actual production has historically been used as an approximation of 'normal'; where this is not the case the level considered normal is inherently more judgemental. This was



Audit Committee report continued

How did the Committee assess the effectiveness and quality of the external audit?

The Committee actively considers the effectiveness and quality of the external audit process on an ongoing basis.

Following the process outlined below, the Committee assessed the effectiveness of the external audit. In summary, the Committee concluded that the external audit process and services provided by PwC were satisfactory and effective.

PwC present key findings from the FRC's Audit Quality Inspection Report for PwC and planned actions

Committee discusses and agrees at the planning stage the draft list of specific risks to audit effectiveness and quality (specific audit quality risks)

Committee assesses audit planning work in respect of specific audit quality risks and ensures that matters of key interest (including those listed as significant issues above) are addressed in the audit plan

PwC report against audit scope and subsequent meetings provide the Committee with an opportunity to monitor progress and raise questions

PwC report on specific audit quality risks applicable to Victrex and how these have been addressed at the planning and final stages of the audit

Committee discusses both internally and with PwC the extent to which PwC have demonstrated professional scepticism and challenged management's assumptions through the audit process, particularly in areas of estimation and judgement

Private meetings are held at most Committee meetings between the Audit Committee and representatives from the external auditors without management being present in order to encourage open and transparent feedback by both parties

Committee assesses final audit work and reporting along with the overall conclusion reached regarding specific audit quality risks and the significant audit issues (as outlined above)

All Committee members, key members of management, and those who regularly provide input into the Audit Committee or have regular feedback with the external auditors are asked for feedback on how well PwC performed the year-end audit

Feedback and conclusions are discussed, along with the conclusion and transparency of reporting regarding specific audit risks and issues, with an overall conclusion on audit effectiveness and quality reached. Any opportunities for improvement brought to the attention of the external auditors

The FRC's Audit Quality Inspection Report for PwC, published in July 2021, showed that after three years of declining scores PwC's score had significantly improved with the FRC recognising the improvements which had been made whilst also noting there was still work to do. The Committee has engaged with PwC during each year of their appointment to discuss PwC's response to weaknesses identified by the FRC in general, but particularly those relevant to the Company's audit. The Committee seeks evidence in the final audit report of the work performed by PwC on those areas relevant to the Company's audit, probing the audit team on the level of professional scepticism they have demonstrated and the level of challenge they have given management. Whilst trading conditions have improved from 2020, the Committee remains focused on the ongoing challenges facing the global economy, including, for example, tightness in global supply chains with continued attention on the level of work and challenge over short-term cash flow forecasts and growth assumptions used in relation to impairment, viability and going concern assessments. PwC were asked to formally report to the Committee on the work performed. Due to the time lag between the FRC issuing findings to PwC for response and the publication of the report, evidence of PwC's revised approach has been evident across the prior two audits. The Committee, as a matter of course, does seek full explanation of work undertaken in the more judgemental aspects of the accounts.

Significant issues considered by the Committee in relation to the financial statements and how these were addressed continued

Valuation of inventory continued:

→ reviewed by the Committee, with input from PwC, including an assessment of the level of sensitivity with the estimation. The basis for and level of provisioning, including for aged, obsolete and non-conforming product which is judgemental or requires a high degree of estimation, are presented to the Committee by management. The Committee challenged management on

how the inventory profile had changed during the COVID-19 period, including the impact on ageing and customer requirements along with the increased focus on the recycling routes for slow moving and obsolete lines. Management produced analysis showing the ageing profiles of inventory and analysed inventory movements over the past twelve months providing the Committee with sufficient information to challenge judgements and reach a conclusion on the level of provisioning. After discussion with management, and review of reporting from PwC, the Committee

concluded that the valuation of inventory and level of provisioning were reasonable.

→ **Defined benefit accounting:** the valuation of the defined benefit scheme obligation is dependent on a number of assumptions that are inherently judgemental or require a high level of estimation. Following the closure of the scheme on 31 March 2016, judgement on future salary growth rates ceased, but judgement over future interest and inflation rates, together with the estimation of mortality rates, remain, with sensitivities of +/-1% having a material impact on the value of scheme liabilities



Significant issues considered by the Committee in relation to the financial statements and how these were addressed continued

→ **Defined benefit accounting** continued: and therefore the balance recognised on the Group balance sheet. The Audit Committee assesses these judgements and estimates, based on reports received from management and the Group's actuarial advisors. The Committee also considered the opinions made and benchmark provided by PwC. The Committee concluded that the assumptions used and the resulting valuation were reasonable. It was also noted by the Committee that the Company's approach to funding the scheme has been stable with a track record of making voluntary contributions of approximately £1m each financial year. In the current year the Committee also reviewed management's proposal for separate disclosure of the German defined benefit scheme, why it is appropriate now and the level of disclosure required to provide the user of the financial statements with the necessary information. The Committee concluded that the timing was appropriate in the context of the changes to the scheme and that the disclosure was proportional with the size of the scheme.

To aid the conduct of reviews, the Committee considers reports from the Chief Financial Officer and the Group Financial Controller and also reports from the external auditors on the outcomes of their half-year review and annual audit.

The main features of the Group's internal controls and risk management systems are summarised below:

Risk management systems and internal controls

The Audit Committee has responsibility for reviewing the risk management systems and effectiveness of these systems. The responsibilities and processes in respect of risk management are described separately on pages 33 to 38 and page 71. The Committee receives updates and reports from the Director of Risk & Compliance on key activities relating to the Group's risk management systems and processes at every meeting. These are then reported to the Board, as appropriate. The Group designs its risk management activities in order to eliminate risk wherever possible, mitigating residual risk where practicable to within tolerance, to achieve its strategic objectives.

The Chief Financial Officer has executive responsibility for risk management and is supported in this role by the Director of Risk & Compliance and his team. The Director of Risk & Compliance manages a series of risk management committees across the business which feed into the Executive Risk Management Committee formed by the executive Directors, the Chief Operating Officer, the Group HR Director, the General

Counsel & Company Secretary and the Director of Risk & Compliance. They meet biannually and review the principal risks of the Company, emerging risks, the governance processes and their effectiveness. This review then feeds into the information and assurance processes of the Audit Committee and into the Board's assessment of risk exposures and the strategies to manage these risks. The Board has conducted a robust assessment of the principal and emerging risks facing the Group. Details of the Group's principal risks, the procedures in place to identify emerging risks and an explanation as to how they are being managed and mitigated are contained on pages 33 to 38.

During FY 2022 the Committee will review the Group's linkage between the identification of risk and the control environment, including management's process for testing the second line of defence.

The Committee also reviews the Group's internal control systems and their effectiveness, and receives updates on the findings of the internal audit's investigations at every meeting, prior to reporting any significant matters to the Board. Internal control systems are part of our business as usual activities and are documented in the Group Authorities Manual/Matrix, which covers financial, operational and compliance controls and processes. Internal control systems are the responsibility of the Chief Financial Officer.

Confirmation that the controls and processes are being adhered to throughout the business is the responsibility of managers but is continually tested by the work of the internal audit team as part of its annual plan of work which the Committee approves each year as well as aspects being tested by other internal assurance providers.

The internal audit function

The internal audit function is a key element of the Group's corporate governance framework. The purpose of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight to the Audit Committee, the Board and management. In addition to reviewing the design and operational effectiveness of controls in managing risks, the internal audit function also considers, where relevant, the risk and control culture/environment, efficiency of controls, compliance with law/regulations, internal policies and also controls to support the safeguarding of Company assets. The internal audit team monitors the implementation of agreed audit actions to verify its completion and routinely reports the status at each Audit Committee meeting.

A three to five-year audit planning approach has been applied that has identified key areas requiring periodic assurance which is focused around financial controls and compliance of key policies. In addition, an audit planning assessment exercise is undertaken annually that identifies further areas requiring assurance that are aligned to strategic risks

and/or projects. This approach results in the development of a risk-based annual internal audit plan that is endorsed, managed and approved by the Audit Committee.

The purpose, scope and authority of internal audit are defined within its charter which is approved annually by the Audit Committee.

The in-house team is supplemented by additional resource and skills sourced from external providers, based on specialism or workload. The Committee keeps the relationship with external providers under review to ensure the independence of the internal audit function is maintained.

Assessing the effectiveness of the internal audit function

The annual internal audit plan for the internal audit function is considered and approved each year by the Committee. In reviewing the proposed plan, the Committee gives consideration to the Group's strategic priorities and specific initiatives which are being undertaken, which could impact the business and also the findings and actions arising from the assessment of the Group's risk register. Thereafter, together with findings from audits which are presented at each meeting, the Committee considers the appropriateness of the internal audit plan and the resourcing of the function to enable it to deliver it. Where appropriate to the nature of the work being undertaken, reviews are supported by other independent assurance providers.

The Director of Risk & Compliance has responsibility for internal audit and independently reports to the Chair of the Audit Committee in relation to internal control matters. In addition to attendance by invitation at meetings of the Committee, the Director of Risk & Compliance has met with the Chair of the Audit Committee on a number of occasions to consider findings from internal audit and other matters relating to the internal audit function.

The effectiveness of the internal audit function's work is continually monitored:

- Ongoing audit reports are received.
- Scopes of audits are received by the Chair of the Audit Committee.
- Committee interaction with the Director of Risk & Compliance.
- Internal audit, led by the Director of Risk & Compliance, reports functionally to the Chief Financial Officer. The Director of Risk & Compliance attends all scheduled meetings of the Audit Committee and has the opportunity to raise any matters with the members of the Committee without the presence of management. He is also in regular contact with the Chair of the Committee outside of the Committee meetings.
- Progress against the internal audit plan is reviewed at each meeting.



Directors' remuneration report

FY 2021 highlights

- Oversaw the implementation of the remuneration policy
- Reviewed formulaic incentive outcomes and considered whether they were aligned to Company performance over the short and long term
- Oversaw the review of the operation of share plans across the Company
- Considered the impact of COVID-19 on the operation of the remuneration policy for executives as well as the wider workforce
- Reviewed and approved salaries for the executive Directors and the senior leadership team
- Considered and approved the Directors' remuneration report

FY 2022 priorities

- Reviewing the remuneration policy to ensure that the policy remains suitable and takes into account regulatory, governance and ESG principles
- Engaging with employees and shareholders on the new remuneration policy ahead of the 2023 AGM
- Setting incentive plan performance targets for the upcoming year



Main responsibilities of Committee

- Designing and determining the remuneration for the Company Chairman, executive Directors and senior management
- Reviewing workforce remuneration and related policies
- Exercising judgement when determining remuneration awards

Terms of Reference for all Board Committees can be found on www.victrexplc.com

Terms of Reference for the Remuneration Committee can be found on www.victrexplc.com

Dear shareholder

On behalf of the Remuneration Committee (the 'Committee') I am pleased to introduce the Directors' remuneration report for the year ended 30 September 2021. This report is divided into three sections: my statement, a summary of the Directors' remuneration policy approved by shareholders at the 2020 Annual General Meeting and our annual report on remuneration for the year ended 30 September 2021.

Background

Victrex has delivered good volume growth over the year and we have continued our solid and sustainable recovery from the impact of COVID-19. Underlying PBT was up 21% with a stable gross margin despite weaker sales mix & FX. We have also developed a strong growth pipeline of 'mega-programmes' and have delivered several significant milestones. Our strong cash generation underpins investment and shareholder returns, and we are pleased to see dividends back to pre-COVID-19 levels. The Board has also proposed a special

dividend of 50p/share with the Group's cash balance at 30 September 2021 exceeding the £85m threshold, reflecting the Company's strong cash generation during a period of higher capital investment in additional capacity and capability. We have further enhanced our ESG strategy including becoming a signatory of the Science Based Target initiative and setting additional ESG targets. No government support was sought or taken in any Group setting in relation to COVID-19.

2021 remuneration outcomes

Annual bonus

The 2021 annual bonus was operated on the same basis as previous years. Performance was based on PBT (50%), strategic (30%) and personal (20%). If the threshold PBT target was not met then no payment would be made under any element.

For the 2021 annual bonus, the PBT targets were set to reflect the impact of COVID-19 to ensure that targets were stretching and incentivising. The Committee retained the ability to adjust the outcome if it did not reflect the wider performance of the business.

Profits were above the financial targets set at the start of the year as a result of strong management actions underpinned by strong medical performance. As a result, the PBT achieved was £92.5m (underlying PBT was £91.7m). The executives also performed well against the personal and strategic objectives resulting in a payout between 90–95% of maximum. Following Richard Armitage notifying the Board of his intention to step down, he will not receive a bonus for FY 2021. Half of the bonus for the other executive Directors will be deferred into shares for three years.

Victrex has performed well during the year, and we are in a strong financial position to continue our sustainable recovery from the impact of COVID-19. As a result, the

Committee is comfortable that the formulaic bonus outcome reflects the wider business performance of the Company. As a part of approving bonuses, the Committee also considered the bonuses payable to all employees. All Group employees were eligible to receive bonuses with the same financial targets applying to all participants. Therefore, paying bonuses based on the formulaic outcome was consistent with the approach taken across the Group.

LTIP

With regard to our long-term performance, our 2018 long-term incentive award was eligible to vest based on performance from 1 October 2018 to 30 September 2021. Performance was based on cumulative EPS (75%) and TSR performance vs FTSE 250 (excluding investment trusts). Whilst we have performed well over the last year, when assessed against targets set three years ago, COVID-19 has impacted our performance and as a result the awards will not vest. After reviewing overall financial and strategic performance over the period, the Committee believes that this outcome is appropriate and has not applied discretion in relation to the incentive outcome.

The Committee is comfortable that actions taken on pay during the year across the Company were appropriate and balanced the interests of all stakeholders and that the remuneration policy operated as intended.

Other considerations during the year

During the year the Committee had oversight of the reward and compensation packages that operate across the Company, which are considered competitive. In addition, Brendan Connolly who is the appointed designated workforce engagement non-executive Director, enables employees to provide feedback on remuneration during the various



Committee undertakings in 2021

The Committee met four times during 2020/21 and has a programme of business reflecting the Committee's Terms of Reference.

| Committee member | Meeting attendance |
|---------------------|--------------------|
| J E Ashdown (Chair) | 4/4 |
| B W D Connolly | 4/4 |
| D Thomas | 4/4 |
| J E Toogood | 4/4 |
| R Rivaz | 4/4 |

Secretary: Jane Brisley

Other attendees:

- The Company Chairman and the CEO are not members of the Committee but are invited to attend.
- The Group HR Director regularly attends meetings.
- Representatives from the Committee's remuneration advisors, currently Korn Ferry, regularly attend meetings.
- The Director of Investor Relations & Corporate Communications is an occasional attendee based on engagement matters with shareholders.

No attendee participates in the Committee when it deals with their own remuneration.

The Committee's agenda in 2020/21

Our principal activities during the year, and up to the date of approval of this Annual Report, were as follows:

- ensuring the successful implementation of the Directors' remuneration policy;

- agreeing the executive Directors' 2021/22 remuneration packages;
- assessing 2020/21 bonus and LTIP outturns; and
- preparing the Directors' remuneration report.

Other considerations during the year continued

engagement mechanisms he undertakes that includes attendance at works council meetings and regional forums. The views he receives on remuneration (including executive and wider employee remuneration) are then fed back to the Committee and the wider Board as part of his membership of the Committee and his wider workforce engagement role. Given that the remuneration structures were not raised as material issues in the discussions during the year, and the Company's biannual engagement survey results included that the majority of employees expressed satisfaction with their current arrangements, it was not considered necessary to make material changes to the current remuneration structures across the Group with all employees participating in Group-based incentives.

During the upcoming year, the Committee will review methods to directly engage with the wider workforce and will report on the impact of this engagement in the FY 2022 Directors' remuneration report. The Committee considers executive pay to be appropriate based on all forms of employee engagement, pay across the Company and gender pay ratios.

Prior to determining the implementation of the policy for FY 2022, we engaged with our shareholders. In particular, we asked our shareholders for feedback on the proposed changes to the application of policy, including the adjustment to the CEO's salary and the inclusion of sustainability metrics in the FY 2022 LTIP. At the date of this report, we were pleased to have received some shareholder feedback with the general response being supportive, and limited concerns raised.

Implementation of policy in 2022

The Committee considered how remuneration should be implemented for FY 2022. Part of this process was reviewing current practice against both market and best practice, our Group reward principles and pay ratios. The outcome of the review was that our current

overall approach remains appropriate with greater weighting and total remuneration opportunity for senior executives reflecting their roles and responsibilities. The key decisions taken for FY 2022 included:

Base salary: during the year, the Committee reviewed the base salaries for the executive Directors. As a result, the Committee has decided to increase our CEO's base salary to better reflect his position.

By way of background, when Jakob Sigurdsson was appointed CEO in 2017 his salary was set at a c15% discount to the prior CEO with a view to increasing the salary to an appropriate market rate based on increased experience and performance in the role. Since 2017, the CEO received a 9% increase with effect from 1 October 2018 which was the first increase in recognition of his increased experience and performance in post with a further cost of living related increase of 2.3% awarded with effect from 1 October 2019 (resulting in a current base salary of £557,535). Whilst the Committee did consider a further salary increase in 2020, it was not considered the right time given the impact of COVID-19 in 2020 limiting salary increases across the Group. With the return of Group-wide salary increases for FY 2022, now is considered the right time to adjust the CEO's salary to reflect his experience in post and recognise his performance.

As a result of the above, with effect from 1 October 2021, the CEO's salary will be increased to £615,000 which is consistent with market data for companies of a comparable size and the previous CEO's salary allowing for cost of living related increases since 2017.

This increase is intended to be a final material adjustment, with future increases linked to those of the wider workforce (save for a future significant increase in the size and/or complexity of the Company).

Martin Court will receive a pay increase at 3% in line with the typical rate of increase awarded across the UK workforce.

Richard Armitage will not receive a salary increase for FY 2022.

The range of salary increases awarded to the executive Directors were consistent with the approach taken across the Group with increased experience, strong performance in post or outliers to market (i.e. those positioned well below market) subject to more significant salary adjustments than the typical rate of increase applied across the Group.

Pension: in line with current best practice expectations, the Committee has agreed with the executive Directors that the Company contribution in relation to pension provision will reduce to the rate most commonly provided to the wider UK employee population at 14% of salary with effect from 1 October 2022.

Annual bonus: the same annual bonus structure as operated in FY 2021 is being retained which aligns the executive Directors with delivering against challenging financial, strategic and personal targets. The financial targets are set as a challenging range of profit targets derived from the Company's budget with the strategic and personal targets linked to the Company's incremental progress in delivering against its 'mega-programmes' as well as improving internal operational and safety performance. Similar to the approach taken in FY 2021, the non-financial targets will be subject to an underpin equal to the threshold profit target. Half of any bonus paid will be deferred into shares for three years. The Committee retains the ability to adjust bonus outcomes in the event that there is a perceived disconnect between performance and reward in the current financial year.

Long-term incentives: the FY 2022 performance targets will once again include a challenging range of EPS growth and relative total shareholder return targets. In addition, ESG targets will be added to the LTIP, aligning the LTIP with the long-term goals set out in our refined sustainability strategy.



Directors' remuneration report continued

Implementation of policy in 2022 continued

Long-term incentives continued: The EPS targets, determining vesting of 70% of the award, will measure performance based on growth in earnings of between 7% and 15.5% p.a. over the three years to FY 2024. The range of targets is considered similarly challenging to targets set in prior years allowing for current internal planning, external market expectations for the Company and current economic conditions. The TSR portion, to determine the vesting of 20% of the award, will again compare Victrex's relative TSR performance over the period against the FTSE 250 Index constituents less investment trusts. The remaining 10% of the LTIP will be assessed against a challenging range of carbon reduction targets. The actual range of targets is detailed on page 109. With regard to the quantum of FY 2022 awards, the current intention is to make awards at 175% of salary for the CEO and 150% of salary for other executive Directors.

Non-executive Board fees: As detailed in the Nominations Committee report, Dr Vivienne Cox was appointed as non-executive Director effective 1 December 2021. She will become the Board Chair designate from 1 January 2022 and Board Chair following the 2022 AGM. Vivienne Cox has a wealth of experience in executive and non-executive roles over more than 40 years, with a particular focus on sustainability, innovation and alternative energy. Her fee on appointment will be £51,500. However, as part of the work undertaken in respect of the search for a successor to Larry Pentz, the fees paid in respect of the Board Chair role were reviewed. The market data suggested that the current fees payable to Larry Pentz were below market, especially given the current and anticipated future time commitment of the role. Accordingly, Dr Vivienne Cox will receive a fee of £280,000 with effect from 1 January 2022 which is aligned with current market rates based on the expected time commitment of the role and the calibre of the individual appointed.

The base fee for non-executive directors has increased by 3% from £50,000 to £51,500 with effect from 1 October 2021 in line with wider workforce. The additional fees for the roles of Committee Chair, Senior Independent Director and Workforce Engagement Director have each increased by £1,000 p.a. with effect from 1 October 2021. These increases reflect the time commitments in undertaking these roles.

I hope it is clear from the way we are proposing to apply policy in FY 2022 that we continue to take account of the feedback of our shareholders and we look forward to receiving your support for the Directors' remuneration report at the upcoming Annual General Meeting. I will be available to answer any questions before the Annual General Meeting. Please email your queries to ir@victrex.com.

The following Remuneration Committee report was approved by the Committee at its meeting held on 2 December 2021.

Janet Ashdown

Chair of the Remuneration Committee

6 December 2021

Directors' remuneration policy

This part of the Directors' remuneration report sets out a summary of the remuneration policy approved by shareholders at our 2020 AGM and effective from 6 February 2020. The full remuneration policy is available in the 2019 Annual Report on our website.

When implementing the remuneration policy, the Remuneration Committee considered the six factors listed under Provision 40 of the UK Corporate Governance Code:

- **Clarity** – the remuneration policy is transparent, and the implementation of the policy is disclosed in straightforward concise terms to shareholders.
- **Simplicity** – remuneration structures are simple and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance, strategy and minimising the risk of rewarding failure.
- **Risk** – the remuneration policy has been shaped to discourage inappropriate risk taking as remuneration is focused on long-term success through the LTIP and the Deferred Bonus Scheme ('DBS'). Awards under the remuneration policy are subject to malus and clawback provisions. The performance conditions are reviewed annually to ensure that they remain suitable and do not incentivise risk taking. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No executive Director or other member of management is present when their own remuneration is under discussion.
- **Predictability** – examples of the caps under the remuneration policy are illustrated in the scenario charts.
- **Proportionality** – the link between each element of policy and Company strategy is noted in the table below. Variable pay is subject to a combination of financial and non-financial measures that are linked to Company strategy.
- **Alignment to culture** – the Remuneration Committee reviews workforce composition and remuneration across the Group every year and takes them into account when reviewing the implementation of the policy. Where possible, in support of our performance culture, we align remuneration across the Group; for example, all employees are eligible for an annual bonus and all new joiners receive share options after successful probation. When reviewing the remuneration policy ahead of the 2023 AGM, the Committee will take into account the alignment to culture across the Group.



Directors' remuneration policy continued

Directors' remuneration policy table

| Element of remuneration | Purpose and link to strategy | Operation | Maximum | Performance target |
|-------------------------|--|--|---|--------------------|
| Base salary | <p>To provide competitive and fixed remuneration.</p> <p>To attract and retain executives of the calibre required to deliver the Company's strategy and enhance earnings over the long term.</p> | <p>The basic salary for each executive Director is normally reviewed annually (effective 1 October) taking into account individual performance and the Group's financial circumstances, as well as pay for all employees in the Group and the external market.</p> <p>Increases in salary above those of the general workforce should only take place infrequently, for example where there has been a material increase in role responsibility, size of the Company or movement in the external market.</p> <p>On recruitment or promotion to executive Director, the Committee will take into account previous remuneration and pay levels for comparable companies which may lead to salary being set at a higher or lower level than for the previous incumbent.</p> | <p>Executive Directors will normally receive a salary increase in line with the increase awarded to the general workforce. There is no prescribed maximum.</p> <p>Where the Committee has set the salary of a new executive Director at a discount to the market level initially, a series of planned increases may be implemented over the following few years to bring the salary to the appropriate market position, subject to individual performance.</p> <p>Current salary levels are shown in the annual report on remuneration on page 108.</p> | None. |
| Benefits | <p>To provide market-consistent benefits, including insured benefits to support the individual and their family during periods of ill health, or in the event of accidents or death. This is consistent with a culture of safety, sustainability and capability.</p> <p>Car allowances to facilitate effective travel.</p> | <p>Current benefit provision includes:</p> <ul style="list-style-type: none"> → health benefits; → car allowance; → relocation assistance; → life assurance; → group income protection; → all-employee share schemes (e.g. opportunity to join the SIP or SAYE); → travel; → communication costs; and → any reasonable business related expenses can be reimbursed (and any tax thereon met if determined to be a taxable benefit). <p>Executive Directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms and additional benefits might be provided from time to time if the Committee decides payment of such benefits is appropriate and in line with market practice.</p> | <p>There is no defined maximum as the costs of benefits can vary year on year.</p> | Not applicable. |
| Pension | <p>To attract and retain high calibre executive Directors.</p> <p>To provide a level of benefits that allow for personal retirement planning.</p> | <p>Executive Directors are offered the choice of:</p> <ul style="list-style-type: none"> → a Company contribution into a defined contribution pension scheme; → a cash allowance in lieu of pension; or → a combination of a Company contribution into a defined contribution pension scheme and a cash allowance. | <p>The maximum Company pension contribution for an executive Director appointed after the date this policy is approved by shareholders will be limited to that available to the wider workforce which is currently 14% of base salary.</p> | Not applicable. |



Directors' remuneration report continued

Directors' remuneration policy continued

Directors' remuneration policy table continued

| Element of remuneration | Purpose and link to strategy | Operation | Maximum | Performance target |
|---|--|--|--|---|
| Bonus | <p>To incentivise performance against personal objectives and selected financial and operational KPIs which are directly linked to business strategy.</p> <p>Deferral of part of bonus into shares aligns the interests of executive Directors and shareholders.</p> | <p>A maximum of 50% of bonus paid in cash with 50% of the bonus deferred into Company shares under the Deferred Bonus Scheme ('DBS') for a period of at least three years.</p> <p>DBS shares accrue dividend equivalents.</p> <p>Not pensionable.</p> <p>Bonus and DBS awards are subject to 'malus' provisions (and for up to a year following (i) in the case of a cash bonus, payment or (ii) in the case of a DBS award, the end of the relevant deferral period, clawback) in exceptional circumstances, including material misstatement of the Company's audited financial results; an error in the relevant financial information that led to the bonus or DBS award being greater than it otherwise would have been; personal misconduct; serious reputational damage; or a failure of risk management.</p> | <p>Maximum award of up to 150% of salary for the CEO and 125% for other executive Directors.</p> | <p>Payments predominantly based on financial and operational performance, with a minority based on achievement of personal objectives.</p> <p>Targets and weightings are set by reference to the Company's financial and operating plans and the current targets and weightings are shown on page 101.</p> <p>Bonus outcomes are subject to the Committee being satisfied that the Company's performance on the measures is consistent with underlying business performance and individual contribution. The Committee will exercise discretion on bonus outcomes if it deems necessary.</p> <p>100% of maximum bonus opportunity for stretch performance with no more than 50% of maximum for target performance.</p> |
| Victrex Long Term Incentive Plan 2019 ('LTIP') | <p>Designed to align the strategic objective of delivering sustainable earnings growth over the longer term with the interests of shareholders.</p> | <p>Awards under the LTIP are rights to receive Company shares, subject to certain performance conditions.</p> <p>Each award is measured over at least a three-year performance period.</p> <p>An additional holding period applies after the end of the three-year performance period so that the total vesting and holding period is at least five years.</p> <p>Shares subject to awards may accrue dividend equivalents.</p> <p>LTIP awards are subject to 'malus' provisions (and for up to a year following the end of the relevant holding period, clawback) in exceptional circumstances including material misstatement of the Company's audited financial results; an error in the relevant financial information that led to the award being greater than it otherwise would have been; personal misconduct; serious reputational damage; or a failure of risk management.</p> | <p>The normal maximum award level will be up to 175% of salary p.a. in respect of the CEO and 150% for other executive Directors.</p> <p>The overall policy limit is 200% of salary. It is not anticipated that awards above the normal level will be made to current executive Directors and any such increase on an ongoing basis will be subject to prior consultation with major shareholders.</p> | <p>The two performance conditions are TSR and EPS. The weighting for each of these two components is currently 25% TSR and 75% EPS.</p> <p>Targets based on one or more other financial measures linked to the long-term strategy of the business may also be applied, as deemed appropriate by the Committee.</p> <p>The Committee retains discretion to introduce a new performance condition and/or alter the weightings of the measures over the course of the policy, including to zero.</p> <p>20% of the EPS element and 25% of the TSR element of an award vest at threshold performance (0% vest below this), increasing pro rata to 100% vesting for maximum performance.</p> <p>Any vesting is also subject to the Committee being satisfied that the Company's performance on the measures is consistent with underlying business performance and individual contribution. The Committee will exercise discretion on LTIP outcomes if it deems necessary.</p> |



Directors' remuneration policy continued

Directors' remuneration policy table continued

| Element of remuneration | Purpose and link to strategy | Operation | Maximum | Performance target |
|--|--|--|--|--|
| Share ownership guidelines (Not part of the approved policy) | To increase alignment between executive Directors and shareholders including for a period post-employment. | Awards made under the DBS on a net of tax basis shall count towards the share ownership guideline and executive Directors are required to retain 50% of the net of tax vested LTIP shares until the guideline is met. The requirement to hold shares for a period post-employment shall be implemented by contractual means. | Minimum of 200% of salary. Executive Directors will also be required to retain shares equivalent to the lower of 200% of salary or their actual shareholding at the time employment ceases. The shares must be held for two years with the Committee having discretion to allow half of the shares to be released after one year. | Not applicable. |
| Non-executive Directors' fees and benefits (Determined by the Board) | To attract non-executive Directors with a broad range of experience and skills to oversee the development and implementation of our strategy. Reflects anticipated time commitments and responsibilities of each role. Reflects fees paid and benefits provided by comparator companies. | The remuneration policy for the non-executive Directors (with the exception of the Chairman) is set by a separate Committee of the Board. The policy for the Chairman is determined by the Committee (of which the Chairman is not a member). Fees are paid in cash and are reviewed annually considering the salary increase for the general workforce and the level of fees paid by companies of a similar size and complexity. Any changes are normally effective from 1 October. Additional fees are paid in relation to extra responsibilities undertaken, such as chairing certain Board subcommittees, to the Senior Independent non-executive Director and the non-executive Director with designated responsibility for workforce engagement. Non-executive Directors may be eligible for such cash and non-cash benefits as the Company deems appropriate from time to time. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for non-executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload. No eligibility for bonuses, long term incentive plans, pension schemes, healthcare arrangements or employee share schemes. The Company pays any reasonable expenses that a non-executive Director incurs in carrying out their duties as a Director, including travel, hospitality related and other modest benefits and any tax liabilities thereon, and the provision of advice relating to any such tax liabilities, if appropriate. | There is no prescribed maximum other than the Company's Articles of Association containing a limit on the fees that can be paid to non-executive Directors. The Board is guided by the general increase in the market for non-executive Director roles and for the broader employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current fee levels are set out on pages 108 and 109. | Not applicable. Non-executive Directors do not participate in variable pay arrangements and do not receive retirement benefits. |

Directors' remuneration report continued

Directors' remuneration policy continued

Additional notes to the policy table

Annual bonus and long-term incentives

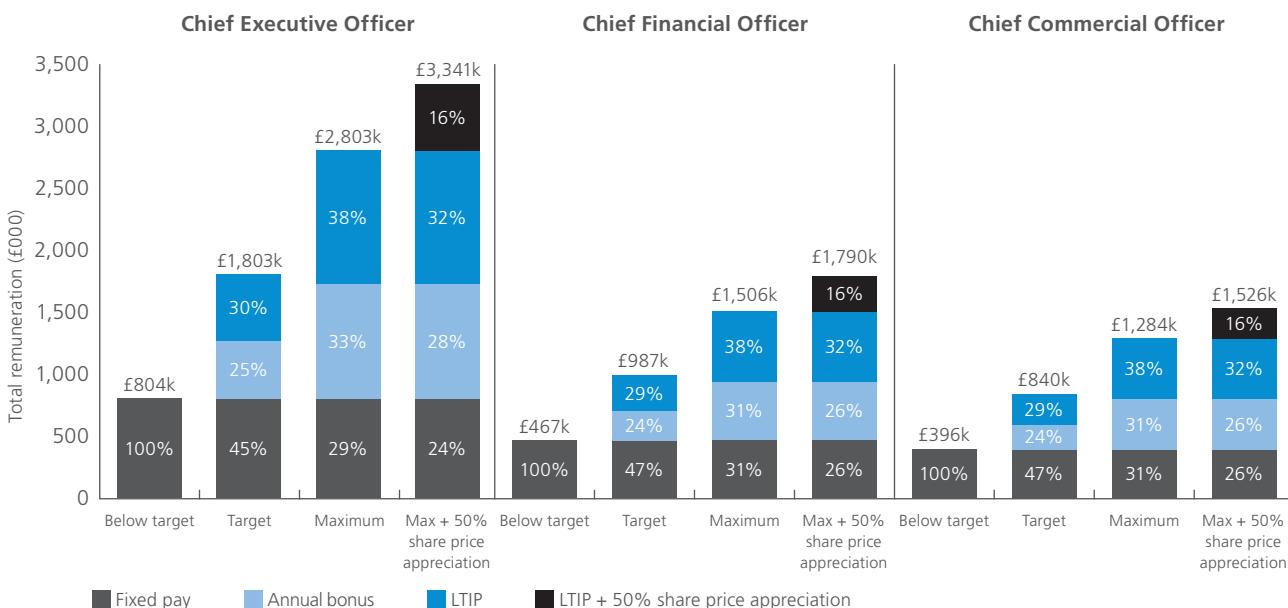
The Committee will operate the Company's incentive plans according to their respective rules as approved by shareholders and consistent with normal market practice, the Listing Rules and HMRC rules where relevant. These include making awards and setting performance criteria each year, dealing with leavers and adjustments to awards and performance criteria following acquisitions, disposals and changes in share capital and to take account of the impact of other merger and acquisition activity.

The Committee also retains discretion within policy to set different performance criteria and/or alter weightings for the annual bonus plan and long-term incentives, pay dividend equivalents on vested shares under the long-term incentives up to the date those shares can first reasonably be exercised and, in exceptional circumstances, under the rules of the long term incentive plans to adjust performance conditions to ensure that the awards fulfil their original purposes (for example, if a measure is no longer available). All assessments of performance are ultimately subject to the Committee's judgement. Any discretion exercised, and the rationale, will be disclosed in the annual report on remuneration.

Legacy scheme and awards

All historical awards that were granted under any current or previous share schemes operated by the Company and remain outstanding remain eligible to vest based on their original award terms.

Illustrations of the application of remuneration policy



Notes on the scenario methodology:

The above charts give an illustrative value of the remuneration package for each of the executive Directors in the upcoming year.

The scenarios provided for the CFO should be considered indicative only and are based on his salary and benefits and incentive opportunities during the year.

- Minimum is the base salary for FY 2022 plus the value of pension contributions and benefits as disclosed in the FY 2021 single figure table.
- On target is the aforementioned minimum plus an assumed 50% payout of the annual bonus opportunity and 50% vesting of LTIP awards to be made in FY 2022.
- Maximum is the aforementioned minimum with an assumed 100% payout of the annual bonus opportunity and full vesting of LTIP awards to be made in FY 2022.
- Maximum + share price assumption shows maximum plus a 50% share price appreciation on the shares subject to vested LTIP awards to be made in FY 2022.

Statement of consideration of employment conditions elsewhere in the Company

The remuneration approach is consistently applied at levels below the executive Directors. Key features include:

- All employees are eligible for an annual bonus based on a Group profit target.
- Base salary, incentives and benefits are regularly benchmarked for employees.
- All UK roles are eligible for employer pension contributions of up to 14%.
- Employee benefits include 29 days' paid holiday, private medical insurance, group income protection, car allowance (where appropriate) and the opportunity to participate in our share plans.
- All new joiners receive share options after successful probation.
- Roles considered critical to the business are eligible for a long-term incentive award.

Directors' remuneration policy continued

Statement of consideration of employment conditions elsewhere in the Company continued

At senior levels, remuneration is increasingly long term and 'at risk' with an increased emphasis on performance related pay and share-based remuneration.

The Committee takes into account the general base salary increase and remuneration arrangements, including pension provision, for the wider employee population when determining remuneration policy for the executive Directors. Processes are in place for the Committee to review and consider any remuneration related matters that may arise from the activities undertaken by the Board to take account of the 'employee voice', including the non-executive Director with designated responsibility for workforce engagement reporting to the Committee any employee feedback on matters relating to pay and conditions.

Statement of consideration of shareholder views

The Committee has a standard annual agenda item whereby the feedback from shareholders and investor advisory bodies is presented and discussed following the Annual General Meeting.

Prior to determining the implementation of the policy for FY 2022, we engaged with our shareholders. A summary of the feedback received is outlined on page 91.

The Committee welcomes shareholder feedback and questions. Should you have any questions or feedback, please contact ir@victrex.com. This feedback is sought and collated by our Director of Investor Relations & Corporate Communications. The feedback that the Committee receives then informs discussions for the formulation of future policy and subsequent remuneration decisions. The Committee is also regularly updated on the collective views of shareholders and investor advisory bodies by its independent advisor.

External directorships

The Company accepts that its executive Directors may be invited to become non-executive directors of other companies outside the Company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the Company. Any external appointments are subject to Board approval (which would not be given if the proposed appointment was with a competing company, would lead to a material conflict of interest or could have a detrimental effect on a Director's performance). Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case-by-case basis.

Service contracts and letters of appointment

Each of the executive Directors' service contracts are terminable by either the employing company or the Director on twelve months' notice.

The Chairman and other non-executive Directors have letters of appointment rather than service contracts. Their appointments may be terminated without compensation at any time, subject to a three-month notice period. All non-executive Directors are subject to re-election at each Annual General Meeting.

The table below summarises the notice periods for each Director as well as the date of appointment and current contract/letter of appointment.

| | Date of appointment | Date of current contract/letter of appointment | Notice from the Company | Notice from the individual | Unexpired period of service contract/letter of appointment |
|--------------------------------|---------------------|--|-------------------------|----------------------------|--|
| Executive Directors | | | | | |
| J O Sigurdsson | 01/10/2017 | 19/04/2017 | 12 months | 12 months | Rolling contract |
| R J Armitage ¹ | 01/05/2018 | 04/12/2017 | 12 months | 12 months | Rolling contract |
| M L Court | 01/04/2015 | 10/01/2013 | 12 months | 12 months | Rolling contract |
| Non-executive Directors | | | | | |
| L C Pentz | 28/07/2008 | 28/07/2008 | 3 months | 3 months | Rolling contract |
| J E Ashdown | 09/02/2018 | 18/12/2017 | 3 months | 3 months | Rolling contract |
| B W D Connolly | 09/02/2018 | 18/12/2017 | 3 months | 3 months | Rolling contract |
| D Thomas | 14/05/2018 | 11/05/2018 | 3 months | 3 months | Rolling contract |
| J E Toogood | 01/09/2015 | 30/07/2015 | 3 months | 3 months | Rolling contract |
| R Rivaz | 01/05/2020 | 24/03/2020 | 3 months | 3 months | Rolling contract |
| V Cox | 01/12/2021 | 17/09/2021 | 3 months | 3 months | Rolling contract |

Copies of executive Directors' service contracts and non-executive Directors' letters of appointment are available for inspection on request; please contact the General Counsel & Company Secretary on cosec@victrex.com.

¹ Mr Armitage has tendered his resignation and his notice entitlement has been varied so that he will leave the Company by no later than 27 May 2022 without compensation.



Directors' remuneration report continued

Directors' remuneration policy continued

Policy on payment for loss of office

The circumstances of termination, the relevant individual's performance and an individual's duty and opportunity to mitigate losses are considered in every case. Our policy is to stop or reduce compensatory payments to former executive Directors to the extent that they receive remuneration from other employment during the compensation period. A robust line on reducing compensation is applied and payments to departing employees may be phased to mitigate loss. Our policy is shown in the table below:

| Provision | Summary terms |
|---|---|
| Compensation for loss of office | <ul style="list-style-type: none"> → An executive Director's service contract may be terminated without notice and without any further payment or compensation, except for sums earned up to the date of termination, on the occurrence of certain contractually specified events such as gross misconduct. → No termination payment if full notice is worked. → Otherwise, a payment in respect of the period of notice not worked of basic salary, plus pension and car allowance for that period. → The termination payment will be paid in monthly instalments over what would have been the period of notice not worked. This will be reduced by the value of any salary, pension contribution and car allowance earned in new paid employment in that period. |
| Treatment of annual bonus on termination | <ul style="list-style-type: none"> → A time pro-rated bonus may be payable for the period of active service; however, there is no automatic entitlement to payments under the bonus scheme. Any payment is at the discretion of the Committee and is subject to recovery and withholding provisions as detailed in the policy table. → Performance targets would apply in all circumstances. |
| Treatment of deferred bonus on termination | <ul style="list-style-type: none"> → Determined based on the DBS rules. Full details are available on request. → Deferred bonuses are subject to recovery and withholding provisions as detailed in the policy table. → The default treatment is that any unvested awards will vest with no time pro-rating applying. Awards will normally vest at the time of cessation unless the Committee decides they will vest on a later date. |
| Treatment of unvested long-term incentives on termination | <ul style="list-style-type: none"> → Determined based on the relevant plan rules. Full details are available on request. → Normally, any unvested awards will lapse on date of cessation of employment (if that occurs during the performance period) unless, in certain prescribed circumstances such as death, disability, mutually agreed retirement or other circumstances at the discretion of the Committee, 'good leaver' status is applied. In these circumstances, awards vest on a time pro-rated basis subject to the satisfaction of relevant performance criteria, with the balance of awards lapsing. The Committee retains the discretion not to time pro-rate if it is inappropriate to do so in particular circumstances. The Committee will consider the individual's performance and the reasons for their departure when determining whether 'good leaver' status can be applied. Awards will normally vest at the time of cessation unless the Committee decides they will vest on a later date. |

Approach to recruitment remuneration

The remuneration package for a new executive Director will be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment and the Committee shall seek to recruit within the parameters of approved policy and on the principle that recruitment remuneration shall be no more than is necessary to secure the services of a preferred candidate.

Base salary

Base salary levels for new executive Directors will be set in accordance with the policy, considering the experience of the individual recruited. Where appropriate, the Committee has the flexibility to set the salary of a new appointee at a discount to the market level initially, with a series of planned increases implemented over the following years to bring the salary to the appropriate market position, subject to individual performance in the role.

Maximum level of variable pay

The maximum level of variable pay which may be awarded to a new executive Director will be 350% of salary (i.e. 150% annual bonus plus 200% LTIP award). These limits will be separate to the value of any buy out arrangement which may be necessary to secure the services of a preferred candidate.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, underlying as relevant to take into account the appointment. In addition, any other previously awarded entitlements would continue, and be disclosed in the next annual report on remuneration.

Directors' remuneration policy continued

Approach to recruitment remuneration continued

Annual bonus performance conditions

Where a new Director is appointed part way through a financial year, the Committee may set different annual bonus measures and targets for the new executive Director from those used for other executive Directors (for the initial part year only).

Buy out awards

The Committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the Company (and therefore shareholders). Any such payments would be limited to a reasonable estimate of value of remuneration lost when leaving the former employer and would reflect the delivery mechanism (i.e. cash and/or share based), time horizons and whether performance requirements are attached to that remuneration.

Relocation and incidental expenses

The Committee may agree that the Company will meet certain relocation and/or incidental expenses as may be necessary to recruit a preferred candidate and as deemed appropriate by the Committee.

Appointment of non-executive Directors

For the appointment of a new Chairman or non-executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time. Non-executive Directors' fees are set by a separate Committee of the Board; the Chairman's fees are set by the Committee.

Outplacement services, reimbursement of legal costs and any other incidental expenses may be provided where appropriate. Any statutory entitlements or compromise claims in connection with a termination of employment would be paid as necessary. Outstanding savings/shares under all-employee share plans would be transferred in accordance with the terms of the plans as approved by HMRC.

Change of control

On a change of control, executive Directors' incentive awards will be treated in accordance with the rules of the relevant plans. In summary:

- Bonus payments will consider the extent to which the performance measures have been satisfied between the start of the performance period and the date of the change of control, and the value will be pro-rated to reflect the same period.
- Deferred bonuses will generally vest on the date of a change of control, unless the Committee permits (or requires) awards to roll over into equivalent shares in the acquirer.
- LTIP awards will generally vest on the date of a change of control taking into account the extent to which any performance condition has been satisfied at that point. Time pro-rating will normally apply unless the Committee determines otherwise.

Annual report on remuneration

The Remuneration Committee (the 'Committee') presents the Directors' remuneration report (excluding the remuneration policy), to be put to shareholders for an advisory (non-binding) vote at the Annual General Meeting to be held on 11 February 2022. The report includes details of the Committee and the pay the Board received during the year in accordance with our current remuneration policy as it was approved at the Annual General Meeting in February 2020 which is available in the Company's 2019 Annual Report.

Members of the Committee during the year

The role of the Committee is to determine and recommend to the Board a fair and responsible remuneration framework for the Company's Chairman and executive Directors. The members of the Committee (all of whom were independent non-executive Directors) during the year under review were as follows:

- Janet Ashdown (Remuneration Committee Chair)
- Ros Rivaz
- Jane Toogood
- Brendan Connolly
- David Thomas

Biographical information on the Committee members, details of attendance at the Committee's meetings and activities during the year are set out on pages 66, 67 and 91. The purpose, roles and responsibilities are thereby included in this section of the report by reference.

External advisor

Korn Ferry provided independent advice to the Committee during FY 2021 having been appointed by the Committee following a competitive tender process in 2020.

Korn Ferry provided advice on market practice updates and benchmarking, and supported management with undertakings such as producing the Directors' remuneration report to the extent this did not impact the independence of its advice. The fees paid to Korn Ferry for providing advice to the Committee in relation to Directors' remuneration were £50,000 which included fixed fees for planned undertakings and ad-hoc support on a time and expense basis. Korn Ferry provided other human capital related services during the year to a separate part of the business, but these services were carried out by a team separate to the remuneration advisory team. As a result, the Committee is 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.



CORPORATE GOVERNANCE

Directors' remuneration report continued

Annual report on remuneration continued

Annual General Meeting voting outcomes

The following table summarises the details of votes cast for and against the Directors' remuneration policy and the Directors' remuneration report at the 2020 and 2021 AGM, along with the number of votes withheld. The Committee will continue to consider the views of, and feedback from, shareholders when determining and reporting on remuneration arrangements.

| Voting outcome | Votes for | Votes against | Votes withheld |
|--|----------------------------|--------------------------|----------------|
| Directors' remuneration report 2021 AGM | 70,431,079 (95.64%) | 3,210,454 (4.36%) | 671,804 |
| Directors' remuneration policy 2020 AGM | 64,813,885 (93.73%) | 4,337,065 (6.27%) | 593,713 |

Implementation of the Directors' remuneration policy for the year ended 30 September 2021

A summary of how the Directors' remuneration policy was applied for the year ended 30 September 2021 is set out below.

Remuneration received by Directors for the year ended 30 September 2021 (audited)

| | Salary and fees ¹ £ | Taxable benefits ² £ | Pension ³ £ | Total fixed pay £ | Annual bonus ⁴ £ | Long-term incentives ⁵ £ | Total variable pay £ | Total £ |
|-----------------------|-----------------------------------|------------------------------------|---------------------------|----------------------|--------------------------------|--|-------------------------|------------------|
| J O Sigurdsson | | | | | | | | |
| 2021 | 557,535 | 71,875 | 117,076 | 746,486 | 780,270 | — | 780,270 | 1,526,756 |
| 2020 | 557,535 | 95,236 | 117,505 | 770,276 | — | 118,504* | 118,504 | 888,780 |
| R J Armitage | | | | | | | | |
| 2021 | 378,000 | 16,664 | 72,192 | 466,856 | — | — | — | 466,856 |
| 2020 | 378,000 | 16,585 | 72,621 | 467,206 | — | 71,903* | 71,903 | 539,109 |
| M L Court | | | | | | | | |
| 2021 | 313,635 | 16,664 | 56,101 | 386,400 | 371,463 | — | 371,463 | 757,863 |
| 2020 | 313,635 | 16,585 | 56,530 | 386,750 | — | 54,987* | 54,987 | 441,737 |
| L C Pentz | | | | | | | | |
| 2021 | 200,593 | 6,000 | — | 206,593 | — | — | — | 206,593 |
| 2020 | 200,593 | 5,500 | — | 206,093 | — | — | — | 206,093 |
| J E Ashdown | | | | | | | | |
| 2021 | 60,000 | — | — | 60,000 | — | — | — | 60,000 |
| 2020 | 60,000 | — | — | 60,000 | — | — | — | 60,000 |
| B W D Connolly | | | | | | | | |
| 2021 | 58,000 | — | — | 58,000 | — | — | — | 58,000 |
| 2020 | 58,000 | — | — | 58,000 | — | — | — | 58,000 |
| D Thomas | | | | | | | | |
| 2021 | 60,000 | — | — | 60,000 | — | — | — | 60,000 |
| 2020 | 60,000 | — | — | 60,000 | — | — | — | 60,000 |
| J E Toogood | | | | | | | | |
| 2021 | 50,000 | — | — | 50,000 | — | — | — | 50,000 |
| 2020 | 50,000 | — | — | 50,000 | — | — | — | 50,000 |
| R Rivaz | | | | | | | | |
| 2021 | 58,500 | — | — | 58,500 | — | — | — | 58,500 |
| 2020 | 24,375 | — | — | 24,375 | — | — | — | 24,375 |

The remuneration for executive and non-executive Directors comprising salary (or fees), taxable benefits and bonus was £3.2m (FY 2020: £2.1m).

* The 2020 LTIP vested for J Sigurdsson and M L Court on 8 December 2020 at a closing share price of £21.12 and for R Armitage on 16 May 2021 at a closing share price of £24.32. At the time of the 2020 Annual Report the LTIP figure used was based upon the average share price during the three-month period to 30 September 2020 (£19.363), therefore the published figure last year was JO Sigurdsson £109,913; M L Court £51,000 and R Armitage £58,603.





Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2021 continued

Notes and additional information (audited)

1. Salary and fees

Dr Ros Rivaz was appointed as a non-executive Director and Senior Independent Director on 1 May 2020. Dr Rivaz's fees were pro-rated for 2020.

2. Taxable benefits

All executive Directors are eligible for a company car allowance up to £21,000 and membership to a private medical scheme covering themselves and their immediate families. The remaining taxable benefits for Jakob Sigurdsson relate to the cost of relocation to the UK. In addition, overseas directors, Jakob Sigurdsson and Larry Pentz receive support to complete UK and overseas tax submissions in order to ensure that the Group maintains employment compliance across the jurisdictions.

3. Pensions

Members of the UK pension scheme are entitled to life assurance cover of four times salary and a retirement pension subject to the scheme rules. If a member dies whilst in pensionable service, the value of the member's retirement account will be used by the trustees to provide either or both a lump sum and a pension payable to dependants. Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group provides benefits through the provision of salary supplements.

Martin Court and Richard Armitage have opted out of the defined contribution pension scheme and receive a cash supplement of 12%. Jakob Sigurdsson participates in the Company defined contribution pension scheme in line with HMRC limits (£4,000) and receives the balance between these limits and the Company contributions as a cash supplement of 12%. The aforementioned contributions of 12% apply up to the Notional Earnings Cap ('NEC') for basic salary. Above the NEC, participants receive a cash supplement of 25% of basic pay. All supplements are subject to statutory deductions. Details of the value of pension contributions received by the executive Directors in the year under review are provided in the 'Pensions' column of the 'Remuneration received by Directors' table.

One of the Directors is accruing pension benefits under defined contribution schemes (FY 2020: one). None of the Directors are accruing pension benefits under defined benefit schemes (FY 2020: none).

4. Annual bonus payments

The annual bonus was operated on the same basis as last year with 50% subject to a stretching Group underlying profit before tax ('PBT') target and performance against shared strategic (30% weighting) and individual personal performance objectives (20% weighting). No payment is made on any element of bonus (including strategic and personal) if the underlying PBT threshold is not met. Following Richard Armitage notifying the Board of his intention to step down, he was no longer eligible for a bonus payment in FY 2021. The maximum annual bonus opportunity for the CEO is 150% of salary and 125% of salary for the other executive Directors.

| Group financial targets | PBT required for threshold bonus £m | PBT required for maximum bonus £m | Target PBT £m | Underlying PBT £m | Achievement (% of max) |
|-------------------------|-------------------------------------|-----------------------------------|---------------|-------------------|------------------------|
| J O Sigurdsson | 70 | 83 | 75 | 91.7 | 100% |
| R J Armitage | 70 | 83 | 75 | 91.7 | 0% |
| M L Court | 70 | 83 | 75 | 91.7 | 100% |

In addition to financial performance, executive Directors were set a number of stretching strategic and personal performance objectives for 2021, which account for 50% of total annual bonus opportunity. The Committee assesses performance against those objectives using a combination of quantitative and qualitative information. A summary of the strategic objectives for the executive Directors collectively and of the personal objectives along with key performance highlights is shown below.

| Strategic objectives | Weighting | Overview | Performance target and assessment by Committee | Achievement (% of max) |
|----------------------|-----------|--|---|------------------------|
| | | Growth in Asia | Exceeded Target: Delivered growth sales in core business exceeding maximum stretch targets Partially achieved: Strengthened business pipeline with an increased conversion Exceeded stretch target: Product offering into Asia fully structured Exceeded stretch target: Refined forecasting model | 90% |
| Drive Core Business | 8% | Increase in ROCE – cost savings, business excellence and volume leverage | Between target and stretch: Workforce planning successfully delivered with £10m savings retained Exceeded stretch target: Operations and Business Excellence new teams established with savings delivered Target achieved: Organisational development for new quality organisation prepared | 80% |
| | 8% | Streamline processes and to enhance commercial approach | Stretch target achieved: Customer and sales established a new approach to improve customer experience Between target and stretch: Commercial changes delivered customer satisfaction improvements Stretch target achieved: Product retirement plan developed and initial phases completed | 85% |



CORPORATE GOVERNANCE

Directors' remuneration report continued

Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2021 continued

Notes and additional information (audited) continued

4. Annual bonus payments continued

| Strategic objectives | Weighting | Overview | Performance target and assessment by Committee | Achievement (% of max) |
|---|-----------|---|--|------------------------|
| Differentiate through Innovation | 13% | Delivered innovation targets across the Group portfolio | Between target and stretch: Innovation revenue targets achieved resulting in between target and stretch performance | 60% |
| | 13% | Capabilities to make and transaction in parts in new products refined to ensure effectiveness at scale | Towards stretch level of performance: Governance of innovation full audit of operations and related committees indicating year on year improvements | 90% |
| Create and Deliver Future Value | 8% | Deliver business excellence | Achieved stretch target: Manufacturing capabilities delivered progress in line with or ahead of budget | 100% |
| | 8% | Acceleration in adoption of PEEK | In line with stretch target: Growth in organic and inorganic plans prepared | 100% |
| | 8% | Investigate options for new processes | Met at stretch target: Assessment of partnerships with a positive impact on sales | 100% |
| Underpin through Safety, Sustainability and Capability | 13% | Establish a new approach to sustainability and make progress against targets for water recycling, proportion of revenue from sustainable products and percentage of renewable energy used. Build on our existing focus on diversity | Achieved between stretch and target: Sustainability targets were set based on an increased level of waste recycling, the launch of a Group-wide refreshed behavioural safety programme. Internal recycling of PEEK significantly increased due to successfully recycling Stonehouse scrap using the recycling installation at Aptiv. A behavioural based safety programme focus on Safety Leadership, deployed in the form of workshops with all line managers, had very positive impact on reducing injuries by 50%. Extra leadership sessions on I&D; global gender engagement networks for each region; and positive results to pulse survey | 85% |
| | 13% | Review employee value proposition | Met at stretch target: Reviewed employee share plans; flexible working fully deployed and taken up by employees; new global people framework deployed for USA and ready for Europe | 100% |
| Total | 100% | | | 88% |

| Personal objectives | Weighting | Assessment of performance by Committee | Achievement (% of max) |
|---|-----------|--|------------------------|
| Jakob Sigurdsson | | | |
| Asia: → Deliver pipeline growth in China → Deliver against China Project objectives | 22.5% | Performance assessed at stretch: → Footprint development options progressing in line with plan → Product differentiation plan defined and agreed → Strategy agreed and deployed → Sales target exceeded | 100% |
| Accelerate growth by: → Delivering against mega-programme → Establish a cross programme collaboration group | 22.5% | Performance assessed between target and stretch: → Progress for six targeted mega-programmes assessed and concluded to be in line with the majority of milestones → Cross collaboration group established | 80% |
| Sustainable cost structure: → Integrated approach to Process, R&D and Product Development data capture and leverage | 22.5% | Performance assessed between target and stretch: → Successfully implemented opportunities in R&D and Manufacturing | 80% |
| M&A objectives: → Identify M&A opportunities | 22.5% | Performance assessed between target and stretch: → M&A case identified, appraised and presented | 80% |
| Continue to broaden reach with global investors through face to face and virtual forums | 10% | Performance assessed between target and stretch: → Effective stakeholder engagement with positive feedback from engagement through the year | 80% |
| Review impact of new Global Flex Policy and leadership effectiveness | | Exceeded target: → Excellent year one feedback demonstrated by above expected take-up rates | |
| Total | 100% | | 85% |

Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2021 continued

Notes and additional information (audited) continued

4. Annual bonus payments continued

| Personal objectives | Weighting | Assessment of performance by Committee | Achievement (% of max) |
|---|-----------|--|---------------------------|
| Martin Court | | | |
| Deploy commercial disciplines in IBP | 5% | Performance assessed at stretch: → Improved forecasting bias → Customer product list rollout was well accepted → Product retirement plans were executed | 100% |
| Data centred transformation approach to product quality and product specifications | 20% | Performance assessed between target and stretch: → R&D organisation structure assessed → Quality structure ready for deployment → Several examples of data enabled in-silico R&D | 90% |
| Mega-programme adoption | 30% | Performance assessed between target and stretch: → Progressed mega-programmes assessed and concluded to be in line with the majority of milestones → Cross collaboration group established | 80% |
| Enhance specific innovation support capabilities including design capacity, Transport risk committees and parts contracting | 5% | Performance assessed at stretch: → All of the contracts are being handled through cross functional collaboration → Good collaboration on design across the business and overflow capability established | 100% |
| Deliver Horizon 3 programme | 5% | Performance assessed at stretch: → University collaborations delivering data modelling building blocks → Renewable material options identified → New synthesis routes investigated | 100% |
| Establish Asia commercial strategy and pipeline | 30% | Performance assessed at stretch: → Footprint development options progressing to plan → Product plan defined and agreed → Pipeline strategy agreed and deployed ahead of plan → Sales target met | 100% |
| Flexible collaboration delivering clarity and pace | 2.5% | Performance assessed at stretch: → New product peer review with Strategic Business Units, Innovation and Customer Experience functions delivering clarity on pipeline and hopper → Innovation Portfolio Review working very effectively in managing portfolio | 100% |
| ESG agenda driven through enhanced safety awareness, positioning PEEK in the circular economy | 2.5% | Performance assessed between target and stretch: → Delivered on safety and continuity of business through FY 2021 with a strong 'tone from the top' → Delivered pilot study for recycling in Houston to inform future direction | 90% |
| Total | 100% | | 92% |

Richard Armitage made strong progress against the personal targets included in his annual bonus during the year under review which included the identification and delivery of cost savings, progressing corporate M&A strategy and its execution, reviewing the Company's capital allocation strategy and working and communicating with shareholders. However, due to Richard having notified the Board of his intention to step down from the Board prior to the bonus payment date he was not eligible for a bonus in FY 2021.

With the PBT targets being achieved at maximum this resulted in 50% of the maximum bonus becoming payable (i.e. 75% of salary for Jakob Sigurdsson and 62.5% of salary for Martin Court). In addition, the strategic targets were met at 88% of maximum resulting in a further 26.4% of the maximum bonus becoming payable (i.e. 39.6% of salary for Jakob Sigurdsson and 33% of salary for Martin Court). Furthermore, the personal targets were met at 85% of maximum for Jakob Sigurdsson and 92% of maximum for Martin Court resulting in a further 17% of maximum and 18.4% of maximum respectively becoming payable (i.e. 25.5% of salary and 23% of salary). This resulted in total bonuses at 93% of maximum for Jakob Sigurdsson and 95% of maximum for Martin Court respectively (i.e. 140% of salary and 118.5% of salary). The Committee is comfortable that this result reflects the underlying performance of the Company. Half of the bonus will be deferred in shares for three years. No further performance conditions apply. Deferred shares are subject to continued service.



CORPORATE GOVERNANCE

Directors' remuneration report continued

Annual report on remuneration continued

Implementation of the Directors' remuneration policy for the year ended 30 September 2021 continued

Notes and additional information (audited) continued

5. Vesting of LTIP awards

The LTIP awards granted on 10 December 2018 were based on performance to the year ended 30 September 2021. The performance targets for these awards and actual performance against those targets were as follows:

| Metric | Weighting | Performance condition | Threshold target | Stretch target | Actual | % vesting |
|--------------------------|-----------|---|------------------|----------------|---------------|-----------|
| Earnings per share | 75% | Cumulative EPS to exceed 469p over the three-year period to vest in full. Vesting is reduced to 20% on a pro-rata basis if cumulative EPS is 418.1p over the three-year period and is reduced to nil if it fails to reach 418.1p. | 418.1p | 469.0p | 254.1p | 0% |
| Total shareholder return | 25% | TSR against the constituents of the FTSE 250 Index (excluding investment trusts). 25% vesting for median performance and 100% vesting for upper quartile performance or above. TSR measured over three financial years with a three-month average at the start and end of the performance period. | 14.4% | 48.5% | -7.9% | 0% |
| Total | | | | | Total vesting | 0% |

The vesting details for the executive Directors are therefore as follows:

| Executive | Grant date | Vest date | Number of shares at grant | Number of shares to vest | Number of shares to lapse | Dividend equivalent on shares to vest £ | Estimated value £ |
|----------------|-------------|-------------|---------------------------|--------------------------|---------------------------|---|-------------------|
| J O Sigurdsson | 10 Dec 2018 | 10 Dec 2021 | 29,586 | — | 29,586 | — | nil |
| M L Court | 10 Dec 2018 | 10 Dec 2021 | 12,972 | — | 12,972 | — | nil |
| R J Armitage | 10 Dec 2018 | 10 Dec 2021 | 15,634 | — | 15,634 | — | nil |

For information relating to the awards that vested in relation to the 30 September 2020 year end, please see page 96 in the 2020 Annual Report.

Long-term incentives granted during the year (audited)

On 14 December 2020, the following LTIPs were granted to executive Directors:

| Executive | Type of award | Basis of award | Average share price used at grant ¹ | Number of shares over which award was granted | Face value of award | % of face value that would vest at threshold performance | Vesting determined by performance over ² |
|----------------|-----------------|----------------|--|---|---------------------|--|---|
| J O Sigurdsson | Nil-cost option | 175% of salary | £21.3067 | 45,792 | £975,676 | 21.25% | Three financial years to |
| R J Armitage | Nil-cost option | 150% of salary | £21.3067 | 26,611 | £566,993 | 21.25% | 30 September |
| M L Court | Nil-cost option | 150% of salary | £21.3067 | 22,080 | £470,452 | 21.25% | 2023 |

1 The share price at date of grant is the mid-market price quoted over a three-day average on 9, 10 and 11 December 2020 in accordance with the Plan rules.

2 An additional two-year holding period applies after the end of the three-year performance period.

3 The LTIP was awarded as nil-cost options with an exercise price of nil. There is no change in the approach to the exercise price or date.

The awards above are subject to stretching EPS and TSR targets. The EPS element (75% weighting) will vest in full if EPS growth exceeds 12.5% p.a. over the three-year period. This element of the award is reduced to 20% on a pro-rata basis if EPS growth is 5% p.a. If EPS growth is below 5% p.a., then this element of the award will not vest. The TSR element (25% weighting) will vest in full if the Victrex TSR ranks in the upper quartile, as measured over the three-year period, relative to the constituents of the FTSE 250 Index excluding investment trusts. This element of the award is reduced to 25% on a pro-rata basis for median performance and is reduced to nil for below median performance.

The Committee will use its discretion to reduce the award value on vesting if there is a post-COVID-19 recovery that takes place substantially quicker than expected at the time of setting the targets and the resulting reward is considered disproportionate by the Committee in light of overall performance.

Sharesave options granted during the year (audited)

During the year Martin Court received an award under the Company's Save as You Earn Scheme (SAYE). This award was granted on the same terms as all employees that elected to participate in the SAYE. He received an award of 459 shares with an option exercise price of £19.60 representing a 20% discount to the average price used to determine the number of shares comprising the award which was the share price on 12 January 2021 of £24.50. The number of shares included in the award was determined based on his expected monthly saving over a 36-month period of £250 per month. The face value of the award was £11,245.50.

Annual report on remuneration continued

Outstanding share awards (audited)

The table below sets out details of outstanding share awards held by executive Directors. The table shows changes in the options held by each Director, taking into account grants made, options which have lapsed and any options exercised. The closing position at the end of the financial year 2021 is shown in bold.

| Plan | Grant date | Exercise price | No. of share awards at 1 October 2020 | Granted during the year | Vested during the year | Exercised during the year | Lapsed during the year | No. of share awards at 30 September 2021 | End of performance period | Date from which exercisable | Expiry date |
|-----------------------|------------|----------------|---------------------------------------|-------------------------|------------------------|---------------------------|------------------------|--|---------------------------|-----------------------------|-------------|
| M L Court | | | | | | | | | | | |
| LTIP | 14/12/2015 | nil | 3,686 | — | — | 3,686 | — | — | 30/09/2018 | 14/12/2018 | 14/12/2025 |
| | 08/12/2016 | nil | 14,550 | — | — | — | — | 14,550 | 30/09/2019 | 08/12/2021 | 08/12/2026 |
| | 08/12/2017 | nil | 11,480 | — | 2,269 | — | 9,211 | 2,269 | 30/09/2020 | 08/12/2022 | 08/12/2027 |
| | 10/12/2018 | nil | 12,972 | — | — | — | — | 12,972 | 30/09/2021 | 10/12/2023 | 10/12/2028 |
| | 11/12/2019 | nil | 13,172 | — | — | — | — | 13,172 | 30/09/2022 | 11/12/2024 | 11/12/2029 |
| | 12/02/2020 | nil | 3,293 | — | — | — | — | 3,293 | 30/09/2022 | 12/02/2025 | 12/02/2030 |
| | 14/12/2020 | nil | — | 22,080 | — | — | — | 22,080 | 30/09/2023 | 14/12/2025 | 14/12/2030 |
| SAYE | 01/04/2018 | £21.64 | 415 | — | — | 415 | — | — | n/a | 01/04/2021 | 30/09/2021 |
| | 01/04/2020 | £19.97 | 450 | — | — | — | — | 450 | n/a | 01/04/2023 | 30/09/2023 |
| | 01/04/2021 | £19.60 | — | 459 | — | — | — | 459 | n/a | 01/04/2024 | 30/09/2024 |
| Deferred shares | 05/12/2017 | nil | 2,228 | — | — | 2,228 | — | — | n/a | 05/12/2020 | 05/12/2025 |
| | 10/12/2018 | nil | 2,046 | — | — | — | — | 2,046 | n/a | 10/12/2021 | 10/12/2026 |
| J O Sigurdsson | | | | | | | | | | | |
| LTIP | 08/12/2017 | nil | 24,742 | — | 4,890 | — | 19,852 | 4,890 | 30/09/2020 | 08/12/2022 | 08/12/2027 |
| | 10/12/2018 | nil | 29,586 | — | — | — | — | 29,586 | 30/09/2021 | 10/12/2023 | 10/12/2028 |
| | 11/12/2019 | nil | 29,327 | — | — | — | — | 29,327 | 30/09/2022 | 11/12/2024 | 11/12/2029 |
| | 12/02/2020 | nil | 5,865 | — | — | — | — | 5,865 | 30/09/2022 | 12/02/2025 | 12/02/2030 |
| | 14/12/2020 | nil | — | 45,792 | — | — | — | 45,792 | 30/09/2023 | 14/12/2025 | 14/12/2030 |
| SAYE | 01/04/2019 | £19.20 | 937 | — | — | — | — | 937 | n/a | 01/04/2022 | 30/09/2022 |
| Deferred shares | 10/12/2018 | nil | 4,410 | — | — | — | — | 4,410 | n/a | 10/12/2021 | 10/12/2026 |
| R J Armitage | | | | | | | | | | | |
| LTIP | 16/05/2018 | nil | 13,574 | — | 2,683 | 2,683 | 10,891 | — | 30/09/2020 | 16/05/2023 | 16/05/2028 |
| | 10/12/2018 | nil | 15,634 | — | — | — | — | 15,634 | 30/09/2021 | 10/12/2023 | 10/12/2028 |
| | 11/12/2019 | nil | 15,875 | — | — | — | — | 15,875 | 30/09/2022 | 11/12/2024 | 11/12/2029 |
| | 12/02/2020 | nil | 3,968 | — | — | — | — | 3,968 | 30/09/2022 | 12/02/2025 | 12/02/2030 |
| | 14/12/2020 | nil | — | 26,611 | — | — | — | 26,611 | 30/09/2023 | 14/12/2025 | 14/12/2030 |
| SAYE | 01/04/2019 | £19.20 | 1,562 | — | — | — | — | 1,562 | n/a | 01/04/2024 | 30/09/2024 |
| Deferred shares | 10/12/2018 | nil | 1,270 | — | — | — | — | 1,270 | n/a | 10/12/2021 | 10/12/2026 |

The vesting of all LTIP awards is subject to satisfying the relevant EPS and TSR conditions. The other awards are not subject to performance conditions.

The aggregate gain for Martin Court in the year from the exercise of awards granted under the LTIP, DBS and SAYE was £137,045 based on the respective share price on the date of exercise of £24.08, £21.19 and £24.24. The aggregate gain for Richard Armitage in the year from the exercise of awards granted under the LTIP was £66,055 based on the share price on the date of exercise of £24.62.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

Payments for loss of office (audited)

In connection with Richard Armitage stepping down from the Board, he will be eligible to receive salary, pension and benefits during the period of his employment. He will not be eligible for an annual bonus or LTIP award in FY 2022. All outstanding LTIP awards will lapse on cessation of employment and he will receive no further payments. He will remain subject to post-employment shareholding requirements.



CORPORATE GOVERNANCE

Directors' remuneration report continued

Annual report on remuneration continued

Statement of Directors' shareholdings and share interests (audited)

| Director | Beneficially owned at 1 October 2020 | Beneficially owned at 30 September 2021 ¹ | Outstanding LTIPs at 30 September 2021 | | | Outstanding deferred share awards | Outstanding share awards under all-employee share plans | Shareholding as a % of salary at 30 September 2021 ² |
|----------------|--------------------------------------|--|--|------------------------------|----------------|-----------------------------------|---|---|
| | | | Total outstanding LTIPs | Vested but unexercised LTIPs | Unvested LTIPs | | | |
| J O Sigurdsson | 13,200 | 16,200 | 115,460 | 4,890 | 110,570 | 4,410 | 937 | 97% |
| R J Armitage | 3,980 | 6,396 | 62,088 | — | 62,088 | 1,270 | 1,562 | 48% |
| M L Court | 8,486 | 12,426 | 68,336 | 16,819 | 51,517 | 2,046 | 909 | 182% |
| L C Pentz | 4,000 | 4,000 | — | — | — | — | — | n/a |
| B W D Connolly | 350 | 350 | — | — | — | — | — | n/a |
| J E Ashdown | — | — | — | — | — | — | — | n/a |
| D Thomas | — | — | — | — | — | — | — | n/a |
| J E Toogood | 500 | 500 | — | — | — | — | — | n/a |
| R Rivaz | — | — | — | — | — | — | — | n/a |

1 The table above includes the holdings of persons connected with each of the Directors. The holdings stated represent shares beneficially held and exclude share options held with the Company. Options that have not yet vested and options that are vested but remain unexercised are included in the outstanding options columns and noted in the outstanding share awards table on page 105.

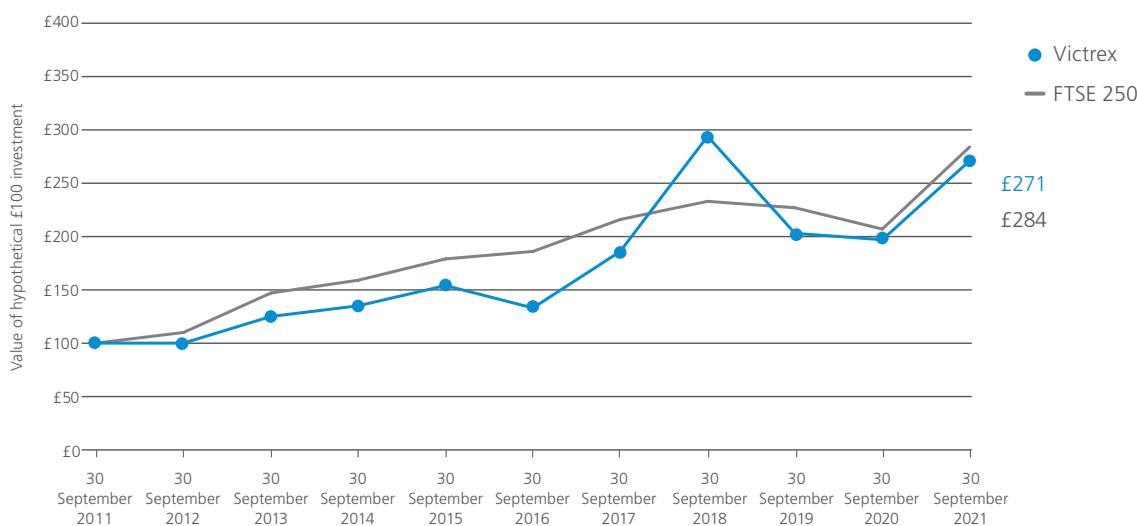
2 Executive Directors are required to hold shares in the Company worth 200% of salary and must retain 50% of the net of tax value of any vested LTIP shares until the guideline is met. The shareholding as a percentage shown above is based on the average share price during September 2021 of £25.3527.

LTIP awards are nil cost options. Vested but unexercised LTIPs are not subject to performance conditions as they are out of the performance period. The unvested LTIPs are subject to EPS and TSR performance conditions. Outstanding deferred share awards are nil cost options which are not subject to performance conditions. Outstanding share awards under all-employee share plans relate to the options issued under the Save As You Earn scheme; none of this type of option are subject to performance conditions.

Martin Court acquired an additional 12 shares during the period from 1 October 2021 to the date of this report through his participation in the All-Employee Share Ownership Scheme. There have been no other changes in the Directors' shareholdings and share interests up to the date of this report.

Total shareholder return graph

The following graph shows the cumulative total shareholder return of the Company over the last ten financial years relative to the FTSE 250 Index. The FTSE 250 Index has been selected for consistency as it is the Index against which the Company's total shareholder return is measured for the purposes of the LTIP. In addition, the Company is a constituent of the Index. TSR is a measure of the returns that a company has provided for its shareholders, reflecting share price movements and assuming reinvestment of dividends. Data is averaged over three months at the end of each financial year.



Source: DataStream Return Index.

Annual report on remuneration continued

CEO total remuneration

The total remuneration figures for the Chief Executive during each of the last ten financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year's performance and LTIP awards based on three-year performance periods ending in the relevant year. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

| Year ended 30 September | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------------------|-------------------|----------|------------------|------------------|------------|----------|----------|----------|----------------|------------|
| Total remuneration | £1,526,756 | £888,780 | £763,672 | £1,071,351 | £1,462,274 | £668,211 | £735,103 | £832,147 | £709,288 | £1,532,239 |
| Annual bonus (% of maximum) | 93.3% | 0% | 0% | 65% | 77.6% | — | 22.5% | 53.1% | — ¹ | 17.3% |
| LTIP vesting (% of maximum) | 0% | 19.8% | n/a ² | n/a ² | 22.1% | — | — | — | 16.56% | 100% |

1 There were no bonus payments made to Directors in 2013 as they waived their entitlement to receive bonus payments.

2 Jakob Sigurdsson was appointed as CEO on 1 October 2017. His first tranche of LTIPs were eligible to vest in 2020.

3 The figures included in the table represent David Hummel from 2012 to 2017 and Jakob Sigurdsson from 2018.

Annual percentage change in Director and employee remuneration

The table below shows the percentage change in the Directors' salary, benefits and annual bonus over the last two financial years, compared to employee average.

| | Average percentage change 2020–2021 | | | Average percentage change 2019–2020 | | |
|-----------------------------|-------------------------------------|------------------|--------------|-------------------------------------|------------------|--------------|
| | Salary | Taxable benefits | Annual bonus | Salary | Taxable benefits | Annual bonus |
| J O Sigurdsson ³ | 0% | -24.5% | 100% | 2.3% | -8.1% | 0% |
| R J Armitage | 0% | 0.5% | 0% | 5.0% | 1.6% | 0% |
| M L Court | 0% | 0.5% | 100% | 5.0% | 1.6% | 0% |
| L C Pentz | 0% | 9.1% | n/a | 2.3% | 0% | n/a |
| J E Ashdown | 0% | n/a | n/a | 3.4% | n/a | n/a |
| B W D Connolly ¹ | 0% | n/a | n/a | 20.8% | n/a | n/a |
| D Thomas | 0% | n/a | n/a | 3.4% | n/a | n/a |
| J E Toogood | 0% | n/a | n/a | 4.2% | n/a | n/a |
| R Rivaz ² | 140% | n/a | n/a | n/a | n/a | n/a |
| Employee average | -2.93% | -2.02% | 100% | 1.78% | 7.56% | 0% |

1 Explanations for large increases in between 2019 and 2020 are provided in the previous Annual Report.

2 R Rivaz was appointed Senior Independent Director from 1 May 2020 and therefore the significant increase in fees between 2020 and 2021 reflects that 2020 includes five months of fees compared to twelve months in 2021.

3 J O Sigurdsson's benefits reduced due to decreased education benefits for his children in FY21.

As the Parent Company does not have any employees, the employee average is based on global employees. The reason for the decreases year on year was predominantly due to a change in the distribution of the global workforce and the impact of exchange rate movements.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and profits for the year attributable to owners of the Parent:

| | 2021 £m | 2020 £m | % change |
|---|-------------|------------|----------|
| Staff costs ¹ | 71.5 | 81.5 | -12.3% |
| Dividends ² | 51.6 | 39.9 | +29.3% |
| Tax ³ | 19.7 | 9.3 | +111.8% |
| Profit for the year attributable to owners of the Parent ³ | 73.2 | 54.2 | +35.1% |

1 FY 2021 staff costs are offset by a £0.8m credit in respect of restructuring (FY 2020 staff costs includes £9.8m of restructuring costs), see also page 131.

2 2021 includes a proposed final regular dividend of 46.14p. Special dividends have not been included.

3 Details of the tax charge and the profit for the year attributable to the owners of the parents are provided in the financial statements on pages 121 to 160.

In addition to demonstrating the change in dividends payable, the change in tax and profit has also been added as this is key information for our shareholders. The inclusion of tax and profit is consistent with previous years.

£3.0m (FY 2020: £2.1m) of the staff costs figures relate to pay for the Directors (excluding pension contributions), of which £1.4m relates to the highest paid Director (FY 2020: £0.8m). Total pension contributions were £0.2m (FY 2020: £0.2m) and for the highest paid Director were £0.1m (FY 2020: £0.1m).

The dividend figures relate to amounts payable in respect of the relevant financial year.



CORPORATE GOVERNANCE

Directors' remuneration report continued

Annual report on remuneration continued

CEO pay ratio

Below we have calculated our UK CEO pay ratio comparing the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile UK employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Regulations 2018 which first formally applied to Victrex from the financial year beginning 1 October 2019.

| Financial year | Calculation methodology | CEO pay ratio | | |
|----------------|-------------------------|---------------------------|------------------------------------|---------------------------|
| | | 25th percentile pay ratio | 50th percentile (median) pay ratio | 75th percentile pay ratio |
| 2021 | Option A | 32.60 | 28.38 | 22.87 |
| 2020 | Option A | 20.22 | 17.66 | 13.85 |
| 2019 | Option A | 17.82 | 15.91 | 12.56 |

Victrex reports against Option A as this option is considered to be the most statistically robust. The ratios are based on total pay and benefits as well as short-term and long-term incentives applicable for the financial year 1 October 2020 to 30 September 2021. The reference employees at the 25th, 50th and 75th percentile have been determined by reference to the last day of the financial year, 30 September 2021, and all items of remuneration for employees have been calculated on the same basis as the single figure for the CEO.

The regulations require the total pay and benefits and the salary component of total pay and benefits to be set out as follows:

| | Base salary | Total pay and benefits |
|--------------------------|-------------|------------------------|
| CEO remuneration | £557,535 | £1,526,756 |
| 25th percentile employee | £30,196 | £46,836 |
| 50th percentile employee | £43,283 | £53,804 |
| 75th percentile employee | £45,912 | £66,765 |

Our principles for pay setting and progression in our wider workforce are the same as for our executives – total reward being sufficiently competitive to attract and retain high calibre individuals without over-paying and providing the opportunity for individual development and career progression. The pay ratios reflect how remuneration arrangements differ as accountability increases for more senior roles within the organisation and in particular the ratios reflect the weighting towards long-term value creation and alignment with shareholder interests for the CEO.

Whilst the CEO pay ratio has deteriorated year on year it should be noted that in 2020 the slight increase in ratio reflected the increase in the CEO's total pay due to partial vesting of the 2017 LTIP. In 2021, this is the first CEO pay ratio that includes a bonus payment. In both prior submissions, the bonus plan did not meet threshold performance. In 2021 we aligned our executive and employee bonus plans so that they are aligned to the same budgeted profit target. The CEO is therefore being remunerated in a manner consistent with the broader workforce but with high incentive multiples to reflect the responsibilities of his role.

We are satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees. The median reference employee has the opportunity for annual pay increases, annual performance payments and career progression and development opportunities.

Implementation of policy in 2021/22

Salaries and fees

Executive Directors

In 2021 the Remuneration Committee reviewed executive Director salaries. Jakob Sigurdsson's salary has been increased by 10% as detailed in the Chair's introductory letter on page 91. Martin Court will receive a pay increase of 3% in line with the typical rate of increase awarded across the UK workforce.

| | 2022 | 2021 | % increase |
|----------------|----------|----------|------------|
| J O Sigurdsson | £615,000 | £557,535 | 10% |
| R J Armitage | £378,000 | £378,000 | 0% |
| M L Court | £323,044 | £313,635 | 3% |

Non-executive Directors

The Company's approach to non-executive Directors' remuneration is set by the Board, with account taken of the time and responsibility involved in each role, including, where applicable, the chairmanship of Board Committees.

As detailed in the Committee Chair's Introductory Letter on page 92, the fee for the new Board Chair, Vivienne Cox, has been set at £280,000. The fee was set as part of the work undertaken in respect of the search for a successor to Larry Pentz and recognised the expected future time commitment of the role, the calibre and experience of the individual and current market fee rates. At the same time as reviewing the fees payable to the new Board Chair, the fees payable to the wider non-executive Director were also reviewed in light of the expected future time commitment for the roles. This resulted in a 3% increase to the base fee which was in line with the typical workforce increase and increases of £1,000 to the fees payable for chairing the key Board Committees, the Workforce Engagement Director and for the role of Senior Independent Director. These increases were effective from 1 October 2021.



Annual report on remuneration continued

Implementation of policy in 2021/22 continued

Salaries and fees continued

Non-executive Directors continued

The table below shows the fees for the Board with effect from 1 October 2021.

| Position | 2022 | 2021 | % increase |
|-------------------------------|-----------------|----------|------------|
| Chair ¹ | £280,000 | £200,593 | 39.6% |
| Base fee | £51,500 | £50,000 | 3% |
| Senior Independent Director | £9,500 | £8,500 | 11.8% |
| Workforce Engagement Director | £9,000 | £8,000 | 12.5% |
| Audit Committee Chair | £11,000 | £10,000 | 10% |
| Remuneration Committee Chair | £11,000 | £10,000 | 10% |

1 Larry Pentz will retire from the Board on 11 February 2022 and will receive a pro-rata fee for the period until leaving the Board (based on his FY 2021/22 fee of £206,610 p.a. being the FY 2020/21 fee plus 3% in line with the wider workforce) and benefits (estimated at £6,000 in connection with tax filing preparation costs). Vivienne Cox will receive a pro-rata fee based on the annualised rate of £51,500 p.a. from her appointment as a non-executive Director on 1 December 2021 until she becomes Board Chair Designate on 1 January 2022 at which time her fee will be £280,000 p.a. to reflect the expected time commitment of her role from that date as Board Chair Designate and then Board Chair from 11 February 2021.

Annual bonus

For FY 2021/2022 the maximum annual bonus will be 150% of salary for the Chief Executive and 125% of basic salary for the other executive Directors. Half of any bonus earned will be deferred into shares for three years.

Targets will be a combination of PBIT (weighted at 50%), strategic objectives (weighted at 30%) and an executive's personal performance (weighted at 20%). Profit targets for 2021/22 will be based on PBIT (pre-exceptional items) with the Committee retaining discretion to determine the impact of any exceptional items on the testing of the targets, to ensure performance outcomes are a fair reflection of underlying business performance. PBIT is being used instead of PBT (as in the prior year) due to phasing of overseas investments. With the timing of these investments subject to change, which will impact the interest cost, using PBIT instead of PBT for bonus purposes is considered to have the greater potential to align performance and reward and is therefore a better incentive metric. Similar to previous years, the non-financial targets will be subject to an underpin equal to the threshold profit target. The Committee retains the ability to adjust bonus outcomes in the event that there is a perceived disconnect between performance and reward.

The Company believes that this combination of financial, strategic and personal performance objectives reflects the strategic focus on PBIT while maintaining a measurement of progression against strategic milestones and personal contribution across key operational goals for the business. The Committee will continue to run a thorough annual review of strategic and personal objectives to ensure they are measurable, robust and aligned with overall Group-wide objectives. The Committee considers certain aspects of the performance targets for the annual bonus to be commercially sensitive and, as such, they will be disclosed either at the end of the performance period or when they are no longer commercially sensitive.

Long-term incentives

The Committee intends to make LTIP awards at 175% of salary for the CEO and 150% of salary for other executive Directors.

The extent to which the LTIP awards will vest will be determined by the performance measures listed below.

| Performance measure | Weighting | Payment at threshold | Targets | |
|--|-----------|----------------------|------------|----------------|
| | | | Threshold | Maximum |
| EPS (compound annual growth over three years) | 70% | 20% | 7% p.a. | 15.5% p.a. |
| Relative TSR vs FTSE 250 (excluding investment trusts) | 20% | 25% | Median | Upper quartile |
| Reduction in Scope 1 and Scope 2 emissions | 10% | 20% | -2.5% p.a. | -7.2% p.a. |

With regards to the majority of the FY 2022 LTIP, as with prior year awards, this will vest subject to performance against a challenging range of EPS growth targets and relative TSR targets. The range of EPS targets will require growth of between 7% and 15.5% p.a. for vesting (measured from the FY 2021 EPS result to 30 September 2024), with the annual rate of growth increased versus the targets set for last year's award. The higher growth rate has been set having considered both internal planning and external expectations for the Company's performance and is considered to be a stretch target, particularly at the top end of the performance range. The TSR part of the award will continue to vest based on our performance measured relative to the FTSE 250 constituents (excluding Investment Trusts).

The Committee has decided to introduce an ESG metric to LTIP to align the executives to the long-term goals set out in our refined sustainability strategy. 10% of the LTIP will be assessed against a challenging range of carbon reduction targets as set out above. With regard to the range of carbon reduction targets, the Committee retains discretion to restate the targets should there be a material change to capital expenditure (or other material assumptions) used to determine the target range. Any change to the targets would only take place on the basis that any revised targets would be no less challenging than those detailed above. The Remuneration Committee considers the introduction of carbon reduction targets to be a progressive first step in recognising the importance of sustainability to Victrex.

The Committee retains discretion to adjust vesting outcomes (e.g. if TSR vesting is not considered aligned with the underlying financial performance of the Company or EPS vesting outcomes are impacted by relevant events such as material acquisitions or divestments or material changes in corporate tax rates). Any such discretion would be used to ensure that the performance targets fulfil their original intent and were not more or less challenging than intended when set but for the relevant events in the performance period. Furthermore, as set out in the Directors' remuneration policy, awards are granted subject to malus and clawback provisions.

This Directors' remuneration report was approved by the Board on 3 December 2021 and is signed on its behalf by:

Janet Ashdown

Chair of the Remuneration Committee

6 December 2021



CORPORATE GOVERNANCE

Directors' report – other statutory information

The Directors' report required under the Companies Act 2006 comprises this Directors' report (pages 110 to 113), the Corporate governance report (pages 64 to 113) and the Sustainability report set out in the Strategic report (pages 42 to 63). The management report required under Disclosure Guidance and Transparency Rule 4.1.8R comprises the Strategic report (pages 2 to 63) and this Directors' report. This Directors' report meets the requirements of the corporate governance statement required under Disclosure Guidance and Transparency Rule 7.2. As permitted by legislation, some of the matters required to be included in the Directors' report have been included in the Strategic report by cross reference.

| | |
|---|--|
| Annual General Meeting | <p>The Notice of the 2022 Annual General Meeting of the Company ('AGM') and explanatory notes are set out on pages 163 to 170. The AGM will be held on Friday 11 February 2022 at 11am at the offices of J.P. Morgan, 1 John Carpenter Street, London EC4Y 0JP.</p> <p>The Company's Board of Directors (the 'Board') has been closely monitoring the coronavirus ('COVID-19') pandemic and the government's response to it. Following the removal of all outstanding legal restrictions on social contact in July, we hope to welcome to the AGM the maximum number of shareholders that we are able, within safety constraints and in accordance with government guidelines and recommendations.</p> <p>Notwithstanding the lifting of restrictions, we would strongly urge shareholders to consider carefully the latest public health advice when deciding whether to travel and attend on the day.</p> <p>Attendees will be expected to adhere to any special arrangements and measures that the Company or the AGM venue put in place on the day in light of the COVID-19 pandemic.</p> <p>Whether or not they propose to attend the AGM in person, all shareholders are encouraged to vote on each of the resolutions set out in the Notice of AGM by appointing a proxy to act on their behalf. Shareholders are strongly encouraged to appoint the Chair of the meeting as their proxy. This will ensure that the appointing shareholder's vote will be counted if ultimately they are (or any other proxy they might otherwise choose to appoint is) not able to attend the AGM for any reason. If a shareholder appoints the Chair of the meeting as proxy, the Chair will vote in accordance with the shareholder's instructions. If the Chair is given discretion as to how to vote, he will vote in favour of each of the resolutions in the Notice of AGM. All proposed resolutions in the Notice of AGM will, once again, be put to the vote on a poll.</p> <p>If shareholders have any questions for the Board on the business of the meeting, please send them in advance of the Annual General Meeting to ir@victrex.com. We will aim to respond to all questions as quickly as possible. A summary and key themes of the questions and answers will be posted on our website www.victrexplc.com on the morning of the Annual General Meeting.</p> <p>The Board recognises the need to remain vigilant as we continue to transition to life without restrictions, and will continue to monitor developments and the latest government guidance over the coming weeks to ensure that we are able to adapt our arrangements efficiently to respond to any changes in circumstances. We would, therefore, ask shareholders to monitor the Company's website and regulatory news for any AGM updates.</p> |
| Results and dividends | Group profit before tax for the year was £92.5m (FY 2020: £63.5m). |
| | The Directors recommend the payment of a final dividend of 46.14p per ordinary share that, subject to shareholder approval at the AGM on 11 February 2022, will be paid on 18 February 2022 to all shareholders on the register of members as at 6pm on 28 January 2022. Together with the interim dividend paid in June 2021 this makes a total regular dividend of 59.56p per ordinary share for the year (FY 2020: 46.14p per ordinary share). In addition to the final dividend, the Directors are recommending the payment of a special dividend of 50.00p per ordinary share that, subject to shareholder approval at the Company's AGM being held on 11 February 2022, will be paid on 18 February 2022 to all shareholders on the register of members as at 6pm on 28 January 2022. The proposal to pay a special dividend reflects exceeding the trigger point set by the Company under the capital allocation policy. |
| | The Company has established Employee Benefit Trusts ('EBTs') in connection with the obligation to satisfy future share awards under certain employee share incentive schemes. The trustees of the EBTs have waived their rights to receive dividends on those ordinary shares of the Company held in the EBTs. Such waivers represent less than 1% of the total dividend payable on the Company's ordinary shares. There are no other arrangements in place under which a shareholder has waived or agreed to waive any dividends. |
| Important events since 30 September 2021 | There have been no important events affecting the Company or any member of the Group since 30 September 2021. |
| Financial instruments | Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk can be found in note 15 to the financial statements. Such information is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report. |
| Directors | The Directors of the Company who were in office during the year and up to the date of signing the financial statements are set out on page 74. |
| Directors' interests in the Company's shares | The interests of the Directors of the Company and their connected persons at 30 September 2021 in the issued share capital of the Company (or other financial instruments) which have been notified to the Company in accordance with the Market Abuse Regulation are set out in the Remuneration report on page 106. The biographies of all Directors serving at the date of this Annual Report are shown on pages 66 and 67. Details of Directors' interests in shares are provided in the Directors' remuneration report on pages 105 and 106. |



| Major interests in shares | <p>The following information has been disclosed to the Company on request pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and is published on a Regulatory Information Service and on the Company's website. The following has been received, in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital as at 15 November 2021:</p> <table> <thead> <tr> <th></th><th>Holding</th><th>%</th></tr> </thead> <tbody> <tr> <td>Sprucegrove Investment Management (CA)</td><td>6,746,165</td><td>7.76</td></tr> <tr> <td>The Vanguard Group Inc</td><td>5,570,731</td><td>6.41</td></tr> <tr> <td>Baillie Gifford & Co Ltd (SC)</td><td>4,882,399</td><td>5.61</td></tr> <tr> <td>M&G Investment Management Ltd (UK)</td><td>4,643,482</td><td>5.34</td></tr> <tr> <td>BlackRock Inc</td><td>3,859,709</td><td>4.44</td></tr> <tr> <td>Royal London Asset Management Ltd (UK)</td><td>3,556,927</td><td>4.09</td></tr> <tr> <td>Ameriprise/Threadneedle</td><td>3,345,821</td><td>3.85</td></tr> <tr> <td>Mondrian Investment Partners Ltd (UK)</td><td>3,252,684</td><td>3.74</td></tr> <tr> <td>Troy Asset Management (UK)</td><td>3,081,125</td><td>3.54</td></tr> </tbody> </table> | | | Holding | % | Sprucegrove Investment Management (CA) | 6,746,165 | 7.76 | The Vanguard Group Inc | 5,570,731 | 6.41 | Baillie Gifford & Co Ltd (SC) | 4,882,399 | 5.61 | M&G Investment Management Ltd (UK) | 4,643,482 | 5.34 | BlackRock Inc | 3,859,709 | 4.44 | Royal London Asset Management Ltd (UK) | 3,556,927 | 4.09 | Ameriprise/Threadneedle | 3,345,821 | 3.85 | Mondrian Investment Partners Ltd (UK) | 3,252,684 | 3.74 | Troy Asset Management (UK) | 3,081,125 | 3.54 |
|--|---|---|--|---------|---|--|-----------|------|------------------------|-----------|------|-------------------------------|-----------|------|------------------------------------|-----------|------|---------------|-----------|------|--|-----------|------|-------------------------|-----------|------|---------------------------------------|-----------|------|----------------------------|-----------|------|
| | Holding | % | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sprucegrove Investment Management (CA) | 6,746,165 | 7.76 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| The Vanguard Group Inc | 5,570,731 | 6.41 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Ameriprise/Threadneedle | 3,345,821 | 3.85 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Troy Asset Management (UK) | 3,081,125 | 3.54 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | The positions stated above represent the holdings in shares either in their own right or on behalf of third parties and may not represent the total voting rights (or authority to vote) as at 15 November 2021. The information provided above was correct at the date of notification. However, these holdings may have changed since the Company was notified. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Appointment and replacement of Directors | <p>The Company's Articles of Association (the 'Articles') provide that the Company may by ordinary resolution at a general meeting appoint any person to act as a Director, provided that notice is given of the resolution identifying the proposed person by name and, if he or she has not been recommended by the Board, that the Company receives written confirmation (within the timeframe specified in the Articles) of that person's willingness to act as Director. The Articles also empower the Board to appoint as a Director any person who is willing to act as such.</p> <p>The maximum possible number of Directors under the Articles is twelve, unless the Company decides otherwise by ordinary resolution. The Articles provide that the Company may by special resolution, or by ordinary resolution of which special notice is given, remove any Director before the expiration of his or her period of office. The Articles also set out specific circumstances in which a Director shall vacate office.</p> <p>The Articles require that at each Annual General Meeting any Director who was appointed after the previous annual general meeting must be proposed for election by the shareholders. Additionally, any other Director who has not been elected or re-elected at one of the previous two Annual General Meetings must be proposed for re-election by the shareholders. The Articles also allow the Board to select any other Director to be proposed for re-election. In each case, the rules apply to Directors who were acting as Directors on a specific date selected by the Board. This is a date not more than 14 days before, and no later than, the date of the Notice of AGM. Notwithstanding the provisions of the Articles, it is the Company's current practice that all Directors stand for election or re-election on an annual basis in compliance with the provisions of the UK Corporate Governance Code.</p> <p>The Articles are available on the Company's website (www.victrexplc.com).</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Indemnification of Directors | <p>The Company has granted indemnities in favour of all of its Directors under Deeds of Indemnity ('Deeds'). These Deeds were in force during the year ended 30 September 2021 (or from the date of appointment for those appointed during the year) and remain in force as at the date of this report. The Deeds are available for inspection during normal business hours on Monday to Friday (excluding public holidays) at the Company's registered office. The Company has appropriate directors' and officers' liability insurance cover in place in respect of legal action brought against the Directors. An appointment can be made with the General Counsel & Company Secretary to review the Directors' deeds of indemnity. Please contact cosec@victrex.com.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Conflict of interest duties | <p>Procedures are in place to ensure compliance with the Directors' conflict of interest duties set out in the Companies Act 2006. The Company has complied with these procedures during the year and the Board believes that these procedures operate effectively. During the year, details of any new conflicts or potential conflict matters were submitted to the Board for consideration and, where appropriate, these were approved. Authorised conflict or potential conflict matters will continue to be reviewed by the Board at least on an annual basis.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Principal activity | <p>The Company is a public limited company, incorporated in England, registration number 2793780. The principal activity of the Company is that of a holding company. The principal activity of the Group is the manufacture and sale of high performance polymers.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Branches | <p>The Company does not have any branches outside the UK. Victrex Manufacturing Limited is a subsidiary of the Company and has a branch in Korea.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Information set out in the Strategic report | <p>Certain information required to be included in the Directors' report has been set out in the Strategic report, including information to be disclosed pursuant to section 414C(11) of the Companies Act 2006. The Strategic report required by the Companies Act 2006 can be found on pages 2 to 63. The report sets out the business model (pages 10 and 11), strategy (pages 12 and 13) and likely future developments (pages 2 to 63). It contains a review of the business and describes the development and performance of the Group's business during the financial year and the position at the end of the financial year. It also contains a description of the principal risks and uncertainties facing the Group (pages 33 to 38). Such information is incorporated into this report by reference and is deemed to form part of this Directors' report.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |





Directors' report – other statutory information continued

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| Employee and other stakeholder engagement | Details of the Company's arrangements for engaging with employees and actions taken during the year can be found on pages 59 to 63 of the Strategic report and pages 79 and 80 of the Corporate governance report. Details of the arrangements in place under which employees can raise any matter of concern are set out on page 49. Disclosures relating to the Group's human rights and anti-bribery policies are contained on pages 49 and 50. The Group's non-financial information statement is set out on page 51. Details of employee involvement in Company performance through share scheme participation can be found on page 63. Details of how the Directors have engaged with employees and how the Directors have had regard to employee interests and the effect of that regard on the principal decisions taken by the Company during the financial year can be found in the section 172 statement on pages 18 to 20. These are deemed to form part of this Directors' report. A summary of how the Company has engaged with suppliers, customers and other third parties can be found on pages 18 to 20 and 79. Details of how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard on the principal decisions taken by the Company during the financial year are contained in the section 172(1) statement on pages 18 to 20. Further information on our payment practices with suppliers can be found on the government's reporting portal. In addition, during the year, we have continued to be a signatory to the Prompt Payment Code for suppliers. Further details can be found on page 79. These are deemed to form part of this Directors' report. |
| Political donations | No contributions were made to political parties during the year ended 30 September 2021 (FY 2020: £nil). |
| Employment policies | The Group's policies as regards the employment of disabled persons including those who have become disabled during their employment with the Group, and a description of actions the Group has taken to encourage greater employee involvement in the business are set out on page 61. Such information is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report. Read more about the Group's diversity on pages 59 to 61. |
| Environmental matters | Information on our greenhouse gas emissions energy consumption and energy efficiency actions required to be disclosed by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008/410 is set out in the Sustainability report on pages 53 to 58. Such information is incorporated into this report by reference and is deemed to form part of this Directors' report. |
| Research & Development | Our innovative culture is reflected in high Research & Development investment (of approximately 5%–6% of revenue), with the majority of this being on development, as we seek to move our programmes faster towards greater commercialisation. The Group's spend on Research & Development is disclosed in note 10 to the financial statements. Such information is incorporated into this report by reference and is deemed to form part of this Directors' report. |
| Share capital | The Company has a single class of shares in the form of ordinary shares with a nominal value of 1p per share which have a Premium Listing on the London Stock Exchange and trade as part of the FTSE 250 Index under the symbol VCT. Details of the Company's share capital and reserves for own shares are given in note 21 to the financial statements. During the year 350,991 shares were issued in respect of options exercised under employee share schemes. Details of these schemes are summarised in note 20 to the financial statements. The information in notes 20 and 21 to the financial statements is incorporated into this Directors' report by reference and is deemed to form part of this Directors' report. |
| Rights and obligations attaching to shares | The rights and obligations attaching to shares are set out in full in the Company's Articles of Association which are available on the Company's website (www.victrexplc.com). The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's Annual Report, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of ordinary shares and no requirements to obtain prior approval to any transfer except where the Company has exercised its right to suspend their voting rights, withhold a dividend or prohibit their transfer following failure by the member or any other person appearing to be interested in the shares to provide the Company with information requested under section 793 of the Companies Act 2006. The Directors may, in certain limited circumstances, also refuse to register the transfer of a share in certified form. This includes where the instrument of transfer does not comply with the specific requirements of the Articles of Association, where the shares are not fully paid up or where the transfer is in favour of more than four joint transferees. The Directors may also refuse to register the transfer of an uncertificated share if it is in favour of more than four persons jointly or if any other circumstances apply in respect of which refusal to register a share transfer is permitted or required by the Uncertificated Securities Regulations 2001. No shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid and except also where the Company suspends voting rights as referred to above in the event of non-disclosure of an interest as permitted by the Articles of Association. There are no known agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights and no known arrangements under which financial rights are held by a person other than the holder of the shares. |
| | Shares acquired by employees under employee share schemes rank equally with the other shares in issue and have no special rights. |
| Own shares held | As at the date of this Annual Report, the Company does not hold any shares as treasury shares. Details of the Company's share capital are given in note 21 to the financial statements. A summary of the Directors' powers in relation to buying back shares is set out below in the paragraph entitled 'Powers of the Directors in relation to share capital'. As part of routine resolutions which are proposed to shareholders, the Directors will be seeking to renew the authority allowing the Company to purchase its own shares, which is set out in Resolution 21 of the Notice of AGM and which can be found on page 163. No market purchases of the Company's own shares were made during the year ended 30 September 2021 or from 1 October 2021 up to the date on which this Annual Report was approved. A total of 108,977 ordinary shares are held by the Employee Benefit Trusts in order to satisfy the exercise of options by Directors under the Company's 2009 and 2019 Long Term Incentive Plans. No shares were purchased by the Employee Benefit Trusts in the financial year to 30 September 2021. The Directors and certain participating employees are beneficiaries of the Employee Benefit Trusts. |



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| Related party transactions | During the year ended 30 September 2021, the Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in which any Director has or had a material interest. Details of related party transactions are given in note 22 to the financial statements. |
| Nominees, financial assistance and liens | During the year ended 30 September 2021, no shares in the Company were acquired by the Company's nominee or by a person with financial assistance from the Company, in either case where the Company has a beneficial interest in the shares (and no person acquired shares in the Company in any previous financial year in its capacity as the Company's nominee or with financial assistance from the Company). Furthermore, the Company did not obtain or hold a lien or other charge over its own shares. |
| Change of control | There are no significant agreements that take effect, alter or terminate on change of control of the Company following a takeover. None of the Directors' or employees' service contracts contain provisions providing for compensation for loss of office or employment that occurs because of a takeover bid. The rules of the Company's employee share plans set out the consequences of a change in control of the Company on participants' rights under the plans. Generally, such rights will vest and become exercisable on a change of control subject to a separate determination as to the satisfaction of performance conditions. |
| Amendment of Articles of Association | The Company's Articles of Association may only be amended by Special Resolution of the Company at a general meeting of its shareholders. |
| Powers of the Directors in relation to share capital | <p>The powers of the Directors are determined by the Company's Articles of Association, UK legislation including the Companies Act 2006 and any directions given by the Company in general meeting.</p> <p>The Directors were granted authority at the 2021 Annual General Meeting to allot shares in the Company or to grant rights to subscribe for, or to convert any securities into, shares in the Company: (i) up to a maximum aggregate nominal amount representing approximately one third of the issued share capital (as at the last practicable date before the publication of the 2021 Notice of AGM) in any circumstances; and (ii) up to a further maximum aggregate nominal amount representing approximately one third of the issued share capital in connection with a rights issue only. This authority is due to expire at the 2022 Annual General Meeting when shareholders will be invited to grant a similar allotment authority.</p> <p>The Directors were also empowered at the 2021 Annual General Meeting to make non-pre-emptive issues for cash: (i) up to a maximum aggregate nominal amount representing approximately 5% of the issued share capital (as at the last practicable date before the publication of the 2021 Notice of AGM); and (ii) up to a maximum aggregate nominal amount representing approximately 5% of the issued share capital for use only in connection with acquisitions and specified capital investments. These powers are due to expire at the 2022 Annual General Meeting and shareholders will be asked to grant similar powers.</p> <p>The Directors also sought authority at the 2021 Annual General Meeting to repurchase shares in the capital of the Company up to a maximum aggregate number of ordinary shares representing approximately 10% of the issued share capital (as at the last practicable date before the publication of the 2021 Notice of AGM). This authority is also due to expire at the 2022 AGM and shareholders will be asked to grant a similar share repurchase authority.</p> |
| Notice required for shareholder meetings | On the basis of a resolution passed at the 2021 Annual General Meeting, the Company is currently able to call general meetings (other than an Annual General Meeting) on at least 14 days' notice. The Company would like to preserve this ability and Resolution 22 seeks approval to do so. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will offer an electronic voting facility for a general meeting called on 14 days' notice. |
| Directors' fees | The Articles of Association of the Company limit the fees that can be paid to non-executive Directors. This limit is currently at £600,000. An ordinary resolution will be proposed at the 2022 Annual General Meeting to increase this limit to £1,000,000. For further information please see Resolution 14 on page 163 of the Notice of AGM, and the related explanatory note. |
| Information required by LR 9.8.4R | There is no information required to be disclosed under LR 9.8.4R save in respect of allotments of equity securities for cash and dividend waivers, which can be found on page 110 of this Annual Report. |
| Disclosure of information to auditors | The Directors in office at the date of approval of this report each confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors 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 | An Ordinary Resolution will be put before the 2022 Annual General Meeting to re-appoint PricewaterhouseCoopers LLP as external auditors for the 2022 financial year. |

The Directors' report was approved by the Board on 3 December 2021 and is signed on its behalf by:

Richard Armitage
Chief Financial Officer
6 December 2021



Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in conformity with the requirements of the Companies Act 2006. In preparing the Group and Company financial statements, the Directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB). 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 of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the Group's and Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, whose names and functions are set out below:

- Larry Pentz, Chairman;
- Jakob Sigurdsson, Chief Executive Officer;
- Richard Armitage, Chief Financial Officer;
- Martin Court, Chief Commercial Officer;
- Janet Ashdown, non-executive Director;
- Brendan Connolly, non-executive Director;
- Vivienne Cox, non-executive Director;
- Ros Rivaz, non-executive Director;
- David Thomas, non-executive Director; and
- Jane Toogood, non-executive Director,

confirm that, to the best of his or her knowledge:

- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

This Responsibility statement was approved by the Board on 3 December 2021 and is signed on its behalf by:

Richard Armitage
Chief Financial Officer
6 December 2021



Independent auditors' report to the members of Victrex plc

Report on the audit of the financial statements

Opinion

In our opinion, Victrex plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company Balance sheets as at 30 September 2021; the Consolidated income statement and the Consolidated statement of comprehensive income, the Group and Company Cash flow statements, and the Consolidated statement of changes in equity and the Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the Group and Company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group and Company financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit focused on those entities with the most significant contribution to the Group's profits. Of the Group's 23 reporting units, we identified four, which in our view, required an audit of their complete financial information for Group reporting purposes. These were Victrex Manufacturing Limited, Invibio Limited, Victrex Europa GmbH and Victrex plc. We also audited material consolidation journals.
- Another three reporting units were subject to audit procedures over specific balances and transactions, due to their contribution towards specific financial statement line items. Revenue and trade receivables were in scope for Invibio Inc and Victrex USA, Inc. Cash and cash equivalents, property, plant and equipment and long-term loans were in scope for Panjin VYX High Performance Materials Co.
- All audits were performed by the Group engagement team with the exception of Victrex Europa GmbH, which was audited by a PwC component audit team.
- The components within the scope of our work, and work performed centrally by the Group team, accounted for 83% of Group revenue and 89% of Group profit before tax and exceptional items.

Key audit matters

- Valuation of the UK defined benefit pension scheme (Group).
- Valuation of inventories (Group).

Materiality

- Overall Group materiality: £4.6m (2020: £4.5m) based on 5% of profit before tax and exceptional items.
- Overall Company materiality: £1.4m (2020: £1.7m) based on 0.5% of total assets.
- Performance materiality: £3.5m (Group) and £1.1m (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Impact of COVID-19 – Group and Company, which was a key audit matter last year, is no longer included because of the reduced impact of COVID-19 in relation to the going concern basis of preparation and the risk of material misstatement of the financial statements as a consequence of COVID-19. Otherwise, the key audit matters below are consistent with last year.



CORPORATE GOVERNANCE

Independent auditors' report to the members of Victrex plc continued

Report on the audit of the financial statements continued

Our audit approach continued

Key audit matters continued

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| Valuation of the UK defined benefit pension scheme (Group) Refer to pages 88 and 89 of the Audit Committee report and pages 147 to 151 of the Notes to the financial statements of the Annual Report 2021. | <p>Our procedures over testing pension assets included:</p> <ul style="list-style-type: none"> → Vouching the assets of pooled investment vehicles to third party confirmations from investment managers, confirming the price and quantity of units held by the pension scheme; → Reviewing valuation controls included in the investment manager ISAE 3402 reports and reviewing the pooled investment vehicle audited accounts; and → Agreeing cash balances through third party bank confirmations. <p>Based on our audit work we found no issues with the value of pension assets.</p> <p>Our procedures over pension obligation assumptions included:</p> <ul style="list-style-type: none"> → Challenging, with the support of our own actuarial experts, the key assumptions applied against externally derived data and internally developed benchmarks; → Considering the adequacy of the Group's disclosures in respect of the sensitivity of the surplus to changes in these assumptions; → Assessing the appropriateness of the recognition of the UK surplus in line with accounting standards; and → Testing the validity of the pension scheme member data used by the Group's actuary. <p>Based on the results of our testing, we found the assumptions made in the valuation of the UK defined benefit pension scheme to be within an acceptable range. We also consider the disclosures made in the financial statements to be appropriate.</p> |
| Valuation of inventories (Group) Refer to pages 87 and 88 of the Audit Committee report and pages 141 and 142 of the Notes to the financial statements of the Annual Report 2021. | <p>To assess the appropriateness of the valuation of inventories we have performed the following:</p> <ul style="list-style-type: none"> → We have reviewed the assessment of normal levels of production for standard costing purposes by comparing actual and budgeted levels of production over the past five years; → We have understood and tested the application of Group's policy for capitalisation of cost variances; → We have tested the cost of inventories, tracing standard costs to bills of material and raw material inputs to source documentation. We have understood management's approach to overhead allocation and tested the reasonableness of costs absorbed versus expensed; → For a sample of inventory items, we have evaluated the appropriateness of management's categorisation of inventories as non-conforming, slow moving or obsolete to supporting evidence; → We have performed look-back procedures on the provision at the prior year-end and compared the level of inventory write-offs during the current period in order to assess the reasonableness of the estimated provision percentages applied by management; → We have tested a sample of post year-end sales in order to be comfortable that inventory items are held at the lower of cost or net realisable value; and → We have attended year-end and cycle inventory counts to gain an understanding of management's processes over the identification of non-conforming, slow moving or obsolete items. <p>Based on our audit work, we found estimates made in the valuation of inventory to be acceptable. We also consider the disclosures made in the financial statements to be appropriate.</p> |
| How we tailored the audit scope We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate. | |

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope continued

The Group is organised into 23 reporting components and the Group financial statements are a consolidation of these reporting components. The reporting units vary in size. We identified four units that required a full scope audit of their financial information due to either their size or risk characteristics. These were Victrex Manufacturing Limited, Invibio Limited, Victrex Europa GmbH, and Victrex plc. We also audited material consolidation journals. Three reporting components were subject to audit procedures over specific balances and transactions due to their contribution to the Group's results: revenue and trade receivables for Invibio Inc and Victrex USA, Inc, and cash and cash equivalents, property, plant and equipment and long-term loans for Panjin VYX High Performance Materials Co. Our audit scope was determined by considering the significance of each component's contribution to profit before tax and exceptional items, and individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks.

All audit work was performed by the Group team, with the exception of one component which was performed by a PwC component audit team. The Group audit team supervised the direction and execution of the audit procedures performed by the component team. Our involvement in their audit process included the review of their reporting and supporting working papers. The Group audit team also attended planning and clearance meetings during the audit cycle. Together with the additional procedures performed at Group level, this gave us the evidence required for our opinion on the financial statements as a whole.

The Group engagement team also performed the audit of the Company.

As part of our audit we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate change risk on the Group's financial statements. Management consider that the impact of climate change does not give rise to a material financial statement impact. We used our knowledge of the Group to evaluate management's assessment. We particularly considered how climate change risks would impact the assumptions made in the forecasts prepared by management used in their impairment analyses and going concern. We discussed with management the ways in which climate change disclosures should continue to evolve as the Group continues to develop its response to the impact of climate change. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements – Group | Financial statements – Company |
|--|--|--|
| Overall materiality | £4.6m (2020: £4.5m). | £1.4m (2020: £1.7m). |
| How we determined it | 5% of profit before tax and exceptional items. | 0.5% of total assets. |
| Rationale for benchmark applied | Based on the benchmarks used in the Annual Report 2021, profit before tax and exceptional items is in our view the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. | We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark for non trading companies. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.8m and £4.4m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £3.5m for the Group financial statements and £1.1m for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2m (Group audit) (2020: £0.3m) and £0.1m (Company audit) (2020: £0.1m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained from management their latest assessments that support the board's conclusions with respect to the going concern basis of preparation for the financial statements;
- We evaluated management's forecast and downside scenarios and challenged the adequacy and appropriateness of the underlying assumptions;
- We reviewed management accounts for the financial period to date and checked that these were consistent with the starting point of management's scenarios and supported the key assumptions included in the assessments;
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the data;
- We have tested the mathematical integrity of management's going concern forecast models; and
- We have reviewed the disclosures made in respect of going concern included in the financial statements.



Independent auditors' report to the members of Victrex plc continued

Report on the audit of the financial statements continued

Conclusions relating to going concern continued

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 the 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 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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have 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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 September 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Statement of corporate governance is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, 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 that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.



Report on the audit of the financial statements continued

Corporate governance statement continued

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to medical devices regulations and REACH regulations (Registration, Evaluation, Authorisation and Restriction of Chemicals), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to manipulate revenue and financial performance, and management bias within accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- challenging assumptions and judgements made by management in their significant accounting estimates, in particular around the valuation of inventories and the valuation of the UK defined benefit pension scheme;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;

- discussions with the Audit Committee, management, internal audit and the in-house legal team including consideration of known or suspected instances of non-compliance with laws and regulation or fraud; and

- reviewing minutes of meetings of those charged with governance.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit;
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us;
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 9 February 2018 to audit the financial statements for the year ended 30 September 2018 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 30 September 2018 to 30 September 2021.

Ian Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Manchester

6 December 2021



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Consolidated income statement

for the year ended 30 September

| | Note | 2021 £m | 2020 £m |
|--|------|----------------|------------|
| Revenue | 2 | 306.3 | 266.0 |
| Gains/(losses) on foreign currency net hedging | | 4.9 | (1.5) |
| Cost of sales | 3 | (145.9) | (122.1) |
| Gross profit | | 165.3 | 142.4 |
| Sales, marketing and administrative expenses | 3 | (71.9) | (78.4) |
| Operating profit before exceptional items | | 92.6 | 76.0 |
| Exceptional items | 3 | 0.8 | (12.0) |
| Operating profit | 2 | 93.4 | 64.0 |
| Financial income | 6 | 0.2 | 0.3 |
| Finance costs | 6 | (0.2) | (0.3) |
| Share of loss of associate | 11 | (0.9) | (0.5) |
| Profit before tax and exceptional items | | 91.7 | 75.5 |
| Exceptional items | 3 | 0.8 | (12.0) |
| Profit before tax | | 92.5 | 63.5 |
| Income tax expense | 7 | (19.7) | (9.3) |
| Profit for the financial year | | 72.8 | 54.2 |
| Profit/(loss) for the year attributable to: | | | |
| – Owners of the Company | | 73.2 | 54.2 |
| – Non-controlling interests | 11 | (0.4) | — |
| Earnings per share | | | |
| Basic | 8 | 84.3p | 62.6p |
| Diluted | 8 | 84.0p | 62.5p |
| Dividend per ordinary share | | | |
| Interim | 21 | 13.42p | — |
| Final | 21 | 46.14p | 46.14p |
| Special | 21 | 50.00p | — |
| | 21 | 109.56p | 46.14p |

A final dividend in respect of 2021 of 46.14p and a special dividend of 50.00p per ordinary share has been recommended by the Directors for approval at the Annual General Meeting on 11 February 2022.



FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the year ended 30 September

| | Note | 2021 £m | 2020 £m |
|--|------|--------------|------------|
| Profit for the financial year | | 72.8 | 54.2 |
| Items that will not be reclassified to profit or loss | | | |
| Defined benefit pension schemes' actuarial gains/losses | 16 | 4.5 | (3.0) |
| Income tax on items that will not be reclassified to profit or loss | 7 | (1.1) | 0.6 |
| | | 3.4 | (2.4) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Currency translation differences for foreign operations | | (2.0) | (2.8) |
| Effective portion of changes in fair value of cash flow hedges | | 5.7 | 3.7 |
| Net change in fair value of cash flow hedges transferred to profit or loss | | (4.9) | 1.5 |
| Income tax on items that may be reclassified to profit or loss | 7 | (0.2) | (1.0) |
| | | (1.4) | 1.4 |
| Total other comprehensive income/(expense) for the year | | 2.0 | (1.0) |
| Total comprehensive income for the year | | 74.8 | 53.2 |
| Total comprehensive income/(expense) for the year attributable to: | | | |
| – Owners of the Company | | 75.2 | 53.2 |
| – Non-controlling interests | | (0.4) | — |



Balance sheets

as at 30 September

| | Note | Group | | Company | | |
|---|--------|----------------|------------|--------------|------------|--|
| | | 2021 £m | 2020 £m | 2021 £m | 2020 £m | |
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 9 | 305.7 | 273.7 | — | — | |
| Intangible assets | 10 | 24.8 | 26.4 | — | — | |
| Investment in subsidiaries | 11 | — | — | 131.9 | 131.9 | |
| Investment in associated undertakings | 11 | 11.4 | 12.3 | — | — | |
| Financial assets held at fair value through profit and loss | 11 | 12.7 | 8.0 | — | — | |
| Deferred tax assets | 12 | 8.9 | 10.7 | — | — | |
| Retirement benefit asset | 16 | 14.2 | 7.5 | — | — | |
| | | 377.7 | 338.6 | 131.9 | 131.9 | |
| Current assets | | | | | | |
| Inventories | 13 | 70.3 | 98.5 | — | — | |
| Current income tax assets | | 2.9 | 4.3 | — | — | |
| Trade and other receivables | 14 | 49.1 | 32.1 | 152.7 | 191.6 | |
| Derivative financial instruments | 15 | 2.9 | 2.9 | — | — | |
| Other financial assets | 15 | 37.5 | — | — | — | |
| Cash and cash equivalents | 15 | 74.9 | 73.1 | — | — | |
| | | 237.6 | 210.9 | 152.7 | 191.6 | |
| Total assets | | 615.3 | 549.5 | 284.6 | 323.5 | |
| Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| Deferred tax liabilities | 12 | (31.6) | (24.9) | — | — | |
| Long-term lease liabilities | 18 | (8.2) | (5.6) | — | — | |
| Long-term loans | 11, 15 | (5.9) | — | — | — | |
| Retirement benefit obligation | 16 | (1.9) | — | — | — | |
| | | (47.6) | (30.5) | — | — | |
| Current liabilities | | | | | | |
| Derivative financial instruments | 15 | (1.9) | (3.3) | — | — | |
| Current income tax liabilities | | (2.9) | (2.7) | — | — | |
| Trade and other payables | 17 | (49.4) | (30.5) | — | — | |
| Current lease liabilities | 18 | (1.8) | (1.5) | — | — | |
| | | (56.0) | (38.0) | — | — | |
| Total liabilities | | (103.6) | (68.5) | — | — | |
| Net assets | | 511.7 | 481.0 | 284.6 | 323.5 | |
| Equity | | | | | | |
| Share capital | 21 | 0.9 | 0.9 | 0.9 | 0.9 | |
| Share premium | 21 | 61.1 | 55.0 | 61.1 | 55.0 | |
| Translation reserve | 21 | 1.7 | 3.7 | — | — | |
| Hedging reserve | 21 | 0.1 | (0.5) | — | — | |
| Retained earnings ¹ | 21 | 445.4 | 419.0 | 222.6 | 267.6 | |
| Equity attributable to owners of the Company | | 509.2 | 478.1 | 284.6 | 323.5 | |
| Non-controlling interest | | 2.5 | 2.9 | — | — | |
| Total equity | | 511.7 | 481.0 | 284.6 | 323.5 | |

1 The profit for the financial year dealt with in the financial statements of the Company is £5.2m, which includes dividends from subsidiaries of £5.7m (FY 2020: profit of £189.3m, which includes dividends from subsidiaries of £189.9m).

These financial statements of Victrex plc on pages 121 to 160, registered number 2793780, were approved by the Board of Directors on 6 December 2021 and were signed on its behalf by:

Jakob Sigurdsson
Chief Executive Officer

Richard Armitage
Chief Financial Officer





FINANCIAL STATEMENTS

Cash flow statements

for the year ended 30 September

| Note | Group | | Company | |
|--|---------------------|------------|---------------|------------|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Profit after tax for the year | 72.8 | 54.2 | 5.2 | 189.3 |
| Income tax expense | 7 19.7 | 9.3 | — | — |
| Financial income | (0.2) | (0.3) | — | — |
| Finance costs | — | 0.1 | — | — |
| Interest on lease liabilities | 0.2 | 0.2 | — | — |
| Share of post-tax loss of associate | 0.9 | 0.5 | — | — |
| Dividends received from subsidiaries | — | — | (5.7) | (189.9) |
| Operating profit/(loss) | 93.4 | 64.0 | (0.5) | (0.6) |
| Adjustments for: | | | | |
| Depreciation | 9 18.5 | 17.9 | — | — |
| Amortisation | 10 3.4 | 2.8 | — | — |
| Loss on disposal of property, plant and equipment | 9 0.8 | 0.2 | — | — |
| Decrease/(increase) in inventories | 26.0 | (7.5) | — | — |
| (Increase)/decrease in receivables | (18.3) | 11.7 | 38.9 | (152.6) |
| Increase in payables | 11.9 | 0.6 | — | — |
| Equity-settled share-based payment transactions | 20 1.4 | 0.5 | 1.4 | 0.5 |
| Gains on derivatives recognised in income statement that have not yet settled | 15 (0.5) | (2.2) | — | — |
| Gain on financial assets held at fair value | 11 (0.9) | — | — | — |
| Retirement benefit obligations charge less contributions | (0.2) | (1.4) | — | — |
| Cash generated from/(used in) operations | 135.5 | 86.6 | 39.8 | (152.7) |
| Interest received | 0.2 | 0.3 | — | — |
| Interest paid | — | (0.3) | — | — |
| Tax paid | (8.6) | (17.2) | — | — |
| Net cash flow generated from/(used in) operating activities | 127.1 | 69.4 | 39.8 | (152.7) |
| Cash flows (used in)/generated from investing activities | | | | |
| Acquisition of property, plant and equipment and intangible assets | 9, 10 (41.9) | (24.9) | — | — |
| (Increase)/decrease in other financial assets | 15 (37.5) | 0.3 | — | — |
| Dividends received | — | — | 5.7 | 189.9 |
| Investment in subsidiary | 11 — | (3.2) | — | — |
| Cash received from non-controlling interest | 11 — | 2.9 | — | — |
| Loan to associated undertakings | (3.8) | — | — | — |
| Cash consideration of acquisitions of associated undertakings and unquoted investments | 11 — | (4.6) | — | — |
| Net cash flow (used in)/generated from investing activities | (83.2) | (29.5) | 5.7 | 189.9 |
| Cash flows generated from/(used in) financing activities | | | | |
| Proceeds from issue of ordinary shares exercised under option | 21 6.1 | 2.7 | 6.1 | 2.7 |
| Repayment of lease liabilities | 18 (1.8) | (1.5) | — | — |
| Loan received from non-controlling interest | 11 5.6 | — | — | — |
| Dividends paid | 21 (51.6) | (39.9) | (51.6) | (39.9) |
| Net cash flow used in financing activities | (41.7) | (38.7) | (45.5) | (37.2) |
| Net increase in cash and cash equivalents | 2.2 | 1.2 | — | — |
| Effect of exchange rate fluctuations on cash held | (0.4) | (0.6) | — | — |
| Cash and cash equivalents at beginning of year | 73.1 | 72.5 | — | — |
| Cash and cash equivalents at end of year | 74.9 | 73.1 | — | — |

Consolidated statement of changes in equity

| Note | Share capital £m | Share premium £m | Translation reserve £m | Hedging reserve £m | Retained earnings £m | Total attributable to owners of the Parent £m | Non- controlling interest £m | Total £m |
|--|---------------------|---------------------|------------------------------|--------------------------|----------------------------|---|---------------------------------------|-------------|
| Equity at 1 October 2019 | 0.9 | 52.3 | 6.5 | (4.7) | 406.6 | 461.6 | — | 461.6 |
| Total comprehensive income for the year | | | | | | | | |
| Profit for the year attributable to the Parent | — | — | — | — | 54.2 | 54.2 | — | 54.2 |
| Result for the year attributable to non-controlling interest | — | — | — | — | — | — | — | — |
| Other comprehensive (expense)/income | | | | | | | | |
| Currency translation differences for foreign operations | — | — | (2.8) | — | — | (2.8) | — | (2.8) |
| Effective portion of changes in fair value of cash flow hedges | — | — | — | 3.7 | — | 3.7 | — | 3.7 |
| Net change in fair value of cash flow hedges transferred to profit or loss | — | — | — | 1.5 | — | 1.5 | — | 1.5 |
| Defined benefit pension schemes' actuarial losses | 16 | — | — | — | (3.0) | (3.0) | — | (3.0) |
| Tax on other comprehensive (expense)/income | 7 | — | — | (1.0) | 0.6 | (0.4) | — | (0.4) |
| Total other comprehensive (expense)/income for the year | — | — | (2.8) | 4.2 | (2.4) | (1.0) | — | (1.0) |
| Total comprehensive (expense)/income for the year | — | — | (2.8) | 4.2 | 51.8 | 53.2 | — | 53.2 |
| Contributions by and distributions to owners of the Company | | | | | | | | |
| Adjustment arising from inception of non-controlling interest | — | — | — | — | — | — | 2.9 | 2.9 |
| Share options exercised | 21 | — | 2.7 | — | — | 2.7 | — | 2.7 |
| Equity-settled share-based payment transactions | 20 | — | — | — | 0.5 | 0.5 | — | 0.5 |
| Dividends to shareholders | 21 | — | — | — | (39.9) | (39.9) | — | (39.9) |
| Equity at 30 September 2020 | 0.9 | 55.0 | 3.7 | (0.5) | 419.0 | 478.1 | 2.9 | 481.0 |
| Total comprehensive income/(expense) for the year | | | | | | | | |
| Profit for the year attributable to the Parent | — | — | — | — | 73.2 | 73.2 | — | 73.2 |
| Loss for the year attributable to non-controlling interest | — | — | — | — | — | — | (0.4) | (0.4) |
| Other comprehensive (expense)/income | | | | | | | | |
| Currency translation differences for foreign operations | — | — | (2.0) | — | — | (2.0) | — | (2.0) |
| Effective portion of changes in fair value of cash flow hedges | — | — | — | 5.7 | — | 5.7 | — | 5.7 |
| Net change in fair value of cash flow hedges transferred to profit or loss | — | — | — | (4.9) | — | (4.9) | — | (4.9) |
| Defined benefit pension schemes' actuarial gains | 16 | — | — | — | 4.5 | 4.5 | — | 4.5 |
| Tax on other comprehensive income | 7 | — | — | (0.2) | (1.1) | (1.3) | — | (1.3) |
| Total other comprehensive (expense)/income for the year | — | — | (2.0) | 0.6 | 3.4 | 2.0 | — | 2.0 |
| Total comprehensive (expense)/income for the year | — | — | (2.0) | 0.6 | 76.6 | 75.2 | (0.4) | 74.8 |
| Contributions by and distributions to owners of the Company | | | | | | | | |
| Share options exercised | 21 | — | 6.1 | — | — | 6.1 | — | 6.1 |
| Equity-settled share-based payment transactions | 20 | — | — | — | 1.4 | 1.4 | — | 1.4 |
| Dividends to shareholders | 21 | — | — | — | (51.6) | (51.6) | — | (51.6) |
| Equity at 30 September 2021 | 0.9 | 61.1 | 1.7 | 0.1 | 445.4 | 509.2 | 2.5 | 511.7 |



FINANCIAL STATEMENTS

Company statement of changes in equity

| | Note | Share capital £m | Share premium £m | Retained earnings £m | Total £m |
|--|------|---------------------|---------------------|-------------------------|---------------|
| Equity at 1 October 2019 | | 0.9 | 52.3 | 117.7 | 170.9 |
| Total comprehensive income for the year | | — | — | 189.3 | 189.3 |
| Contributions by and distributions to owners of the Company | | | | | |
| Share options exercised | 21 | — | 2.7 | — | 2.7 |
| Equity-settled share-based payment transactions | 20 | — | — | 0.5 | 0.5 |
| Dividends to shareholders | 21 | — | — | (39.9) | (39.9) |
| Equity at 30 September 2020 | | 0.9 | 55.0 | 267.6 | 323.5 |
| Total comprehensive income for the year | | — | — | 5.2 | 5.2 |
| Contributions by and distributions to owners of the Company | | | | | |
| Share options exercised | 21 | — | 6.1 | — | 6.1 |
| Equity-settled share-based payment transactions | 20 | — | — | 1.4 | 1.4 |
| Dividends to shareholders | 21 | — | — | (51.6) | (51.6) |
| Equity at 30 September 2021 | | 0.9 | 61.1 | 222.6 | 284.6 |

Notes to the financial statements

1. Basis of preparation

General information

Victrex plc (the 'Company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, United Kingdom.

The consolidated financial statements of the Company for the year ended 30 September 2021 comprise the Company and its subsidiaries (together referred to as the 'Group').

The Company is listed on the London Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 6 December 2021.

Basis of preparation and statement of compliance

Both the consolidated and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared under the historical cost basis except for derivative financial instruments, defined benefit pension scheme assets and financial assets held at fair value through profit and loss, which are measured at their fair value.

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic report on pages 12 to 17. In addition, note 15 on financial risk management details the Group's exposure to a variety of financial risks, including currency and credit risk.

Going concern

The Directors have performed a robust going concern assessment including a detailed review of the business' 24-month rolling forecast and consideration of the principal risks faced by the Group and the Company, as detailed on pages 33 to 38. This assessment has paid particular attention to the impact of the ongoing global economic challenges on the aforementioned forecasts.

An update on the Group's proactive approach to managing the challenges of COVID-19 is detailed on page 6 with the specific impact of COVID-19 on the Company's going concern assessment detailed below.

The Company has maintained a strong balance sheet throughout the past two years despite seeing a significant impact from COVID-19, particularly during the second half of the year ended 30 September 2020. The combined cash and other financial assets balance at 30 September 2021 was £112.4m, having increased from £79.6m at 31 March 2021. Of the £112.4m, £12.5m is held in the Group's subsidiaries in China for the sole purpose of funding the construction of our new manufacturing facilities. Of the remaining £99.9m, approximately 90% is held in the UK, where the Company incurs the majority of its expenditure. All funds are held either in instant access or deposit accounts with less than 95 days' notice. The Group has no debt and has unutilised banking facilities of £40m through to October 2024, of which £20m is committed and immediately available and £20m is available subject to lender approval.

COVID-19 had a material impact on second half performance of the year ended 30 September 2020 with sales volumes down 19% on the same period in 2019 and 25% down on the first half; revenue was down 23% and 24% respectively. Quarter 4 was the weakest with revenue in July 2020 the low point of the year and volume averaging c.230 tonnes per month. Demand for the Company's products has recovered through the FY 2021 with the second half being the strongest in the Company's history in volume terms. Full year volumes are up 25% on FY 2020 and 52% up on the heavily COVID-19 impacted second half of 2020. As with the drop off in demand during the second half of FY 2020 the timing and speed of recovery has been felt differently across our markets and geographies with further detail provided in the Financial review on pages 23 to 28.

The 24-month rolling forecast is derived from the Company's Integrated Business Planning ('IBP') process which runs monthly. Each area of the business provides revised forecasts which consider a number of external data sources, triangulating with customer conversations, trends in market and country indices, as well as forward-looking industry forecasts. For example, forecast aircraft build rates from the two major manufacturers for Aerospace and analysing IHS Markit data for the Automotive market through previous downturns, current trends and the latest 2022 and 2023 forecasts.

The assessment of going concern included conducting scenario analysis on the aforementioned forecast which focused on one key question: Is the recovery during 2021 and the increasing economic confidence, derived from falling COVID-19 cases and the ongoing vaccination programme, sustainable, or will either the recovery run out of momentum in the face of further waves of new, vaccine immune, variants of COVID-19 or will the global economy be pushed back into contraction by supply chain issues, inflationary pressures or labour shortages?

The Company's manufacturing assets remain operational, as they have done throughout the past 24 months, with revised procedures remaining in place to ensure social distancing is maintained along with proactive measures to protect employees such as offering the facility to conduct temperature checks each day before commencing work. Non-manufacturing staff have continued to work from home in the majority of our regions throughout FY 2021 as we continue with a safety first approach. A carefully managed return to site commenced in the UK in October 2021 in line with government recommendations. Other regions have started to move in line with local government guidance.

Using the IBP data and the key question noted above, along with consideration of the outputs from the longer-term viability assessment (noted below), management has created two scenarios to model the effect of reductions to revenue at regional/market level and aggregated levels on the Company's profits and cash generation through to January 2023.

Scenario 1 – the global economy contracts again with sales returning to the low levels seen in quarter 4 of FY 2020, at c.230 tonnes per month, from March 2022 (i.e. the first period post payment of the final and special dividends, therefore representing the cash low point of the year) for a period of 6 months (to mirror the length of the downturn in 2020) before a partial recovery to c280 tonnes per month for the remainder of the going concern period.

Scenario 2 – in line with scenario 1, c.230 tonnes per month from March 2022, however, the economic contraction lasts for a full 12 months, i.e. throughout the remainder of the going concern period. This would give an annual volume of c.2,760 tonnes, a level not seen since the financial crisis which impacted 2008 and 2009 (and lasted approximately 12 months). The Group considers scenario 2 to be a severe but plausible scenario.



Notes to the financial statements continued

1. Basis of preparation continued**Going concern** continued

Before any mitigating actions the sensitised cash flows show the Company has significantly reduced cash headroom. Under scenario 2 there is minimal cash generation through the going concern period and there is potential that the committed facility, for which the covenants would be met, would be required to manage intra-month cash flows. However, the Company has a number of mitigating actions which are readily available in order to generate significant headroom. These include:

- Use of committed facility – £20m could be drawn at short notice. Conversations with our banking partner indicate that the £20m accordion could also be readily accessed. The covenants of the facility have been successfully tested under each of the scenarios;
- Deferral of capital expenditure – the base case for financial year 2022 includes significant capital investment (£60m+) as major projects are completed in China and the UK. This could be reduced significantly by limiting expenditure to essential projects, deferring all other projects into 2023, with the exception of completing the manufacturing facilities in China which are committed and continue as planned;
- Reduction in discretionary overheads – costs would be limited to prioritise and support customer related activity; and
- Deferral/cancellation of dividends – the dividend payable in June 2022 could be deferred or cancelled. The Company's intention is to continue payment of dividends where cash reserves facilitate but it remains a key lever in downside scenario mitigation.

Reverse stress testing was performed to identify the level that sales would need to drop by in order for the Group to run out of cash by the end of the going concern assessment period. Sales volumes would need to consistently drop materially below the low point in scenario 2 which is not considered plausible. As a result of this detailed assessment and with reference to the Company's strong balance sheet, existing committed facilities and the cash preserving levers at the Company's disposal, but also acknowledging the inherent economic uncertainty as the global economy emerges from the COVID-19 pandemic and faces a number of new challenges, the Board has concluded that the Company has sufficient liquidity to meet its obligations when they fall due for a period of at least 12 months after approval of this report. For this reason, it continues to adopt the going concern basis for preparing the financial statements.

On publishing the Company financial statements here together with the consolidated financial statements, the Company is taking advantage of section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the approved financial statements.

Unless a change has been required by adoption of new standards, the accounting policies set out in these notes have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been consistently applied by Group entities.

⌚ Critical judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made in applying accounting policies

Other than judgements involving the use of estimates, the Directors do not consider there are any judgements made in applying the Group's significant accounting policies which would have a material impact on the amounts recognised in the financial statements within the next twelve months.

Sources of estimation uncertainty

The Group uses estimates and assumptions in applying the critical accounting policies to value balances and transactions recorded in the financial statements. The estimate and assumption that, if revised, would have a significant risk of a material impact on the valuation of assets and liabilities within the next financial year is retirement benefits (see note 16). The Group has considered other estimates and assumptions that, whilst not deemed to represent a significant risk of material adjustment, do represent important estimates at 30 September 2021 and are disclosed accordingly. The valuation of inventory (see note 13) is disclosed as another estimate in the current year.

The critical judgements and key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are included within the relevant notes. Critical judgements and key sources of estimation uncertainty can be identified throughout the notes by the following symbol ⌚. Management has discussed these with the Audit Committee. These should be read in conjunction with the significant accounting policies provided in the notes to the financial statements.

In preparing the financial statements of the Group we performed an assessment of the impact of climate change, with reference to the disclosures made in the Sustainability report. There has been no material impact on the financial statements for the current year from the Group's assessment of the impact of climate change, including estimates and judgements made, specifically in the impairment and going concern analyses. The specific considerations in respect to the viability of the Group are included in the viability statement on pages 40 and 41. The Group's analysis on the impact of climate change continues to evolve as more clarity on timings and targets emerges, with Victrex committed to reducing its carbon impact. A far more detailed assessment of the impact has commenced ahead of our 2022 strategy review as we look to adopt the TCFD requirements for the year ended 30 September 2022.



1. Basis of preparation continued

New accounting standards and amendments to existing standards

New standards and amendments to existing standards were effective for the financial year ended 30 September 2021, which included:

- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of a Business
- Amendment to IFRS 16 – Leases – COVID-19 Related Rent Concessions
- Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform
- Conceptual Framework for Financial Reporting issued on 29 March 2018

None of these have had a material impact on the Group's consolidated result or financial position.

Standards effective from 1 October 2021 onwards

A number of standards, amendments and interpretations have been issued and endorsed by the EU but are not yet effective and, accordingly, the Group has not yet adopted them. These include:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 – Reference to the Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract
- IFRS 9 Financial Instruments – fees in the '10%' test for derecognition of financial liabilities

None of these are expected to have a material impact on the Group's consolidated result or financial position.

2. Segment reporting

The Group complies with IFRS 8 – Operating Segments, which requires operating segments to be identified and reported upon that are consistent with the level at which results are regularly reviewed by the entity's chief operating decision maker. The chief operating decision maker ('CODM') for the Group is the Victrex plc Board. Information on the business units is the primary basis of information reported to the Victrex plc Board. The performance of the business units is assessed based on segmental gross profit. Management of sales, marketing and administration functions servicing both business units is consolidated and reported at a Group level. Segmental balance sheets are not produced; instead the CODM reviews the balance sheet at a Group level which provides the necessary level of detail to make an informed assessment of the financial position of the Group on which to base key business decisions.

The Group's business is strategically organised as two business units (operating segments): Industrial, which focuses on our Energy and Industrial, VAR, Automotive, Aerospace and Electronics markets, and Medical, which focuses on providing specialist solutions for medical device manufacturers.

| | Year ended 30 September 2021 | | | Year ended 30 September 2020 | | |
|--|------------------------------|---------------|--------------|------------------------------|---------------|-------------|
| | Industrial £m | Medical £m | Group £m | Industrial £m | Medical £m | Group £m |
| Segment revenue | 257.4 | 51.1 | 308.5 | 221.1 | 49.7 | 270.8 |
| Internal revenue | (2.2) | — | (2.2) | (4.8) | — | (4.8) |
| Revenue from external sales | 255.2 | 51.1 | 306.3 | 216.3 | 49.7 | 266.0 |
| Segment gross profit | 119.7 | 45.6 | 165.3 | 99.3 | 43.1 | 142.4 |
| Sales, marketing and administrative expenses | | | (71.9) | | | (78.4) |
| Operating profit before exceptional items | | | 92.6 | | | 76.0 |
| Exceptional items | | | 0.8 | | | (12.0) |
| Operating profit | | | 93.4 | | | 64.0 |
| Net financing income | | | — | | | — |
| Share of loss of associate | | | (0.9) | | | (0.5) |
| Profit before tax and exceptional items | | | 91.7 | | | 75.5 |
| Exceptional items | | | 0.8 | | | (12.0) |
| Profit before tax | | | 92.5 | | | 63.5 |
| Income tax expense | | | (19.7) | | | (9.3) |
| Profit for the period | | | 72.8 | | | 54.2 |
| Profit/(loss) for the period attributable to: | | | | | | |
| – Owners of the Company | | | 73.2 | | | 54.2 |
| – Non-controlling interests | | | (0.4) | | | — |

Transactions between segments are conducted at arm's length.



FINANCIAL STATEMENTS

Notes to the financial statements continued

2. Segment reporting continued

Entity-wide disclosures

Revenue recognition

Revenue in both segments comprises the amounts receivable for the sale of goods, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue from the sale of goods is recognised when all performance obligations are met, which is when the goods are dispatched or delivered in line with Incoterms. Victrex receives Medical Unit Payments ('MUPs') from a number of medical customers. MUPs are deferred payments contingent on the customer selling its final component to the end user. Revenue from MUPs is a form of variable consideration where all performance obligations have been met when the material is sold by the Group. The initial value of the MUP recognised is based on management's best estimate of the value that will flow to the Group only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. This will be adjusted as appropriate, with a final adjustment being made in the period the final declaration is made. The value of MUPs recognised but not invoiced is included in prepayments and accrued income. See note 14.

No revenue is recognised if there is significant uncertainty regarding recovery of the consideration due or associated costs.

Volume rebates are recognised as a deduction from gross sales as qualifying sales are made throughout the period. These rebates are accrued based on the maximum amount due to customers based on annualised sales, unless it is clear that maximum rebate conditions will not be met in a particular period.

The Group has taken advantage of the expedient allowed in IFRS 15 (121b) not to disclose information about its remaining performance obligations because the Group only recognises revenue on the satisfaction of performance obligations.

Information about products

The Group derives its revenue from the sale of high performance thermoplastic polymers.

Information about geographical areas

The Group's country of domicile is the United Kingdom. Revenues are attributed to customers based on the customer's location.

| | Revenue from external sales | | | | | |
|---|-----------------------------|---------------|--------------|------------------|---------------|------------|
| | Industrial £m | Medical £m | 2021 £m | Industrial £m | Medical £m | 2020 £m |
| United Kingdom | 3.7 | — | 3.7 | 3.8 | — | 3.8 |
| Europe, the Middle East and Africa ('EMEA') | 125.6 | 13.7 | 139.3 | 100.4 | 13.2 | 113.6 |
| Americas | 50.2 | 27.2 | 77.4 | 46.6 | 27.3 | 73.9 |
| Asia-Pacific | 75.7 | 10.2 | 85.9 | 65.5 | 9.2 | 74.7 |
| | 255.2 | 51.1 | 306.3 | 216.3 | 49.7 | 266.0 |

Information about major customers

In the current year no customer contributed more than 10% to Group revenue (FY 2020: no customer contributed more than 10% to Group revenue).

3. Expenses by nature

| | Note | 2021 £m | 2020 £m |
|---|------|--------------|------------|
| Staff costs | 5 | 71.5 | 81.5 |
| Depreciation of property, plant and equipment | 9 | 18.5 | 17.9 |
| Loss on disposal of property, plant and equipment | 9 | 0.8 | 0.2 |
| Amortisation of intangibles | 10 | 3.4 | 2.8 |
| Reversal of trade receivable impairment allowance | 15 | (0.5) | 0.4 |
| Research & Development expenditure | 10 | 15.5 | 16.7 |
| Inventory written down during the year | 13 | 4.0 | 4.3 |
| Reversal of write down of inventories | 13 | (1.5) | (0.8) |
| Fees payable to auditors | 4 | 0.4 | 0.3 |
| Fair value gain on investment in Magma Global Limited | 11 | (0.9) | — |
| Other costs of manufacture | | 100.1 | 69.2 |
| Other sales, marketing and administrative expenses | | 6.5 | 8.0 |
| | | 217.8 | 200.5 |

During the year the Group wrote down inventory by £4.0m (FY 2020: £4.3m) and reversed previously written down inventory by £1.5m (FY 2020: £0.8m) resulting in a net increase in the overall inventory write down charge in the year of £2.5m (FY 2020: increase of £3.2m). Victrex continues to focus on driving down aged and non-conforming product by working with suppliers and customers, reworking and repackaging product to realise value from this inventory.

Exchange differences recognised in the Consolidated income statement, except for those arising on financial instruments measured at fair value through profit or loss in accordance with IAS 39, are a gain of £0.1m (FY 2020: gain of £1.1m).

3. Expenses by nature continued

Exceptional items

Exceptional items are those which are, in aggregate, material in size and/or unusual or infrequent in nature.

Exceptional items were as follows:

| | 2021 £m | 2020 £m |
|---|--------------|------------|
| Included within sales, marketing and administrative expenses: | | |
| Acquisition related costs | — | 2.2 |
| Restructuring costs | (0.8) | 9.8 |
| Exceptional items before tax | (0.8) | 12.0 |
| Tax on exceptional items | — | (1.1) |
| Exceptional items after tax | (0.8) | 10.9 |

Acquisition and investment related costs

In the prior year, acquisition related costs comprised legal and other non-recurring costs the Group incurred directly in the course of acquisition and investment activity (see note 11). These costs were largely non-deductible expenses for tax purposes.

Restructuring costs

During FY 2020, the Group reviewed cost actions and efficiencies required to support profitability in a lower production environment. As part of this programme, the Group commenced consultation prior to 30 September 2020 which reduced the Group's employee base by up to 100 roles, primarily through voluntary severance.

The credit in FY 2021 relates to more favourable settlements being reached on finalisation than assumed when making the restructuring charge in FY 2020. These costs were treated as non-tax deductible in FY 2020 and the corresponding credit will be non-chargeable in FY 2021, which has resulted in a credit in note 7 income tax expenses for expenses not deductible for tax purposes.

The cash flow in the year associated with exceptional items was £1.9m (FY 2020: £9.3m).

4. Fees payable to auditors

Auditors' remuneration was as follows:

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Audit services relating to: | | |
| – Victrex plc and Group consolidation* | 153 | 104 |
| – The Company's subsidiaries, pursuant to legislation | 250 | 168 |
| | 403 | 272 |
| Non-audit services relating to: | | |
| – Interim review | 35 | 22 |
| – Other services | — | — |
| | 35 | 22 |
| | 438 | 294 |

* Due to the impact of COVID-19 on 2020 year end reporting, PwC charged an additional audit fee of £23,000 which was billed in 2021. Given the timing of the agreement of this fee, the amount was not included within the audit fee disclosed for 2020 of £272,000. It has been added to the 2021 fee of £380,000, increasing the total amount disclosed to £403,000.

5. Staff costs

| | Note | 2021 £m | 2020 £m |
|---|------|--------------|------------|
| Wages and salaries | | 58.8 | 68.0 |
| Social security costs | | 5.9 | 7.0 |
| Defined contribution pension schemes | | 5.5 | 6.2 |
| Defined benefit pension schemes | 16 | (0.1) | (0.2) |
| Equity-settled share-based payment transactions | 20 | 1.4 | 0.5 |
| | | 71.5 | 81.5 |

Detailed disclosures that form part of these financial statements are given in the Directors' remuneration report on pages 90 to 108. A credit in respect of exceptional staff costs of £0.8m are included in the table above (FY 2020: exceptional staff cost charge of £9.8m). Further details are set out in note 3.

The monthly average number of people employed by the Group during the year (including Directors), analysed by category, was as follows:

| | 2021 Number | 2020 Number |
|--------------------------|----------------|----------------|
| Make | 541 | 596 |
| Develop, market and sell | 224 | 250 |
| Support | 130 | 132 |
| | 895 | 978 |

There are no people employed by the Company (FY 2020: none).



FINANCIAL STATEMENTS

Notes to the financial statements continued

6. Finance income and costs

| | 2021 £m | 2020 £m |
|--|--------------|------------|
| Financial income/(costs): | | |
| – Interest received | 0.2 | 0.3 |
| – Interest payable and similar charges | — | (0.1) |
| – Interest on lease liabilities | (0.2) | (0.2) |
| | — | — |

7. Income tax expense

Income tax on the profit 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 other comprehensive income or equity as appropriate.

Current tax is the expected tax payable on the taxable income for the current and prior years, using tax rates (and tax laws) enacted or substantively enacted at the balance sheet date. The Group is subject to income tax in numerous jurisdictions. Estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain because it may be unclear how tax law applies to a particular transaction or circumstance. Where the Group determines that it is more likely than not that the tax authorities would accept the position taken in the tax return, amounts are recognised in the financial statements on that basis. Where the amount of tax payable or recoverable is uncertain, the Group recognises a liability based on either the Group's judgement of the most likely outcome or, where there is a wide range of possible outcomes, uses a probability weighted approach.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries except to the extent that they will probably 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.

A deferred tax asset is recognised only to the extent that it is probable, within a reasonable timeframe, that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

| | Note | 2021 £m | 2020 £m |
|---|------|--------------|------------|
| Current tax | | | |
| UK corporation tax on profits for the year | | 10.4 | 7.7 |
| Overseas tax on profits for the year | | 1.7 | 1.0 |
| | | 12.1 | 8.7 |
| Deferred tax | | | |
| Change in deferred tax rate | | 6.1 | 2.3 |
| Origination and reversal of temporary differences | 12 | 1.4 | 0.5 |
| | | 7.5 | 2.8 |
| Tax adjustments relating to prior years: | | | |
| – Current tax | | 0.2 | (3.1) |
| – Deferred tax | | (0.1) | 0.9 |
| Total tax expense in income statement | | 19.7 | 9.3 |

Reconciliation of standard and effective tax rate

| | 2021 | 2020 | | |
|--|--------------|-------------|------|-------|
| | % | £m | % | £m |
| Profit before tax | | 92.5 | | 63.5 |
| Tax expense at UK corporation tax rate | 19.0 | 17.6 | 19.0 | 12.1 |
| Effects of: | | | | |
| – Expenses not deductible for tax purposes | (0.2) | | | 1.3 |
| – Higher rates of tax on overseas earnings | 0.5 | | | 0.2 |
| – UK Research & Development tax credits and other allowances | (0.4) | | | (0.6) |
| – Tax adjustments relating to prior years | 0.1 | | | (2.2) |
| – Change in deferred tax rate | 6.1 | | | 2.3 |
| – Share of loss of associate | 0.2 | | | 0.1 |
| – Difference in rates between deferred tax and corporation tax | 0.4 | | | 0.2 |
| – Deferred tax on losses not recognised | 0.8 | | | 0.7 |
| – Deferred tax on unremitted earnings | 0.5 | | | — |
| – Patent Box deduction | (5.9) | | | (4.8) |
| Effective tax rate and total tax expense | 21.3 | 19.7 | 14.6 | 9.3 |

7. Income tax expense continued

Reconciliation of standard and effective tax rate continued

In the Finance Bill 2021, the government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 24 May 2021. As a consequence, deferred tax assets/liabilities have been remeasured at the rate they are now expected to reverse. For UK assets/liabilities this is 25% for the majority of assets and liabilities (30 September 2020: 19%), being the UK tax rate effective from 1 April 2023. This has increased the tax charge for the period by £6.1m. For overseas assets/ liabilities the corresponding overseas tax rate has been applied.

Tax components of other comprehensive income

| | 2021 £m | 2020 £m |
|--|------------|------------|
| Tax on items that will not be reclassified to the income statement: | | |
| Deferred tax (charge)/credit on defined benefits pension schemes' actuarial result | (1.1) | 0.6 |
| Tax on items that have or may be subsequently reclassified to the income statement: | | |
| Current tax charge on changes in fair value of cash flow hedges | (0.2) | (1.0) |
| | (1.3) | (0.4) |
| Current tax charge | (0.2) | (1.0) |
| Deferred tax (charge)/credit | (1.1) | 0.6 |
| | (1.3) | (0.4) |

8. Earnings per share

Earnings per share is based on the Group's profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year, excluding own shares held (see note 21).

| | 2021 | 2020 |
|--|----------------------|----------------------|
| Earnings per share | | |
| – basic | 84.3p | 62.6p |
| – diluted | 84.0p | 62.5p |
| Profit for the financial year attributable to the owners of the Company | £73.2m | £54.2m |
| Weighted average number of shares used: | | |
| – Issued ordinary shares at beginning of year | Number 86,617,582 | Number 86,457,488 |
| – Effect of own shares held | (108,977) | (130,542) |
| – Effect of shares issued during the year | 196,184 | 143,133 |
| Basic weighted average number of shares | 86,704,789 | 86,470,079 |
| Effect of share options | 340,564 | 160,358 |
| Diluted weighted average number of shares | 87,045,353 | 86,630,437 |

9. Property, plant and equipment

Owned assets

All owned items of property, plant and equipment are stated at historical cost less accumulated depreciation and provision for impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial year in which they are incurred.

Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful economic lives as follows:

| | |
|---|-------------|
| Buildings | 25–50 years |
| Plant and machinery | 10–30 years |
| Fixtures, fittings, tools and equipment | 5–10 years |
| Computers and motor vehicles | 2–5 years |

Freehold land is not depreciated.

The residual values and useful lives of assets are reviewed annually for continued appropriateness and indications of impairment and adjusted if appropriate.

Depreciation on assets classified as in the course of construction commences when the assets are ready for their intended use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.



Notes to the financial statements continued

9. Property, plant and equipment continued

Right of use ('ROU') assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognised as a ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition.

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of retail estate for which the Company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

| | Land and buildings £m | Plant and machinery £m | Computers and motor vehicles £m | Fixtures, fittings, tools and equipment £m | Right of use assets £m | Assets in course of construction £m | Total £m |
|---------------------------------|--------------------------|---------------------------|------------------------------------|---|---------------------------|--|--------------|
| Cost | | | | | | | |
| At 1 October 2019 | 60.0 | 330.2 | 6.5 | 3.8 | 8.5 | 11.7 | 420.7 |
| Exchange differences | (0.3) | (0.5) | — | — | — | (0.2) | (1.0) |
| Additions | 3.5 | 2.4 | — | — | 0.1 | 17.3 | 23.3 |
| Disposals | — | (1.0) | (4.0) | — | — | — | (5.0) |
| Reclassification | 0.2 | 7.2 | 1.1 | 0.1 | — | (8.6) | — |
| At 30 September 2020 | 63.4 | 338.3 | 3.6 | 3.9 | 8.6 | 20.2 | 438.0 |
| Exchange differences | (0.3) | (0.3) | — | (0.2) | — | 0.9 | 0.1 |
| Additions | — | 1.4 | 0.1 | — | 4.7 | 44.6 | 50.8 |
| Disposals | — | (0.3) | (0.5) | — | (0.2) | (0.7) | (1.7) |
| Reclassification | 0.1 | 4.0 | 2.7 | 0.2 | — | (7.0) | — |
| At 30 September 2021 | 63.2 | 343.1 | 5.9 | 3.9 | 13.1 | 58.0 | 487.2 |
| Accumulated depreciation | | | | | | | |
| At 1 October 2019 | 12.8 | 129.7 | 5.4 | 3.5 | — | — | 151.4 |
| Exchange differences | — | (0.2) | — | — | — | — | (0.2) |
| Disposals | — | (0.8) | (4.0) | — | — | — | (4.8) |
| Depreciation charge | 1.9 | 13.5 | 0.7 | 0.1 | 1.7 | — | 17.9 |
| At 30 September 2020 | 14.7 | 142.2 | 2.1 | 3.6 | 1.7 | — | 164.3 |
| Exchange differences | (0.1) | (0.1) | — | (0.2) | — | — | (0.4) |
| Disposals | — | (0.2) | (0.5) | — | (0.2) | — | (0.9) |
| Depreciation charge | 2.0 | 13.6 | 0.8 | 0.2 | 1.9 | — | 18.5 |
| At 30 September 2021 | 16.6 | 155.5 | 2.4 | 3.6 | 3.4 | — | 181.5 |
| Carrying amounts | | | | | | | |
| At 30 September 2021 | 46.6 | 187.6 | 3.5 | 0.3 | 9.7 | 58.0 | 305.7 |
| At 30 September 2020 | 48.7 | 196.1 | 1.5 | 0.3 | 6.9 | 20.2 | 273.7 |
| At 30 September 2019 | 47.2 | 200.5 | 1.1 | 0.3 | 8.5 | 11.7 | 269.3 |



9. Property, plant and equipment continued

At 30 September 2021, the Group leased a small number of assets, principally land and buildings:

| | Land and buildings £m | Motor vehicles £m | Total £m |
|-------------------------------------|--------------------------|----------------------|-------------|
| Right of use assets | | | |
| Balance at 1 October 2019 | 8.0 | 0.5 | 8.5 |
| Additions | — | 0.1 | 0.1 |
| Depreciation charge for the period | (1.4) | (0.3) | (1.7) |
| Balance at 30 September 2020 | 6.6 | 0.3 | 6.9 |
| Balance at 1 October 2020 | 6.6 | 0.3 | 6.9 |
| Additions | 4.4 | 0.3 | 4.7 |
| Depreciation charge for the period | (1.6) | (0.3) | (1.9) |
| Balance at 30 September 2021 | 9.4 | 0.3 | 9.7 |

The information in respect of the lease liabilities associated to the right of use assets is disclosed in note 18.

Land and building right of use assets are primarily leases to support manufacturing capability.

Reclassification relates to the movement from assets in course of construction to the relevant asset category when the assets are ready for their intended use. Details of significant projects reclassified are included in the Financial review.

The fair value of property, plant and equipment is not materially different to its carrying value.

The Company has no property, plant or equipment.

10. Intangible assets

Goodwill

Goodwill arising on the acquisition of businesses is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment. Any impairment provisions that arose during impairment testing would not be reversed.

In respect of acquisitions prior to 1 October 2004, goodwill is included on the basis of its deemed cost, which represents the net amount recorded previously under UK GAAP. In respect of acquisitions that have occurred since 1 October 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the assets, liabilities and contingent liabilities acquired.

Goodwill is tested annually for impairment by reference to the estimated future cash flows of the relevant CGU, discounted to their present value using risk-adjusted discount factors to give its value in use. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

Impairment losses are recognised if the carrying amount of the CGU to which goodwill has been allocated exceeds its recoverable value (the higher of value in use and fair value less costs to sell) and are recognised in the income statement.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. Other intangibles are assessed for impairment only when there is an indication that they might be impaired. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets not yet ready for use are not amortised but are subject to annual impairment reviews. Other intangible assets are amortised from the time they are first ready for use.

Amortisation

Amortisation is charged to sales, marketing and administrative expenses in the income statement over the estimated useful economic lives as follows:

| | |
|------------------------|-------------------------|
| Computer software | 3–7 years straight line |
| Customer relationships | 10 years systematic |
| Brand name | 5 years systematic |
| Know-how | 10 years straight line |

Amortisation on assets classified as in the course of construction commences when the assets are ready for their intended use, the point at which they are reclassified from assets in course of construction, on the same basis as other assets of that class.



FINANCIAL STATEMENTS

Notes to the financial statements continued

10. Intangible assets continued

| | Goodwill £m | Computer software £m | Customer relationships £m | Brand name £m | Know-how £m | Assets in course of construction £m | Total £m |
|---------------------------------|----------------|----------------------------|---------------------------------|------------------|----------------|--|-------------|
| Cost | | | | | | | |
| At 1 October 2019 | 14.3 | 14.2 | 2.0 | 0.7 | — | 4.7 | 35.9 |
| Additions | — | 0.2 | — | — | — | 1.6 | 1.8 |
| Reclassification | — | 1.5 | — | — | 3.2 | (4.7) | — |
| At 30 September 2020 | 14.3 | 15.9 | 2.0 | 0.7 | 3.2 | 1.6 | 37.7 |
| Additions | — | 0.4 | — | — | — | 1.7 | 2.1 |
| Disposals | — | (0.5) | (0.3) | — | — | — | (0.8) |
| Reclassification | — | 2.5 | — | — | — | (2.5) | — |
| At 30 September 2021 | 14.3 | 18.3 | 1.7 | 0.7 | 3.2 | 0.8 | 39.0 |
| Accumulated amortisation | | | | | | | |
| At 1 October 2019 | — | 6.9 | 1.3 | 0.3 | — | — | 8.5 |
| Amortisation charge | — | 2.3 | 0.2 | 0.3 | — | — | 2.8 |
| At 30 September 2020 | — | 9.2 | 1.5 | 0.6 | — | — | 11.3 |
| Amortisation charge | — | 2.5 | 0.5 | 0.1 | 0.3 | — | 3.4 |
| Disposals | — | (0.2) | (0.3) | — | — | — | (0.5) |
| At 30 September 2021 | — | 11.5 | 1.7 | 0.7 | 0.3 | — | 14.2 |
| Carrying amounts | | | | | | | |
| At 30 September 2021 | 14.3 | 6.8 | — | — | 2.9 | 0.8 | 24.8 |
| At 30 September 2020 | 14.3 | 6.7 | 0.5 | 0.1 | 3.2 | 1.6 | 26.4 |
| At 30 September 2019 | 14.3 | 7.3 | 0.7 | 0.4 | — | 4.7 | 27.4 |

Computer software is an internally generated intangible asset. The average remaining useful life is three years (FY 2020: three years).

The Group has know-how within its subsidiary TxV Aero Composites LLC ('TxV') in respect of the hybrid overmoulding technology for brackets. The remaining useful life of the know-how is nine years.

Goodwill recognised is assessed for impairment against discounted future cash flow projections for the relevant CGU (value in use model). Management has prepared cash flow projections for a five-year period derived from the business' 24-month forecast and the five-year strategy. These forecasts are the same ones used for both the going concern review and viability statement. Further details are included on pages 39 to 41. These forecasts include assumptions around volumes and sales prices, costs of manufacture, operating costs, working capital movements and capital expenditure. In measuring these assumptions, the Directors have taken into account:

- expected demand in the markets and geographies within which the Group operates, including industry trends and external market forecasts;
- operating profits, based on historical experience of operating margins including changes to the price of raw material and utility costs and production volumes;
- the timing and cost of major capital projects; and
- cash conversion, based on historical rates.

The sensitivity analysis performed as part of our viability assessment on the CGUs of the Group demonstrated a sufficient level of headroom as noted below; therefore, no specific adjustments or impairments have been made.

The Group has two CGUs, Industrial and Medical, which are the smallest identifiable independent groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Where assets and costs are shared between the two CGUs a reasonable apportionment of these are made for the purpose of the impairment calculation.

Goodwill is split between the two CGUs: Industrial £12.8m (FY 2020: £12.8m) and Medical £1.5m (FY 2020: £1.5m).

The goodwill and other intangible assets that relate to the Industrial CGU include Kleiss Gears Inc., Zyex Limited and TxV which have been fully integrated. These businesses are employed to generate revenue across all industrial geographies and markets.

The long-term average growth rate used was 2.0% (FY 2020: 2.0%) which reflects the long-term inflation rates in the main territories within which the Group operates, and the risk-adjusted pre-tax discount rate was 9.6% (FY 2020: 9.6%). The impairment test results in more than 100% headroom (FY 2020: more than 100% headroom) and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill or other intangibles.

Research & Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised within the income statement as an expense as incurred.

Development expenditure is recognised in the income statement as an expense as incurred unless it meets all the criteria to be capitalised under IAS 38 – Intangible Assets.

10. Intangible assets continued

Research & Development expenditure of £15.5m (FY 2020: £16.7m) was expensed to the income statement in the year within sales, marketing and administrative expenses. No development expenditure met the criteria to be capitalised (FY 2020: same).

11. Interests in other entities

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and can affect those returns through its power over the investee. This can be determined either by the Group's ownership percentage, or by the terms of the shareholder agreement. Where there is deemed to be an ability to affect the return, investments are consolidated from the date that ability commences until the date that it ceases.

The acquisition method is used to account for business combinations. Goodwill represents the difference between the acquisition date fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any) and the net of the acquisition date fair values of the identifiable assets acquired, including intangibles, and liabilities assumed, including contingent liabilities as required by IFRS 3. If this difference is negative, the amount is recognised directly in the Consolidated income statement.

A non-controlling interest is the proportion of net assets of the subsidiary entity owned by shareholders external to the Group. The value of non-controlling interests at the acquisition date is measured as the non-controlling interests' proportionate share of net assets of the acquiree or at fair value. The choice of measurement basis is determined on an acquisition-by-acquisition basis as permitted by IFRS 3. Financial derivatives in place over the remaining equity of an entity are taken into account when calculating the proportionate share of the non-controlling interest.

Any contingent consideration is measured at fair value at the date of acquisition. Subsequent changes to the fair value of contingent consideration are recognised in the Consolidated income statement.

Costs related to the acquisition, other than those associated with the issue of debt, that the Group incurs in connection with a business combination are expensed as incurred.

Non-controlling interests in the net assets of consolidated subsidiaries are distinguished from the equity attributable to holders of the Parent. The value of non-controlling interests comprises the value of non-controlling interests on the date control commences adjusted for the non-controlling interests' share of any subsequent changes in equity.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any impairment in the value of the investment.

Investment in associated undertakings

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but where the Group does not have control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Investments in associates are carried in the Consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Any goodwill recognised on acquisition is included in the carrying values of the investment. Impairment is recognised when there is objective evidence that a loss event (or events) has arisen which adversely impacts the future cash flows from the net investment and therefore provides evidence of impairment. Where evidence exists an impairment test is performed whereby the carrying value of the investment is compared to the recoverable amount (higher of value in use and fair value less costs to sell).

The Group's share of the post-tax profits/(losses) of associates is included in the Consolidated income statement. If the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to do so or made payments on behalf of the associate. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity.

Interests in joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint arrangements are either joint operations or joint ventures.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or other facts and circumstances indicate that this is the case. The Group's share of assets, liabilities, revenue, expenses and cash flows are combined with the equivalent items in the financial statements on a line-by-line basis.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.



FINANCIAL STATEMENTS

Notes to the financial statements continued

11. Interests in other entities continued

Basis of consolidation continued

Financial assets held at fair value through the profit and loss

Financial assets held at fair value through the profit and loss comprise of investments in unquoted companies and convertible loans made to associated undertakings. Investments in unquoted companies are initially carried at fair value, where neither control nor significant influence is held. The initial fair value is deemed to be cost where transactions are at arm's length. They are remeasured at subsequent reporting dates to fair value with any changes recognised directly in the income statement.

Financial assets that are compound financial instruments from the holder's perspective are accounted for under IFRS 9. Under IFRS 9 financial assets are held at either amortised cost, fair value through other comprehensive income ('FVTOCI') or fair value through profit and loss ('FVTPL'). In making the assessment the Company's business model and the contractual terms are assessed against the conditions in IFRS 9. Where the conditions for holding an asset at amortised cost are not met and where no election is made to measure at FVTOCI, FVTPL is the default.

At initial recognition financial assets are measured at fair value. This is assumed to be the transaction price unless there is evidence to the contrary.

All transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred.

Investments in unquoted companies and convertible loans are classified as level 3 in the financial hierarchy because there are no observable market inputs. For these assets unobservable inputs are used to measure the range of fair values, using an income approach to convert future cash flows into present values. Inputs into the valuation model include both Group forecasts and forecasts from the investee, with consideration given to performance against technical and commercial milestones. Where there is insufficient information to determine fair value or there is a wide range of possible fair value measures, and cost represents the best estimate in that range, then, as permitted by IFRS 9, cost will continue to be used as a proxy for fair value. Cost will not be used as a proxy if, at the balance sheet date, there is an identified change in value, which could be illustrated by significant performance variations to plan or the value implied by subsequent funding rounds or other equity transactions.

Financial liabilities at amortised cost – long-term loans

Long-term loans from the Non-Controlling Interest are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. The loans are subsequently held at amortised cost. Interest payable on the loan is capitalised into the value of the loan, until repayment occurs.

Group

Material subsidiaries and non-controlling interest ('NCI')

During FY 2020 the Group established a new subsidiary company, Panjin VYX High Performance Materials Co. Ltd ('PVYX').

PVYX is a limited liability company set up for the purpose of the manufacture of PAEK polymer powder and granules, based in mainland China. The Group continues to hold a 75% equity interest with the remaining 25% held by Yingkou Xingfu Chemical Co. Ltd ('YX'). Consistent with prior year, with 75% of the voting equity and the majority of appointments on the board, the Group is considered to have control of PVYX and therefore it is accounted for as a subsidiary. The income statement and balance sheet of PVYX are fully consolidated with the share owned by YX represented by a non-controlling interest.

The first tranche of investment of £8.6m in this company was made by the Group via Victrex Hong Kong Limited, in March 2020. During FY 2021, the Group has made further cash injections in to PVYX, totalling £24.5m, split in the form of loans £22.7m and further equity investment of £2.5m. YX have made loans to PVYX of £5.6m during the year. This loan to YX is interest bearing at 4.0% per annum. The loan is repayable on 30 September 2026 or such later date as may be mutually agreed by YX and Victrex Hong Kong Limited.

In the year to 30 September 2021 the subsidiary incurred a loss of £1.4m, of which £0.4m is attributable to the non-controlling interest.

Borrowing costs of £0.2m in relation to the long-term loan were capitalised during the period (FY 2020: £nil).

Investments in associates and financial assets held at fair value through profit and loss

| | Investment in associates £m | Financial assets held at fair value through profit and loss £m | Total £m |
|--|--------------------------------|---|-------------|
| Cost and carrying value | | | |
| At 1 October 2020 | 12.3 | 8.0 | 20.3 |
| Group's share of loss of Bond 3D High Performance Technology BV | (0.9) | — | (0.9) |
| Increase in fair value of investment in Magma Global Limited | — | 0.9 | 0.9 |
| Convertible loans issued to Bond 3D High Performance Technology BV | — | 3.8 | 3.8 |
| At 30 September 2021 | 11.4 | 12.7 | 24.1 |
| Magma Global Limited | — | 5.4 | 5.4 |
| Surface Generation Limited | — | 3.5 | 3.5 |
| Bond 3D High Performance Technology BV | 11.4 | 3.8 | 15.2 |
| At 30 September 2021 | 11.4 | 12.7 | 24.1 |

Bond 3D High Performance Technology BV ('Bond')

Bond is a company incorporated in the Netherlands, developing unique, protectable 3D printing (Additive Manufacturing) processes which are capable of producing high strength parts from existing grades of PEEK and PAEK polymers. The investment offers the potential of utilising this technology to help accelerate the market adoption of 3D printed PEEK parts, with particular emphasis on the Medical market.

11. Interests in other entities continued

Group continued

Bond 3D High Performance Technology BV ('Bond') continued

The Group holds an investment of €14.7m/£12.9m (24.5%) in Bond at 30 September 2021 (30 September 2020: same), excluding the impact of the Group's share of losses since investment.

As the Group is considered to have significant influence in Bond, the investment continues to be accounted for as an associate using the equity method.

The Directors have considered whether there is any objective evidence that a loss event (or events) exists at 30 September 2021. No objective evidence has been identified with the investment performing in line with expectations for an company of its relative immaturity, accordingly the investment has not been tested for impairment.

Further cash injections into Bond during the year have been in the form of convertible loans (€4.4m/£3.8m). The loans are convertible into ordinary shares of the entity, at the Group's option, or are to be repaid by Bond 3D on or before the end of the 5-year agreed term.

Of the convertible loan balance, €2.0m/£1.8m is interest free, €0.3m/£0.2m is accruing interest at 3%, and the remainder is accruing interest at a rate of 6% per annum. The interest is capitalised into the value of the convertible loan on a monthly basis, attracting conversion rights in the same proportion as the original instrument. During the year €0.02m/£0.02m of interest was capitalised into the convertible loan.

The convertible loans in Bond do not meet the criteria to be classified as amortised cost nor FVTOCI (the cash flows are not solely payments of principal and interest due to the existence of conversion rights) and are therefore classified as FVTPL.

The transaction value is considered materially equal to the fair value of the convertible loan for initial recognition. The lack of observable market inputs for subsequent fair value assessments of the unlisted convertible loan calculation results in the instrument being classified as Level 3 (see also note 15).

At 30 September 2021 the convertible loans in Bond are considered to meet the criteria to use cost (the initial fair value) as the best estimate for fair value given the wide range of possible outcomes, a range in which the cost represents the best estimate within the range. Bond is an early-stage investment in new technology for the 3D printing of PEEK with a detailed programme of milestones to take it through to commercialisation. Technology is moving quickly within this space and whilst there is confidence that the Bond technology will win significant market share (which in itself has the potential for a high level of variability across different markets and applications), thus generating a fair value upside, the risk remains that this will not be the case resulting in fair value below cost.

The fair value of the convertible loans receivable in future periods will be assessed on the basis of the most likely outcome of scenarios at the end of the convertible term, including the probability attached to each future outcome.

Victrex and another investor in Bond, LaLune, have agreed a programme of further investments over the period to May 2024 for a further €7.5m/£6.4m. These cash injections will accrue interest at 6% but, if converted to equity, the interest will roll into the conversion rights, resulting in ownership at the end of the term at 43.5% for Victrex.

Magma Global Limited

The Group's investment in Magma Global Limited is recognised as a financial asset held at fair value through the profit and loss. On 13 October 2021, the Group sold its investment in Magma Global Limited to TechnipFMC and recognised a gain on the investment of £0.9m. A transaction in the equity of an investment is a positive indication of its fair value and accordingly has been used as the basis to increase the fair value of the investment at 30 September 2021.

Company

Shares in Group undertakings
£m

Cost and carrying value

At 1 October 2020 and at 30 September 2021

131.9

The Company has considered impairment of its investment in subsidiaries. The results of the impairment tests described in note 10 have been used in this consideration. Given the results of those tests, the Directors do not consider that the carrying value of the Company's investment in subsidiaries has been impaired.

The following is a full list of the Company's interests:

| | Company number | Company status | Registered office address |
|--|----------------|----------------|---------------------------|
| Wholly owned subsidiary undertakings | | | |
| Victrex Manufacturing Limited ¹ | 2845018 | Trading entity | |
| Invibio Limited ¹ | 4088050 | Trading entity | |
| Invibio Knees Limited | 8149440 | Trading entity | |
| Invibio Device Component Manufacturing Limited | 8861250 | Trading entity | |
| Juvora Limited | 8149439 | Trading entity | |
| Victrex Trading Limited ¹ | 4956435 | Dormant | |
| Victrex Trustee Limited ¹ | 3075501 | Dormant | |
| Victrex USA Holdings Limited ¹ | 7752971 | Dormant | |
| Zyex Limited | 2890014 | Dormant | |
| Zyex Group Limited | 2839512 | Dormant | |
| Zyex Reclaim Limited | 2890011 | Dormant | |



FINANCIAL STATEMENTS

Notes to the financial statements continued

11. Interests in other entities continued

Company continued

| | Company number | Company status | Registered office address |
|---|----------------|------------------------------|---|
| Victrex USA Holdings Inc. ¹ | | Intermediate holding company | |
| Victrex USA, Inc. | | Trading entity | 300 Conshohocken State Road, Suite 120, West Conshohocken, PA 19428, USA |
| Invibio Inc. | | Trading entity | |
| Invibio Device Components Manufacturing Inc. | | Trading entity | |
| Victrex Europa GmbH ¹ | | Trading entity | Langgasse 16, 65719 Hofheim, Germany |
| Victrex Japan, Inc. ¹ | | Trading entity | Mita Kokusai Building Annex, 1-4-28 Mita, Minato-ku, Tokyo, 108/0073, Japan |
| Victrex High-Performance Materials (Shanghai) Co., Ltd | | Trading entity | Victrex Asian Innovation & Technology Centre, Part B Building G, No. 1688, Zhuanxing Road, Xinzhuang Industry Park, Shanghai, 201108, China |
| Invibio (Beijing) Trading Co., Limited | | Trading entity | Room 7108, Building 7, Second Lane 5, The South of Xiang Jun, Chao Yang District, Beijing, 100020, China |
| Kleiss Gears, Inc. | | Trading entity | 390 Industrial Avenue, Grantsburg, WI 54840, USA |
| TxV Aerospace Composites LLC | | Trading entity | 55 Broadcommon Road, Bristol, Rhode Island, RI 02809, USA |
| Victrex Hong Kong Limited | | Trading entity | Level 54, Hopewell Centre 183, Queen's Road East, Hong Kong |
| Subsidiary undertakings with non-controlling interests | | | |
| Panjin VYX High Performance Materials Co., Ltd | | Trading entity | Liaodong Bay New District, Panjin, Liaoning Province, PRC |
| Associates | | | |
| Bond 3D High Performance Technology BV | | Trading entity | Institutenweg 25A, 7521 PH, Enschede, Netherlands |
| Joint operations | | | |
| Aghoco 1491 Limited ² | 10523749 | Trading entity | Victrex Technology Centre, Hillhouse International, Thornton Cleveleys, Lancashire FY5 4QD, UK |
| Investments | | | |
| Magma Global Limited ³ | 6528820 | Trading entity | Magma House, Trafalgar Wharf, Hamilton Road, Portsmouth, Hampshire PO6 4PX, UK |
| Surface Generation Limited | 4379384 | Trading entity | 7 Brackenbury Court, Lyndon Barns, Edith Weston Road, Lyndon, Oakham LE15 8TW, UK |

1 Directly held by Victrex plc.

2 On 13 December 2016, the Group, via its subsidiary Victrex Manufacturing Limited, incorporated Aghoco 1491 Limited with AGC Chemicals Europe Limited. Aghoco 1491 Limited is a joint arrangement in which the Group holds equal ownership and rights over the entity. The purpose of Aghoco 1491 Limited is to build, operate and maintain an electrical substation (cost of c.£3m) for both parties' own use to ensure continuity of electrical supply. Due to the terms of the joint arrangement, Aghoco 1491 Limited meets the criteria to be accounted for as a joint operation.

3 On 13 October 2021, the Group disposed of its shares in Magma Global Limited on 13 October 2021.

Annual reports and accounts are filed with Companies House for all UK dormant companies.

All subsidiaries are wholly owned, with the exception of Panjin VYX High Performance Materials Co., Ltd ('PVYX'), and are involved in the principal activities of the Group. The results and financial position of PVYX are consolidated into the Group income statement and Group balance sheet respectively, and a non-controlling interest is recognised in respect of the 25% shareholding owned by Yingkou Xingfu Chemical Co. Ltd.

In the opinion of the Directors the investments in and amounts due from the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

12. Deferred tax assets and liabilities

| | As at 30 September 2021 | | | | | | As at 30 September 2020 | | | | |
|---------------------------------------|----------------------------------|----------------------|----------------|------------------------|----------|----------|----------------------------------|----------------------|----------------|----------|----------|
| | Property, plant and equipment £m | Employee benefits £m | Inventories £m | Unremitted earnings £m | Other £m | Total £m | Property, plant and equipment £m | Employee benefits £m | Inventories £m | Other £m | Total £m |
| Deferred tax assets | — | 2.0 | 5.5 | — | 1.4 | 8.9 | — | 1.4 | 7.4 | 1.9 | 10.7 |
| Deferred tax liabilities | (27.4) | (3.5) | — | (0.5) | (0.2) | (31.6) | (22.4) | (1.8) | — | (0.7) | (24.9) |
| Net deferred tax (liabilities)/assets | (27.4) | (1.5) | 5.5 | (0.5) | 1.2 | (22.7) | (22.4) | (0.4) | 7.4 | 1.2 | (14.2) |



12. Deferred tax assets and liabilities continued

| Note | Property, plant and equipment £m | Employee benefits £m | Inventories £m | Unremitted earnings £m | Other £m | Total £m |
|--|-------------------------------------|-------------------------|-------------------|---------------------------|-------------|---------------|
| Movement in net provision | | | | | | |
| At 1 October 2019 | (18.9) | (0.6) | 7.7 | — | 0.7 | (11.1) |
| Prior period adjustment | (0.9) | — | — | — | — | (0.9) |
| Change in UK deferred tax rate | (2.2) | (0.1) | — | — | — | (2.3) |
| Recognised in income statement | 7 | (0.4) | (0.3) | (0.3) | 0.5 | (0.5) |
| Recognised in other comprehensive income | — | 0.6 | — | — | — | 0.6 |
| At 30 September 2020 | (22.4) | (0.4) | 7.4 | — | 1.2 | (14.2) |
| Prior period adjustment | 0.1 | — | — | — | — | 0.1 |
| Change in UK deferred tax rate | (6.1) | (0.2) | 0.2 | — | — | (6.1) |
| Recognised in income statement | 7 | 1.0 | 0.2 | (2.1) | (0.5) | (1.4) |
| Recognised in other comprehensive income | — | (1.1) | — | — | — | (1.1) |
| At 30 September 2021 | (27.4) | (1.5) | 5.5 | (0.5) | 1.2 | (22.7) |

Of the net deferred tax liability of £22.7m, £3.0m is expected to be recovered no more than twelve months after the reporting period, and £25.7m is expected to be settled more than twelve months after the reporting period.

Deferred tax liabilities of £0.5m (FY 2020: £nil) have been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of £10.6m of the EU subsidiaries, as the Group no longer benefits from the EU Parent Subsidiary Directive on dividends payable from 1 January 2021. It is likely that future amounts will be remitted as a dividend rather than being permanently reinvested.

Outside the EU no deferred tax liabilities have been recognised (FY 2020: £nil) for the withholding tax and other taxes, as such amounts are permanently reinvested, and the Group can control the timing of any dividends. Unremitted earnings on non-EU subsidiaries totalled £43.7m at 30 September 2021 (FY 2020: £57.4m including EU subsidiaries).

Unrecognised deferred tax assets

In the US, the Group has unrelieved net operating losses arising in the year ended 30 September 2021 of £3.9m (FY 2020: £4.0m), which relate to the early stage losses resulting from the readiness investment in Kleiss Gears Inc. and TxV Aerospace Composites LLC. The potential deferred tax asset on the cumulative unrelieved tax losses in the USA amounts to £2.0m (FY 2020: £1.3m).

In addition, the Group has unrelieved net operating losses arising in the year ended 30 September 2021 of £1.3m, which relate to the early stage losses in Panjin VYX High Performance Materials Co. Ltd. The potential deferred tax asset on these losses amounts to £0.2m.

13. Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). Cost is calculated using the standard cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

○ Critical judgements and key sources of estimation uncertainty in relation to valuation of inventories

The carrying value of inventory, comprising raw materials, work in progress and finished goods totalling £70.3m, requires the use of estimates and judgement. Judgement is required when assessing the level of normal production over which directly attributable costs are absorbed. The judgement relating to normal operating capacity considers current and prior years actuals as well as budgeted production when concluding on the appropriate level over which to absorb production costs. The primary estimate is in respect of the level of variations, including material usage and purchase price variances, between actual and standard cost absorbed into inventory at each period end. Management uses its detailed experience in the process of forming its view on the adjustments required to record inventory at cost. Management has assessed the range of possible outcomes which might result from a change in assumptions and has determined this to be from a £1.0m increase in inventory to a £1.6m reduction in inventory at 30 September 2021 and can therefore conclude that no reasonable change in the key assumptions would have resulted in a material change to the inventory balance of £70.3m at 30 September 2021.

Inventory provisions are put in place for slow moving and potentially obsolete inventory as well as damaged and/or out of specification product where cost is considered to be higher than net realisable value. The level of provisioning is an estimate, with judgement required on ageing, customer order profiles, alternative routes to market and the option to reprocess. The estimation of the range of possible outcomes is an increase in the value of inventory of £2.3m to a decrease of £2.6m.

Consequently, none of the sources of estimation uncertainty in inventory are expected to materially impact the result of the Group in FY 2022.

| | 2021 £m | 2020 £m |
|-------------------------------|------------|------------|
| As at 30 September | | |
| Raw materials and consumables | 11.7 | 25.4 |
| Work in progress | 11.2 | 17.2 |
| Finished goods | 47.4 | 55.9 |
| | 70.3 | 98.5 |

The amount of inventory expensed in the period is £131.6m (FY 2020: £109.1m).



FINANCIAL STATEMENTS

Notes to the financial statements continued

13. Inventories continued

During the year the Group wrote down inventory by £4.0m (FY 2020: £4.3m) and reversed previously written down inventory by £1.5m (FY 2020: £0.8m) resulting in a net increase in the overall inventory write down charge in the year of £2.5m (FY 2020: increase of £3.2m). Victrex continues to focus on driving down aged and non-conforming product by working with suppliers and customers, reworking and repackaging product to realise value from this inventory.

14. Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business.

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less any impairment losses. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

Allowances are calculated by reference to credit losses expected to be incurred over the lifetime of the receivable using the simplified approach, as described in note 15.

| As at 30 September | Group | | Company | |
|------------------------------------|-------------|------------|--------------|------------|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Trade receivables | 26.7 | 20.9 | — | — |
| Amounts owed by Group undertakings | — | — | 152.7 | 191.6 |
| Prepayments and accrued income | 12.2 | 6.9 | — | — |
| Sales taxes recoverable | 8.4 | 2.1 | — | — |
| Other receivables | 1.8 | 2.2 | — | — |
| | 49.1 | 32.1 | 152.7 | 191.6 |

Amounts owed by Group undertakings are interest free, unsecured and repayable on demand. These balances have been considered for impairment and no credit losses are expected on these balances.

The value of MUPs recognised but not invoiced is included in prepayments and accrued income. The value at 30 September 2021 was £1.7m (30 September 2020: £1.9m). No credit loss has been recognised in respect of the MUPs balance at 30 September 2021 (30 September 2020: same).

15. Financial instruments and risk management

Derivative financial instruments and hedging activities

Derivative financial instruments are primarily used by the Group to manage its exposure to changes in foreign exchange rates relating to overseas sales and purchases. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

The Group hedges a proportion of its net forecast sales, purchases and capital expenditure which are denominated in a foreign currency (cash flow hedge) using forward exchange contracts. The Board is responsible for setting the hedging policy which is detailed overleaf.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items including whether or not a net position is being hedged. A conclusion is reached as to whether the transaction qualifies as a cash flow hedge. Details on hedge documentation are shown below.

Cash flow hedges

As permitted by IFRS 9 B.6.6.1, the Group designates overall net positions as hedged items when:

- transactions are managed as net positions for risk management purposes;
- the hedges are for foreign currency risks; and
- the initial hedge designation and documentation set out how the items within the net position will affect the income statement.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in cash flows of hedged items. See below for further details.

These foreign exchange contracts are initially recognised at fair value, with most having maturities of less than one year after the balance sheet date.

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 portion of changes in fair value is recognised in equity via the Statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, through sales, marketing and administrative expenses.

The recognition of any cumulative gain or loss existing in equity is aligned to the timing of the hedged transaction impacting the income statement and is classified as follows:

- Hedging of a net position – separately on the face of the income statement within gains/(losses) on foreign currency net hedging.
- Other cash flow hedges – cumulative gain or loss existing in equity at the time when the forecast transaction occurs is recognised in the income statement in the corresponding line that the hedged item goes through being revenue, cost of sales or sales, marketing and administrative expenses.

When a forecast transaction is no longer expected to occur, and therefore does not meet the criteria for cash flow hedge accounting, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement, through sales, marketing and administrative expenses.



15. Financial instruments and risk management continued

Hedge documentation and effectiveness testing

The documentation includes identification of the hedging item(s), the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

Hedge effectiveness is a qualitative assessment of effectiveness performed in accordance with IFRS 9. A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of the credit risk does not dominate the value changes that result from the economic relationship; and
- the hedge ratio of the hedging relationship is the same as that used for risk management purposes.

For financial instruments not designated in hedge accounting relationships or that do not meet the criteria for hedge accounting, the gain or loss on remeasurement to fair value is recognised immediately in the income statement through sales, marketing and administrative expenses.

Other derivative financial instruments

Other financial derivatives are stated at the present value of the exercise price which is based on the expected cash payment associated with the arrangement and are included as a liability in the Group's balance sheet. Subsequent changes in the value of the liability to fair value are recognised in the income statement.

If the financial derivative expires unexercised, the liability is derecognised and a corresponding non-controlling interest is recognised, with any difference being recognised in equity.

Group

Currency risk

Currently, the Group exports in excess of 98% of sales from the UK and also makes raw material purchases overseas.

Currency risk is managed by the Currency Committee, which is chaired by the Chief Financial Officer and comprises the Chief Executive Officer and senior finance executives. It meets monthly to review and manage the Group's currency hedging activities, in line with the hedging policy approved by the Board.

The Group's hedging policy is to defer the impact on profits of currency movements by hedging:

- a minimum of 80% and a maximum of 100% of projected transaction exposures arising from trading in the forthcoming six-month period; and
- a minimum of 75% and a maximum of 100% of projected transaction exposures arising in the following six-month period.

Profitability can vary due to the impact of fluctuating exchange rates on the unhedged portion of the transaction exposures and from revised forecasts of future trading, which can lead to an adjustment of currency cover in place.

In addition, the Group includes a number of foreign subsidiaries. As a result of these factors, the Group's financial statements are exposed to currency fluctuations. The currencies giving rise to this risk are primarily US Dollar and Euro.

Sensitivity analysis

The impact of a 5% movement in the average Sterling/US Dollar and Sterling/Euro rates on profit for 2021 is £5.1m and £5.7m (FY 2020: £4.6m and £4.0m) respectively. The impact of a 5% movement in the average Sterling/US Dollar and Sterling/Euro rates on equity for 2021 is £1.9m and £1.3m (FY 2020: £3.9m and £1.4m) respectively.

In accordance with IFRS 9, the fair value of gains and losses recognised on cash flow hedges is recognised in the Consolidated income statement as part of gross margin.

The notional contract amount, carrying amount and fair value of the Group's forward exchange contracts and swaps are as follows:

| | As at 30 September 2021 | | As at 30 September 2020 | |
|---------------------|-----------------------------|-----------------------------------|-----------------------------|-----------------------------------|
| | Notional contract amount £m | Carrying amount and fair value £m | Notional contract amount £m | Carrying amount and fair value £m |
| Current assets | 61.2 | 2.9 | 82.3 | 2.9 |
| Current liabilities | 106.9 | (1.9) | 81.8 | (3.3) |
| | 168.1 | 1.0 | 164.1 | (0.4) |

The fair values have been calculated by applying (where relevant), for equivalent maturity profiles, the rate at which forward currency contracts with the same principal amounts could be acquired at the balance sheet date. These are categorised as Level 2 within the fair value hierarchy under IFRS 7.



FINANCIAL STATEMENTS

Notes to the financial statements continued

15. Financial instruments and risk management continued

Group continued

Sensitivity analysis continued

The following table indicates the periods in which cash flows associated with the maturity date of the forward foreign exchange contracts for which hedge accounting is applied are expected to occur:

| | As at 30 September 2021 | | | | As at 30 September 2020 | | | |
|-----------------------------|-------------------------|---------------------|-------------------|--------------------|-------------------------|---------------------|-------------------|--------------------|
| | Expected cash flows £m | 6 months or less £m | 6 to 12 months £m | 12 to 18 months £m | Expected cash flows £m | 6 months or less £m | 6 to 12 months £m | 12 to 18 months £m |
| Forward exchange contracts: | | | | | | | | |
| – Assets | 61.2 | 46.2 | 8.7 | 6.3 | 82.3 | 20.6 | 48.2 | 13.5 |
| – Liabilities | 106.9 | 36.4 | 61.4 | 9.1 | 81.8 | 51.6 | 24.2 | 6.0 |
| | 168.1 | 82.6 | 70.1 | 15.4 | 164.1 | 72.2 | 72.4 | 19.5 |

The average exchange rates on open forward currency contracts are:

| | | | | | | |
|-----------|------|------|------|------|------|------|
| US Dollar | 1.33 | 1.39 | 1.37 | 1.30 | 1.25 | 1.30 |
| Euro | 1.12 | 1.16 | 1.15 | 1.16 | 1.10 | 1.08 |

Gains and losses deferred in the hedging reserve in equity on forward foreign exchange contracts at 30 September 2021 will be recognised in the income statement during the period in which the hedged forecast transaction affects the income statement, which is typically one to two months prior to the cash flow occurring. At 30 September 2021, there are a number of hedged foreign currency transactions which are expected to occur at various dates during the next twelve months. During the year, gains of £0.8m (FY 2020: losses of £0.3m) relating to forward exchange contracts on the balance sheet at 30 September 2021 were released to the income statement.

Gains and losses recognised in the income statement on contracts which are yet to settle are adjusted as a non-cash movement on the Cash flow statements. This equated to a gain of £0.5m in the year (FY 2020: gain of £2.2m).

There was no hedge ineffectiveness during the year (FY 2020: nil). The hedge ratio is 1:1 in all instances.

Credit risk

The Group manages exposure to credit risk at many levels ranging from executive Director approval being required for the credit limits of larger customers, to the use of letters of credit and cash in advance where appropriate. Internal procedures require regular consideration of credit ratings, both internally for lower value customers and recognised credit reference agencies for higher value customers, payment history, aged items and proactive debt collection. All customers are assigned a credit limit which is subject to annual review. Consideration is given to significant adverse changes in business, financial and economic conditions that may cause a significant change in the ability of customers to meet their obligations. Any adverse data relating to these factors is considered in determining whether there has been a significant increase in credit risk of a financial asset on an ongoing basis throughout each reporting period. Regardless of the analysis, an increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Group has applied the simplified approach to measuring expected credit losses, which requires lifetime expected losses to be recognised from initial recognition for trade receivables. Lifetime expected credit losses for trade receivables are calculated based on historical loss rates and adjusted where necessary for relevant forward-looking estimates. Trade receivables have been grouped for this analysis based on shared credit risk characteristics, including the segment and country/region in which the customer operates. The model, which considers macroeconomic information, has been applied to the Group's two segments differently. For trade receivables in the Industrial sector, a different loss rate has been applied to the US and Japan compared to the remainder of the segment's geographical markets. In the Medical sector, a single higher rate of allowance has been used to reflect the higher risk of default of the customer base.

The Group's payment terms typically range from 30 to 60 days depending on geography. Trade receivables are specifically impaired and considered in default when the amount is in dispute, when customers are believed to be in financial difficulty or if any other reason exists which implies that there is a doubt over the recoverability of the debt. They are written off when there is no reasonable expectation of recovery, based on an estimate of the financial position of the customer.

The Group has continued to consider the impact of COVID-19 on its expected credit loss model for the year ended 30 September 2021, as appropriate.

15. Financial instruments and risk management continued

Group continued

Credit risk continued

Trade receivables, being 'held to collect' assets, can be analysed as follows:

| | 2021 £m | 2020 £m |
|--|--------------|------------|
| As at 30 September | | |
| Amounts not past due | 24.4 | 17.7 |
| Amounts past due: | | |
| – Less than 30 days | 2.2 | 2.8 |
| – 30–60 days | 0.3 | 0.6 |
| – More than 60 days | 0.1 | 0.2 |
| Total past due | 2.6 | 3.6 |
| Lifetime expected credit losses | (0.3) | (0.4) |
| Amounts specifically impaired | 0.5 | 0.9 |
| Specific allowances for bad and doubtful debts | (0.5) | (0.9) |
| Carrying amount of impaired receivables | — | — |
| Trade receivables net of allowances | 26.7 | 20.9 |

Movements in the allowance for impairments were:

| | 2021 £m | 2020 £m |
|-----------------------------------|--------------|------------|
| At beginning of year | 1.3 | 0.9 |
| Charge in the year | — | 0.5 |
| Release of allowance | (0.5) | (0.1) |
| Utilisation of specific allowance | — | — |
| At end of year | 0.8 | 1.3 |

The range of estimated credit loss allowance is as follows:

| | Current £000 | Less than 30 days past due £000 | 30 to 60 days past due £000 | 60 to 90 days past due £000 | More than 90 days past due £000 | Total £000 |
|---|-----------------|--|--------------------------------------|--------------------------------------|--|---------------|
| 2021 | | | | | | |
| % allowance | 0%–0.3% | 0.5%–1.5% | 20%–50% | 50%–60% | 75%–100% | |
| Trade receivables | 24,366 | 2,206 | 292 | 82 | 536 | 27,482 |
| Allowance (inclusive of specific provision) | (136) | (32) | (71) | (48) | (529) | (816) |
| | | | | | | 26,666 |
| 2020 | | | | | | |
| % allowance | 0%–0.3% | 0.5%–1.5% | 19%–50% | 50%–60% | 75%–100% | |
| Trade receivables | 17,686 | 2,818 | 551 | 162 | 1,000 | 22,217 |
| Allowance (inclusive of specific provision) | (53) | (41) | (132) | (94) | (982) | (1,302) |
| | | | | | | 20,915 |

The credit risk in respect of cash and cash equivalents, other financial assets and derivative financial instruments is limited because the counterparties with significant balances are established international banks whose credit ratings are monitored on an ongoing basis. These balances are therefore considered to have low credit risk on initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term deposits with original maturities typically of three months or less. The cash and cash equivalents disclosed in the Group balance sheet and in the Group statement of cash flows include £12.5m ring-fenced in the Group's Chinese subsidiaries, which are committed to capital expansion (FY 2020: £5.6m) and therefore is not available for general use by the other entities within the Group.

Other financial assets

Cash invested in term or notice deposits greater than three months in duration does not meet the criteria to be classified as cash and cash equivalents. Accordingly, these deposits have been presented within other financial assets and are carried at amortised cost in accordance with IFRS 9.



FINANCIAL STATEMENTS

Notes to the financial statements continued

15. Financial instruments and risk management continued

Group continued

Credit risk continued

As at 30 September 2021, the maximum exposure with a single bank for deposits (cash and cash equivalents and other financial assets) was £32.5m (FY 2020: £35.8m) for the Group. As at 30 September 2021, the largest mark to market exposure for gains on forward foreign exchange contracts to a single bank was £1.7m (FY 2020: £0.6m). The amounts on deposit at the year end represent the Group's maximum exposure to credit risk on cash and deposits.

Liquidity risk

The Group's objective in terms of funding capacity is to ensure that it always has sufficient short-term and long-term funding available, either in the form of the Group's cash resources or committed bank facilities. The Group has sufficient funds available to meet its current funding requirements for both revenue and capital expenditure. In order to further manage liquidity risk to an acceptable level, the Group has a bank facility of £40m (£20m committed and £20m accordion), which expires in October 2024, all of which was undrawn at the year end.

As at 30 September 2021, the Group had a cash and cash equivalents balance of £74.9m. In addition to this, the Group had cash held on 95-day notice deposit accounts of £37.5m (FY 2020: £nil). The maximum deposit length utilised by the Group when cash is invested both during the year ended 30 September 2021 and up to the date of this report is three months (FY 2020: one month).

The facility contains covenant measures that are tested biannually. They consist of leverage, measuring debt to equity, and interest cover, measuring the interest charge related to profit before interest.

Price risk

The Group's products contain a number of key raw materials and its operations require energy, notably electricity and natural gas. Any increase or volatility in prices and any significant decrease in the availability of raw materials or energy could affect the Group's results. Victrex strives to obtain the best prices and uses contractual means to benefit where appropriate and possible. The Group has a significant degree of control over its supply chain which enables it to effectively manage the risk in this area.

Capital management

The Group defines the capital that it manages as the Group's total equity. The Group's policy for managing capital is to maintain a strong balance sheet with the objective of maintaining customer, supplier and investor confidence in the business and to ensure that the Group has sufficient resources to be able to invest in future development and growth of the business.

The Board does not expect to make significant share repurchases in 2022, although there is a resolution proposed at each AGM to authorise the Company to make one or more market purchases of its ordinary shares up to a maximum number of shares equal to 10% of its issued ordinary share capital as at the date of the Notice of Annual General Meeting.

The Group's capital and equity ratio is as follows:

| | 2021 £m | 2020 £m |
|---------------------|--------------|------------|
| As at 30 September | | |
| Total equity | 511.7 | 481.0 |
| Total assets | 615.3 | 549.5 |
| Equity ratio | 83% | 88% |

Financial instruments

Summary of categories of financial assets and liabilities

| As at 30 September | Note | Classification under IFRS 9 | Carrying amount and fair value 2021 £m | Carrying amount and fair value 2020 £m |
|--|------|---------------------------------|---|---|
| Financial assets | | | | |
| Forward exchange contracts used for hedging (derivative instruments) | | Fair value – hedging instrument | 2.9 | 2.9 |
| Unquoted investments | 11 | FVTPL | 8.9 | 8.0 |
| Other financial assets held at fair value | | FVTPL | 3.8 | — |
| Trade and other receivables | 14 | Amortised cost | 28.5 | 25.2 |
| Cash and cash equivalents | | Amortised cost | 74.9 | 73.1 |
| Other financial assets | | Amortised cost | 37.5 | — |
| Financial liabilities | | | | |
| Forward exchange contracts used for hedging (derivative instruments) | | Fair value – hedging instrument | (1.9) | (3.3) |
| Long-term loans | | Amortised cost | (5.9) | — |
| Trade and other payables | 17 | Other financial liabilities | (49.4) | (30.5) |

Financial assets held at fair value

Fair value is determined using the fair value hierarchy which takes into account the availability of input data into the fair value calculation, with levels going from Level 1 (quoted market prices available) through to Level 3 (unobservable inputs) with more assumptions inherent in the fair value calculation of Level 3 assets. Where observable inputs are not available then another valuation technique is used, such as an income approach or market approach.



15. Financial instruments and risk management continued

Financial instruments continued

Summary of categories of financial assets and liabilities continued

All financial assets and liabilities are categorised as Level 2 within the fair value hierarchy under IFRS 7, with the exception of investments in unquoted companies and other financial assets held at fair value which are categorised as Level 3.

The maturity profiles of the derivative instruments in designated hedge accounting relationships and trade receivables are given on pages 144 and 145 respectively.

Information on the maturity of the financial liabilities is included both within this note and within note 11.

For trade and other payables there are no amounts due after one year, the majority falling due in 30 days or less.

All fair value measurements are recurring.

Company

The only receivables of the Company are amounts owed by UK subsidiary undertakings. These are carried at amortised cost subsequent to initial recognition.

There are no future expected credit losses on amounts owed by Group undertakings.

16. Retirement benefits

Employee benefits

Defined contribution pension schemes

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Defined benefit pension schemes

The Group's net obligation in respect of defined benefit pension schemes recognised in the balance sheet is the present value of the future benefits that employees have earned in return for their service in the current and prior periods, less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating to the terms of the related pension liability.

When the calculation results in a benefit to the Group, the recognised asset is the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply. An economic benefit is available to the Group if it is realisable during the life of the plan or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised in profit or loss.

Actuarial gains and losses are immediately recognised in full through the Statement of comprehensive income.

Critical judgements and key sources of estimation uncertainty in relation to pension scheme valuation

The valuation of pension scheme liabilities is calculated in accordance with Group policy. The valuation is prepared by independent qualified actuaries, but significant estimates are required in relation to the assumptions for pension increases, inflation, the discount rate applied and member longevity, which underpin the valuations. Information about the assumptions relating to retirement benefit obligations and also the sensitivity of the pension liability to movements in these assumptions is presented below.

The Group operates a number of pension schemes for its employees throughout the world. Outside the UK and Germany, the Company operates defined contribution pension schemes.

Victrex Pension Fund (UK)

The principal scheme operated by the Group is a funded UK pension scheme, which is subject to the statutory funding objective under the Pensions Act 2004, in which employees of UK subsidiary undertakings participate. The scheme has two sections. One section provides benefits on a defined benefit basis with benefits related to final pensionable pay. The defined benefit section was closed to new members from 31 December 2001. From this date new employees have been invited to join the second section that provides benefits on a defined contribution basis. The defined benefit scheme closed to future accrual on 31 March 2016, with employees in the scheme eligible to join the defined contribution scheme.

The latest triennial valuation was performed to 31 March 2019 and showed a scheme surplus of £7.9m. The surplus position means the Company has no current obligation to make further contributions to the scheme, although this may change following future valuations. The Company made additional contributions of £1.0m during the years ended 30 September 2020 and 2021 as part of an ongoing programme with the trustees to work towards self-sufficiency. Contributions of a similar level are expected in the future. The Company intends to make a further voluntary contribution of £1.0m before the end of January 2022.



Notes to the financial statements continued

16. Retirement benefits continued**Employee benefits** continued**Victrex Europa GmbH Pension Fund (Germany)**

The Company operates another defined benefit scheme in Germany for the benefit of one, now retired, employee. Due to the small size of this scheme the disclosure has historically been combined with that of the UK defined benefit scheme. During the current financial year the insurance policies which comprise the assets of the scheme has started to mature. At this point, under German law, having received permission from the beneficiary, the Company can elect to assume the benefit of these assets for use in the business and leave the scheme unfunded – making the pension payments from Company cash flow. As a result the net liability of the scheme has increased, and will continue to do so during the year ended 30 September 2022, as the remaining assets are transferred to the Company. Accordingly, for the year ended 30 September 2021 onwards the Group will separate out the German defined benefit scheme from the UK defined benefit scheme in the retirement benefit disclosures. The balances in the prior year have not been restated as they are not material in size.

The trustees have agreed an investment strategy in the context of the liabilities. In particular, investments have been made that reflect the nature and term of the liabilities and the long-term nature of investment for a pension scheme.

Risks associated with the defined benefit scheme**Investment risk**

The scheme holds investments in asset classes, such as equities, which have volatile market values, and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.

Interest rate risk

The scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the scheme holds assets such as equities the value of the assets and liabilities may not move in the same way, although this is mitigated to some extent by the scheme's liability-driven investment holdings which, although not based on changes in corporate bonds, would be expected to move in a similar way to the liabilities.

Inflation risk

A significant proportion of the benefits under the scheme are linked to inflation. Although the scheme's assets are expected to provide a good hedge against inflation over the long term, in particular through the scheme's liability-driven investment holdings, movements in the short term could lead to deficits emerging.

Longevity risk

In the event that members live longer than assumed, an additional deficit will emerge in the scheme, as the present value of the defined benefit liabilities is calculated with regards to a best estimate of the mortality of plan members.

Where the IAS 19 valuation shows scheme assets in excess of scheme liabilities, an asset is recognised based on the fact that under the terms of the Trust Deed agreement, the sponsoring company is entitled to any assets that remain in the scheme after the settlement of all pension liabilities. There are no restrictions on the current realisability of the surplus.

IAS 19 disclosures relating to defined benefits are as follows:

Principal actuarial assumptions

| As at 30 September | 2021 – UK Scheme | 2021 – German Scheme | 2020 – Combined |
|---|-----------------------------|-----------------------------|-----------------------|
| Discount rate | 1.95% | 0.64% | 1.60% |
| RPI inflation | 3.60% | n/a | 3.10% |
| CPI inflation | 3.00% | 1.75% | 2.10% |
| Future pension increases | 3.40% | n/a | 3.00% |
| Mortality tables: | | | |
| – Male | 92% of S3PMA | 100% of RT2018G | 92% of S3PMA |
| – Female | 95% of S3PFA | n/a | 95% of S3PFA |
| Mortality improvements: | | | |
| – Model | CMI 2020 | RT2018G | CMI 2019 |
| – Long-term rate of improvement | 1.25% | Individual | 1.25% |
| – Initial addition | 0.5% | Individual | 0.5% |
| Life expectancy from age 62 of current pensioners: | | | |
| – Male | 25.5 yrs¹ | 23.2 yrs¹ | 25.8 yrs ² |
| – Female | 27.8 yrs¹ | n/a | 27.9 yrs ² |
| Life expectancy from age 62 of active and deferred members: | | | |
| – Male | 26.7 yrs³ | 25.7 yrs³ | 27.0 yrs ⁴ |
| – Female | 29.0 yrs³ | n/a | 29.2 yrs ⁴ |

1 Life expectancy from age 62 for members aged 62 in 2021.

2 Life expectancy from age 62 for members aged 62 in 2020.

3 Life expectancy from age 62 for members aged 45 in 2021.

4 Life expectancy from age 62 for members aged 45 in 2020.

The average duration of the benefit obligation at the end of the reporting period is 22 years (FY 2020: 22 years).

16. Retirement benefits continued

Principal actuarial assumptions continued

Significant actuarial assumptions for the determination of the defined benefit surplus are discount rate and inflation rate. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

| Change in assumption | UK Scheme | Combined Schemes |
|--|--|--|
| | Reduction in fund surplus as at 30 September 2021 £m | Reduction in fund surplus as at 30 September 2020 £m |
| Reduce discount rate by 1% p.a. | 19.0 | 21.4 |
| Increase inflation expectations by 1% p.a. | 15.1 | 17.3 |
| Increase life expectancy by 1 year | 3.0 | 3.2 |

Interrelationships between the assumptions, especially between discount rate and expected inflation rates, are expected to exist in practice. The above analysis does not take the effect of these interrelationships into account.

Amounts recognised in the balance sheet

| As at 30 September | 2021 | 2020 |
|--------------------------------------|-------|------|
| | £m | £m |
| Retirement benefit assets | | |
| Combined Scheme | — | 7.5 |
| UK Scheme | 14.2 | — |
| Total retirement benefit assets | 14.2 | 7.5 |
| Retirement benefit liabilities | | |
| German Scheme | (1.9) | — |
| Total retirement benefit liabilities | (1.9) | — |

UK Scheme/Combined Scheme disclosures

| As at 30 September | UK Scheme | Combined Schemes | | | |
|--|-------------|------------------|------------|------------|------------|
| | 2021 £m | 2020 £m | 2019 £m | 2018 £m | 2017 £m |
| Present value of funded obligations | (81.1) | (88.2) | (85.8) | (72.1) | (73.6) |
| Fair value of schemes' assets | 95.3 | 95.7 | 94.9 | 85.6 | 77.4 |
| Net asset before deferred taxation | 14.2 | 7.5 | 9.1 | 13.5 | 3.8 |
| Related deferred taxation liability | (3.6) | (1.4) | (1.5) | (2.3) | (0.6) |
| Net asset after deferred taxation | 10.6 | 6.1 | 7.6 | 11.2 | 3.2 |
| Change in assumptions and experience adjustments arising on schemes' liabilities | (0.4) | (2.2) | (14.8) | 2.0 | 9.4 |
| Experience adjustments arising on schemes' assets | 4.1 | (0.8) | 8.9 | 3.6 | 4.2 |

Changes in the present value of the funded obligation

| | 2021 – UK Scheme £m | 2020 – Combined £m |
|--|------------------------|-----------------------|
| Defined benefit obligation at beginning of year (combined) | (88.2) | (85.8) |
| German Scheme obligation disclosed separately in 2021 | 4.6 | — |
| Interest cost | (1.3) | (1.5) |
| Actuarial losses | (0.4) | (2.2) |
| Benefits paid | 4.2 | 1.3 |
| Defined benefit obligation at end of year | (81.1) | (88.2) |

Changes in the fair value of the schemes' assets

| | 2021 – UK Scheme £m | 2020 – Combined £m |
|---|------------------------|-----------------------|
| Fair value of schemes' assets at beginning of year (combined) | 95.7 | 94.9 |
| German Scheme assets disclosed separately in 2021 | (2.7) | — |
| Interest income on assets | 1.4 | 1.8 |
| Actuarial gains/(losses) | 4.1 | (0.8) |
| Contributions by employer | 1.0 | 1.1 |
| Benefits paid | (4.2) | (1.3) |
| Fair value of schemes' assets at end of year | 95.3 | 95.7 |



FINANCIAL STATEMENTS

Notes to the financial statements continued

16. Retirement benefits continued

Major categories of schemes' assets

| | UK Scheme | | | Combined | | |
|---|----------------------|------------------------|---------------------|----------------------|------------------------|---------------------|
| | 2021 Quoted £m | 2021 Unquoted £m | 2021 Total £m | 2020 Quoted £m | 2020 Unquoted £m | 2020 Total £m |
| As at 30 September | | | | | | |
| UK equities | — | 0.8 | 0.8 | — | 0.4 | 0.4 |
| Non-UK equities | — | 11.1 | 11.1 | — | 10.3 | 10.3 |
| Diversified growth and absolute return funds ¹ | — | 12.8 | 12.8 | 1.8 | 11.6 | 13.4 |
| Liability-driven instruments ² | 41.1 | — | 41.1 | 49.3 | — | 49.3 |
| Debt instruments | 7.6 | 20.6 | 28.2 | — | 19.0 | 19.0 |
| Cash | 1.3 | — | 1.3 | 0.6 | — | 0.6 |
| Insurance policies | — | — | — | — | 2.7 | 2.7 |
| Fair value of schemes' assets at end of year | 50.0 | 45.3 | 95.3 | 51.7 | 44.0 | 95.7 |

1 Diversified growth and absolute return funds are funds that invest in a wide variety of asset classes in order to deliver real capital appreciation over the medium to long term, typically aiming for a certain level of absolute return.

2 Liability-driven instruments are a portfolio of assets that are linked to the drivers of movements in pension liabilities such as inflation and interest rates. These are assets designed to deliver geared movements in the underlying liabilities as they reflect changes to inflation and interest rates.

Quoted assets are those with a quoted price in an active market. Unquoted assets are those which do not have a daily market price and are valued by Investment Managers, except for the insurance policies which are valued at surrender price.

Amounts recognised in the income statement

| | Note | 2021 – UK Scheme £m | 2020 – Combined £m |
|--|------|------------------------|-----------------------|
| Interest on liabilities | | (1.3) | (1.6) |
| Interest income on assets | | 1.4 | 1.8 |
| Total included in 'staff costs' | 5 | 0.1 | 0.2 |

The total included in 'staff costs' of £0.2m is included within sales, marketing and administrative expenses (FY 2020: £0.2m).

Gross amounts of actuarial gains and losses recognised in the Statement of comprehensive income

| | 2021 – UK Scheme £m | 2020 – Combined £m |
|---|------------------------|-----------------------|
| Cumulative amount at beginning of year (combined) | | (13.3) |
| UK Scheme | 3.7 | — |
| Combined Schemes | — | (3.0) |
| Movement in year | 3.7 | (3.0) |
| Cumulative amount at end of year | | (16.3) |

The cumulative amount at the end of the year in respect of the UK and German schemes is £11.8m.

Actuarial gains and losses arising from changes in demographic and financial assumptions

| | 2021 – UK Scheme £m | 2020 – Combined £m |
|---|------------------------|-----------------------|
| Changes in demographic assumptions | 0.9 | 0.5 |
| Changes in financial assumptions | (2.7) | (2.8) |
| Experience gains on liabilities | 1.4 | 0.1 |
| Total actuarial losses on scheme liabilities | (0.4) | (2.2) |
| Return on assets less interest | 4.1 | (0.8) |
| Total actuarial gains/(losses) | 3.7 | (3.0) |

16. Retirement benefits continued

German Scheme disclosures

As at 30 September

| | 2021 – German Scheme £m |
|--|----------------------------|
| Present value of funded obligations | (3.5) |
| Fair value of scheme's assets | 1.6 |
| Net liability before deferred taxation | (1.9) |
| Related deferred taxation asset | 0.5 |
| Net liability after deferred taxation | (1.4) |
| Change in assumptions and experience adjustments arising on scheme's liabilities | 0.7 |
| Experience adjustments arising on scheme's assets | 0.1 |

Changes in the present value of the funded obligation

| | 2021 – German Scheme £m |
|---|----------------------------|
| Obligations at beginning of year (previously disclosed on combined basis) | (4.6) |
| Exchange gain on opening obligations | 0.4 |
| Interest cost | (0.1) |
| Actuarial gains | 0.7 |
| Benefits paid | 0.1 |
| Defined benefit obligation at end of year | (3.5) |

Changes in the fair value of the scheme's assets

| | 2021 – German Scheme £m |
|--|----------------------------|
| Assets at beginning of year (previously disclosed on combined basis) | 2.7 |
| Exchange loss on opening assets | (0.2) |
| Interest income on assets | — |
| Actuarial gains | 0.1 |
| Contributions by employer | 0.1 |
| Benefits paid | (0.1) |
| Assets distributed to employer | (1.0) |
| Fair value of scheme's assets at end of year | 1.6 |

The scheme's assets were all held as unquoted insurance policies.

Amounts recognised in the income statement in respect of the German Scheme were less than £0.1m.

The gross amount of actuarial gains and losses recognised in the Statement of comprehensive income in respect of the scheme was a £0.8m gain which arose from changes in demographic assumptions.

| | 2021 – German Scheme £m |
|------------------|----------------------------|
| German Scheme | 0.8 |
| Movement in year | 0.8 |

Actuarial gains and losses arising from changes in demographic and financial assumptions

| | 2021 – German Scheme £m |
|--|----------------------------|
| Changes in demographic assumptions | 0.4 |
| Changes in financial assumptions | 0.2 |
| Experience gains on liabilities | 0.1 |
| Total actuarial gains on scheme liabilities | 0.7 |
| Return on assets less interest | 0.1 |
| Total actuarial gains | 0.8 |



FINANCIAL STATEMENTS

Notes to the financial statements continued

17. Trade and other payables

Trade payables are obligations to pay for goods acquired in the ordinary course of business from suppliers.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

| | Group | | Company | |
|--------------------|-------------|------------|------------|------------|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| As at 30 September | | | | |
| Trade payables | 4.7 | 5.2 | — | — |
| Accruals | 38.9 | 20.3 | — | — |
| Other | 5.8 | 5.0 | — | — |
| | 49.4 | 30.5 | — | — |

The fair value of trade and other payables approximates to their carrying value.

Other payables primarily comprise of amounts owed in respect of duty charges for overseas shipments.

18. Lease liabilities

Lease liabilities

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of twelve months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in the income statement. Short-term leases are leases with a lease term of twelve months or less that do not contain a purchase option. Low-value assets mainly comprise office equipment.

Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate (using the index or rate in place at transition); amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and payments to be made under reasonably certain extension options. Lease liabilities and the corresponding right of use asset are subsequently remeasured where there is a change in future lease payments resulting from a rent review or change in index or rate.

The lease payments are discounted using the Group's incremental borrowing rate. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

Lease liabilities recognised at 30 September are recognised as follows:

| | £m |
|-------------------------------------|-------------|
| Lease liabilities | |
| Balance at 1 October 2019 | 8.5 |
| Additions | 0.1 |
| Payments in the period | (1.7) |
| Interest on lease liabilities | 0.2 |
| Balance at 30 September 2020 | 7.1 |
| Additions | 4.5 |
| Payments in the period | (1.8) |
| Interest on lease liabilities | 0.2 |
| Balance at 30 September 2021 | 10.0 |

The maturity of these lease liabilities at 30 September is as follows:

| | 2021 £m | 2020 £m |
|--------------------------------|-------------|------------|
| Due within one year | 1.8 | 1.5 |
| Due between two and five years | 3.5 | 2.6 |
| Due after five years | 4.7 | 3.0 |
| Total | 10.0 | 7.1 |

19. Contingent liabilities

Contingent liabilities

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

At 30 September 2021, the Group had no contingent liabilities (FY 2020: none).

20. Share-based payments

Share-based payment transactions and employee share ownership trusts ('ESOT')

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. Share-based payment transactions are recharged from the Company to those subsidiaries benefiting from the service of the employees to whom options are granted.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest and include employee service periods and performance targets which are not related to the Company's share price, such as earnings per share growth. The fair value of the options is measured by the Stochastic model, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Any failure to meet market conditions, which include performance targets such as share price or total shareholder return, would not result in a reversal of original estimates in the income statement and any remaining charges would be accelerated.

The proceeds received, net of any directly attributable costs, are credited to share capital (nominal value) and share premium when the options are exercised.

The Group and Company provide finance to the ESOT to purchase Company shares in the open market. Costs of running the ESOT are charged to the income statement. The cost of shares held by the ESOT is deducted in arriving at equity until they are exercised by employees.

All share-based payment costs are recharged to the trading entities.

All options are settled by the physical delivery of shares. The terms and conditions of all the grants are as follows:

Victrex 2005/2015 Executive Share Option Plan ('ESOP')

All employees are eligible to participate. The Remuneration Committee currently excludes executive Directors from participating in this plan. Option awards are based on a percentage of basic salary, not exceeding 100% of salary in each financial year. The exercise price of the options is equal to the market price of the shares on the date of grant. ESOP options are conditional on the employee completing three years' service (the vesting period) and achieving the performance condition where applicable. The level of awards vesting will vary depending on EPS growth. In order for awards issued prior to December 2020 to reach the threshold level of vesting, the EPS growth of the Group must exceed 2% per annum with some awards requiring this growth to be above the Retail Price Index. For awards over 33% of salary, the threshold increases to 3%, and then to 4% for awards over 66%. Straight line vesting will occur to the extent that EPS growth falls between these annual EPS growth targets.

For awards issued on or after December 2020, new performance conditions are in place. For awards granted at less than 50% of salary, to reach the threshold level of vesting, the EPS growth of the Group must exceed 5.8% per annum (with no growth targeted against the Retail Price Index). Shares will vest up to 100% on a straight line basis if the EPS grows by 9.9% over the 3-year period. For awards granted at 50% of salary, EPS must be at least 89.25p per ordinary share in the financial year of the performance period. To vest at 20%, and vesting will increase to a maximum vesting of 100% at 100.0p per share in FY 2022/23, with the options vesting on a straight line basis between these targets. All ESOP options are exercisable from the date of vesting to the ten-year anniversary of the grant date.

Victrex 2015 Sharesave Plan

UK resident employees and full-time Directors of the Company or any designated participating subsidiary are eligible to participate. The exercise price of the granted Sharesave Plan options is equal to the market price of the ordinary shares less 20% on the date of grant.

Victrex 2015 Employee Stock Purchase Plan

US-based employees (including executive Directors) are eligible to participate. The price payable for each ordinary share shall be a price determined by the Board, and it shall not be less than 85% of the lower of the market value of an ordinary share on the date of grant or the date of purchase.

Awards may be granted over a number of ordinary shares determined by the amount employees have saved by the end of a one-year savings period.

Victrex 2009/2019 Long Term Incentive Plan

Each year executive Directors, and senior executives by invitation, are eligible to be awarded options to acquire, at no cost, market purchased ordinary shares in the Company up to a maximum equivalent of 150% of basic salary. In exceptional circumstances, such as recruitment or retention, this limit is increased to 200% of an employee's annual basic salary.

Details of the 2019 LTIP can be found within the Directors' remuneration report on page 94.



FINANCIAL STATEMENTS

Notes to the financial statements continued

20. Share-based payments continued

Victrex 2017 Deferred Bonus Scheme ('DBS')

Adopted by the Remuneration Committee on 9 October 2017, this plan requires executive Directors to defer up to a maximum of 100% of their earned bonus into shares for three years.

Number and weighted average exercise prices of share options

| | ESOP | | Sharesave Plan | | Stock Purchase Plan | | LTIP | | DBS | |
|--|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| Outstanding at 1 October 2019 | 2,063p | 1,168,555 | 1,753p | 334,206 | — | — | nil p | 196,512 | nil p | 14,190 |
| Granted during the year | 2,358p | 269,484 | 1,997p | 83,980 | 1,782p | 12,450 | nil p | 76,589 | — | — |
| Forfeited during the year | 1,658p | (41,333) | 1,963p | (45,314) | — | — | nil p | (514) | — | — |
| Exercised during the year | 1,669p | (103,670) | 1,545p | (43,974) | 1,782p | (12,450) | nil p | (29,125) | — | — |
| Outstanding at 30 September 2020 | 2,150p | 1,293,036 | 1,815p | 328,898 | — | — | nil p | 243,462 | nil p | 14,190 |
| Granted during the year | 2,163p | 198,031 | 1,960p | 89,000 | 2,153p | 11,081 | nil p | 149,702 | — | — |
| Forfeited during the year | 2,434p | (332,608) | 1,923p | (13,537) | — | — | nil p | (56,420) | — | — |
| Cancelled during the year | — | — | 1,972p | (35,196) | — | — | — | — | — | — |
| Exercised during the year | 1,829p | (249,619) | 1,486p | (90,291) | 2,153p | (11,081) | nil p | (15,633) | — | (4,543) |
| Outstanding at 30 September 2021 | 2,137p | 908,840 | 1,942p | 278,874 | — | — | nil p | 321,111 | nil p | 9,647 |
| Range of exercise prices | | | | | | | | | | |
| 2021 | 1,502p–2,730p | | 1,266p–2,164p | | — | | nil p | | n/a | |
| 2020 | 1,348p–2,730p | | 1,266p–2,164p | | — | | nil p | | n/a | |
| Weighted average contractual life (years) | | | | | | | | | | |
| 2021 | 7.1 | | 2.3 | | 0.4 | | 8.0 | | 5.3 | |
| 2020 | 7.2 | | 2.3 | | 0.4 | | 8.1 | | 5.9 | |
| Exercisable at end of year | | | | | | | | | | |
| 2021 | 1,899p | 268,125 | 1,929p | 1,806 | — | — | nil p | 21,709 | — | — |
| 2020 | 1,829p | 497,659 | 1,479p | 408 | — | — | nil p | 24,785 | — | — |

During the year, the weighted average share price at the date of exercise was 2,403p for ESOPs and was 2,351p for the Sharesave Plan. Details of the LTIP exercises are included in the Directors' remuneration report on page 105.

Fair value of share options and assumptions

Fair value of share options and weighted average assumptions

| | As at 30 September 2021 | | | | | As at 30 September 2020 | | | | |
|--------------------------------|-------------------------|------------------|---------------------|----------------|----------------|-------------------------|----------------|---------------------|---------|---------|
| | ESOP | Sharesave Plan | Stock Purchase Plan | LTIP | DBS | ESOP | Sharesave Plan | Stock Purchase Plan | LTIP | DBS |
| Fair value at measurement date | 394p | 503p | 363p | 1,721p | 2,094p | 358p | 450p | 410p | 1,745p | 2,189p |
| Share price at grant | 2,135p | 2,300p | 2,096p | 2,245p | 2,266p | 2,159p | 2,159p | 2,096p | 2,334p | 2,355p |
| Exercise price | 2,136p | 1,942p | n/a | nil p | n/a | 2,150p | 1,815p | n/a | nil p | n/a |
| Expected volatility | 28% | 27% | 29% | 28% | n/a | 27% | 26% | 28% | 25% | n/a |
| Expected dividends | 2.5% | 2.5% | 2.5% | 2.7% | 2.6% | 2.5% | 2.7% | 2.9% | 2.6% | 2.5% |
| Risk-free interest rate | 0.6% | 0.5% | 0.8% | 0.3% | n/a | 0.8% | 0.7% | 0.0% | 0.5% | n/a |
| Option life | 3 years | 3.7 years | 1 year | 5 years | 3 years | 3 years | 3.7 years | 1 year | 5 years | 3 years |

The Company uses the Black-Scholes model for calculating the fair value of the share options where there are no market based performance conditions. Where there are market based performance conditions a stochastic model is used.

The expected volatility is based on historical volatility over the period prior to grant equal to the expected term.

All share options are granted under a service condition and, for ESOP and LTIP, a non-market condition ('EPS'). Such conditions are not taken into account in the grant date fair value measurement of services received. In addition, the LTIP has a market condition ('TSR'), which is taken into account in the grant date measurement of fair value.



20. Share-based payments continued

Staff costs – equity-settled share-based payment transactions

| | Note | 2021 £m | 2020 £m |
|--------------------------------|------|------------|------------|
| ESOP | | — | 0.1 |
| Sharesave Plan | | 0.6 | 0.3 |
| LTIP and Deferred Bonus Scheme | | 0.8 | 0.1 |
| | 5 | 1.4 | 0.5 |

21. Share capital and reserves

Share capital

| | 2021 | | 2020 | |
|---|-------------------|------------|------------|-----|
| | Number | £m | Number | £m |
| Allotted, called up and fully paid shares of 1p each | | | | |
| Ordinary shares | | | | |
| At beginning of year | 86,617,582 | 0.9 | 86,457,488 | 0.9 |
| Issued for cash | 350,991 | — | 160,094 | — |
| At end of year | 86,968,573 | 0.9 | 86,617,582 | 0.9 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at meetings of the Company.

Share premium

During the year 350,991 (FY 2020: 160,094) shares were issued for cash, resulting in an increase in share premium of £6.1m (FY 2020: £2.7m).

Retained earnings

Retained earnings have been reduced by the reserve for own shares, which consists of the cost of shares of Victrex plc held by employee trusts, and are administered by independent trustees. The total number of shares held in trust as at 30 September 2021 was 108,977 (FY 2020: 130,542). Distribution of shares from the trusts is at the discretion of the trustees. Dividends attaching to these shares have been waived.

Translation reserve

The translation reserve comprises all foreign exchange differences, since 1 October 2004 (as permitted by IFRS 1), arising from the translation of the financial statements of foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to forecast hedged transactions.

Dividends to shareholders

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

| | 2021 £m | 2020 £m |
|--|-------------|------------|
| Year ended 30 September 2019 | | |
| – Final dividend paid February 2020 at 46.14p per ordinary share | — | 39.9 |
| Year ended 30 September 2020 | | |
| – Final dividend paid February 2021 at 46.14p per ordinary share | 40.0 | — |
| Year ended 30 September 2021 | | |
| – Interim dividend paid July 2021 at 13.42p per ordinary share | 11.6 | — |
| | 51.6 | 39.9 |

A final dividend in respect of 2021 of £40.1m (46.14p per ordinary share) and a special dividend of £43.5m (50p per ordinary share) has been recommended by the Directors for approval at the Annual General Meeting in February 2022. These financial statements do not reflect these dividends.



FINANCIAL STATEMENTS

Notes to the financial statements continued

22. Related party transactions

Identity of related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the Company's financial statements.

| | Note | Company | |
|--|------|------------|------------|
| | | 2021 £m | 2020 £m |
| Trading transactions with subsidiaries | | | |
| Administrative expenses paid on Company's behalf by subsidiaries | | 0.5 | 0.6 |
| Amounts receivable from subsidiaries | 14 | 152.7 | 191.6 |
| Financing transactions with subsidiaries | | | |
| Dividends received from subsidiaries | | 5.7 | 189.9 |
| Cash transfers received from subsidiaries | | 5.7 | 189.9 |
| Cash transfers made to subsidiaries | | 152.7 | 191.6 |

The Group's retirement benefit plans are related parties and the Group's and Company's transactions with them are disclosed in note 16.

Details of transactions during the year relating to the Company's investments in subsidiaries can be found in note 11.

Bond 3D High Performance Technology BV ('Bond'), in which the Group has a 24.5% shareholding (FY 2020: 24.5%), is an associated company. Other than the investment in, the convertible loans made to, and share of loss of Bond set out in note 11, there were no other transactions with Bond in the year.

Transactions with key management personnel

The key management of the Group and Company are those people having authority and responsibility for planning, directing and controlling the activities of the Group and consist of the Board of Directors.

Compensation of key management personnel is shown in the table below:

| | 2021 £m | 2020 £m |
|--------------------------------|------------|------------|
| Short-term employment benefits | 3.0 | 1.9 |
| Post-employment benefits | 0.2 | 0.2 |
| Share-based payment benefits | — | 0.2 |
| | 3.2 | 2.3 |

More detailed information concerning Directors' remuneration, including non-cash benefits and contributions to post-employment defined benefit plans, is given in the Directors' remuneration report on pages 90 to 109.

Directors of the Company control 0.04% of the voting shares of the Company, details of which are given on page 105.

Details of Directors' indemnities are given on page 111.

23. Exchange rates

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operated (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation to balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. In addition, where an exchange difference arises on an intragroup monetary item that, in substance, forms part of the entity's net investment in a foreign operation, these differences are recognised in other comprehensive income in the consolidated financial statements and accumulated in equity until the disposal of the foreign operation.

Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at weighted average exchange rates; and
- all resulting exchange differences, from 1 October 2004, are recognised as a separate component of equity.



23. Exchange rates continued

Foreign currency translation continued

The most significant Sterling exchange rates used in the financial statements under the Group's accounting policies are:

| | 2021 | | 2020 | |
|-----------|--------------|-------------|--------------|---------|
| | Average spot | Closing | Average spot | Closing |
| US Dollar | 1.36 | 1.34 | 1.27 | 1.30 |
| Euro | 1.14 | 1.18 | 1.13 | 1.10 |

The average exchange rates in the above table are the weighted average spot rates applied to foreign currency transactions, excluding the impact of foreign currency contracts. Any gains and losses on foreign currency contracts, where net hedging has been applied for cash flow hedges, have been separately disclosed in the income statement as required, in accordance with IFRS 9.

24. Alternative performance measures

1) Operating profit before exceptional items (referred to as **underlying operating profit**) and profit before exceptional items and tax (referred to as **underlying profit before tax**) are based on operating profit and profit before tax ('PBT') before the impact of exceptional items. These metrics are used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature. Exceptional items for 2021 are a credit of £0.8m (FY 2020: charge of £12.0m) relating to restructuring costs, further details of which are disclosed in note 3.

| | 30 September 2021 £m | 30 September 2020 £m |
|------------------------------|----------------------------|----------------------------|
| Operating profit | 93.4 | 64.0 |
| Exceptional items | (0.8) | 12.0 |
| Underlying operating profit | 92.6 | 76.0 |
| Profit before tax | 92.5 | 63.5 |
| Exceptional items | (0.8) | 12.0 |
| Underlying profit before tax | 91.7 | 75.5 |

2) **Constant currency metrics** are used by the Board to assess the year on year underlying performance of the business excluding the impact of foreign currency rates, which by nature can be volatile. Constant currency metrics are reached by applying current year (FY 2021) weighted average spot rates to prior year (FY 2020) transactions. Gains and losses on foreign currency net hedging are shown separately in the income statement and are excluded from the constant currency calculation.

| Group | 30 September 2021 £m | 30 September 2020 £m | % change |
|------------------------------|----------------------------|----------------------------|----------|
| Revenue at constant currency | 306.3 | 255.4 | 20% |
| Impact of FX retranslation | — | 10.6 | |
| At reported currency | 306.3 | 266.0 | 15% |

| Industrial | 30 September 2021 £m | 30 September 2020 £m | % change |
|------------------------------|----------------------------|----------------------------|----------|
| Revenue at constant currency | 255.2 | 208.6 | 22% |
| Impact of FX retranslation | — | 7.7 | |
| At reported currency | 255.2 | 216.3 | 18% |

| Medical | 30 September 2021 £m | 30 September 2020 £m | % change |
|------------------------------|----------------------------|----------------------------|----------|
| Revenue at constant currency | 51.1 | 46.8 | 9% |
| Impact of FX retranslation | — | 2.9 | |
| At reported currency | 51.1 | 49.7 | 3% |



FINANCIAL STATEMENTS

Notes to the financial statements continued

24. Alternative performance measures continued

3) **Operating cash conversion** is used by the Board to assess the business' ability to convert operating profit to cash effectively, excluding the impact of financing activities and non-capital expenditure related investing activities. Operating cash conversion is operating profit before exceptional items adjusted for depreciation and amortisation, working capital movements and capital expenditure/operating profit before exceptional items.

| | 30 September 2021 £m | 30 September 2020 £m |
|---|----------------------------|----------------------------|
| Operating profit before exceptions | 92.6 | 76.0 |
| Depreciation, amortisation and loss on disposal | 22.7 | 20.9 |
| Change in working capital | 19.6 | 4.8 |
| Capital expenditure | (41.9) | (24.9) |
| Operating cash flow | 93.0 | 76.8 |
| Operating cash conversion | 100% | 101% |

4) **Available cash** is used to enable the Board to understand the true cash position of the business when determining the use of cash under the capital allocation policy. Available cash is cash and cash equivalents plus other financial assets (cash invested in term deposits greater than three months in duration) less cash ring-fenced in the Group's Chinese subsidiaries which is committed to capital expansion and therefore not available to the wider group. This is calculated as:

| | 30 September 2021 £m | 30 September 2020 £m |
|--|----------------------------|----------------------------|
| Cash and cash equivalents | 74.9 | 73.1 |
| Cash ring-fenced in Chinese subsidiaries | (12.5) | (5.6) |
| Other financial assets | 37.5 | — |
| Available cash | 99.9 | 67.5 |

5) **Underlying EPS** is earnings per share based on profit after tax but before exceptional items divided by the weighted average number of shares in issue. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature.

| | 30 September 2021 £m | 30 September 2020 £m |
|--|----------------------------|----------------------------|
| Profit after tax attributable to owners of the Company | 73.2 | 54.2 |
| Exceptional items | (0.8) | 12.0 |
| Tax on exceptional items | — | (1.1) |
| Profit after tax before exceptions net of tax | 72.4 | 65.1 |
| Weighted average number of shares | 86,704,789 | 86,470,079 |
| Underlying EPS (pence) | 83.4 | 75.3 |

6) **Underlying dividend cover** is used by the Board to measure the affordability and sustainability of the regular dividend. Underlying dividend cover is underlying earnings per share/total dividend per share. This excludes special dividends.

| | 30 September 2021 p | 30 September 2020 p |
|-------------------------------|---------------------------|---------------------------|
| Underlying earnings per share | 83.4 | 75.3 |
| Total dividend per share | 59.56 | 46.14 |
| Dividend cover (times) | 1.4 | 1.6 |

7) **Return on capital employed ('ROCE')** is used by the Board to assess the return on investment at a Group level. ROCE is profit after tax/total equity attributable to shareholders at the year end.

| | 30 September 2021 £m | 30 September 2020 £m |
|---|----------------------------|----------------------------|
| Profit after tax | 72.8 | 54.2 |
| Total equity attributable to shareholders | 511.7 | 481.0 |
| ROCE % | 14% | 11% |

24. Alternative performance measures continued

8) **Return on sales** is used by the Board to assess the overall profitability of the Group. It measures underlying profit before taxation as a percentage of total sales.

| | 30 September 2021 £m | 30 September 2020 £m |
|------------------------------|----------------------------|----------------------------|
| Underlying profit before tax | 91.7 | 75.5 |
| Total sales | 306.3 | 266.0 |
| Return on sales | 30% | 28% |

9) **New product sales as a percentage of Group sales** is used by the Board to measure the success of driving adoption of the new product pipeline. It measures Group sales generated from mega-programmes, new differentiated polymers and other pipeline products that were not sold before FY 2014 as a percentage of total sales.

| | 30 September 2021 £m | 30 September 2020 £m |
|-------------------|----------------------------|----------------------------|
| New product sales | 11.8 | 12.8 |
| Total sales | 306.3 | 266.0 |
| New products % | 4% | 5% |

10) **Research & Development expenditure as a percentage of Group sales** is used by the Board because Research & Development spend is considered to be a leading indicator of the Group's ability to innovate into new applications, supporting future growth. The Group targets spend at 5%–6% of Group revenues.

| | 30 September 2021 £m | 30 September 2020 £m |
|------------------------------------|----------------------------|----------------------------|
| Research & Development expenditure | 15.5 | 16.7 |
| Total sales | 306.3 | 266.0 |
| Research & Development % | 5.1% | 6.3% |

11) **Operating overheads** is made up of sales, marketing and administrative expenses before exceptional items. This metric is used by the Board to assess the underlying performance of the business excluding items that are, in aggregate, material in size and/or unusual or infrequent in nature.

| | 30 September 2021 £m | 30 September 2020 £m |
|--|----------------------------|----------------------------|
| Sales, marketing and administrative expenses | 71.9 | 78.4 |
| Exceptional items | 0.8 | (12.0) |
| Operating overheads | 72.7 | 66.4 |

12) **Research & Development** spend on sustainable products is calculated as the percentage of project-based R&D spend on sustainable products or sustainable programmes. This metric, which is new in FY 2021, is used by the Board to assess progress against the sustainability strategy and vision of being Carbon Net Zero by 2030 (Scope 1 and 2 emissions). The information was not captured in the comparative period; accordingly no comparative is presented.

| | £m |
|---|-------|
| Total R&D spend | 15.5 |
| Non-project based R&D spend | (8.1) |
| Project-based R&D spend | 7.4 |
| Project-based R&D spend on sustainable products or sustainable programmes | 6.5 |
| % project-based R&D spend on sustainable products or sustainable programmes | 88% |

25. Commitments

Capital expenditure authorised and contracted for which has not been provided for in the financial statements amounted to £6m (FY 2020: £19m) in the Group and £nil (FY 2020: £nil) in the Company.

At 30 September 2021, the Group and another investor in Bond, LaLune, have agreed a programme of further investments over the period to May 2024 for a further €7.5m/£6.4m, subject to Bond achieving pre-determined development milestones (FY 2020: none). See also note 11.

Guarantee

Victrex plc has entered into a guarantee in favour of Barclays Bank Plc (the "bank") to cover any liabilities due to the bank by any of the Company's UK subsidiaries up to a maximum value of £12m.



FINANCIAL STATEMENTS

Notes to the financial statements continued

26. Net debt reconciliation

Reconciliation of movement in net debt

Net debt consists of cash and cash equivalents together with other financial assets, long-term loans and finance lease liabilities.

| | Note | At 30 September 2019 | Cash flow | Exchange and other non-cash movements | Long-term loans from non-controlling interest | At 30 September 2020 |
|---------------------------|------|----------------------------|-----------|---|--|----------------------------|
| Cash and cash equivalents | 15 | 72.5 | 1.2 | (0.6) | — | 73.1 |
| Other financial assets | 15 | 0.3 | (0.3) | — | — | — |
| Lease liabilities | 18 | (8.5) | 1.7 | (0.3) | — | (7.1) |
| Net debt | | 64.3 | 2.6 | (0.9) | — | 66.0 |

| | Note | At 30 September 2020 | Cash flow | Exchange and other non-cash movements | Long-term loans from non-controlling interest | At 30 September 2021 |
|---------------------------|-------|----------------------------|-----------|---|--|----------------------------|
| Cash and cash equivalents | 15 | 73.1 | 2.2 | (0.4) | — | 74.9 |
| Other financial assets | 15 | — | 37.5 | — | — | 37.5 |
| Long-term loans | 11,15 | — | — | — | (5.9) | (5.9) |
| Lease liabilities | 18 | (7.1) | 1.8 | (4.7) | — | (10.0) |
| Net debt | | 66.0 | 41.5 | (5.1) | (5.9) | 96.5 |

27. Subsequent events

Following the year end, on 13 October 2021, the Group sold its equity investment in Magma Global Limited to TechnipFMC recognising a gain of £0.9m.



Five-year financial summary

for the year ended 30 September and as at 30 September

| | 2017 £m | 2018 £m | 2019 £m | 2020 £m | 2021 £m |
|--|------------|------------|------------|------------|----------------|
| Results | | | | | |
| Revenue | 290.2 | 326.0 | 294.0 | 266.0 | 306.3 |
| Profit before tax | 111.0 | 127.5 | 104.7 | 63.5 | 92.5 |
| Balance sheet | | | | | |
| Property, plant, equipment and intangible assets | 289.2 | 281.0 | 288.2 | 300.1 | 330.5 |
| Investments | 10.0 | 4.5 | 16.2 | 20.3 | 24.1 |
| Inventories | 61.5 | 69.3 | 92.2 | 98.5 | 70.3 |
| Net cash | 120.1 | 71.2 | 72.5 | 73.1 | 74.9 |
| Other financial assets | — | 73.2 | 0.3 | — | 37.5 |
| Trade receivables and other assets | 53.5 | 51.1 | 57.7 | 50.0 | 63.8 |
| Retirement benefit asset | 3.8 | 13.5 | 9.1 | 7.5 | 14.2 |
| Retirement benefit obligation | — | — | — | — | (1.9) |
| Trade payables and other liabilities | (59.7) | (73.9) | (74.6) | (68.5) | (101.7) |
| Equity shareholders' funds | 478.4 | 489.9 | 461.6 | 481.0 | 511.7 |
| Cash flow | | | | | |
| Net cash flow from operating activities | 117.6 | 129.0 | 80.1 | 69.4 | 127.1 |
| Capital expenditure | (16.7) | (9.9) | (22.7) | (24.9) | (41.9) |
| Other investing activities | (9.0) | — | (11.8) | (4.9) | (3.8) |
| (Increase)/decrease in other financial assets | — | (73.2) | 72.9 | 0.3 | (37.5) |
| Proceeds from non-controlling interest | — | — | — | — | 5.6 |
| Dividends and other items | (35.2) | (95.1) | (118.1) | (38.7) | (47.3) |
| Net increase/(decrease) in cash and cash equivalents | 56.7 | (49.2) | 0.4 | 1.2 | 2.2 |
| Ratios | | | | | |
| Earnings per ordinary share – basic | 116.4p | 128.8p | 107.2p | 62.6p | 84.3p |
| Full-year dividend per ordinary share | 53.80p | 59.56p | 59.56p | 46.14p | 59.56p |
| Special dividend per ordinary share | 68.00p | 82.68p | — | — | 50.00p |
| Sales volume | | | | | |
| Tonnes | 3,992 | 4,407 | 3,751 | 3,492 | 4,373 |



SHAREHOLDER INFORMATION

Cautionary note regarding forward-looking statements

This Annual Report contains 'forward-looking statements' in relation to the future financial and operating performance and outlook of Victrex, as well as other future events and their potential effects on Victrex. Generally, the words 'will', 'may', 'should', 'continue', 'believes', 'targets', 'plans', 'expects', 'estimates', 'aims', 'intends', 'anticipates', or similar expressions or negatives thereof identify forward-looking statements. Forward-looking statements include statements relating to the following: expected developments in our product portfolio, expected revenues in our businesses, expected margins, expected trends, expected growth in our business (including our mega-programmes), expected operating costs savings, expected future cash generation, expected future tax rates, expected future orders and increase in market share, expected timing of product releases and expected timing of product development milestones, expected incorporation of our products into those of our customers, adoption of new technologies, the expectation of volume shipments of our products, expected product markets and their expansion or contraction, opportunities in our industry and our ability to take advantage of those opportunities, the potential success to be derived from strategic partnerships, potential acquisitions, the effect of our financial performance on our share price, the impact of government regulation, expected performance against adverse economic conditions, and other expectations and beliefs of our management.

Actual results and developments could differ materially from those expressed or implied by these forward-looking statements as a result of numerous risks and uncertainties. These factors include, but are not limited to:

- Victrex's ability to ensure development and timely delivery of new products or solutions in accordance with the requirements of customers;
- any change in demand for consumer products due to challenging and uncertain economic conditions;
- increased expenses associated with new product introductions or required capital investment;
- risks relating to forecasting demand for and market acceptance of Victrex's products and timing for the introduction of products that use Victrex's own products;
- declines in the average selling prices of Victrex's products;
- cancellation of existing orders or the failure to secure new orders;
- difficulties related to distributors which support the supply of our products to customers;
- Victrex's ability to secure sufficient capacity from the third parties and strategic partners that manufacture raw materials or product on our behalf;
- Victrex's ability to develop, acquire and protect intellectual property and other commercially sensitive information;
- the cyclicity of the chemical industry and those sectors into which we supply our products, such as Oil & Gas and Consumer Electronics;
- the potential for disruption in the supply of raw materials due to changes in business conditions, natural disasters, terrorist activities, public health concerns or other factors;
- Victrex's ability to attract and retain key personnel, including engineers and technical personnel;
- the difficulty in predicting future results; and
- other risks and uncertainties discussed in this Annual Report, including, without limitation, under the heading 'Principal risks' on pages 33 to 38.

The reader is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report.

Neither Victrex nor any other person undertakes any obligation to update or revise publicly any of the forward-looking statements set out herein, whether as a result of new information, future events or otherwise, except to the extent legally required.



Notice of Annual General Meeting

Notice is hereby given that the 29th Annual General Meeting ('AGM') of the members of Victrex plc (the 'Company') will be held at 11am on Friday 11 February 2022, at the offices of J.P. Morgan, 1 John Carpenter Street, London, EC4Y 0JP to transact the business set out below. Resolutions 1 to 18 will be proposed as Ordinary Resolutions and Resolutions 19 to 22 will be proposed as Special Resolutions.

Ordinary Resolutions

1. To receive the Company's audited financial statements and the Auditors' and Directors' reports for the year ended 30 September 2021.
2. To approve the Directors' remuneration report, other than the part containing the Directors' remuneration policy, in the form set out in the Annual Report and Accounts for the year ended 30 September 2021.
3. To declare a final dividend of 46.14p per ordinary share in respect of the year ended 30 September 2021.
4. To declare a special dividend of 50.00p per ordinary share in respect of the year ended 30 September 2021.
5. To elect Vivienne Cox as a Director of the Company.
6. To re-elect Jane Toogood as a Director of the Company.
7. To re-elect Janet Ashdown as a Director of the Company.
8. To re-elect Brendan Connolly as a Director of the Company.
9. To re-elect David Thomas as a Director of the Company.
10. To re-elect Ros Rivaz as a Director of the Company.
11. To re-elect Jakob Sigurdsson as a Director of the Company.
12. To re-elect Martin Court as a Director of the Company.
13. To re-elect Richard Armitage as a Director of the Company.
14. To increase the limit on the aggregate amount of fees that the Company may pay annually to its Directors for their services as Directors of the Company under article 54 of the Company's Articles of Association from £600,000 to £1,000,000.
15. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next AGM of the Company at which accounts are laid before the meeting.
16. To authorise the Audit Committee, acting for and on behalf of the Board, to set the auditors' remuneration.
17. That, in accordance with sections 366 and 367 of the Companies Act 2006, the Company and all companies that are subsidiaries of the Company at any time during the period for which this resolution has effect are authorised, in aggregate, during the period beginning with the date of the passing of this resolution and ending on the conclusion of the next AGM of the Company (unless such authority is previously renewed, varied or revoked by the Company in a general meeting), to:
 - a) make political donations to political parties and/or independent election candidates not exceeding £12,500 in total;
 - b) make political donations to political organisations other than political parties not exceeding £12,500 in total; and
 - c) incur political expenditure not exceeding £12,500 in total,

provided that the authorised sums referred to in paragraphs (a), (b) and (c) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating that authorised sum, shall be converted into Pounds Sterling at such rate as the Board in its absolute discretion may determine to be appropriate.

For the purposes of this resolution the terms 'political donation', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' shall have the meanings given by sections 363 to 365 of the Companies Act 2006.

18. That the Directors are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
 - a) up to an aggregate nominal amount of £299,899 (such amount to be reduced by the aggregate nominal amount of any equity securities allotted or rights granted under paragraph (b) below in excess of such sum); and
 - b) comprising equity securities (as defined in section 560(1) of the Companies Act 2006), up to an aggregate nominal amount of £599,799 (such amount to be reduced by the aggregate nominal amount of shares allotted or rights granted under paragraph (a) above) in connection with a rights issue (as defined in the Listing Rules published by the Financial Conduct Authority):
 - i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii) to holders of other equity securities or as required by the rights of those securities as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirement of any regulatory body or stock exchange or any other matter, provided that this authority shall expire at the close of business on 30 March 2023 or, if earlier, at the conclusion of the Company's next AGM, save that the Company may make any offers and enter into agreements before such expiry which would, or might, require shares to be allotted or rights to be granted after the authority expires and the Directors may allot shares or grant rights under any such offer or agreement as if the authority had not expired. All authorities vested in the Directors on the date of this Notice of AGM to allot shares or to grant rights that remain unexercised at the commencement of this meeting are revoked.



SHAREHOLDER INFORMATION

Notice of Annual General Meeting continued

Special Resolutions

19. That, conditional upon Resolution 18 in this Notice of AGM being passed, the Directors are empowered to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution (or by way of a sale of treasury shares), as if section 561 of the Companies Act 2006 did not apply to such allotment or sale, provided that such power is limited to:
 - a) the allotment of equity securities and/or sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of Resolution 18, by way of a rights issue only):
 - i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - ii) to holders of other equity securities, as required by the rights of those securities, or as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirement of any regulatory body or stock exchange or any other matter; and
 - b) the allotment of equity securities and/or sale of treasury shares (otherwise than under paragraph (a) above) up to a maximum aggregate nominal amount of £44,984.

Such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 18 in this Notice of AGM, save that the Company may make offers, and enter into agreements, before such expiry which would, or might, require equity securities to be allotted (and/or treasury shares to be sold) after the power expires and the Directors may allot equity securities (and/or sell treasury shares) under any such offer or agreement as if the power had not expired.

20. That, conditional upon Resolution 18 in this Notice of AGM being passed and in addition to the power contained in Resolution 19, the Directors are empowered to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by Resolution 18 (or by way of a sale of treasury shares), as if section 561 of the Companies Act 2006 did not apply to such allotment or sale, provided that such power is:
 - a) limited to the allotment of equity securities and/or sale of treasury shares up to a maximum aggregate nominal amount of £44,984; and
 - b) used only for the purposes of financing (or refinancing, if the power is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice of AGM.

Such power shall expire on the revocation or expiry (unless renewed) of the authority conferred on the Directors by Resolution 18 in this Notice of AGM, save that the Company may make offers, and enter into agreements, before such expiry, which would, or might, require equity securities to be allotted (and/or treasury shares to be sold) after the power expires and the Directors may allot equity securities (and/or sell treasury shares) under any such offer or agreement as if the power had not expired.

21. That the Company is authorised generally and unconditionally pursuant to section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares in the capital of the Company ('Ordinary Shares'), provided that:
 - a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 8,996,980;
 - b) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be an amount equal to the higher of:
 - (i) 5% above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and
 - (ii) the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out at the relevant time;
 - c) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is its nominal value; and
 - d) such authority shall expire at the close of business on 30 March 2023 or, if earlier, at the conclusion of the Company's next AGM, but so that the Company may before such authority expires enter into a contract under which a purchase of Ordinary Shares may be completed or executed wholly or partly after the authority expires and the Company may purchase Ordinary Shares in pursuance of such contract as if the authority had not expired.
22. That a general meeting of the Company, other than an AGM, may be called on not less than 14 clear days' notice.

By order of the Board

Jane Brisley
Company Secretary
6 December 2021

Registered office:
Victrex Technology Centre
Hillhouse International
Thornton Cleveleys
Lancashire FY5 4QD

Registered in England and Wales 2793780



Notes

1. A member who is entitled to attend and vote at the AGM is entitled to appoint another person, or two or more persons in respect of different shares held by him/her, as his/her proxy to exercise all or any of his/her rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company.
2. To be entitled to attend and vote at the AGM (and for the purposes of determining the number of votes that may be cast), a member must be registered in the Register of Members of the Company as the holder of ordinary shares at the close of business on Wednesday 9 February 2022 (or, in the event of any adjournment, at the close of business on the day two business days prior to the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the AGM.
3. Attendees will be expected to adhere to any special arrangements and measures that the Company puts in place on the day in light of the COVID-19 pandemic. A member that is a corporation can only attend and vote at the meeting in person through one or more representatives appointed in accordance with section 323 of the Companies Act 2006. Any such representative should bring to the meeting written evidence of his or her appointment, such as a certified copy of a board resolution of, or a letter from, the corporation concerned confirming the appointment. Any member wishing to vote at the AGM without attending in person or (in the case of a corporation) through its duly appointed representative must appoint a proxy to do so.
4. A hard copy form of proxy ('Form of Proxy') which may be used to appoint a proxy and give instructions accompanies this Notice. To be valid, a Form of Proxy must be delivered to the Company's Registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, so as to be received by no later than 11am on Wednesday 9 February 2022. Alternatively, members may appoint a proxy online by following the instructions in note 5 below. Members who hold their shares in uncertificated form may also use 'the CREST voting service' to appoint a proxy electronically as explained in notes 6 to 8 below. The return of a completed Form of Proxy, electronic proxy appointment instruction or any CREST Proxy Instruction will not prevent a member attending the AGM and voting in person if he/she wishes to do so.
5. Members who prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk. Full details of the procedure are given on the website. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic proxy appointment system. Alternatively, members who have already registered with EQ's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and clicking on the 'Vote Online' link. The on-screen instructions give details of how to complete and submit a proxy appointment. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 11am on Wednesday 9 February 2022.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual available via www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent Equiniti (ID RA19) by 11am on Wednesday 9 February 2022. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).



SHAREHOLDER INFORMATION

Notice of Annual General Meeting continued

Notes continued

9. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

The statement of the rights of members in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. Such rights can only be exercised by members of the Company.

10. As at 1 December 2021 (being the latest practicable date prior to the publication of this document) the Company's issued share capital consisted of 89,969,804 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 1 December 2021 were 89,969,804. There were no shares in treasury as at that date.
11. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
 - a) the audit of the Company's financial statements (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or
 - b) any circumstance connected with auditors of the Company ceasing to hold office since the previous meeting at which annual reports were laid in accordance with section 437 of the Companies Act 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

15. Each member attending the AGM has the right to ask questions relating to the business of the meeting which, in accordance with section 319A of the Companies Act 2006 and subject to some exceptions, the Company must cause to be answered. Members who wish to ask questions relating to the business of the meeting can do so by sending them in advance of the meeting to cosec@victrex.com.
A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.victrexplc.com.
16. All resolutions to be proposed at the meeting will be put to vote on a poll, as permitted by the Company's Articles of Association. On a poll, each member has one vote for every share held, which results in a more accurate reflection of the view of members.
17. Personal data provided by members at or in relation to the AGM (including, for example, names, contact details, votes and Shareholder Reference Numbers) will be processed in line with the Company's privacy policy, which can be accessed here: www.victrex.com/en/privacy-policy.
18. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted): email the General Counsel & Company Secretary at cosec@victrex.com or ir@victrex.com. A member may not use any electronic address provided in either this Notice of AGM or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.



Explanatory notes

Resolution 1 – Annual Report and Accounts

The Companies Act 2006 requires the directors of a public company to lay its annual report and accounts before the company in general meeting. The Annual Report and Accounts comprises the audited financial statements, the Auditors' report, the Strategic report, the Directors' report and the Directors' remuneration report. In accordance with best practice, the Company proposes a resolution on its Annual Report and Accounts for the year ended 30 September 2021 (the 'Annual Report 2021'). This Ordinary Resolution will provide members with the opportunity to ask questions on the contents of the Annual Report 2021.

Resolution 2 – Approval of the Directors' remuneration report

In accordance with the Companies Act 2006, the Company proposes an Ordinary Resolution to approve the Directors' remuneration report for the financial year ended 30 September 2021. The Directors' remuneration report is set out on pages 90 to 109 of the Annual Report 2021 and, for the purposes of this resolution, does not include the parts of the Directors' remuneration report containing the Directors' remuneration policy which is set out on pages 92 to 99. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on its being passed.

The Companies Act 2006 requires the Directors' remuneration policy to be put to members for a binding vote at least every three years unless there is a change in the approved policy within the three-year period. The Company is not proposing any changes to the Directors' remuneration policy last approved at the AGM in 2020.

Resolution 3 – Declaration of final dividend

A final dividend of 46.14p per ordinary share has been recommended by the Directors for the year ended 30 September 2021. In accordance with the requirements of HM Revenue & Customs, all dividends are declared and paid net of income tax at the standard rate. If approved, the final dividend will be paid on 18 February 2022 to shareholders on the register at 6pm on 28 January 2022.

Resolution 4 – Declaration of special dividend

In addition to the final dividend, the Board is proposing the payment of a special dividend of 50.00p per ordinary share for the year ended 30 September 2021. In accordance with the requirements of HM Revenue & Customs, all dividends are declared and paid net of income tax at the standard rate. If approved, the special dividend will be paid on 18 February 2022 to shareholders on the register at 6pm on 28 January 2022.

Resolutions 5 to 13 – Election and re-election of Directors

Resolutions 5 to 13 relate to the election and re-election of the Company's Directors. The Company's Articles of Association require a Director who has been appointed by the Board since the last AGM (and who is willing to continue as a Director) to stand for election by the shareholders at the next AGM. Vivienne Cox was appointed as a non-executive Director with effect from 1 December 2021. Accordingly, she stands for election by shareholders for the first time at the AGM.

In accordance with the provisions of the UK Corporate Governance Code and as permitted by the Company's Articles of Association, the Board has decided that all of the other Directors of the Company as at the date of this Notice will seek re-election by shareholders, with the exception of Larry Pentz who, as previously announced, will step down from the Board at the conclusion of the AGM.

The Chairman confirms that, following formal evaluation (as referred to on page 78 of the Annual Report 2021), each Director standing for re-election continues to contribute effectively to the Board and to demonstrate commitment to the role (including commitment of time for Board and Board Committee meetings).

The biographical details, skills and experience of each Director standing for election or re-election are set out below:

Dr Vivienne Cox CBE, non-executive Director and from 1 January 2022 Chair-designate

Vivienne Cox was appointed to the Board on 1 December 2021 and has a wealth of experience in executive and non-executive roles with over more than 40 years, with a particular focus on sustainability, innovation and alternative energy. Vivienne was appointed Commander of the Order of the British Empire ('CBE') in 2016 for services to the economy and sustainability. Vivienne holds MA (Honours) in chemistry from Oxford University, an MBA from INSEAD and honorary doctorates from the University of Hull and the University of Hertfordshire.

Vivienne's previous non-executive roles include serving on the boards of Eurotunnel plc, BG Group plc and Rio Tinto plc, as senior independent director of Pearson plc and as the lead non-executive director for the UK Department for International Development. She also chaired Climate Change Capital, a private asset management and advisory group developing solutions for climate change and resource depletion. Until recently she was chair of Vallourec SA, a global manufacturing company providing solutions to the energy and industrial sectors.

Vivienne is currently a non-executive director of GlaxoSmithKline plc and Stena AB in Sweden, chair of the Rosalind Franklin Institute, and deputy chair of the Said Business School in Oxford.

Ms Jane Toogood, non-executive Director

Jane Toogood was appointed to the Board in September 2015. Jane has a wealth of experience across a number of business management, senior commercial and business development roles within the global chemical industry and holds an MA in natural sciences (chemistry) from the University of Oxford.

Jane held senior roles at Borealis, ICI and Uniqema. She was non-executive director of NHS Harrogate and District Foundation Trust.

Jane is the sector chief executive, efficient natural resources at Johnson Matthey Plc.

Jane brings strategic and industry expertise and insights drawing on her extensive international experience across multiple sectors.



SHAREHOLDER INFORMATION

Explanatory notes continued

Resolutions 5 to 13 – Election and re-election of Directors continued

Ms Janet Ashdown, non-executive Director

Janet Ashdown was appointed to the Board as a non-executive Director in February 2018.

Janet has over 30 years' experience in the international energy sector working across the value chain from customer facing through to manufacturing in increasingly senior roles.

Janet had a distinguished career working for BP plc for 30 years where her last role was head UK Fuels Business Unit. She was CEO of Harvest Energy, an international private equity backed business, from 2010 to 2012. She was non-executive director at SIG Plc and Coventry Building Society.

Janet is a non-executive director, chair of the remuneration committee and chair of the sustainability committee of RHI Magnesita NV, is senior independent director and chair of the environment safety and security committee of the Nuclear Decommissioning Authority and is also a non-executive director of Stolt-Nielsen Norway AS.

Janet contributes her extensive international executive and non-executive experience having served on remuneration committees across different sectors for over ten years and being a chair for five years.

Mr Brendan Connolly, non-executive Director

Brendan Connolly was appointed to the Board as a non-executive Director in February 2018.

Brendan has over 35 years' experience in the international oil and gas industry serving in a number of senior executive roles. Until June 2013, Brendan was a senior executive at Intertek Group plc and had previously been chief executive officer of Moody International (which was acquired by Intertek in 2011). Prior to Moody, he was managing director of Atos Origin UK, and spent more than 25 years of his career with Schlumberger in senior international roles over three continents.

Brendan is senior independent director of Synthomer plc, a non-executive director of Pepco Group NV and also independent director to the Board of Applus Services, S.A.. Brendan is also on two private equity boards, one of which he chairs.

With extensive executive and non-executive experience, Brendan brings operational, commercial and strategic expertise and insights; his role as the designated non-executive Director for workforce engagement enhances the Board's understanding of the views of employees and the culture of the Company.

Mr David Thomas, non-executive Director

David Thomas was appointed to the Board in May 2018 and chairs the Audit Committee.

David was chief financial officer at Invensys plc from 2011 until his retirement in 2014, having held senior roles across the business since 2002. Prior to joining Invensys, he was a senior partner in Ernst & Young, specialising in long-term industrial contracting businesses, and is a former member of the Auditing Practices Board. David is senior independent director and chair of the audit committee at Dialight plc.

David contributes his expertise in finance and his understanding of the investment community and regulators as both a Board member and Chair of the Audit Committee, as well as his industry knowledge to enhance the risk lens for Board decision making.

Dr Ros Rivaz, Senior Independent Director

Ros Rivaz was appointed as a non-executive Director and the Senior Independent Director with effect from 1 May 2020.

Ros holds a Bachelor of Science (Honours) degree in chemistry and an honorary doctorate from Southampton University and has deep international experience in the areas of supply chain management, logistics, manufacturing, IT, procurement and systems in the engineering, manufacturing and chemicals industries. Ros' executive career spans nearly 30 years. She held senior executive roles held at Exxon Chemical Corporation, Tate & Lyle, ICI, Diageo and Premier Foods. Ros served as global chief operating officer for Smith & Nephew from 2011 to 2014. Ros was non-executive director at ConvaTec plc, RPC Group plc, Boparan Holdings Limited, Rexam plc and CEVA Logistics AG.

Ros is currently senior independent director, employee engagement director and chair of the remuneration committee of Computacenter plc. She is lead independent director of Aperam SA. She is chair of the Nuclear Decommissioning Authority and non-executive director of the Ministry of Defence Equipment and Support board.

Ros' strong track record as both a non-executive and executive across a range of listed companies, particularly in the medical industry, is instrumental in driving growth and supporting the Chairman in her role as Senior Independent Director.

Mr Jakob Sigurdsson, Chief Executive Officer

Jakob Sigurdsson was appointed to the Board in October 2017 and is the Company's Chief Executive Officer. Jakob has more than 20 years' experience in large multinational companies, both listed and private, including nine years with Rohm & Haas (now part of Dow Chemical) in the US. He was chief executive at Alfesca, Promens and ViS.

Jakob holds a BSc in chemistry from the University of Iceland and a MBA from Northwestern University in the US. His executive responsibilities have spanned marketing, supply chain, business development, strategy and M&A, with particular emphasis on growth in new or developing markets. Jakob is non-executive director of Coats Group plc. Jakob brings his diverse and international background in chemicals coupled with wider business, executive and non-executive experience to inspire and lead the Group.

Dr Martin Court, Chief Commercial Officer

Martin Court was appointed to the Board as an executive Director in April 2015. Martin joined Victrex in February 2013 as Managing Director of Invibio, from Cytec Industries where he served as VP in-process separation and VP R&D, previously having held senior leadership roles at UCB S.A. and ICI.

Martin is an INSEAD alumnus and holds a doctorate in the field of surface chemistry and fracture mechanics and a BSc (Eng) in mineral technology from the Imperial College of Science and Technology. Martin has broad international experience in strategy, innovation-driven growth and organisational change in high performance materials and chemical industries, having held both senior commercial and technical roles.

Resolutions 5 to 13 – Election and re-election of Directors continued

Dr Martin Court, Chief Commercial Officer continued

Martin's significant diverse international experience and his focus on value creation and achieving business growth through innovation and geographic expansion enable him to drive Victrex's commercial and innovation strategies ensuring an appropriate balance between disruptive and non-disruptive change. Martin is a non executive director at James Cropper plc.

Mr Richard Armitage, Chief Financial Officer

Richard Armitage was appointed to the Board in May 2018 and is the Company's Chief Financial Officer.

Richard has broad experience including financial management, investor relations, capital markets, M&A and commercial management, gained through roles in a number of listed and privately owned chemicals and consumer goods companies. Richard was previously CFO at Samworth Brothers from 2014 to 2018 and CFO of McBride plc from 2009 to 2014. Prior to that, Richard held senior finance roles in Courtaulds plc, ICI plc and Premier Foods plc.

Richard is non-executive director and chair of the audit committee of NWF Group plc.

Resolution 14 – Increased limit for Directors' fees

The Company's Articles of Association set an annual limit of £600,000 on the aggregate amount of fees that the Company can pay to its non-executive Directors. This limit can be changed by Ordinary Resolution of the Company in general meeting. The current limit has been in place since 2018, and the Board believes that it should now be increased to £1,000,000 per annum. The proposed increase takes into account the increase in number of Board members since the original limit was set and their current remuneration levels as well as anticipated remuneration levels following the appointment of the Chair-designate. It will also provide greater flexibility should any future growth of the Board be desirable.

Resolutions 15 and 16 – Re-appointment and remuneration of the auditors

At each meeting at which the Annual Report and Accounts are laid, the Company is required under the Companies Act 2006 to appoint auditors to serve until the next such meeting. PricewaterhouseCoopers LLP ('PwC') have indicated their willingness to continue as the Company's auditors. The Audit Committee has recommended to the Board, and the Board now proposes to shareholders, that PwC be re-appointed as the Company's auditors. The Audit Committee has confirmed to the Board that its recommendation is free from third-party influence and that no restrictive contractual provisions have been imposed on the Company limiting its choice of auditors. Resolution 15, therefore, proposes PwC's re-appointment as auditors to hold office until the Company's next AGM at which its accounts are laid before shareholders. Resolution 16 authorises the Audit Committee to set the auditors' remuneration. Under the Competition and Markets Authority's Statutory Audit Services Order, the Audit Committee has specific responsibility for negotiating and agreeing the statutory audit fee for and on behalf of the Board. Details of the remuneration paid to the auditors during the last financial year and details of how the effectiveness and independence of the auditors are monitored and assessed can be found on pages 131 and 84 to 89 of the Annual Report 2021.

Resolution 17 – Political donations and expenditure

Subject to limited exceptions, Part 14 of the Companies Act 2006 imposes restrictions on companies making political donations to any political party or other political organisation or to any independent election candidate or incurring political expenditure unless they have been authorised to do so at a general meeting.

It has always been the Company's policy that it does not make political donations nor incur political expenditure either directly or through any subsidiary. This remains the case. Nevertheless, the Companies Act 2006 includes broad and ambiguous definitions of the terms 'political donations' and 'political expenditure' which may apply to some normal business activities which would not generally be considered to be political in nature.

As in previous years, the Board considers that it would be prudent to obtain shareholder approval to make donations to political parties, political organisations and independent election candidates and to incur political expenditure up to the limit specified in the resolution. As is common practice among many UK public companies, this authority is sought as a precautionary measure to guard against any inadvertent breach of the statutory restrictions by the Company or its subsidiaries. The Board confirms that it has no intention of making any political donations, incurring political expenditure nor entering into party political activities.

Resolution 18 – Authority to allot shares

The Directors currently have a general authority to allot shares or grant rights to subscribe for or to convert any securities into shares in the Company. This authority is, however, due to expire at the conclusion of the AGM. Accordingly, the Board would like to seek a new authority to provide the Directors with flexibility to allot new shares and grant rights up until the Company's next AGM within the limits prescribed by The Investment Association.

The Investment Association's guidelines on directors' allotment authority state that the Association's members will regard as routine any proposal at a general meeting to seek a general authority to allot an amount up to two thirds of the existing share capital, provided that any amount in excess of one third of the existing share capital is applied to fully pre-emptive rights issues only. Accordingly, the proposed authority at Resolution 18 will allow the Directors to allot ordinary shares in the Company ('Ordinary Shares') or grant rights to subscribe for or convert any securities into Ordinary Shares in any circumstances up to a maximum nominal amount of approximately, but not exceeding, one third of the issued share capital as at 1 December 2021 (being the latest practicable date before the publication of this Notice). It will also allow the Directors to allot (or grant rights over) new Ordinary Shares, in the case of a rights issue only, up to an additional maximum nominal amount of approximately, but not exceeding, one third of the Company's existing issued share capital.

The Directors have no current intention of exercising this authority, however the Board considers it prudent to maintain the flexibility that it provides to enable the Directors to respond to any appropriate opportunities that may arise. If passed, this authority will expire at the close of business on 30 March 2023 or, if earlier, at the conclusion of the Company's next AGM. The Company held no treasury shares as at 1 December 2021.



SHAREHOLDER INFORMATION

Explanatory notes continued

Resolutions 19 and 20 – Permission to allot a limited number of shares other than to existing shareholders

Under the Companies Act 2006, when shares are issued for cash, they normally have to be offered first to existing shareholders in proportion to their current shareholding. Section 570 of the Companies Act 2006, however, permits the disapplication of such pre-emption rights.

Resolution 19 will enable the Directors to allot shares for cash and/or sell treasury shares free from statutory pre-emption rights: (i) in connection with a rights issue, open offer or other pre-emptive offer; and (ii) otherwise than in connection with any such offer, up to a nominal amount of £44,984 representing approximately 5% of the issued Ordinary Share capital as at 1 December 2021 (the latest practicable date before the publication of this Notice). The Directors have no current intention of exercising this power and confirm their intention, in accordance with the Pre-Emption Group's 2015 Statement of Principles ('Statement of Principles'), that not more than 7.5% of the issued Ordinary Share capital will be allotted or treasury shares sold on a non-pre-emptive basis in any rolling three-year period, other than with prior consultation with shareholders or in connection with an acquisition or specified capital investment as referred to below.

Resolution 20 is in addition to Resolution 19. As supported by the Statement of Principles, Resolution 20 will enable the Directors to allot shares for cash and/or sell shares out of treasury free from statutory pre-emption rights up to a further nominal amount of £44,984, representing approximately 5% of the issued Ordinary Share capital as at 1 December 2021 (the latest practicable date before the publication of this Notice) in connection with an acquisition or a specified capital investment only. The Board confirms that it will only allot shares or sell shares out of treasury pursuant to this power where the relevant acquisition or specified capital investment is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no current intention of exercising this power. If it is used, the Company will publish details of the placing in its next Annual Report and Accounts.

Resolution 21 – Authority to purchase own shares

In certain circumstances, it might be advantageous to the Company to purchase its own shares. Resolution 21, if passed, will authorise the Company to make market purchases of its own ordinary shares up until the close of business on 30 March 2023 or, if earlier, the conclusion of the Company's next AGM, subject to specific conditions relating to price and volume.

The proposed resolution specifies the maximum number of shares which may be acquired (approximately 10% of the Company's issued Ordinary Share capital as at 1 December 2021 (the latest practicable date before the publication of this Notice)) and the maximum and minimum prices at which shares may be bought.

The Directors intend to use the authority only if, in light of market conditions prevailing at the time, they believe that the effect of such purchase would result in an increase in earnings per share and would be in the best interests of the Company and its shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account in reaching such a decision. Any shares purchased in this way will either be cancelled and the number of shares in issue will be reduced accordingly, or be held as treasury shares depending on which course of action is considered by the Directors to be in the best interests of the shareholders at that time. Shares held as treasury shares can in the future be cancelled, resold or used to provide shares for employee share schemes. The Company currently has no Ordinary Shares in treasury.

As at 1 December 2021, options over a total of 1,176,577 Ordinary Shares were outstanding and not exercised. That number of Ordinary Shares represented 1.31% of the Company's issued Ordinary Share capital at 1 December 2021. It would represent 1.45% of the issued Ordinary Share capital at that date if the authority to buy the Company's own shares given at the previous AGM and the authority now being sought by Resolution 21 were to be fully used.

Resolution 22 – Authority to hold general meetings (other than Annual General Meetings) on 14 clear days' notice

This Special Resolution renews an authority given at last year's AGM and is required as a result of section 307A of the Companies Act 2006. The Company is currently able to call general meetings (other than an AGM) on not less than 14 clear days' notice and would like to maintain this ability. In order to do so, the Company's shareholders must approve the calling of such meetings on not less than 14 clear days' notice. Resolution 22 seeks such approval. If given, the approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Recommendation

The Directors consider that all the proposed resolutions set out in the Notice of AGM are in the best interests of the Company and of its shareholders as a whole and they unanimously recommend that you vote in favour of them, as they intend to do so in respect of their own shares (save in respect of those matters in which they are interested).



Financial calendar

| | |
|--|------------------|
| Ex-dividend date | 27 January 2022 |
| Record date ¹ | 28 January 2022 |
| AGM | 11 February 2022 |
| Payment of final dividend | 18 February 2022 |
| Announcement of 2021 half-yearly results | May 2022 |
| Payment of interim dividend | July 2022 |

1 The date by which shareholders must be recorded on the share register to receive the dividend.





SHAREHOLDER INFORMATION

Advisors

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

This is the Annual Report of Victrex plc for the year ended 30 September 2021.

This Annual Report has been sent to shareholders who have elected to receive a copy. A Notice of the AGM to be held on 11 February 2022 is also included within the report commencing on page 163.

In this Annual Report, references to 'Victrex', 'the Group', 'the Company', 'we' and 'our' are to Victrex plc and its subsidiaries and lines of business, or any of them as the context may require.

References to the years 2021, 2020 and 2019 are to the financial years ended 30 September 2021 (for 2021), 30 September 2020 (for 2020) and 30 September 2019 (for 2019). Unless otherwise stated, all non-financial statistics are at 30 September 2021.

This Annual Report contains forward-looking statements with respect to the Group's financial condition, operating results and business strategy, plans and objectives. Please see the discussion of our principal risks and uncertainties in the sections entitled 'Risk management' and 'Principal risks', and the section entitled 'Cautionary note regarding forward-looking statements'.

This Annual Report contains references to Victrex's website. These references are for convenience only – we are not incorporating by reference any information posted on www.victrexplc.com.

This Annual Report has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

The Directors' report – Strategic report has been prepared to inform the Company's shareholders and help them assess how the Directors have performed their duty to promote the success of the Company for the benefit of the Company's shareholders as a whole. It should not be relied upon by anyone, including the Company's shareholders, for any other reason. The Directors' report – Strategic report contains a fair review of the business of the Group and a description of the principal risks and uncertainties that the Group faces. As a consequence, the Directors' report – Strategic report only focuses on material issues and facts.

This Annual Report does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Victrex plc shares.

Lawyers

Addleshaw Goddard LLP
One St Peter's Square
Manchester
M2 3DE

Slaughter and May

One Bunhill Row
London
EC1Y 8YY

Bankers

Barclays Bank PLC
3 Hardman Street
Manchester
M3 3AX

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
BN99 6DA

Visit www.victrexplc.com or scan with your QR code reader to visit our Group website.





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Victrex plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arcoprint, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment. Vegetable-based inks have been used and 99% of dry waste is diverted from landfill. The printer is a CarbonNeutral® company. Both the printer and the paper mill are registered to ISO 14001.



Victrex plc

Victrex Technology Centre
Hillhouse International
Thornton Cleveleys
Lancashire
FY5 4QD
United Kingdom

Tel: +44 (0) 1253 897700
Fax: +44 (0) 1253 897701
Web: www.victrexplc.com